

**MARYLAND EXEMPTIONS - 2006 -**

**Question: If I file bankruptcy, what will I be left with?**

**Answer: Effective October 17, 2005, if you have lived in Maryland less than two (2) years, you are NOT entitled to Maryland exemptions but the exemptions of another state. If you have lived in Maryland two years or more, you will keep the property listed under "Maryland Exemptions," which, for most people, is everything they currently own.**

**MARYLAND EXEMPTIONS**

Section 11-504 of the Annotated Code of Maryland provides a list of the property your unsecured creditors may not take from you:

- (1) Wearing apparel, books, tools, instruments, or appliances necessary for the practice of any trade or profession except those kept for sale, lease or barter. (\$5,000.00 maximum) (**TOOLS OF TRADE!**)  
 Example: Carpenter's tools, Dentist's drill, painter's brushes  
 Exception: Documented security interest lien
- (2) Money payable in the event of sickness, accident, injury, or death of any person, including compensation for loss of future earnings. (*i.e.*, personal injury settlement, workman's compensation, Social Security Disability).
- (3) Professionally prescribed health aids for the debtor or any dependent of the debtor.  
 Example: cane, hearing aid, wheel chair (no dollar limit)
- (4) The debtor's interest, not to exceed \$1,000.00 in value, in household furnishings, household goods, wearing apparel, appliances, books, animals kept as pets, and other items that are held primarily for the personal, family, or household use of the debtor or any dependent of the debtor.
- (5) \$6,000.00 or property of any kind equivalent to \$6,000.00  
 Value: value means the fair market value as of date of filing bankruptcy  
 Example: Sony 19" TV, cost: \$456.00 three years ago  
 "value now, who knows, maybe \$70.00.  
 all personal property must be itemized by you, dated as to purchase, cost & valued now (use "yard sale" values for your items)  
 Note: \$6,000.00 per person  
 Husband & Wife get \$12,000.00: covers a lot (probably everything)  
 Auto: If fair market value is less than amount owed, keep it if you continue to make payments or you may buy-out the car for the current value in a lump sum redemption or if fair market value of car is more than amount owed, you may use part of this \$6,000.00 exemption to protect your equity and keep the car so long as you make payments.
- (6) Real Property or Personal Property: \$5,000.00 equity per person (\$10,000.00 equity if joint petition of husband & wife)  
 Example: John, single, owns a home worth \$20,000.00 subject to a \$18,000.00 mortgage. His equity is \$2,000.00. As long as he continues to make his mortgage payments on time, he will not be in default on his mortgage, his bank cannot foreclose, and he can exempt his equity in the home from his creditors' claims.  
 Example: Sam and Mary own a \$60,000.00 home subject to a first mortgage of \$30,000.00 and a second mortgage of \$25,000.00 (total=\$55,000.00). As long as payments are made on the home (both mortgages), they may keep their home and exempt their \$5,000.00 equity in the home. A market analysis less than 6 months old by a broker with three recent comparables will be necessary. If they fall behind on their mortgage payments, their home will be sold.
- (7) Other Exemptions: cash value life insurance, social security benefits, military retirement benefits, unemployment insurance benefits, workmen's compensation benefits, certain IRA's, grave lot.

**SUMMARY**

SINGLE:	\$ 1,000.00	Household goods	
	\$ 6,000.00	Anything	
	\$ 5,000.00	Anything	Total: \$12,000.00
MARRIED:	\$ 2,000.00	Household goods	
	\$ 12,000.00	Anything	
	\$ 10,000.00	Anything	Total: \$24,000.00

**Plus:** trade or professional items worth up to \$5,000.00, per person, \$10,000 married filing jointly (note: whose tool? What profession?)

This summary will be explained to you by Mr. Gordon. Needless to say, bankruptcy law, security interests, mortgages and liens are very complex and it is impossible to summarize every aspect of the law here. Keep this for future reference.

## DISCUSSION

- 1) You own a car. It cost you \$10,000.00. You owe \$9,100.00. Your equity is \$900.00 and may be claimed under exemptions. As long as you continue to make all payments, you may keep the car. You will have to reaffirm the car loan to be assured that you will keep the vehicle.
- 2) You own a car which has gone way down in value (fire, accident, etc.). It cost you \$10,000.00 and is worth \$1,000.00. You owe \$9,000.00 on it. You have, therefore, no equity in the car so you need not use up your exemptions to keep it. You may keep it by either: 1) paying lender \$1,000.00 in cash all at once or 2) continue to make monthly payments on time. The debt of \$9,000.00 is extinguished but you must either pay \$1,000.00 now or make payments monthly for so long as you wish to keep the car. It may be cheaper to make regular monthly payments for a year or so and give the car back to the lender then.
- 3) In 1980 you borrowed \$5,000.00 to consolidate several small loans. The finance company took a security interest in all your household furnishings. Any such household lien arising after 6 November 1978 is voidable. Any judicial lien arising after 6 November 1978 (court judgment) is voidable to the extent it effects your exemption equity, but is not voidable beyond that.
- 4) Remember, most recent federal income taxes, all withholding taxes, most recent state taxes, all child support, fraudulently obtained credit, non-listed debts (i.e., creditor not named in petition), all alimony, all student loans, all criminal restitution orders, and fiduciary fraud debts are not discharged in a Chapter 7. If you forget to list a creditor, you may usually add them until the case is closed, but the court will charge you \$20.00, which we do not cover.
- 5) You will have to attend a six (6) minute "Meeting of Creditors" in Salisbury. "Discharge hearings" are no longer held. Confirmation hearings in chapter 13 are in Salisbury. You will be notified well in advance.
- 6) It is essential that you list all of your assets and all of your debts.
- 7) Utility companies are required by law to continue service, as is the telephone company. They may require a two (2) months deposit based on your prior average usage. The old bill will be wiped out.
- 8) Hospitals cannot refuse emergency service. Easton Memorial sometimes will refuse routine work unless the old bill is paid.
- 9) Bankruptcy will appear on your credit report for up to ten (10) years. Generally, however, you become a better credit risk because you are no longer loaded down with debts (i.e., better ability to pay them) and because you cannot file bankruptcy for six (6) years.
- 10) All debts contracted by you after filing are legally enforceable.
- 11) You may own property in your name before, during and after filing bankruptcy.
- 12) Ordinarily, the proceedings are not a matter of public publication on the Eastern Shore and people will only know you have filed bankruptcy if they are notified as creditors or if you tell them. Foreclosure (public auction) sales by secured creditors or the Trustee are advertised, by law, for three (3) weeks in a local paper. Always keep us posted if you change your address or telephone number.
- 13) Absent fraud on your part, our fee covers all aspects of a routine bankruptcy. Our fee in a corporate bankruptcy does not include representation of any shareholder, officer, director or employee in litigation that may involve them personally, as distinct from the corporation.
- 14) If more than \$600.00 has been garnished from your wages within 90 days of filing, we will seek a refund from the creditor and our collection fee of 1/3 of what we recover.
- 15) Bankruptcy is a "fresh start" for those who honestly cannot handle their debts. The new Bankruptcy Code was enacted in 1978 by Congress and has truly given a "fresh start" to thousands of Americans since then.

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