

## Owe way more on your car than it's worth? A Chapter 13 bankruptcy might fix that.

If you, like many people, owe way more on your car than it's currently worth, then a Chapter 13 bankruptcy might be able to fix that for you. Should you file a Chapter 13 bankruptcy (the "payment plan" type of bankruptcy) for only that purpose? Probably not, but if you're going to file a Chapter 13 anyway, then that's another large benefit it might be able to give you. Let's see how that works.



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- **If you bought your car more than 910 days (about 2 1/2 years) before filing a Chapter 13, then the loan for the purchase of the car may be "crammed down" to the current value of the car.** For example, if the balance owed on your car loan is \$25,000 and your car is now worth only \$15,000, after the cram down you would only have to make payments on that \$15,000 in order to keep your car. The other \$10,000 would become unsecured debt (like credit card debt) and be paid the same percentage as other debts of that type, possibly a quite small percentage.
- **What if you bought your car more recently than that?** There are three exceptions to the 910-day requirement for a cram down.
  1. **The loan on your car was taken after you bought your car,** not to buy it - If you used your car to secure another loan, or refinanced your original car loan, the 910-day requirement doesn't apply.
  2. **It's a business vehicle instead of a personal vehicle** - If it's used in your business instead of for personal use, the 910-day requirement doesn't apply.
  3. **The car is driven by someone else instead of you** - If this is the case, the 910-day requirement doesn't apply.
- In addition, you might be able to reduce the interest rate for the loan. We won't say more about that here; your bankruptcy attorney can discuss that with you.

This, like many things about bankruptcy, is a "don't try this at home" type of thing, but one that an experienced bankruptcy attorney can do for you.

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