

SELECTIVE INTRODUCTION TO BANKRUPTCY DEFINITIONS

These are not all the terms, nor comprehensively defined, just an aid to study.

Case -- opened by filing of petition

Claim -- manner in which a creditor advises the debtor/court that he/it has a right to payment

Consumer debt – debt incurred for personal, family, household purpose

Creditor -- person/company to whom/which money is owed

Debtor – person who files a case, and owes the money

Discharge – object of filing of bankruptcy – wiping out of obligations

Dischargeable debt – one that can no longer be collected after process

Dismissal – Closing/canceling of a case without discharge of debts

Estate – All the assets belonging to the debtor

Exempt property – Assets debtor may keep to start fresh

Individual with regular income – eligible for Chapter 13

Insider – relative or partner of debtor

Insolvent – sum of debts is greater than one's assets, unable to pay bills when due

Involuntary filing – Creditors force debtor into bankruptcy

Judicial lien – claim obtained from court process

Lien – charge against an asset to secure payment of debt (see secured debt)

Liquidation – sale of assets to turn them into cash

Person – individual, partnership, corporation

Petition – the document filed to commence a bankruptcy case

Plan – Chapter 13 schedule to repay debts

Priority – a claim which will be paid before other types of claims

Secured debt – An asset has been pledged to insure the payment of debt, and can be forfeited if debt is not paid (house, car)

Security – notes, stocks, bonds, certificate of deposit, partnership interest

Small business debtor -- has debts less than \$ 2 million

Stay – halting of all credit collection efforts – calls, attachments, evictions, foreclosures, garnishments, lawsuits, repossessions

Trustee – person appointed by the Court to oversee orderly distribution of estate

Unsecured debt – No particular provision has been made to insure payment of debt

Voidable preference – Debtor has prepaid a creditor, or insider, and the Trustee has the power to retrieve the payment to share among other creditors

Voluntary petition – Debtor chooses to file