

Bankruptcy

CP® REVIEW QUESTION

Under Title 11 of the US Code, how many types of bankruptcy are there?

- A. 3
- B. 4
- C. 5
- D. 6

ANALYSIS AND CONCLUSION:

ANALYSIS:

The above practice question falls into the newly-added Debtor/Creditor and Bankruptcy section of the Knowledge Exam for 2024. This section accounts for 6 percent of your final score. This article will give a general, yet very specific, overview of the different chapters of bankruptcy and to whom each applies. At the time of writing this article, no practice exam questions are available, so the above question is not indicative of the types of bankruptcy-related questions on the Knowledge Exam.

Chapter 7 bankruptcy is commonly called liquidation bankruptcy because filers sell their assets to pay their creditors. Filers are allowed to protect many of their assets due to exemptions, and not all creditors are allowed payment. This allows filers to be free of those debts they were not originally able to pay off, except for certain debts that are now forgiven through bankruptcy. All other chapters use the debt-reorganization process, which allows filers to make a budget and monthly plan to repay their debts.

Chapter 9 bankruptcy is only for municipalities. Unless a filer under this chapter consents or the applicable plan provides for it, the court may not tamper with any political or governmental powers of the filer, any property or revenue of the filer, or any use or enjoyment of any income-producing property of the filer.

Chapter 11 bankruptcy is for railroads, most filers that may file under Chapter 7, and uninsured state member banks. Railroad filers under this chapter may abandon some or all of their railroad lines if it is consistent with public interest and either in the best interest of the filer's estate or necessary to form the filer's plan.

Chapter 12 bankruptcy is only for family farmers or family fishermen with regular annual income. This chapter is similar to a Chapter 11 bankruptcy, but it provides for farming and fishing specific provisions.

Chapter 13 bankruptcy is only for individuals with regular income, or individuals with regular income and the individual's spouse, who owe noncontingent, liquidated debts of less than \$2,750,000. Individuals who are self-employed may file under this chapter.

Chapter 15 bankruptcy is for filers who have assets or liabilities in the US but are filing for bankruptcy under another country's laws. This chapter allows foreign creditors access to the US bankruptcy courts, and a proceeding under this chapter is usually ancillary to the primary proceeding in the other country. However, if this chapter conflicts with any obligation of the US under any treaty or other agreement with another country, the treaty or agreement prevails.

CONCLUSION:

The correct answer to the question above is D. There are 6 types of bankruptcy under Title 11 of the US Code.



Brian Snow, ACP, completed the Paralegal Certification course at Samford University in 2017 and has been a paralegal in the Corporate Real Estate and Corporate Lending Departments at Dentons Sirote PC since then. He received the NALA CP® designation in 2021 and has received the ACP® designation in three areas: Real Estate Principles, Land Use, and Business Organizations: Incorporated Entities. He served for two years on the Board of Directors of the Alabama Association of Paralegals, Inc. as Treasurer and is currently serving as a Region Director.