



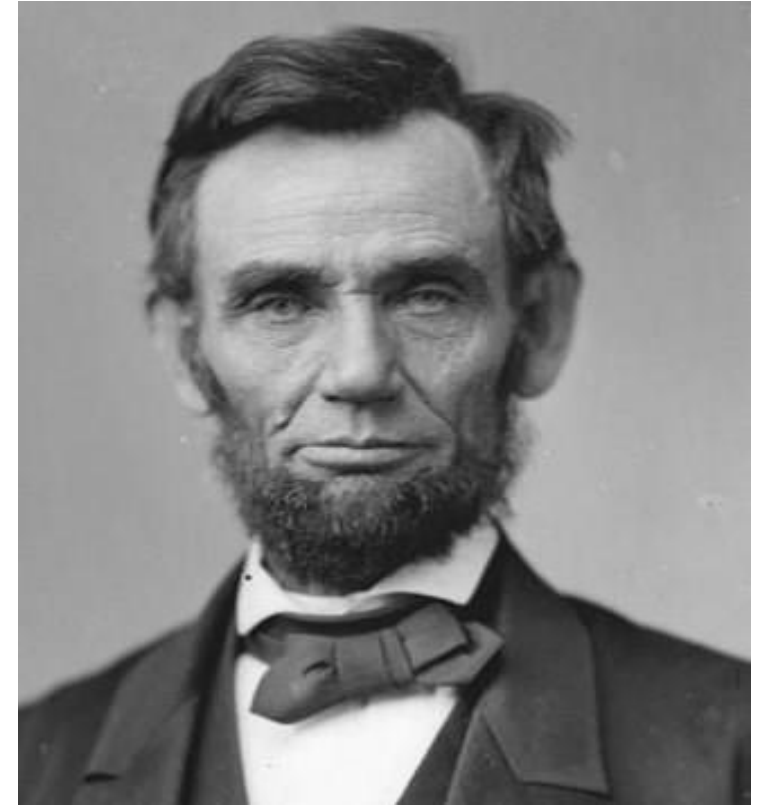
Neighborhood Legal Services
of Los Angeles County

Bankruptcy and Medical Debt

Using Chapter 7 Bankruptcy to Discharge
Medical Debt

Purpose of Bankruptcy

- Bankruptcy is meant to offer a “fresh start” for the “honest but unfortunate debtor.”
- Goal is to discharge debts.
- Many famous and reputable people have filed bankruptcy.



“Honest Abe”

Which of these celebrities filed Bankruptcy?



- John Wayne
- Kim Basinger
- Mike Tyson

Discharge of Debts: Pending Lawsuits and Bankruptcy

- Debtors can discharge debts in bankruptcy...
 - Before being sued.
 - During or after a lawsuit, even after a judgment has been entered against you.
 - **Exception: Liens do not go away in bankruptcy.**

Types of Bankruptcy

Chapter 7

Liquidation case for consumers or businesses

Chapter 13

Reorganization case for individuals

Chapter 11

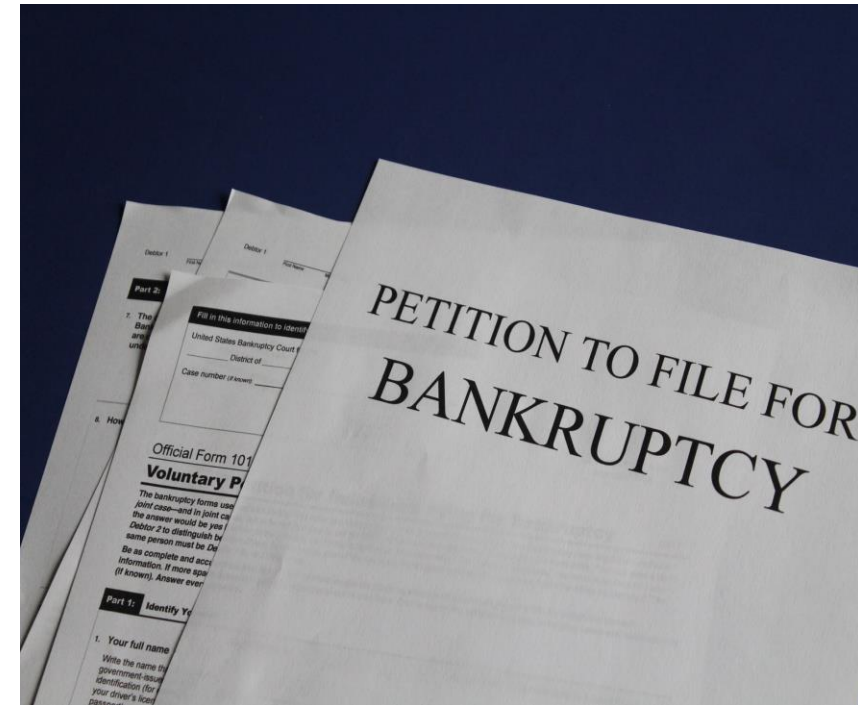
Reorganization case for consumers or businesses



Bankruptcy has long term financial and legal consequences, and **hiring a competent attorney is strongly recommended.**

The Bankruptcy Self-Help Clinic (“BASH”)

- We help individuals to file Chapter 7 bankruptcies on a pro se basis.
- We conduct group workshops and work with debtors one-on-one.
- Typically, the debtors we help have no nonexempt assets.



