

Bankruptcy Case of the Month

By Marcus Monteiro, Esq.

Maria was nervous when we first met in my office. “All they do is call, call, call, demanding that I give them some money to pay for my credit card bills...I tell them I don’t have the money, and if I did, I would give it to them, but they don’t care...they threatened to call the police on me, can they do that?” The credit card person also said that they know about Maria’s used 2009 Nissan Altima and they would take that to pay off her debt. “I need my car for work and to pick up my daughter, I can’t be without it!” she cried.

I told Maria to calm down and explained that many creditors will say almost anything to get her to make a payment. The police will not come to arrest her, that’s just a scare tactic. However, a creditor can garnish wages and take assets, like a car or house – so that’s something we have find a way to protect.

We took a look at her bills and discovered that Maria started using her credit cards when her boss cut her hours, leaving her with less money at the end of the week. She believed that should would get her hours back, and pay the credit cards, but she never did and fell deeper and deeper into debt. When Maria started making late payments, the credit card company doubled her interest as a penalty. I explained that, believe it or not, they are allowed to do that. Maria now owed the credit card company over \$20,000. Maria also had a repossessed car on her credit report that the bank seized and sold at a bank auction. The bank claims Maria still owes it \$15,000 for that car.

“I don’t want to do bankruptcy - but what else can I do?” I told her that bankruptcy is a good option for her, and the only way to immediately eliminate the bills she owes the credit card companies. “What about my Nissan Altima?” – don’t worry I said, we can use a bankruptcy exemption that allows you to keep your car – the creditors can’t touch it. “Won’t this ruin my credit?” Not really, Maria’s credit score was already very low when we met and wasn’t going to get any better anytime soon if she continued to miss payments. Bankruptcy would eliminate all the money she owes the banks and companies, from \$35,000 to \$0. While the bankruptcy will be reported on her credit report, when you don’t owe anybody anything, your credit score goes up. Also, Maria would be fixing her credit right away, with new low balance credit cards that she would be able to pay on time, month after month, rebuilding her credit and increasing her credit score.

“I feel relieved; there is a way out of this.” Yes, there is. “Why don’t more people do this?” One reason is that any people don’t qualify because they make too much money. You have to make less than about \$47,000 for a single person and \$83,000 for a 4 person family to qualify. But in 2013 alone, over 14,000 people filed bankruptcy in Brooklyn and Central Islip bankruptcy court – that’s a lot of people. After working with Maria, we filed her bankruptcy petition and she successfully eliminated her debt and kept her car. Today, she’s doing much better and looking forward to a stress-free 2014.