

# How Bankruptcy Stops Your Creditors: The Automatic Stay

**After you file for bankruptcy, the automatic stay offers potent legal protection against bill collectors.**

When you file for bankruptcy, something called the automatic stay immediately stops any lawsuit filed against you and most actions against your property by a creditor, collection agency, or government entity. Especially if you are at risk of being evicted, being foreclosed on, being found in contempt for failure to pay child support, or losing such basic resources as utility services, welfare, unemployment benefits, or your job (because of a raft of wage garnishments), the automatic stay may provide a powerful reason to file for bankruptcy.

## What the Automatic Stay Can Prevent

Here is how the automatic stay affects some common emergencies:

- **Utility disconnections.** If you're behind on a utility bill and the company is threatening to disconnect your water, electric, gas, or telephone service, the automatic stay will prevent the disconnection for at least 20 days. Although the amount of a utility bill itself rarely justifies a bankruptcy filing, preventing electrical service cutoff in January in New England might be justification enough.
- **Foreclosure.** If your home mortgage is being foreclosed on, the automatic stay temporarily stops the proceedings, but the creditor will often be able to proceed with the foreclosure sooner or later. If you are facing foreclosure, Chapter 13 bankruptcy is usually a better remedy than Chapter 7 bankruptcy, if you want to keep your house.
- **Eviction.** If you are being evicted from your home, the automatic stay may provide some help -- but the new bankruptcy law makes it easier for landlords to proceed with evictions. If your landlord already has a judgment of possession against you when you file, the automatic stay won't affect these eviction proceedings; the landlord can continue just as if you hadn't filed for bankruptcy. And if the landlord alleges that you've been endangering the property or using controlled substances there, the automatic stay won't do you much good, either. In other cases, the automatic stay might buy you a few days or weeks, but the landlord will probably ask the court to lift the stay and allow the eviction - and the court will probably agree to do so.
- **Collection of overpayments of public benefits.** If you receive public benefits and were overpaid, normally the agency is entitled to collect the overpayment out of your future checks. The automatic stay prevents this collection. However, if you become ineligible for benefits, the automatic stay doesn't prevent the agency from denying or terminating benefits for that reason.
- **Multiple wage garnishments.** Filing for bankruptcy stops garnishments dead in their tracks. (And not only will you take home a full salary, but you also may be able to discharge the debt in bankruptcy.) Although no more than 25% of your wages may be taken to satisfy court judgments (up to 50% for child support and alimony), many people file for bankruptcy if more than one wage garnishment is threatened.