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BANKRUPTCY IN TEXAS

How Chapter 7 Works

What Chapter 7 is, how you qualify, and what actually happens from filing to fresh start.

The process is more straightforward than most people expect. Here is the whole path in plain language, so nothing about it catches you off guard.

JEROME A. BROWN · BOARD CERTIFIED IN CONSUMER & BUSINESS BANKRUPTCY LAW, TEXAS
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What Chapter 7 actually looks like, step by step.

Most of the fear around bankruptcy comes from not knowing how it works. The reality is a fairly orderly process: you file, you are protected, you attend one short meeting, and the court clears your qualifying debts. Here is the whole thing, start to finish.

SECTION ONE

The Basics

What is bankruptcy?

Bankruptcy is a federal legal process for people and businesses who owe more than they can pay. It lets you either erase qualifying debts for a fresh start, or reorganize them into a manageable plan, under the protection of the federal court. In exchange, you make a full and honest disclosure of your finances.

What is the difference between Chapter 7, 13, and 11?

Chapter 7 wipes out qualifying unsecured debts, usually within a few months, in exchange for any nonexempt property, though most filers keep everything they own. Chapter 13 is a three-to-five-year repayment plan for people with regular income who want to catch up on a home or car, or who do not qualify for Chapter 7. Chapter 11 is mainly for businesses reorganizing. Most people we help file Chapter 7 or Chapter 13.

Which chapter is right for me?

It depends on your income, your debts, and what you are trying to protect. If you cannot realistically pay your debts and you qualify, Chapter 7 is often the path. If you have regular income and want to catch up on a house or car, or you do not pass the Chapter 7 income test, Chapter 13 may fit. Choosing the right chapter is a legal judgment based on your full picture, and it is one of the main things we work through with you.

SECTION TWO

Filing & Protection

Is bankruptcy court state or federal?

Federal. Bankruptcy is handled by the United States Bankruptcy Courts, part of the federal court system, across 94 judicial districts nationwide. You cannot file a bankruptcy in state court.

When am I protected after I file?

From the moment your petition is filed. That is when the automatic stay takes effect and most collection activity has to stop. The protection is not tied to a later hearing or decision. It starts at filing.

Is it hard to qualify for Chapter 7?

For most people, no. Despite a reputation for being hard to qualify for, Chapter 7 is still available to the large majority of filers. It comes down to an income screen called the means test, and we check where you stand early on.

SECTION THREE

What Happens After You File

What happens after I file my case?

Filing puts the automatic stay in place and stops collection. The court notifies your creditors, you attend one brief meeting with the trustee, and you complete a short financial management course. If no one objects, the court enters your discharge, usually about three to four months after filing in a typical Chapter 7.

Will I have to go to court?

Almost certainly not a courtroom, and not in front of a judge. The one required appearance is the meeting of creditors with the trustee, which is now held by virtual video online via Zoom. Most Chapter 7 filers never set foot in a courthouse.

What is the meeting of creditors, and what should I have ready?

It is a short meeting, usually under fifteen minutes, where a trustee puts you under oath and asks routine questions to confirm your paperwork is accurate. There is no judge, and it is not a trial. In Texas these meetings are now held over Zoom. *To make sure you are comfortable, we hold a practice meeting of creditors with you over Zoom beforehand, so the format and the questions are familiar before the real thing.* You will not need to chase down paperwork for it: we collect your photo ID and Social Security card during the petition process and provide them to the trustee on your behalf. The trustee will simply confirm your identity on the call. Creditors may attend but rarely do.

What is a bankruptcy trustee, and who is the U.S. Trustee?

The case trustee is the person who administers your bankruptcy: they review your paperwork, run the meeting of creditors, and in a Chapter 7 would handle any nonexempt property. The trustee is not your lawyer and does not represent you. The United States Trustee is a separate office within the Department of Justice that oversees the system and supervises the case trustees. You deal with your case trustee, not the U.S. Trustee.

What is the financial management course?

It is a short instructional course on personal financial management that you complete after filing, before the court will enter your discharge. It is different from the credit counseling briefing you take before filing. Both are required, and we point you to approved, low-cost providers for each.

General information, not legal advice.

This guide explains, in general terms, how bankruptcy tends to work for individuals in Texas. It is **not legal advice** and does not create an attorney-client relationship. Bankruptcy outcomes turn on the specific facts of your situation, your district, and current law, all of which change from one case to the next.

Before you act on anything here, talk with a bankruptcy attorney about your own circumstances. That is the only way to know how these rules apply to you.

Wondering if Chapter 7 is your path?

Schedule a free, no-obligation phone consultation with The Brown Law Firm.

Text us: (512) 306-0092

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