

Bankruptcy in New Jersey: Unsecured vs. Secured Debt

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Deciding whether or not to file for bankruptcy protection is a big decision. If you are feeling the burden of overwhelming debt, the option of discharging or eliminating the majority of your debt should be appealing. An experienced [bankruptcy attorney](#) can review your individual finances and help you understand how a [Chapter 7 or Chapter 13](#) could benefit you.

When you file a bankruptcy case, your debt is classified as priority, secured or unsecured. Priority debt is debt such as taxes that is given a special status or priority under the law. The remainder of your debt is either secured or unsecured debt.

If you have borrowed money and pledged an asset as collateral to the lender, it is a secured loan. The most common examples of secured loans are a mortgage on your home or a security interest in your vehicle. Under these types of loan transactions, the lender has the right to foreclose or seize the asset if you default on the loan payments. The creditor also has the right to auction or resell the asset to payoff (all or part) of your defaulted loan.

If you file a Chapter 7, you must remain current on your secured loan payments, surrender the property to the creditor or reaffirm the debt under a contract called a “reaffirmation agreement.” In a Chapter 13 bankruptcy case, the debtor may be allowed to keep the asset if he provides for payment to the lender through his plan of reorganization. Be sure to read our [blog which discusses the Chapter 13 plan](#).

Most debtors’ debt consists of unsecured bills, such as credit card and medical debt. In a Chapter 7 case, most (if not all) of your unsecured debt is eliminated (discharged). This means that when you successfully complete your case, you’re no longer obligated to pay the discharged debt. In a Chapter 13 case, you pay the unsecured creditors a percentage of what they are owed. Typically, unsecured creditors receive little, if anything, under the Chapter 13 plan.

We are bankruptcy lawyers who know how to make a difference in your financial situation. We have experience you can rely on and we care about your results. Contact our New Jersey law

firm [online](#) by filling out the form or by calling 973-323-2953 to schedule a free initial consultation with an attorney at [Levitt & Slafkes, PC.](#)