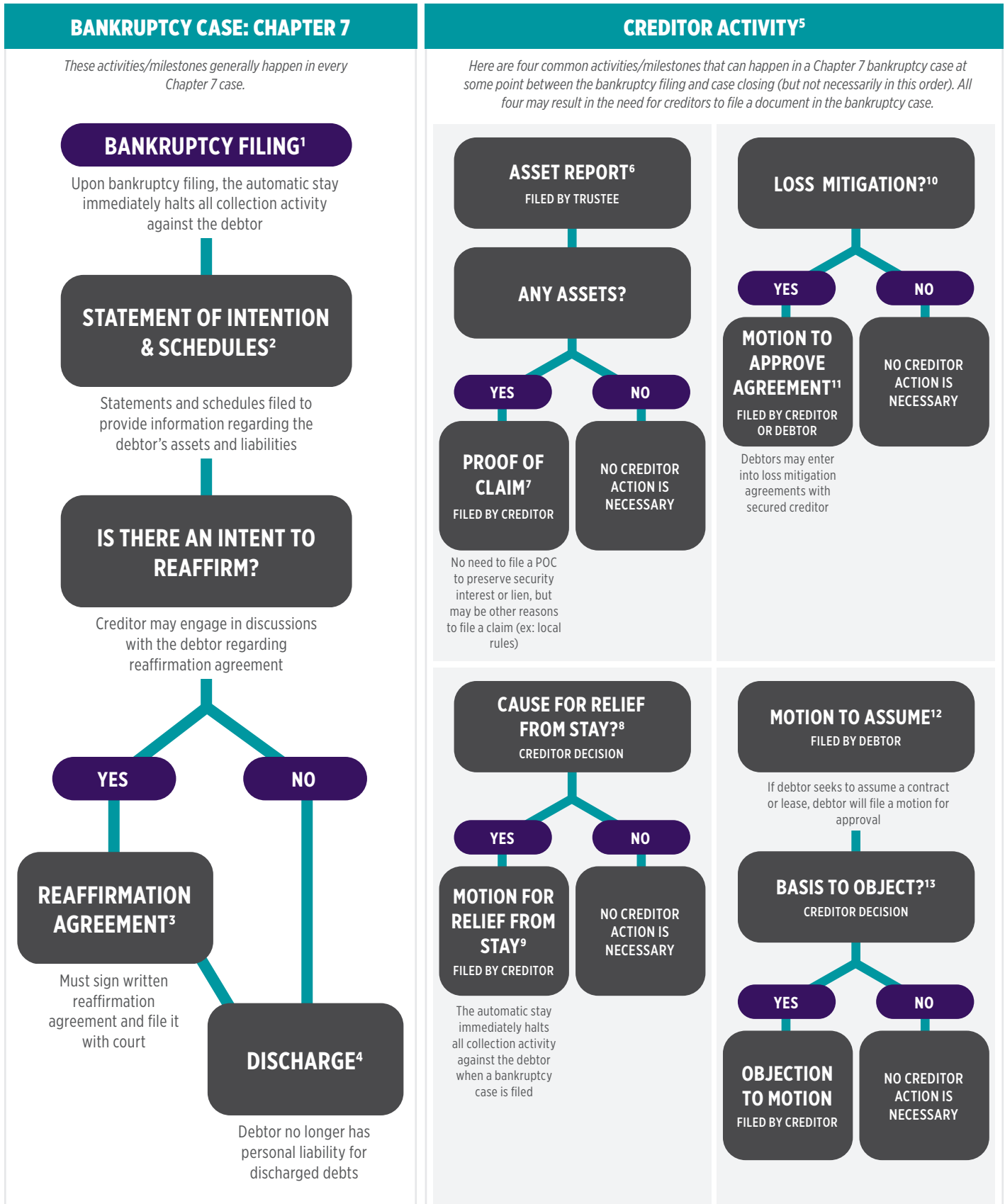


For a detailed reference guide with expanded definitions, see page two and find the correlating endnote.



CHAPTER 7 LIFECYCLE: CREDITORS QUICK REFERENCE GUIDE

The chart on the previous page provides a high-level overview of the Chapter 7 process for creditors, including documents that a creditor may need to file in bankruptcy court. It does not account for all of the possible permutations of a Chapter 7 case nor does it address rules or processes that may be specific to particular bankruptcy jurisdictions. If you have any questions regarding the processes outlined in this chart, please seek legal counsel.

1. At the beginning of a Chapter 7 case, an impartial case trustee is appointed to administer the case and liquidate available assets.
2. The debtor must file certain statements and schedules at the beginning of the bankruptcy case to provide information regarding assets and liabilities. The debtor completes a statement of intention to indicate what he or she intends to do with secured property — surrender, reaffirm or redeem.
3. If the debtor chooses to reaffirm the debt, the debtor must sign a written reaffirmation agreement and file it with the court. That agreement contains extensive disclosures required by bankruptcy law. Unless the debtor is represented by an attorney, the bankruptcy judge must approve the reaffirmation agreement. If the debtor was represented by an attorney in connection with the reaffirmation agreement, various certifications are required by the attorney. If such an agreement is entered into and approved by the bankruptcy court, the debtor will be liable for the debt post-discharge.
4. Generally, debtors will no longer have personal liability for their debts following discharge. However, certain debts remain following bankruptcy, such as alimony and certain types of student loans. Creditors may also file adversary proceedings seeking a determination that certain debt is nondischargeable, such as when fraud has occurred. Deadlines to file such lawsuits are included in the initial notice of bankruptcy that is sent to creditors. After discharge, unsecured creditors may not attempt to seek payment from the debtor. Secured creditors may still exercise state law remedies as to their collateral, such as foreclosure against the property, but may not attempt to recover against the debtor personally.
5. These activities may not occur linearly or at all in a bankruptcy case, depending on the type of claim (i.e., value of claim, security interest) and the debtor's intention regarding the particular claim.
6. If all the debtor's assets are exempt under applicable law or are subject to valid liens, the trustee will normally file a "no asset" report with the court, and there will be no distribution to unsecured creditors. In other cases (known as "asset cases"), the trustee will file a notice (a) indicating that distributions may be available to creditors and (b) setting a deadline to file proofs of claim.
7. A secured creditor does not need to file a proof of claim (POC) in a Chapter 7 case to preserve its security interest or lien. However, there may be other reasons to file a claim, such as local rules. The debtor or other parties in interest may object to the POC, which generally results in a court hearing.
8. Filing a bankruptcy case "automatically stays" (stops) most collection actions against the debtor or the debtor's property. As long as the automatic stay is in effect, creditors generally may not initiate or continue lawsuits, wage garnishments, or even telephone calls demanding payments. Creditors may file a motion for relief from the stay when "cause" exists to grant such relief, such as when the debtor indicates he or she will surrender the property.
9. If relief from the stay is granted, the creditor may exercise its state law remedies (i.e., cannot immediately take possession of the home but can initiate the foreclosure process under applicable state law).
10. Debtors may enter into loss mitigation with the secured creditor during the case.
11. In many jurisdictions, at least one of the parties must seek court approval for loss mitigation. Depending on the jurisdiction, various documents may need to be filed by one of the interested parties, such as a motion to approve loss mitigation.
12. A debtor may "assume" (accept and continue paying under the terms of) a contract or lease. The debtor may file a motion to assume the contract or lease. Before he can assume the contract or lease, the debtor must cure any defaults or provide the creditor with assurances he will promptly cure defaults.
13. Creditors may object to a motion to assume a contract or lease, particularly if there are defaults and it does not appear likely that these defaults can be cured.



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