

# Concept of bankruptcy is misunderstood by many

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**By James M. Bach**

The average person does not understand the concept of bankruptcy. They hold far-fetched notions, misconceptions and anxieties over the word bankruptcy.

The truth about bankruptcy and the reality of bankruptcy are quite simple. In most cases, an individual who files for bankruptcy will not be forced to sell their home, car and other possessions.

The effects of bankruptcy do not last a lifetime. It is not true that the individual debtor in a bankruptcy case will have a large “B” branded on their back. Bankruptcy allows debtors a fresh start. Upon completion of the bankruptcy process, known formally as a Discharge, the matter is entered into the credit history of the debtor. The credit history is then cleansed or purged of no pays, late pays, charge-offs, write-offs and other such adverse information.

The reality of bankruptcy is simply this. A person, upon receiving a discharge in bankruptcy, must generally wait about a year to two years in order to be eligible to purchase a home and receive a mortgage. Even if you’ve experienced a foreclosure, you may still be eligible for a mortgage.

In regard to the purchase of an automobile, most finance companies require that the person be out of bankruptcy and be in possession of a discharge. Once the debtor has a discharge, most finance companies are willing to treat the debtor as an ordinary person in the due course of business.

Frankly, the Bankruptcy Code is a good law, and when you consider some of the predatory lending practices of finance companies, certain mortgage companies and credit card companies, this law’s unique purpose rises like cream to the top.

Therefore, the word bankruptcy is not a bad word. There’s hope that people will avail themselves of consultation with a competent bankruptcy attorney for further details regarding this unique law. Remember that bankruptcy is not a state law. Bankruptcy is the exclusive law of the United States of America, and it was enacted by the Congress of the United States to protect the citizens of all states.

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