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Bankruptcy and Foreclosure

One of the most dreaded things anyone can face is the foreclosure of their home. This is because foreclosure threatens our basic need for security. But if debts are mounting and you fall behind in your mortgage payments, it is only a matter of time before your bank takes foreclosure action. Is there anything you can do about it? Yes. You can file for bankruptcy protection.

Depending on your situation, a bankruptcy filing may halt foreclosure proceedings. There are two types of bankruptcies for individuals. The first is Chapter 7 bankruptcy which is where your non-exempt properties are sold to repay your debts. Chapter 7 bankruptcy is useful if you are not behind in your mortgage payments but have run into unexpected financial problems like a huge medical bill that you need time to repay. Should you file for bankruptcy under such circumstances, there is a high chance that your Chapter 7 bankruptcy will stall your mortgage payments until you exit bankruptcy. After the discharge, your mortgage will continue as scheduled. This is how Chapter 7 bankruptcy can affect your mortgage and help you avoid foreclosure to your home.

The second type of bankruptcy for individuals is Chapter 13 bankruptcy or reorganization bankruptcy. Under this type of bankruptcy, your bankruptcy debts are put into a repayment plan that can stretch up to five years. Thus, your mortgage will be included in this plan. When you start repaying your bankruptcy debts according to the plan, you can avoid foreclosure. Chapter 13 bankruptcy will be more useful to you if you have fallen too far behind your mortgage payments and your bank has initiated foreclosure proceedings. But there is a proviso.

The bankruptcy court will only grant your mortgage to be included into your bankruptcy assets provided you are not too far into the foreclosure process. If the bankruptcy judge feels that you owe too much to the bank already and that the foreclosure process has gone on for too long, then he or she may strike out your mortgage from the rest of your bankruptcy assets. In such a case, there may be nothing you can do to save your home.

To decide whether you should file for bankruptcy and discuss how your home can be saved from foreclosure in bankruptcy, call us at (813) 200 4133 for a free consultation.

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