Chapter 7 Overview: Key Players

- Chapter 7 Trustee: Administers the bankruptcy estate.
- Bankruptcy Estate: All legal or equitable interests of the debtor in property at the time of the bankruptcy filing.
- Petitioner: A person who has filed a petition for relief under the Bankruptcy Code.
- Creditor: One to whom a petitioner owes money.

Chapter 7 Overview

- Chapter 7 Trustee gathers and sells all the debtor's nonexempt assets to pay creditors.
- Exempt assets can include up to \$626,400 in home equity, automobiles, jewelry, household items, burial plots, certain retirement plans and pensions.
- Simple case usually lasts 3-4 months.
- Automatic Stay goes into effect upon filing of Petition.

Chapter 7 Overview: The Automatic Stay

- Stops most collection actions, including commencement or continuation of lawsuit to collect a debt.
- Absent complications, it lasts for the pendency of the bankruptcy proceeding.*
- Petitioner can get damages, costs, and fees for violations of the Automatic Stay.

Medical Debt and Factors to Consider...

- Amount of money you owe?
- Are you likely to incur more medical debt?
- Are you judgment proof?
- Are there other debts you can discharge in bankruptcy?
- Can you protect your property?
- Have you already tried applying for payment assistance?

Debts that Can Be Discharged in Bankruptcy

- Unsecured debts
 - Credit card debt
 - Medical Bills
 - Overdue utility payments
 - Unsecured personal loans



Debts that Cannot Be Discharged in Bankruptcy

- Child support and alimony
- Taxes
- Debts incurred by fraud
- Damages due to death or personal injury caused by a DUI
- Fines or penalties owed to government agencies



Chapter 7 Overview: Timing of Bankruptcy Filing


- Chapter 7 discharge is only permitted one time within an 8-year span.
- Can only discharge debts incurred as of the date of filing.
- Best done when in a position to meet financial obligations going forward.



Trivia Answer: Celebrities Who Filed Bankruptcy

Cindy Lauper Gary Coleman
Toni Braxton
Mick Fleetwood Merle Haggard
Wayne Newton Burt Reynolds Latoya Jackson
Debbie Rooney Lorraine Bracco Gloria Vanderbilt
Morton Downey, Jr. Tom Petty
M. C. Hammer Mickey Rooney Marvin Gaye
Ted Nugent Francis Ford Coppola
Kim Basinger
John Wayne Larry King Anna Nicole Smith
David Crosby Jerry Lewis
Dorothy Hamill Mike Tyson
Chaka Kahn Redd Foxx
Jackie Mason

Getting Started: Visit the Website for the Bankruptcy Court in the Central District of California

Before you file	After you file	General
<p>Bankruptcy can have serious long-term consequences. A lawyer can explain to you what may happen as a result of filing for bankruptcy and what your options are. If you do file for bankruptcy, a lawyer can help protect you, your family, your home and your possessions.</p> <p>Find a lawyer [English] [Spanish]</p> <p>What is bankruptcy?</p> <p>Where do I file?</p> <p>What forms are required?</p> <p>Create your Master Mailing List of Creditors</p> <p>How do I file?</p> <p>Risks of paying a non-attorney</p> <p>Bankruptcy Timeline [English] [Spanish]</p> <p>Bankruptcy Petition Preparer Guidelines</p>	<p>What to look for once I've filed</p> <p>How to Access Court Documents</p> <p>Learn how to receive orders and court-generated notices electronically</p> <p>Courtroom Interpreter Assistance</p> <hr/> <p>The Electronic Drop Box is a tool available to self-represented litigants to enable them to upload court documents for filing that do not require a filing fee.</p>  <p>Request Access to Electronic Drop Box</p>	<p>How to cancel a reaffirmation agreement</p> <p>What to do if being sued by a creditor [English] [Spanish]</p> <p>Answer instructions for self-represented (<i>pro se</i>) debtors</p> <p>Answer</p> <hr/> <p>QUICKLINKS</p> <p>Filing Fees: NO CASH ACCEPTED</p> <p>Online Payments</p> <p>Survey regarding Self-Help Resources</p> <p>Encuesta Sobre Recursos de Autoayuda</p> <p>Filing for bankruptcy without an attorney</p> <p>Can you recommend an attorney?</p>
<p>Helpful Videos About Bankruptcy Matters in the Media Gallery</p>	<p>Feeling overwhelmed? Check out our FAQ page</p> <p>[English] [Spanish]</p>	<p>Free or Low Cost Bankruptcy Help</p>

<https://www.cacb.uscourts.gov/dont-have-attorney>

Start the petition



UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA

[Court Home](#) | [Bankruptcy Petition Forms Package for Chapter 7](#) | [Instructions](#)

▶ 1: Petition (B101)

▶ 2: Schedules (B106)

▶ 3: Current Monthly Income
(B122)

▶ 4: Statements (B107, B108-Ch
7 only)

▶ 5: Interested Parties

▶ 6: Petition Package

Filing Information

Select the kind of debts you owe * ?

- Primarily consumer debts.
- Primarily business debts.
- Other

Select how will you pay the filing fee *

- I will pay the entire fee when I file my petition.
- I need to pay the filing fee in installments.

Thank You!



- Any Questions?