

Bankruptcy Beagle

Sniffing Out the Best Free and Low Cost Information about Bankruptcy.



What Happens When A Chapter 13 Bankruptcy Is Dismissed Early?

At some point, many debtors contemplate trying to get out of their chapter 13 bankruptcy; they may be tired of the monthly payment, or circumstances may have changed and they cannot afford the payment. The worst thing they can do is let the case be dismissed. The goal of bankruptcy is a discharge; once you start down the bankruptcy path, you MUST achieve a bankruptcy discharge one way or the other.

If you stop paying the chapter 13 trustee, your bankruptcy will eventually be dismissed; depending on the efficiency of the trustee, that process can take as little as 45 days, it can take up to 180 days. However, the consequences of dismissal are not good so you need to come up with a plan for how you would deal with the debts that were included in your chapter 13 bankruptcy.

When a chapter 13 bankruptcy is dismissed, you still owe the debt that was included in the bankruptcy, minus any payments received by the creditors from the chapter 13 trustee. However, the creditors get to go back to your bankruptcy filing date and add back interest and any contractually due fees. If the debtor was trying to save their home, the mortgage lender can restart foreclosure. If you were attempting to strip a 2nd mortgage (or inferior lien) from your primary residence, that action will be void. Dismissal is bad.

So, as you can see, before letting the case be dismissed, get with an attorney to map out other possible options. Outright dismissal is rarely the optimal choice. The better options are either (1) modification of the chapter 13 plan, (2) conversion to chapter 7 bankruptcy, or (3) hardship discharge of the chapter 13. You need to achieve a bankruptcy discharge, otherwise, the entire enterprise was all-for-not.

About Bankruptcy Beagle:

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