

Your Common Questions, Answered By Our Experts

Thinking about bankruptcy can feel overwhelming — and it often comes with more questions than answers. What will happen to your home? Your car? Your credit? Will people judge you? Is it even the right move?

At O'Bryan Law Offices, we have guided thousands of Kentucky and Indiana families through exactly these questions. This page brings together the ones we hear most often, answered plainly and honestly by our team of experienced bankruptcy attorneys.

Whether you are just beginning to explore your options or are ready to take the next step, we hope these answers give you the clarity and confidence to move forward. Read through the sections below, and remember — no question is too small when it comes to protecting your financial future.

A dark blue banner featuring a close-up of hands resting on a scale of justice. The text is overlaid on this image.

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We help Kentucky families break free from overwhelming debt with powerful legal support.

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Priority Questions

Q: What is the local rule I keep hearing about?

The "local rule" refers to standing orders and procedural rules set by the U.S. Bankruptcy Court for the Western District of Kentucky (or the Eastern District, depending on where you live).

These rules govern deadlines, required forms, trustee meeting procedures, and how judges in Louisville and Frankfort expect cases to be managed. They sit on top of the federal Bankruptcy Code and can affect how your case moves through the system.

Working with a Kentucky bankruptcy attorney who appears regularly in these courts means your case is filed correctly from day one — no surprises, no procedural missteps.

Under Local Rule 6070-1 in the Western District of Kentucky, Chapter 13 debtors must annually submit copies of their federal and state tax returns, along with any tax refunds (above certain exemptions), to the standing trustee by April 15th, or by May 15th if they filed an extension. This rule only applies to debtors in a less than 100% repayment plan.

Q: Can I keep my taxes when filing for bankruptcy?

In a Chapter 7 case, a tax refund you receive after filing may be considered an asset of the bankruptcy estate, depending on when it was earned.

In a Chapter 13 case, if you are in a less than 100% repayment plan, the trustee may require you to turn over some or all of your refund each year as an additional plan payment.

Kentucky and Indiana filers should discuss the timing of their filing with an attorney — especially if they are expecting a significant refund — because getting that timing right can make a real difference in what you keep.

Credit Questions

Q: What are the impacts on my credit score if I file a Chapter 7 vs. a Chapter 13?

Both chapters will lower your credit score initially, but the long-term picture differs:

- Chapter 7 typically produces a faster drop followed by a faster rebuild — most of our clients begin receiving new credit card offers within weeks of filing, and many qualify for market-rate home or car loans within two years of discharge.
- Chapter 13 may produce a smaller initial impact since you are repaying debt, but the case stays open for three to five years, which limits new credit activity during that time.

Either way, credit recovery is absolutely possible, and our team walks every client through what to expect for their specific situation.

Q: How long will bankruptcy stay on my credit report?

A Chapter 7 bankruptcy remains on your credit report for ten years from the filing date. A Chapter 13 remains for seven years. That said, the impact on your score diminishes significantly over time, especially as you rebuild with responsible credit use.

Many Kentucky filers are surprised to find they qualify for a car loan or credit card within one to two years of discharge — well before the record drops off.

Q: Can I ever buy a house if I file for bankruptcy?

Yes — and sooner than most people expect. Many of our clients qualify for an FHA-backed mortgage as soon as two years after a Chapter 7 discharge, provided they have maintained responsible credit habits since filing.

Chapter 13 filers may be eligible even while still in their repayment plan under certain conditions. Homeownership after bankruptcy is a realistic goal, and we begin planning for it with Kentucky clients at their very first Fresh Start Planning Session.

Q: Can I pick and choose what goes into the bankruptcy? I want to keep a specific credit card.

Federal bankruptcy law requires you to list all debts — you cannot selectively exclude a creditor to preserve a relationship or account.

However, you may be able to reaffirm a specific debt, meaning you voluntarily agree to remain personally liable for it after discharge. Some credit card issuers will close an account regardless.

We help Kentucky and Indiana clients think through which debts to reaffirm and whether doing so actually makes financial sense before any paperwork is signed.

Ethics & Morals Questions

Q: I feel like I should pay everyone back instead of doing a Chapter 7 bankruptcy. It seems like the right thing to do. Why do a Chapter 7 if I feel this way?

That instinct speaks well of you, and it is one we hear from good people every week. The honest answer is that bankruptcy exists in federal law precisely because society recognizes that circumstances — job loss, illness, divorce — can make full repayment impossible without destroying a family.

Discharging debt through Chapter 7 is a legal right, not a moral failure. The fresh start you get allows you to become financially stable, take care of your family, and — if you choose — give back in other ways down the road.

