

## **WHAT IS A CHAPTER 11 BANKRUPTCY?**

Chapter 11 was originally intended for large corporations, however individuals are now permitted to file for bankruptcy under Chapter 11 if the individual's debt exceeds the debt limit for Chapter 13.

Once a Chapter 11 proceeding is filed, a debt repayment plan is developed and presented to the bankruptcy court and creditors. The plan may propose to pay all or a portion of the outstanding debt. The court will decide whether to accept the plan, modify it or dictate and altogether new repayment plan. The debtor's assets are not necessarily liquidated in a Chapter 11 proceeding. The terms of a loan may be changed so that it is easier for the debtor to repay. For example, the terms of a loan may be extended and/or the interest rate reduced, thereby reducing the monthly payment. The repayment plan may provide that creditors recover an amount much less than the outstanding loan amount. Thus, if the debtor is a business, the business may continue to operate and potentially emerge from bankruptcy as a healthy company.