

BANKRUPTCY

A Comprehensive Guide to Foreclosure
Prevention



SAFE HARBOR SOLUTIONS

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Skeleton Bankruptcy: A Comprehensive Guide for Foreclosure Prevention

What is Skeleton Bankruptcy?

A skeleton bankruptcy (also called an "emergency bankruptcy" or "ghost bankruptcy") is a bare-bones bankruptcy filing that includes only the minimum required paperwork to start a bankruptcy case quickly. Unlike a complete bankruptcy petition that typically includes 10 schedules and runs 20-50+ pages, a skeleton petition is usually only 3-4 pages.

The primary purpose is to quickly obtain an automatic stay that immediately stops foreclosure proceedings, repossession, wage garnishment, and other collection actions.

Required Documents for Skeleton Filing

The minimum documents required include:

- Voluntary Petition for Individuals Filing for Bankruptcy (Form 101)
- Statement About Social Security Numbers (Form B121)
- Creditor mailing list (names and addresses of all creditors)
- Credit counseling certificate (must be completed within 180 days before filing)
- Filing fee (\$338 for Chapter 7, \$313 for Chapter 13) OR fee waiver application OR installment payment request

Fee Waiver and Payment Options

Fee Waiver Eligibility

To qualify for a filing fee waiver, both conditions must be met:

1. Your household income is less than 150% of the U.S. Department of Health and Human Services (HHS) poverty guideline for your household size
2. You can't afford to pay the filing fee in installments

Important: Fee waivers are only available for Chapter 7 bankruptcy. Chapter 13 filers can request installment payments but cannot waive the fee entirely since Chapter 13 involves making payments over 3-5 years.

Installment Payment Option

Debtors can request to pay filing fees in up to four installments over a maximum period of 120 days from the filing date. The full fee must be paid within this timeframe or the case may be dismissed.

You can pay the filing fee along with the skeleton petition, include a fee waiver application, or request to pay the fee in installments when the remaining documents are submitted.

The Critical 14-Day Deadline

CRITICAL: After filing a skeleton petition, debtors have only 14 days to submit all remaining bankruptcy forms. If the deadline is missed, the court will dismiss the case and the automatic stay protection ends, allowing creditors to resume collection actions.

PROS of Skeleton Bankruptcy

Immediate Protection

The automatic stay takes effect immediately upon filing, stopping foreclosure sales, repossession, wage garnishment, and lawsuits. This provides crucial breathing room in emergency situations.

Speed of Filing

An emergency filing can be completed within days or even hours when prepared by an attorney, making it useful when facing imminent foreclosure dates.

Buys Time to Organize

The 14-day extension allows debtors time to gather necessary financial documents and complete the full bankruptcy petition properly.

Fee Flexibility

Debtors can request fee waivers if they qualify or arrange installment payments, providing options for those in severe financial distress.

CONS of Skeleton Bankruptcy

Only a Temporary Band-Aid

Skeleton bankruptcy is not a long-term solution to foreclosure problems. The bankruptcy case will typically get dismissed within weeks if not properly completed, after which the bank is free to restart foreclosure proceedings.

Credit Report Impact - EVEN IF DISMISSED

CRITICAL WARNING: Even if the petition is dismissed, the bankruptcy filing will still appear on the debtor's credit report as "Dismissed." Since filing for bankruptcy is a public record, even a dismissed case will be shown on a consumer's credit report for 7-10 years, depending on the chapter filed.

A dismissal impacts a credit score as significantly as a discharged bankruptcy, potentially lowering the score by over 100 points based on the overall credit profile.

Immediate Credit Account Closures

WARNING - ALL CREDIT CARDS WILL BE CLOSED IMMEDIATELY: Creditors frequently run cross-checks of their customers against new bankruptcy filings databases at night. Customers with open bankruptcy cases are subject to having their accounts closed immediately and permanently.

This happens EVEN IF:

- The credit card has a zero balance
- The credit card wasn't listed in the bankruptcy filing
- You were not behind on payments to that creditor

Credit bureaus offer monthly services (Equifax Bankruptcy Navigation Index, Experian Bankruptcy Score, and TransRisk Bankruptcy Score) that provide creditors with social security numbers of all people who filed bankruptcy that month. Creditors then compare these lists with their customer databases and automatically cancel cards of bankruptcy filers.

If you need access to credit cards for emergencies or business purposes, be aware that filing bankruptcy - even a skeleton filing - will likely eliminate this access immediately.

