

How to Survive After Filing a Chapter 7 Bankruptcy

Written by Victoria Ring, Bankruptcy Paralegal

Courtesy of

www.BankruptcyFormProcessing.com

Your Bankruptcy Discharge

After you have filed your bankruptcy petition and attended your 341 Meeting, the Judge will send you a Notice of Discharge when your case is finally dismissed. The date you receive this notice differs in every court and with every Trustee. If the Trustee did not request any additional items from you at your 341 Meeting, the normal process is that the Trustee reviews the case one last time, and then provides the Judge with a confirmation order; which the Judge must sign. The time period for all of this to occur differs with the work habits of the Trustee, the Judge and the court itself. The time period could also differ depending on the amount of bankruptcy cases filed with your particular court.

However, when you receive your Notice of Discharge in the mail, it should be a day of celebration for you! You have successfully lived through the filing of a Chapter 7 bankruptcy and all the debts listed on Schedule F of your petition are now “forgiven.” You now have the opportunity for a NEW START in life!!

How to Start Your New “Debt Free” Life

It may be impossible for you to remember a time in your life when you were debt free. Prior to filing bankruptcy, you lived a life where you paid bills with monthly installments. To switch from this “abnormalcy” that you may be used to from the past, to a world of “normalcy” where you don’t pay bills in monthly installments, may be confusing.

That is the primary purpose for this report. I want to help you live a “debt free” life after filing bankruptcy with the hope that you never have to file bankruptcy again. I hope you take time to read this report in its entirety and pass the information onto others. You will find yourself enjoying a more peaceful, less stressful lifestyle – not allowing “debt” to ever place you in bondage again.

Believe me – I know exactly what you are going through. I filed a Chapter 7 bankruptcy back in 1987 and today I live a debt-free life (except for my car payment). Therefore, the information in this report is “first-hand” knowledge, so I know the contents will be a great aide to you in the months and years ahead.

The Credit Card Company “Trap” Examined

I would like to believe that every client I have prepared a bankruptcy petition for is currently enjoying a “financially free” life. But let’s face facts – this is probably not true. In the real world, you probably have been bombarded with credit card offers almost the day

after you filed your bankruptcy petition. But this is a trap! These companies know you cannot file a Chapter 7 bankruptcy for at least 6 years, so they “sucker” you in now so they can make a lot of money or harass you to death for the next 6 years. I hope that none of you have fallen for this malicious trap, set up by big, rich, business people – but if you have, you better read on and see what you can do to get out of it.

The main credit card companies that hit most people who recently filed bankruptcy are names like Provident, Capital One, Orchard Bank, First USA, Direct Merchants, First Consumers, First Premier and many more are being developed as you are reading this. These types of companies issue “high-risk” credit cards that ARE NOT the same as other credit cards you have had in the past.

The difference in these types of credit cards is that you are charged fees for just about everything. For instance, a client who filed bankruptcy received a pre-approved card from Capital One with a \$200 limit. It was filled with “hype” about how they were concerned about helping my client rebuild her credit. What a bunch of bull!! These companies don’t care about you building your credit. They are only interested in hooking you ... period!!

The monthly administration fee for this \$200 credit card was \$16.00. One month my friend had a \$184.03 balance owed on her credit card. When the company added their monthly administrative fee, the balance became \$200.03. This new balance was over her credit limit by only 3 pennies but Capital One added on an additional \$39.00 over-the-limit fee. And what is sad about it – Capital One was the cause of the balance going over the credit limit. Now, do you really think these credit card companies want to help you build your credit or care about you as a human being? Of course not!!

To get out of this mess, my client immediately made a \$100 payment to Capital One the moment her monthly bill arrived. She even cut down paying other bills to be able to afford this \$100 payment – but she got the bill paid to a safe level where no additional fees would be added to her account. Then, she immediately cut up the credit card and paid another \$50 the next month. Finally, within the third month, my client paid off this credit card entirely, then wrote to the company and cancelled the credit card.

Another “rip-off” credit card company is First Premier Bank out of Sioux Falls, South Dakota. Most of the time they advertise on the internet. You fill in some basic information about yourself and you are issued a guaranteed credit card with a \$200.00 credit limit. What’s so bad about this? The fee is \$175.00. So regardless of whether you charge a penny on the credit card or not – your first bill will show an available balance of \$25.00 with \$175.00 in fees owed to them.

The only way you can cancel this card is by never using the card for a purchase; and by notifying the company within 3 days of the receipt of your card. If you do not notify them within 3 days and return the credit card cut in half, you will be liable for the \$175.00 fee on a \$200.00 credit limit card. This my friend, is a supreme rip-off and a horrible way for any company to do business.

