



Federal Courts

Understanding the Federal Courts

Judicial Conference of the United States

Bankruptcy

▶ Bankruptcy Basics

- Process

- Discharge In Bankruptcy

- Chapter 7

- Chapter 9

- Chapter 11

- Chapter 12

- Chapter 13

- Chapter 15

- SCRA

- SIPA

- Glossary

▶ Bankruptcy Forms

▶ Bankruptcy Resources

▶ Bankruptcy Administrators

Appointment of Counsel

Probation and Pretrial Services

Jury Service

Case Management / Electronic Case Files

Glossary of Legal Terms

Publications and Reports

Home > Federal Courts > Bankruptcy > Bankruptcy Basics > Chapter 7

email updates RSS

CHAPTER 7

print share FAQs

Liquidation Under the Bankruptcy Code

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.)

- [Alternatives to Chapter 7](#)
- [Background](#)
- [Chapter 7 Eligibility](#)
- [How Chapter 7 Works](#)
- [Role of the Case Trustee](#)
- [The Chapter 7 Discharge](#)

NOTES

1. The "current monthly income" received by the debtor is a defined term in the Bankruptcy Code and means the average monthly income received over the six calendar months before commencement of the bankruptcy case, including regular contributions to household expenses from nondebtors and including income from the debtor's spouse if the petition is a joint petition, but not including social security income or certain payments made because the debtor is the victim of certain crimes. 11 U.S.C. § 101(10A).
2. To determine whether a presumption of abuse arises, all individual debtors with primarily consumer debts who file a chapter 7 case must complete Official Bankruptcy Form B22A, entitled "Statement of Current Monthly Income and Means Test Calculation - For Use in Chapter 7." (The Official Forms may be purchased at legal stationery stores or downloaded from the internet at www.uscourts.gov/bkforms/index.html. They are not available from the court.)
3. An involuntary chapter 7 case may be commenced under certain circumstances by a petition filed by creditors holding claims against the debtor. 11 U.S.C. § 303.
4. Each debtor in a joint case (both husband and wife) can claim exemptions under the federal bankruptcy laws. 11 U.S.C. § 522(m).
5. In North Carolina and Alabama, bankruptcy administrators perform similar functions that U.S. trustees perform in the remaining 48 states. These duties include establishing a panel of private trustees to serve as trustees in chapter 7 cases and supervising the administration of cases and trustees in cases under chapters 7, 11, 12, and 13 of the Bankruptcy Code. The bankruptcy administrator program is administered by the Administrative Office of the United States Courts, while the U.S. trustee program is administered by the Department of Justice. For purposes of this publication, references to U.S. trustees are also applicable to bankruptcy administrators.
6. A fee is charged for converting, on request of the debtor, a case under chapter 7 to a case under chapter 11. The fee charged is the difference between the filing fee for a chapter 7 and the filing fee for a chapter 11. 28 U.S.C. § 1930(a). Currently, the difference is \$755. Id. There is no fee for converting from chapter 7 to chapter 13.
7. Unsecured debts generally may be defined as those for which the extension of credit was based purely upon an evaluation by the creditor of the debtor's ability to pay, as opposed to secured debts, for which the extension of credit was based upon the creditor's right to seize collateral on default, in addition to the debtor's ability to pay.

