

## **Chapter 13 Bankruptcy Primer – Chicago Bankruptcy Lawyer**

A Chapter 13 bankruptcy case is primarily used to repay all or some of a person's debts. It is also known as a debt adjustment case, or a "wage earner's plan." Chapter 13 can stop a foreclosure or repossession and allow the individual time to make payments over three to five years, often even over the objection of a creditor.

If you are behind on a mortgage or car loan and are unable to catch up, Chapter 13 bankruptcy will give you time to restructure your debts and sometimes change the interest rates on your loans. Some upside-down vehicle loans can be "crammed down," meaning the obligation is reduced to the value of the vehicle, and then paid over three to five years. Second or third mortgage debts can also be stripped off if the amount of the first mortgage is more than the value of the home.

Chapter 13 differentiates between three types of debts: first, priority debts, including most taxes and child support, must be paid in full. Second, secured debts, debts secured by collateral, must be paid with interest over the life of the plan, or surrendered back to the creditor. Finally, unsecured debts, like credit cards and medical bills, are paid in accordance with your financial ability. This may be as much as 100% or as little as 5%.

The main feature of a Chapter 13 bankruptcy is the repayment plan, which must be approved by the bankruptcy court. A Chapter 13 plan will propose a monthly payment to pay all or some creditors over three to five years. Once the bankruptcy court approves a Chapter 13 plan (called "confirmed" in bankruptcy lingo), the court will direct you to pay the Chapter 13 bankruptcy trustee, who keeps a percentage as a fee and pays out the rest to the creditors in accordance with the plan.

There are monetary limits to the amount of unsecured and secured debts you can have in a Chapter 13, currently set at \$360,475 for unsecured debts and \$1,081,400 for secured debts. Debtor's who exceed these limits are not eligible for Chapter 13 relief and should consider a Chapter 11 reorganization bankruptcy.

If you have a home or auto debt that you cannot afford, speak to an experienced bankruptcy attorney before a foreclosure or repossession. Your attorney can discuss your bankruptcy options and can give you the tools to decide whether it is feasible to keep your property, restructure your debts, or simply "walk away" and discharge your financial obligations.

**Contact the experienced Chicago bankruptcy attorneys at Glanzer & Associates, P.C. at 1-312-644-2227 to discuss your specific situation, and to schedule your free, in-person consultation.**