But Won't These Cards Help to Build My Credit?

Although it may appear to be logical on the surface – and it is a fact that these “high-risk” credit card companies report your payment history to the credit bureau; it really doesn't do much to build your credit back up after bankruptcy. The fact is – you filed bankruptcy. This is going to remain on your credit report for the next 7-10 years. I don't care if you have 75 credit cards and pay them all on time – that bankruptcy will still be present and it will continue to have some influence. This is only a “sugar coated” lie to trap you back into debt.

How Can I Rebuild My Credit Correctly?

The easiest and cheapest way to build your credit is to take \$500 and deposit it into a savings account with a reputable and known bank or credit union. If you don't have \$500 right now, save out \$10 or \$20 every paycheck (you'll never miss it) until you have the \$500.

After you deposit the \$500 into the bank, you apply for a secured bank loan for \$500. The bank will give you the loan because they will put a “hold” on your savings account, assuring them they will not lose their money. Make your payments on time every month and never miss a payment. Within 90 days, you will have credit with a bank or credit union. This fact alone will outshine all those other “high risk” credit cards by a long shot and build your credit faster than using credit cards.

Do You Really Need a Credit Card?

Back in the mid-1980's I had a mental disorder called “credit card fever.” In fact, most of us have had this disorder at one point or another in our lives, so don't think you are the only one. Credit card fever translates into “power.” I remember when I used to feel powerful walking into a store and knowing I could purchase anything I wanted and pay for it later. Never once did I consider “how” I was going to pay the bill. I believed the bill would be so small that I would get the money to pay it someplace – without logically thinking it through. My only concern at this point was getting the item(s) I wanted (not items I needed) and worrying about paying the bill later.

My credit card spending habits became so extreme that I actually had to get cash advances on other credit cards to pay the minimum balance on others. This is insanity! It was at this point that I realized I had a mental disorder and it had to be stopped now or I would end up living in a ditch somewhere along the side of the road.

The first thing I did was talk to some wealthy people. I wanted to find out what wealthy people did to cause them to always have money. One of the first people I talked to was an attorney I was working for. He had been an attorney for over 30 years and I knew he was very wealthy. One day I offered to buy him lunch. During our lunch conversation, I was truthful with him and said, *“I admire the fact that you have accomplished so much in your life. Could you tell me how you were able to do it?”* This

question left the subject wide open for him to start telling me how he climbed the ladder to success. I listened very closely to what he said, asked questions along the way and learned more from that attorney in 1 hour than any Suzy Orman advice book on the market today.

Tips I Learned From Wealthy People

One of the things I learned from all the wealthy people I talked with was to stop using credit cards. And, if you do have to use them, use them to your advantage. How do you do that? You purchase an item on sale today with your credit card and pay the entire bill off when the invoice arrives. That way, you received the benefit of making use of the item up to 30 days before you paid for it. Some people will purchase a used car at an auction for \$500 with their credit card, and then resell the car for \$750 a week later. When the credit card bill arrives, they pay the \$500 and they pocket \$250 without laying out any out-of-pocket money or paying any interest charges.

Another thing I learned was that wealthy people shop at discount stores and clip coupons. Silly me. When I had credit cards and had the “credit card fever,” I shopped at Sax’s, Bloomingdale’s and other high-priced stores. This way I could brag to my friends about where I purchased an item. But again, this is insane and part of the mental disorder. Most “normal” wealthy people don’t shop at those stores unless something is on sale or if they cannot find the same item someplace else for a lower price.

Another thing I learned from wealthy people is that they are also prepared for periods in their lives when they are not living a wealthy lifestyle. Most wealthy people have a way of adjusting to their situation better than most of us. To illustrate, I knew a wealthy lady who dropped from a \$250,000 per year salary down to \$30,000 due to losing a large government contract. However, this lady never complained about the salary drop. One day I said to her, *“I have never heard you complain about the large drop in salary. How are you coping with it?”* She replied with a simple answer, *“When you make less money, you just adjust your spending habits.”*

Learning How to Pay Bills

The secret to learning how to pay your bills and not get caught back into the trap of overspending is to prioritize your bills. The word “prioritize” sounds really professional but it simply means to “put stuff in order by importance.”

For instance, the first thing I learned after filing bankruptcy was how to pay the important bills first, and worry about “my needs” second. Your first most important bill is your rent or mortgage payment. As long as you keep a roof over your head, you can deal with anything else. Your second most important bills are your utilities. The third most important bill is your car payment. From this point, you can continue working down the list, depending on your own circumstances.

