

Florida Chapter 13 bankruptcy cases often involve people with two mortgages.

Can Chapter 13 help alleviate the pain and stress?

This is one of the most powerful tools in a [Chapter 13 bankruptcy](#) case.

With the real estate boom, many Florida residents bought homes with two mortgages. Other people refinanced their homes in Florida and took out either a second mortgage or an equity line of credit.

That was before the real estate meltdown that robbed many Florida homeowners of their equity.

With the real estate meltdown, now many people have homes that are worth much less than what they owe on the total of the mortgages.

In situations where someone owes more on their first mortgage than the value of the property, the second is considered *unsecured*. This means there is not even \$1 of equity in the property securing the second mortgage.

Let's look at an example. You buy a house for \$300,000 and take out a first mortgage for \$240,000. You also get a home equity line of credit or second lien for \$60,000.

But then the value of the house plummets to \$225,000. You own \$300,000 on a \$225,000 home. All of the equity is eaten up by Bank 1, leaving Bank 2 in basically the same position as any other credit card company.

So how will [Chapter 13](#) help? In this case, we could file a motion or an adversary proceeding in the bankruptcy case to have Bank 2's loan to be determined to be unsecured. Once the judge agrees that there's not enough equity to cover the first-place mortgage, the money owed to Bank 2 is paid as if it were a credit card.

In other words, they get table scraps.

As long as you finish your [Chapter 13 bankruptcy plan](#), the mortgage will be wiped away and removed as a lien from your property in the public records.

Even if the lender does respond to this motion, you still have the opportunity to present evidence as to the value of the property, and let your judge decide whether your second mortgage is unsecured.

Due to the nature of how your [Chapter 13 plan](#) payment is determined, in most Florida cases you will be paying very little towards your unsecured debt (which now includes your second mortgage).

It's a nice feeling to no longer have to write checks for the second mortgage payment. As anyone in Florida knows, this is a huge weight off your shoulders.