

# **BANKRUPTCY TERMINOLOGY**

Courtesy of Olympia Municipal Court

## **Automatic Stay**

An injunction that automatically stops lawsuits, foreclosure, garnishments, and all collection activity against the debtor the moment a bankruptcy petition is filed.

## **Bankruptcy**

A legal procedure for dealing with debt problems of individuals and businesses; specifically, a case filed under one of the chapters of title 11 of the United States Code (the Bankruptcy Code).

## **Bankruptcy Administrator**

An officer of the judiciary serving in the judicial districts of Alabama and North Carolina who, like the United States trustee, is responsible for supervising the administration of the bankruptcy cases, estates, and trustees, monitoring plans and disclosure statements, monitoring creditors' committees, monitoring fee applications, and performing other statutory duties.

## **Bankruptcy Trustee**

A private individual or corporation appointed in all chapter 7, chapter 12 and chapter 13 cases to represent the interests of the bankruptcy estate and the debtor's creditors.

## **Chapter 7**

The chapter of the Bankruptcy Code providing for "liquidation," i.e. the sale of a debtor's nonexempt property and the distribution of the proceeds to creditors.

## **Chapter 13**

The chapter of the Bankruptcy Code providing for adjustment of the debts of an individual with regular income. (Chpt 13 allows a debtor to keep property and pay debts over time, usually three to five years.)

## **Confirmation**

Approval of a plan of reorganization by a bankruptcy judge.

## **Creditor**

A person to whom or business to which the debtor owes money or that claims to be owed money by the debtor.

## **Debtor**

A person who has filed a petition for relief under the bankruptcy laws.

## **Discharge**

A release of a debtor from personal liability for certain dischargeable debts. (A discharge releases a debtor from personal liability for certain debts known as dischargeable debts and prevents the creditors owed those debts from taking any action against the debtor or the debtor's property to collect the debts. The discharge also prohibits creditors from communicating with the debtor regarding the debt, including telephone calls, letters and personal contact.)

**Dischargeable Debt**

A debt for which the Bankruptcy Code allows the debtor's personal liability to be eliminated.

**Dismissal**

Action ordered by the Bankruptcy Court when the judge determines a bankruptcy case is not in accordance with the Bankruptcy Code. This reverts the defendant to the status he/she was prior to filing the bankruptcy petition.

**Fresh Start**

The characterization of a debtor's status after bankruptcy, i.e., free of most debts. (Giving debtors a fresh start is one purpose of the Bankruptcy Code.)

**Non-Dischargeable Debt**

A debt that cannot be eliminated in bankruptcy.

**Plan**

A debtor's detailed description of how the debtor proposes to pay creditors' claims over a fixed period of time.

**Priority Claim**

An unsecured claim that is entitled to be paid ahead of other unsecured claims that are not entitled to priority status. Priority refers to the order in which these unsecured claims are to be paid.

**Proof of Claim**

A written statement describing the reason a debtor owes a creditor money. (official form).

**Secured Debt**

Debt backed by a mortgage, pledge of collateral, or other lien; debt for which the creditor has the right to pursue specific pledged property upon default.

**Trustee**

The representative of the bankruptcy estate who exercises statutory powers, principally for the benefit of the unsecured creditors, under the general supervision of the court and the direct supervision of the United States trustee or Bankruptcy Administrator.

**Unscheduled Debt**

A debt that should have been listed by a debtor in the schedules filed with the court but was not. (Depending on the circumstances, an unscheduled debt may or may not be discharged.)

**Unsecured Claim**

A claim or debt for which a creditor holds no special assurance of payment, such as a mortgage or lien; a debt for which credit was extended based solely upon the creditor's assessment of the debtor's future ability to pay.