U.S. Department of Justice

Executive Office for United States Trustees

Office of Research and Planning *Washington, D.C. 20530*

OVERVIEW OF BANKRUPTCY CHAPTERS

The Federal Bankruptcy Code appears in title 11 of the United States Code beginning at 11 U.S.C. 101. Four of its principal chapters (7, 11, 12, and 13) are briefly outlined below:

Chapter 7 bankruptcy is a liquidation proceeding available to consumers and businesses. The debtor's assets that are not exempt from creditors are collected and liquidated (reduced to money), and the proceeds are distributed to creditors. A consumer debtor receives a complete discharge from debt under Chapter 7, except for certain debts that are prohibited from discharge by the Bankruptcy Code.

Chapter 11 bankruptcy provides a procedure by which an individual or a business can reorganize its debts while continuing to operate. The vast majority of Chapter 11 cases are filed by businesses. The debtor, often with participation from creditors, creates a plan to repay part or all of its debts.

Chapter 12 allows a family farmer to file for bankruptcy, reorganize the farm's business affairs, repay all or part of the farm's debts, and continue operating.

Chapter 13, often called wage-earner bankruptcy, is used primarily by individual consumers to reorganize their financial affairs under a repayment plan that must be completed within three or five years. To be eligible for Chapter 13 relief, a consumer must have regular income and may not have more than a certain amount of debt, as set forth in the Bankruptcy Code.

Press Contact: Jane Limprecht
Phone: (202) 305-7411