Since the rent or mortgage is the most important, sometimes we have trouble still meeting the payment because it is only due once a month. Many people have a tendency of “putting off” paying the rent until their last paycheck in the month, because it isn’t due until then. However, what if you have an emergency expense at the end of the month? What if you pay your entire rent or mortgage payment out of this last check, and after deducting the emergency expense, you don’t have enough money left for food? That is a situation you don’t want to be in!!

To avoid this from happening, you need to deduct a certain amount EVERY paycheck to go toward your rent. For instance, suppose your rent is \$1,000 per month and you are paid weekly. You need to automatically deduct \$250 from your checking account the moment your paycheck is deposited. Remember, your rent or mortgage should be paid first, before anything else. By deducting \$250 per week, you will have the \$1,000 at the end of the month to pay your rent or mortgage – and it won’t be a big drain on you to come up with the entire \$1,000 from one paycheck.

In addition, you should use this same method with your utilities and car payment. Simply deduct a sufficient amount to meet these expenses from your checkbook every time you get paid (you don’t write a check, just deduct the expense.) You can label the transaction, Rent Payment #1, Rent Payment #2, and so forth in your checkbook so you will immediately know what this deduction is for.

Whatever is left after you have met your rent or mortgage, utilities and car payment is the amount you have to live on. I can guarantee that if you start using this method you will experience 1 to 2 months of feeling like you have no money. It’s a natural way to feel when you change your spending habits. You may have to learn how to cook something other than microwave dinners, substitute a bowl of soup for a Wendy’s hamburger, start clipping coupons, buying at discount stores and other cost-saving methods – but if you tough it out for 1 to 2 months – you will have the battle won!

Why Do We Go Into Debt?

Other than going into debt to purchase a home or a car, why would anyone need to go into debt? You may need a credit card to rent a car, but that doesn’t mean that you have to charge on that credit card. You can pay for the rental car with cash when you pick it up and avoid the charge on your card. If you begin to analyze yourself, you will probably find that most things you purchase with a credit card are things you could live without. For instance, I received a magazine in the mail the other day from Lillian Vernon. I started looking through it and I tried to count the items I actually needed for my survival. I was shocked into realization when I suddenly discovered that there was absolutely nothing in that catalog that I really needed to survive. Nothing!! So, I threw the magazine in the trash and saved myself some money.

I believe as human beings we attempt to “attach” ourselves to “things.” We believe that the things we buy will enhance our lives, make us more popular or cause us to have happiness and peace. That’s a lie! And you and I should know that fact more than

anybody since we have filed bankruptcy. It is much more important for you to get a grip and realize that the things we have in our possession means absolutely nothing. It is the person we are that really matters. Would you rather have a good honest friend who was poor, or a rich kid with a knife terrorizing the neighborhood? Somehow – in a situation like this, rich and poor have no meaning.

Bank Debit Cards

Bank debit cards are probably the best thing that ever happened to people like you and me after filing bankruptcy. We all know what these are. They are cards that look like a Visa or MasterCard but when we use them, the amount is deducted from our checking account. Debit cards take the place of writing a check.

The main problem people have with using their debit cards is they forget to record the transaction in their check books, which is standard when writing a check. To solve this problem, simply take the receipt the cashier gives you and slip it inside your checkbook to record when you get home. Or, if your bank has an online banking service, review your bank account statement at least once every week and keep your checkbook balanced.

Another problem using debit cards is that some banks charge you a fee for using it. However, this issue is slowly phasing out. More and more, banks now issue a debt card without the word “debit” on it. This way, when the cashier asks you “charge or debit” you can say “charge” and there will be no additional debt card fee. For example; I have a debit card through my credit union. One day I went to the post office to purchase some stamps and when the cashier ran my card through, I told her it was a “debit card.” On my bank statement I found a 75¢ charge for this transaction. However, the next time I went to the post office I told the cashier my card was a “charge” and there was no fee.

Food for Thought

Even before credit cards existed, God gave us this wisdom in the Bible: *“Owe no man any thing, but to love one another: for he that loveth another hath fulfilled the law.”* (Romans, Chapter 13, Verse 8.)

This small verse is very powerful. It tells you not to owe any man (this includes credit card companies) because God knew it would be living life similar to a jail sentence. Instead, He commands us to love each other, which is one of the main secrets to a happy and fulfilled life of joy, peace and contentment. I urge you to think about this and I hope you have a wonderful life.

Victoria Ring has worked in the paralegal field since 1977. She currently owns and operates her own paralegal company, The Lawyer Assistant (<http://www.lawyerassistant.com>), that provides low-cost paralegal services to bankruptcy attorneys across the United States. Victoria is an associate paralegal member of the Columbus Bar Association, past board member of the Paralegal Association of Central Ohio, member of The National Notary Association and is a Certified Signing Agent for mortgage companies.