



TAMPA BAY BANKRUPTCY CENTER, P.A.

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Chapter 13 Bankruptcy and How it Works for You

Chapter 13 Bankruptcy is the section of the bankruptcy code that allows you to pay off your debts according to a court-approved repayment plan. One advantage of filing Chapter 13 bankruptcy is that all debt-collection activity against you automatically ceases by law. This includes the action most homeowners are terrified of – foreclosure. In addition, a Chapter 13 bankruptcy also stops interest and penalties from accumulating on your unsecured debts such as credit card balances, medical bills and tax debts.

The most essential part of a Chapter 13 bankruptcy is the debt-repayment plan. The plan takes into account your ability to pay regular monthly installments to clear off your debts before emerging from bankruptcy.

Under Chapter 13, you do not have to fully repay your unsecured debts as long as you pay your unsecured creditors at least as much under the plan as they would receive if your assets were liquidated under Chapter 7 bankruptcy. However, secured debts like a mortgage or car loan must be repaid in full.

If you have refinanced your home and now find that its value is lower than the amount of your mortgage (i.e. your property is “underwater”), Chapter 13 bankruptcy may allow you to “strip” the second mortgage (called lien stripping). The second mortgage can be placed in the Chapter 13 repayment plan as an unsecured loan, essentially treating the second mortgage like an unsecured debt, which may not be required to be paid in full before discharge in Chapter 13 bankruptcy.

<http://tampabankruptcy.pro/blog/>

If your mortgage holder objects to lien stripping, then you may need to have the home valued by a valuation expert. Whether your circumstance requires a valuation depends on your loan documents. Call us at (813) 200 4133 for expert advice on this matter.

The next step in Chapter 13 bankruptcy is to hold the meeting of creditors between 20 and 50 days after filing the bankruptcy petition. This meeting will be conducted by the court-appointed bankruptcy trustee during which the trustee and creditors may ask you questions regarding your financial status and debt. You are obligated to attend this meeting and answer questions under oath. If you need guidance on how to go through a meeting of creditors, call us at (813) 200 4133 for a free consultation.

Finally, after the meeting of creditors, the bankruptcy court will review the plan before confirming or rejecting it. Any of your creditors may object to the confirmation. However, most times Chapter 13 petitions are confirmed as long as there are no serious errors.

If you are struggling with insurmountable debt, call us for a free consultation at (813) 200 4133.