# Chapter 11 bankruptcy: How it works

This article refers to Chapter 11 bankruptcy in the US, but the information and guidance it contains can be applied in any country, anywhere... Bankruptcy is bankruptcy - the trick is to avoid it in the first place, or, if you cannot, then take those actions that will ameliorate its affects as far as possible; hence, this article...

The last three years have been tough. The Great Recession that took hold of the US economy in late 2008 led to the loss of millions of jobs in the United States, and the recovery has been anything but quick. These harsh economic conditions have left millions of Americans unemployed, underemployed, and under severe financial hardship. Although the government has injected trillions of dollars in the economy in hopes of spurring it back to life, the pain is still being felt by millions of Americans on the front lines. If you have incurred significant debts over the last few years and are beginning to consider bankruptcy as a very real possibility, here are a few thoughts to consider first.

## Negotiate yourself

It is very important to understand the very nature of bankruptcy, which is that all of your consumer debts will be erased - your credit cards, mortgage, auto loans, etc. Therefore, if you are truly at the place where you are considering bankruptcy, creditors will typically be very willing to work out payment options because if you go into bankruptcy, they are not going to receive a dime out of you. Sure, they can get a small tax break, but it will not be near what they were supposed to receive from you.

Therefore, consider negotiating with your lenders. Oftentimes communication will help tremendously. They may be willing to write down the debt, reduce the interest rate or monthly payment, or any combination of the above.

## Debt consolidation

Bankruptcy should always be seen as a very last resort, and as a general rule of thumb, bankruptcy should only be pursued when all other paths lead to a dead end. Bankruptcy occurs when your monthly expenses outweigh your monthly income, and you have no way to borrow more money or earn more money to meet the difference. When this happens to a single loan, you default. When it happens to your entire financial situation, you are bankrupt.

Therefore, one viable alternative to bankruptcy is debt consolidation. A good debt consolidation program allows you to consolidate all of your debts into one single monthly payment, and typically that monthly payment will be significantly lower than if you were paying each of your debts on its own. The reason is because a good program will negotiate with your lenders and lock in lower interest rates and lower minimum monthly payments. A debt consolidation program may allow you to reduce your monthly payments in order to stay out of bankruptcy.

## Chapter 11 bankruptcy

If you find that bankruptcy really is the only viable alternative, Chapter 11 bankruptcy is a chapter of the current US bankruptcy code, which permits debts to be reorganised legally. If the courts allow you to file for Chapter 11 bankruptcy in the US, then you will be able to remain in control of business operations, but you will be recognised as a debtor in possession, and you will be subject to the oversight and jurisdiction of the court. Although individuals are allowed to file for Chapter 11 bankruptcy, it is most common for businesses and corporations as a way to restructure debt and attempt to climb out of severe financial hardship.

For more information go to SecureLoanConsolidation.com

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