Long-Term Credit Consequences

- **Chapter 7 bankruptcy:** Stays on credit reports for **10 years** from the filing date
- **Chapter 13 bankruptcy:** Stays on credit reports for **7 years** from the filing date
- **This timeline applies whether the case is discharged OR dismissed**

No matter the status of your case (open, closed, discharged, dismissed, etc.) the credit bureaus can still report your case on your credit report for up to ten years.

Future Tax Discharge Issues

Filing a skeleton petition may affect a consumer's ability to discharge certain taxes if they file a legitimate bankruptcy in the future.

Reduced Protection on Subsequent Filings

If a debtor has had a bankruptcy case dismissed within one year, a second bankruptcy petition will only protect them for 30 days unless complex "good faith" documentation is filed. A third filing within a year provides no automatic protection.

Complex Paperwork Requirements

The remaining forms required within 14 days are complex and technical. Mistakes are common, especially for pro se (self-represented) filers, and can result in case dismissal.

Chapter Selection Issues

Chapter 7 bankruptcy cannot save homes from foreclosure or cars from repossession - only Chapter 13 provides payment plan options. If the wrong chapter is filed in a skeleton petition, the emergency filing may not solve the underlying problem.

Additional Immediate Consequences of Filing

Bank Account Seizures and Set-Offs

CRITICAL: If you have credit cards, loans, or other debts with the same bank where you keep checking or savings accounts, that bank can immediately freeze your accounts and use your money to pay down their loans when you file bankruptcy. This "set-off" right is contractual and happens immediately upon filing.

Solution: Open new bank accounts at a different bank before filing, as creditor banks will likely close your existing accounts anyway.

Utility Deposit Requirements

Utility companies can demand security deposits (usually double your average monthly bill) as a condition of continuing service, even if you're current on payments. While utility companies cannot shut off service due to bankruptcy filing, they can require deposits within 20 days of filing.

Employment and Background Check Issues

51% of employers now include credit checks in background screenings. While employers need written permission to check credit, they can refuse to hire you if you don't consent. Bankruptcy filings are public records accessible through PACER (Public Access to Court Electronic Records), making them discoverable by employers, landlords, and others.

Automatic Payment Disruptions

All automatic payments from bank accounts, credit cards, or payroll deductions must be stopped immediately. While the automatic stay stops creditor collections, it takes time for automatic deductions to

actually stop, potentially causing overdrafts and complications.

Public Record Access

Bankruptcy filings become part of permanent public court records. Anyone can access these records physically at courthouses or through the PACER computer system for a small fee. This includes potential employers, landlords, insurance companies, and others who may make decisions based on this information.

Insurance Premium Increases

Insurance companies often use credit scores to determine premiums. The credit score drop from bankruptcy can result in higher insurance rates for auto, homeowners, and other coverage.

Rental Application Difficulties

Landlords routinely check credit reports and bankruptcy filings. The bankruptcy record can make it difficult to qualify for rental housing, often requiring larger security deposits or cosigners.

Pro Se vs. Attorney Representation: Critical Statistics

Shocking Success Rate Statistics

- **Pro Se Filing Success Rate:** 0.04% (1 case in 2,500 filers results in bankruptcy discharge)
- **Attorney-Represented Success Rate:** 55% confirmation rate for Chapter 13 cases
- **Failure Rate for Pro Se:** 99.96% of self-represented Chapter 13 filers fail

Common Pro Se Mistakes

Common problems for pro se filers include:

- **Property Loss:** Not listing proper exemptions to protect property, resulting in loss of assets they could have kept
- **Missing Requirements:** Failing to take required credit counseling and financial management courses
- **Deadline Failures:** Missing filing deadlines for required documents
- **Legal Errors:** Incorrectly completing complex legal forms that require applying bankruptcy law to specific circumstances

Example: Incorrectly marking whether debts are "consumer" or "business" debts can force a debtor into disadvantageous Chapter 13 bankruptcy when they could have qualified for Chapter 7.

Trustee Scrutiny

When an individual files pro se, trustees take special interest in the case. Trustees know exactly what questions to ask and how to find assets. Pro se filers are "at their mercy" during the meeting of creditors.

Court Limitations

Important: Court employees and bankruptcy judges are prohibited by law from offering legal advice. Pro se filers are expected to follow all rules and know all applicable bankruptcy laws, including deadlines for filing pleadings and requirements to serve opposing parties.

