

Wisconsin's Chapter 128: A Bankruptcy Alternative for Debt Relief

If you're struggling with debt but want to avoid bankruptcy, Wisconsin offers a unique alternative: Chapter 128 debt amortization.

What is Chapter 128

Chapter 128 is a debt repayment plan available under Wisconsin Statutes Chapter 128. It allows you to repay debts—such as credit cards, medical bills, and payday loans—through a structured court-supervised plan. A trustee is appointed to distribute payments to creditors over a three-year period. During that time, the creditors can't charge interest on the debt and can't try to collect on their debt, such as through a wage garnishment. A typical Chapter 128 filer has a small amount of credit card debt and could afford to make the payments if not for the high interest rates.

Parts of Chapter 128

- **Full repayment:** Unlike bankruptcy, Chapter 128 requires full repayment of any included debts. You must have a steady source of income in order to file a Chapter 128.
- **Choice of debts:** Unlike bankruptcy, you do not have to include all of your debts in a Chapter 128 repayment plan. You can choose to continue paying some accounts outside the Chapter 128 according to their contract terms, e.g. a small credit card balance, in order to boost your credit score. You can also add or drop debts from the plan during the three years, as long as the court approves.

Note: You cannot include secured debts, such as a car payment or mortgage, unless the creditor agrees.

- **Lasts up to three years:** All included debts must be paid off within 36 months.
- **Stops wage garnishment and interest:** Once filed, included creditors cannot garnish your wages, bank accounts, or otherwise try to collect on the debt. The creditor CAN still file a lawsuit and obtain a judgment against you in court, but they will not be able to collect on the judgment.

Note: Most courts have held that filing a Chapter 128 does not stop a utility company from disconnecting service and it does not require a utility company to reconnect service.

Note: If you fail to complete the repayment plan, you will have to pay the interest that built up during the time the plan was in effect.

- **Less impact on credit score:** While bankruptcy stays on your credit report for up to ten years, Chapter 128 is not reported as a bankruptcy and stays on your report for seven years. If you successfully complete the Chapter 128 you should have better credit than with a bankruptcy.

Note: some creditors are less familiar with Chapter 128s and mistakenly report them as bankruptcies to the credit reporting companies. You can correct this by disputing the information with the credit reporting agencies.

- **No property loss:** Unlike bankruptcy, Chapter 128 does not require selling assets to repay debts.

Who Can Use Chapter 128?

To qualify for Chapter 128, you must:

- Be a Wisconsin resident.
- Have regular income to make payments.

Note: The following may qualify as regular income: monthly unemployment insurance payments, Social Security disability benefits, or alimony.

How the Chapter 128 Process Works

- Consider hiring a lawyer
 - While you are allowed to file a Chapter 128 without a lawyer, it isn't recommended. First, an attorney can help you determine if a Chapter 128 is your best option. Second, there are no standard Wisconsin court forms that you can download to file a Chapter 128, so it can be very helpful to have an attorney who can draft the forms for you.
- File a Petition
 - You submit a petition to the circuit court in your county. This filing must include a list of the names and addresses of any creditors you want to include in the plan.
 - Milwaukee County has approved forms for use. If you choose to file without an attorney, you may want to look at these forms to see what information to include with your petition.
- Court Appoints a Trustee
 - A trustee is assigned to collect payments and distribute them to creditors.
 - You pay the trustee either seven or ten percent of the debt included in the plan. You pay seven percent if your monthly payments are deducted from your paycheck and paid by your employer to the Trustee. You pay ten percent if you send your monthly payments directly to the trustee's office yourself. You don't pay this fee up front - it is included in your monthly payment. If the payment is going to be made by payroll deduction, the Trustee fees, by statute, will be an additional 7%.
 - To calculate the monthly payment:
 - Multiply total debt included in the plan X 1.07 = total estimated plan amount.
 - Divide the total estimate plan amount by 36 months = estimated monthly payment.
 - If the payment is going to be made directly, the Trustee fees, by statute will be an additional 10%
 - To calculate the monthly payment:
 - Multiply total debt included in the plan X 1.10 = total estimated plan amount.
 - Divide the total estimate plan amount by 36 months = estimated monthly payment.

- Contact the Trustee
 - When you receive your copy of the paperwork from the court with the trustee assignment, contact the trustee with your telephone number and email address, and the account numbers to each of the debts included in the Petition.
- Make Monthly Payments
 - Make 36 monthly payments to the trustee.

Remember: As noted above, it is cheaper to have these payments deducted directly from your paycheck rather than sending them to the trustee yourself.

- Debts Are Paid Off and Case Closes
 - Once all payments are made, the case is closed, and the debts included in the plan are paid in full

Pros and Cons of Chapter 128

Pros	Cons
Like a bankruptcy, stops collection and interest on included debts	Unlike a bankruptcy, where you may pay only a fraction or even nothing on debts you owe, you must fully pay back all included debts
Open to WI residents even if you don't qualify for bankruptcy	Must have steady income
You don't have to list all of your debts	Cannot include secured debts
Don't need to produce tax records, go to credit counseling, or make a court appearance	Strict payment schedule
No bankruptcy filing on credit report & off credit report after 7 years (like a Chapter 13 bankruptcy) rather than after 10 years (like a Chapter 7 bankruptcy)	
Can file as often as you want	

Is Chapter 128 Right for You?

Chapter 128 may be a good option if you:

- Have unsecured debts you need help managing.
- Want to avoid bankruptcy while still getting court protection.
- Have steady income and can commit to a structured repayment plan.

However, if you have secured debts (like a mortgage or car loan) or need more significant debt relief, bankruptcy may be a better option. Learn more in our [Chapter 7 Bankruptcy article](#).

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