

How Bankruptcy Prevents Utility Shutoff and Restores Service

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Practice Limited
to Bankruptcy
and Foreclosure
Resolution



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Press Release Summary: The bankruptcy laws require the utility company to restore the service of any utility that was terminated prior to the filing. A bankruptcy filing prevents the utility company from terminating an individual's service.

Press Release Body: Immediately upon the filing of a bankruptcy petition, no creditor may pursue or commence an action against the debtor (person filing the petition). It's the law. Therefore, after the filing, a utility company may not terminate the debtor's service, even though there may be substantial arrears. Also, in the event that the debtor's service was terminated prior to the filing, the service must be restored, upon notifying the utility provider after the filing. Generally, the provider will restore the service within 24 to 48 hours after the filing.

New Jersey residents can obtain answers to questions regarding foreclosure resolution and bankruptcy laws by visiting <http://www.bankruptcylawyer-nj.com>

The bankruptcy code states that within 20 days after the filing, the debtor must pay a security deposit to establish a new account. Each utility company may apply a different criteria in determining the deposit amount. The utility companies generally apply the following criteria to determine the amount of the security deposit: **1.** average monthly usage for the 12 months prior to the filing; **2.** average of the highest two months of usage during the 12 months prior to the filing; **3.** twice the average monthly usage for the 12 months prior to the filing.

Is the debtor required to pay the pre-bankruptcy debt owed to the utility provider? If the debtor has filed for chapter 7 bankruptcy protection and meets all of the requirements for a discharge, the debt is eliminated without any payment. After a debtor has established a new account, subsequent to a chapter 7 discharge, the utility company may terminate the service for payment arrears, based on their typical standards.

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The following pertains to chapter 13 protection. An individual may file a chapter 13 case for numerous reasons that are unrelated to utility issues. A chapter 13 typically requires the debtor to make monthly payments to a trustee (bankruptcy administrator) over a 36 to 60 month period. The trustee payments may be paid to various creditors based on the debtor's financial position and desires. Utility debt is classified as unsecured. The debtor may be required to pay none, some, or all of their unsecured debt, based on the following factors: personal and household income; personal and household expenses; real and personal property values; amount of arrears on secured debt; and, to some extent, the debtor's desires. A chapter 13 may permit the debtor to eliminate the entire utility balance, without payment.

Similar to a chapter 7, in the event that a debtor falls behind with the utility payments after the chapter 13 filing and the establishment of a new account, the company may terminate the service, based on their typical standards relating to payment default.

For more information on bankruptcy laws in New Jersey, visit <http://www.bankruptcylawyer-nj.com>

Robert Manchel is a New Jersey, Board Certified Consumer Bankruptcy Attorney, whose practice is limited to foreclosure resolution and bankruptcy law. For more information, please contact Mr. Manchel at (856) 797-1500, 1(866) -503-5655 or go to his web site at <http://www.bankruptcylawyer-nj.com>

Robert Manchel handles cases from the following counties: Cumberland, Atlantic, Salem, Gloucester, Camden, Burlington, Hunterdon, Somerset, Middlesex, Ocean, Mercer, Monmouth, and Philadelphia.

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Disclaimer: The bankruptcy laws are complex and may be applied differently, in each case, and State. There may be numerous exceptions and variations for each law and rule. Do not rely on the information provided in this article. If you are considering filing for bankruptcy protection or have foreclosure issues, you should consult with an experienced lawyer. We are a debt relief agency. We Help people file for bankruptcy relief under the bankruptcy code.

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