

## Appendix E. Comparison of Chapter 7 and Chapter 13

	<b>Chapter 7</b>	<b>Chapter 13</b>
<b>Type of Bankruptcy</b>	Liquidation	Reorganization
<b>Who Can File?</b>	Individuals and Business Entities	Individuals Only (Including Sole Proprietors)
<b>Eligibility Restrictions</b>	Disposable Income Must Be Low Enough to Pass the Chapter 7 Means Test	Cannot Have More Than \$383,175 of Unsecured Debt or \$1,149,525 of Secured Debt
<b>How Long Does It Take to Receive a Discharge?</b>	Typically Three to Five Months	Upon Completion of All Plan Payments (Usually Three to Five Years)
<b>What Happens to Property in Bankruptcy?</b>	Trustee Can Sell All Nonexempt Property to Pay Creditors	Debtors Keep All Property But Must Pay Unsecured Creditors an Amount Equal to Value of Nonexempt Assets
<b>Allows Removing Unsecured Junior Liens from Real Property Through Lien Stripping?</b>	No	Yes (If Requirements Are Satisfied)
<b>Allows Reducing the Principal Loan Balance on Secured Debts Through a Loan Cramdown?</b>	No	Yes (If Requirements Are Satisfied)
<b>Benefits</b>	Allows Debtors to Quickly Discharge Most Debts and Get a Fresh Start	Allows Debtors to Keep Their Property and Catch Up on Missed Mortgage, Car, and Nondischargeable Priority Debt Payments
<b>Drawbacks</b>	Trustee Can Sell Nonexempt Property. Does Not Provide a Way to Catch Up on Missed Payments to Avoid Foreclosure or Repossession.	Must Make Monthly Payments to the Trustee for Three to Five Years. May Have to Pay Back a Portion of General Unsecured Debts.

Source: <http://www.nolo.com/legal-encyclopedia/what-is-the-difference-between-chapter-7-chapter-13-bankruptcy.html>