

The Bankruptcy Process: What to Expect in a Chapter 13 Bankruptcy

The Chapter 13 Plan

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The Chapter 13 Plan

At the heart of a chapter 13 bankruptcy case is the chapter 13 plan. The plan is your proposal to your creditors and the court as to how much you will pay your creditors. A chapter 13 plan must be filed within 14 days of the filing of your bankruptcy case. The chapter 13 bankruptcy plan will provide for the length of your case and how much will be paid to each creditor.

What is the Length of the Chapter 13 Plan?

Your chapter 13 plan will be a minimum of thirty six (36) months and a maximum of sixty (60) months. How long your plan will be will depend on your income at the time you file your bankruptcy case. If your income is below the median income for a family of your size then your case will be 36 months (or longer if you need it to be). If your income is above the median income for a family of your size then your case will be 60 months.

How Much Will My Monthly Payment Be?

There are a few factors that go into determining what your monthly chapter 13 plan payment will be. Your monthly income and your monthly expenses will impact how much you pay into your chapter 13 plan. The Bankruptcy Code requires that you pay your disposable income to your creditors. So, if you take your income, minus your monthly expenses, whatever is left over will likely have to be paid to your creditors. This is known as your disposable income.

The next factor is the value of your non-exempt assets. You will be required to pay the value of your non-exempt assets to your creditors over the life of your chapter 13 plan. For instance, if you owned a boat free and clear of any liens that had a value of \$3,000, you would be required to pay at least \$3,000 to your creditors over the life of your chapter 13 case. The more non-exempt assets you have, the higher your monthly payment will likely be.

When Is My First Chapter 13 Plan Payment Due?

You are required to make your first chapter 13 plan payment within thirty (30) days of the filing of your bankruptcy case.

What if My Income or Circumstances Change?

If your income or job situation change it will likely be necessary to amend your chapter 13 plan to account for this change in circumstances.

In my next blog I will go over what types of debts are included in the chapter 13 bankruptcy plan and the powerful tools that are available in a chapter 13 bankruptcy case.

Attorney John Skiba offers a free consultation to review your case specifically. Mr. Skiba can be contacted at 480-559-8131.