Q: My parents taught me that bankruptcy is never an option. Has anything changed?

The stigma your parents knew came from an era when bankruptcy was rarer and less understood. Today, medical debt, predatory lending, and economic disruption have made financial hardship far more common — and lawmakers have reflected that reality in modernizing the Bankruptcy Code over the decades.

What has not changed is that bankruptcy remains a legal tool designed to protect families, not punish them. Many Kentucky residents who once shared that view have found that filing was the most responsible decision they could have made for themselves and their children.

Q: Should I drain my retirement savings to pay debts instead of filing bankruptcy?

This is one of the most important questions we get — and the answer is almost always no.

Qualified retirement accounts, including 401(k)s and IRAs, are generally protected in bankruptcy under both federal law and Kentucky exemptions. Draining them to pay unsecured debt means sacrificing protected assets to satisfy obligations that could have been discharged. You would emerge with neither the retirement savings nor the debt relief.

Please speak with us before touching a retirement account for this purpose.

Q: What happens to the debt that goes away in a Chapter 7?

When a debt is discharged in Chapter 7, your personal legal obligation to repay it is permanently eliminated. The creditor can no longer sue you, garnish your wages, or contact you to collect.

The debt does not transfer to anyone else, as long as the debt is not also in someone else's name, i.e., a co-signor on a loan — it is simply extinguished as to you.

Secured debts, such as a mortgage or car loan, work differently: the lien on the property survives discharge unless addressed separately.

Your attorney will explain exactly what happens to each type of debt in your specific case.

Q: My bank has been really good to me, and I don't want to lose that relationship. Do I really have to include a credit card associated with my bank if I file?

Yes — all creditors must be listed, including your bank. What happens next depends on the bank's policies; some will close all accounts upon notice of filing, others will not.

If you have a checking or savings account at the same bank as a debt you are including, there is also a risk of offset — the bank applying your deposit balance against what you owe.

We help Kentucky and Indiana clients plan around this before filing so you are not caught off guard, and we can discuss alternative banking arrangements in advance.



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General Questions

Q: Will I lose my house or car if I file for bankruptcy?

Most Kentucky and Indiana filers keep both. State and federal exemptions protect a significant amount of home equity, and if you are current on your mortgage, you can typically keep the home by continuing payments.

The same applies to a car — if you are current and the equity falls within the exemption limit, you keep it. Chapter 13 offers additional tools if you are behind on payments and want to catch up over time.

The goal is to protect what matters most to your family while eliminating the debt dragging you down.

Note: There is a certain amount of equity in a home that we can protect when filing bankruptcy, and that equity is one of the determining factors on which bankruptcy chapter you can file.

Q: Are my medical bills able to go away in a bankruptcy?

Yes. Medical debt is unsecured debt, and it is fully dischargeable in both Chapter 7 and Chapter 13 bankruptcy.

For many Indiana and Kentucky families, medical bills are the single largest driver of financial hardship — and bankruptcy was designed in part to address exactly this situation.

Whether it is a single emergency room visit or years of ongoing treatment costs, those balances can be wiped out, giving you a genuine fresh start without the burden of medical debt following you indefinitely.

Q: Can't I just file the case on my own instead of paying attorney fees?

You can — this is called filing "pro se," and the court will accept it. However, bankruptcy involves federal law, local court rules, trustee scrutiny, and an exemption strategy that most people are not equipped to navigate alone.

Mistakes in a pro se filing can result in dismissed cases, lost exemptions, or even allegations of fraud. The cost of getting it wrong almost always exceeds the cost of hiring an attorney.

We offer flat-fee pricing agreed to in advance, so you know exactly what you are paying — no hourly clock running, no surprise invoices.

Q: I read online that you can file a motion and get the filing fees waived. Why won't you do that for me?

Fee waivers are available only in Chapter 7 cases, only for individuals (not businesses), and only when your household income falls below 150% of the federal poverty guideline.

The court — not your attorney — decides whether to grant the waiver, and it is not guaranteed. If your income does not meet that threshold, the motion will be denied.

We will always tell you honestly whether you qualify and help you pursue every option available — but we will not file a motion we know the court will reject.

Still Have Questions? We're Here to Help.

If anything on this page is unclear, or if your situation raises questions that aren't covered here, please don't hesitate to reach out. Every case is different, and our team is ready to walk you through your specific options with no pressure and no obligation.

Call us at (502) 339-0222 or visit obryanlawoffices.com/contact

to schedule your free Fresh Start Planning Session today.