Emergency Situations Require Emergency Legal Help

When facing urgent situations like foreclosure, repossession, or wage garnishment, hiring an emergency bankruptcy attorney is especially important due to the time pressure and complexity involved.

Reality Check: Bankruptcy laws are extremely confusing and one simple mistake can be costly, far more costly than hiring an attorney.

Significant Risks and Red Flags

Non-Attorney "Services"

WARNING: Consumers are often charged hundreds or thousands of dollars by non-attorneys who draft skeleton petitions without legal representation, leaving consumers to represent themselves in bankruptcy court.

Non-attorney petition preparers can only enter information into forms. They are prohibited from providing legal advice, explaining answers to legal questions, or assisting you in bankruptcy court.

Misrepresentation of Benefits

SCAM ALERT: Consumers are frequently told that skeleton petitions will solve foreclosure problems and that the case will "dismiss on its own" without having to complete the bankruptcy. This is false - the dismissal means protection ends and collection actions resume.

Serial Filing Abuse

Filing multiple skeleton petitions without good faith intent to complete bankruptcy can be considered abuse of the bankruptcy process and may result in sanctions or bars to future filings.

Financial Distress and Legal Representation

Free Legal Services

If you are unable to afford an attorney, you may qualify for free legal services through local bar associations and legal aid organizations.

Attorney Fee Arrangements

In Chapter 13 bankruptcy, attorney fees can be incorporated into the repayment plan, making representation more affordable for those in financial distress. Over a 3-5 year repayment period, attorney fees may amount to as little as \$67 per month.

Cost vs. Risk Analysis

Despite \$4,000 in attorney fees seeming substantial, it is a small price to pay for getting a successful bankruptcy compared to the 99.96% failure rate of pro se Chapter 13 filings.

When Skeleton Bankruptcy Makes Sense

Skeleton bankruptcy should only be considered in **extreme emergency cases**, such as when facing imminent foreclosure and needing the automatic stay immediately while preparing a proper bankruptcy petition with qualified legal counsel.

It can be appropriate when debtors are facing urgent collection actions like wage garnishment or home foreclosure and need time to address their financial situation through a complete Chapter 7 or Chapter 13 filing with proper legal representation.

The Safe Harbor Solutions Perspective

Skeleton bankruptcy is a high-risk, temporary measure that should only be used as an absolute last resort when facing imminent foreclosure. While it can provide crucial emergency protection, it creates new deadlines and complications rather than solving underlying financial problems.

Key Warnings:

- **Credit Impact is the SAME whether discharged or dismissed** - 7-10 years on credit report
- **ALL CREDIT CARDS WILL BE CLOSED IMMEDIATELY** - even zero balance cards from unrelated creditors
- **99.96% failure rate for pro se filers** in Chapter 13 cases
- **Bank accounts may be frozen immediately** if you owe money to the same bank
- **Utility deposits may be required** (double monthly bill amount)
- **Employment background checks will show bankruptcy** for up to 10 years
- **Complex legal requirements** that are nearly impossible to navigate without legal expertise

- **Trustee scrutiny increases** for unrepresented filers
- **Emergency situations require emergency legal help** - not DIY solutions

Our Recommendation

For homeowners facing foreclosure, exploring loan modifications, short sales, and other foreclosure prevention alternatives through Safe Harbor Solutions typically provides better long-term outcomes without the risks and credit impacts associated with bankruptcy filings.

The 14-day deadline pressure often leads to mistakes, dismissals, and ultimately the same foreclosure problems returning within weeks—but now with a bankruptcy on the credit report for up to 10 years. Most homeowners benefit more from proactive foreclosure prevention strategies than from emergency bankruptcy tactics.

Professional Guidance Essential

If considering skeleton bankruptcy due to financial distress: Seek free legal aid services or attorneys who can incorporate fees into Chapter 13 payment plans rather than attempting pro se filing with its 99.96% failure rate.

Bottom Line: Skeleton bankruptcy often creates more problems than it solves, especially when attempted without proper legal representation. Safe Harbor Solutions provides proven alternatives that protect your family's future without the devastating long-term consequences of failed bankruptcy attempts.

Contact Safe Harbor Solutions for Real Solutions:

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Protecting Georgia families before it's too late

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but not limited to long-term credit impacts, asset forfeiture risks, and complex procedural requirements, individuals considering bankruptcy should seek qualified legal counsel from a licensed attorney who can provide advice specific to their unique circumstances. Laws and procedures vary by jurisdiction, and individual results may differ substantially based on specific facts and circumstances.