A GUIDE FOR CALIFORNIA BANKRUPTCY PETITIONERS

What Really Happens

When You File Chapter 7 Bankruptcy in California

A plain-English walkthrough of the process, the 341 meeting, and what you actually get to keep.

Hackett Law
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Introduction

If you're considering Chapter 7 bankruptcy, the hardest part is often simply not knowing what to expect. Most people have heard secondhand stories — some accurate, most not — about losing everything they own, standing in front of a judge, or being publicly humiliated. Almost none of that is true.

This guide walks through the process the way we explain it to our own clients: in plain language, step by step, with the myths cleared out of the way. It covers three things people ask us about most — what the process actually looks like from start to finish, what really happens at the one required court appearance (the “341 meeting”), and what property California law lets you keep.

> *This guide is for general educational purposes and does not constitute legal advice. Bankruptcy outcomes depend on your individual circumstances. Contact Hackett Law for a consultation specific to your situation.*

Chapter 1: What Actually Happens When You File Chapter 7

Filing Chapter 7 in California is a process, not an event. Start to finish, most cases take about three to five months — and every step follows a predictable order. Here's what the next four months look like.

Step 1: Credit Counseling (Before You File)

Before you can file, California law requires you to complete a credit counseling course through a court-approved agency. It typically takes about an hour, is usually done online, and ends with a certificate you'll need to include with your filing. This course has to be completed within the 180 days before you file, so timing matters.

Step 2: Filing the Petition

Your attorney files your petition with the U.S. Bankruptcy Court. The petition lays out a complete picture of your finances: every debt, every source of income, every asset, and every expense.

The moment your petition is filed, something called the automatic stay takes effect. This is one of the most immediate and powerful protections in bankruptcy law — creditors must stop calling, stop collecting, and stop garnishing your wages, **immediately.**

Step 3: A Trustee Is Assigned

The court assigns a bankruptcy trustee to your case. The trustee's job is to review your paperwork and determine whether you have any assets that aren't protected under California's exemption laws (more on that in Chapter 3).

For the majority of our clients, this turns out to be what's called a no-asset case — meaning everything they own is protected, and the trustee has nothing to take.

Step 4: The 341 Meeting of Creditors

About a month after filing, you'll attend the 341 Meeting of Creditors via ZOOM— a short, routine interview with your trustee. This is the part of the process people worry about most, so we've dedicated all of Chapter 2 to walking through exactly what it involves. The short version: it usually takes about ten minutes, and creditors almost never show up.

Step 5: The 60-Day Objection Period

After the meeting, there's a 60-day window during which creditors can technically object to your discharge. In practice, this is rare. The overwhelming majority of our clients never hear anything during this window at all.

Step 6: Discharge

If no objections come up, the court issues your discharge — the official order that eliminates your qualifying debts. From the day you file to the day you receive your discharge, most Chapter 7 cases in California take about four months.

Chapter 2: What Really Happens at the 341 Meeting

The 341 Meeting of Creditors is, by a wide margin, the step people are most anxious about before they file — and it's almost always the easiest part of the entire process.

What It Actually Is

Despite its name, the 341 meeting isn't really a “meeting” with a room full of creditors. It's a short interview with the trustee assigned to your case, held roughly a month after you file. You'll be placed under oath, but there's no judge, and it isn't held in a courtroom. It is conducted online, via ZOOM.

Who's Actually in the Room

In the vast majority of Chapter 7 cases, no creditors show up at all. Typically it's just you, your attorney, and the trustee — sometimes with a handful of other filers waiting their turn in the same room.

What the Trustee Asks

The trustee's role at this meeting is simply to confirm that your paperwork is accurate. Expect a short set of straightforward questions, such as:

- Is your paperwork accurate?
- Is your income what you reported?
- Have you filed for bankruptcy before?
- Are you expecting an inheritance or a lawsuit settlement?

Most meetings last somewhere between five and ten minutes. You will receive a comprehensive list of sample questions before your 341 meeting provided by Hackett Law.

How to Prepare

Provide a government-issued photo ID and your Social Security card to your attorney at least 14 days before the meeting. You don't need to dress formally — think “doctor's appointment,” not “court appearance.” Answer every question honestly and briefly, and your attorney will be right there with you the entire time.

Chapter 3: What You Can Actually Keep

The single biggest myth about bankruptcy is that filing means losing everything you own. In California, that is almost never true.

The Concept of Exemptions

California law allows you to "exempt," or protect, certain property from being sold to pay creditors. California is also one of the few states where you use the state's own exemption rules rather than the federal exemption list — and California's rules often protect more than the federal alternative would.

Two Systems — You Pick One

California gives filers a choice between two different sets of exemptions, known as System 1 and System 2. You can use one or the other, not a combination of both.

- System 1 generally works better if you own a home with meaningful equity.
- System 2 trades a smaller homestead exemption for a large "wildcard" exemption that can protect almost any kind of property — cash, a second vehicle, jewelry, or whatever matters most in your situation.

Your Home

Under System 1, California protects a significant amount of home equity — often several hundred thousand dollars, depending on your county's median home price. For most homeowners with a typical amount of equity, this means keeping the house entirely.

> *Exemption dollar amounts (homestead, vehicle, and wildcard) adjust periodically under California Code of Civil Procedure §§703–704. The figures above are rounded and conservative — always confirm the current amounts with an attorney before relying on them.*

Your Car

Your vehicle is protected up to a set equity limit as well. If you're current on your car payment, you'll generally keep driving it both through and after your case.

Retirement Accounts and Everyday Items

Retirement accounts — 401(k)s and IRAs — are protected. So are everyday household items: clothing, furniture, appliances, and the tools you use for work.

For the overwhelming majority of our clients, this adds up to what's called a no-asset case — meaning nothing is taken at all.

Next Steps

Every situation is different, and the exact numbers that apply to you depend on your income, your assets, your county, and which exemption system fits your circumstances best. That's exactly what we walk through, free of charge, in an initial consultation.

If you'd like to know what this process looks like for your specific situation, we're here to help.

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Licensed in California, offering bankruptcy services in the state of California in all Counties

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