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WHAT WILL HAPPEN TO MY CAR WHEN I FILE FOR BANKRUPTCY?

What happens to your car when you file for bankruptcy depends mainly on whether you want to keep your car, and how much, if anything, you owe on it when you file your case.

A FEW SCENARIOS TO HELP EXPLAIN YOUR OPTIONS

If you still owe money on a loan or lease and would like to surrender your car:

This option is always available. It's a relatively simple process that involves notifying the lender that you're giving back the car. The bankruptcy takes care of any outstanding balance on the loan or lease agreement, and all you have to do is tell the lender when and where they can pick the vehicle up.

If you still owe money on a loan or lease, are behind on the payments, and would like to keep your car:

If you can catch up the past due amount prior to filing your bankruptcy, you can most likely keep the car, assuming the monthly payments are less than about \$500-600 in Washington. If you can't afford to catch up the payments prior to filing, you can always file Chapter 13 to buy yourself more time by spreading the delinquent amount out over a three- to five-year period. Chapter 7 might be an option as well if you're able to negotiate something with the lender to address the delinquency. You may also be able to reduce the amount of the loan down to the current value of the vehicle.

If you still owe money on a loan or lease, are current on the payments, and would like to keep your car:

You will be permitted to keep the car as long as the monthly loan or lease payments aren't more than about \$500-600. But this doesn't necessarily mean that keeping such an expensive car is the best choice financially. You should carefully consider your options, including whether you could get by with a less expensive vehicle. After all, the whole idea in filing for bankruptcy is to clean up your personal sheet so that you'll be in good shape moving forward. You may also be able to reduce the amount of the loan down to the current value of vehicle.

If you own your car outright:

Whether you can keep a car that you own outright (i.e., no loan payments) depends on the value of the car and what other assets you own. If you have a lot of equity in your home and own lots of other property, you're only permitted to keep a vehicle valued at approximately \$3,000-4,000 here in Washington. If you don't have any equity in your home, or you're a renter, and your only other property is fairly typical, you may be able to keep a vehicle valued at as much as \$15,000 or so.

NOTE: Please keep in mind that these are only general guidelines. Talk to a bankruptcy attorney in your area to more fully explore your options.