

Bankruptcy and Your Residential Lease

By Arizona Bankruptcy Attorney John Skiba

www.skibalaw.com

Today in the Arizona Republic there is an interesting article by Catherine Reagor on the rental market in the Phoenix area. As more and more homes fall into foreclosure, or their owners simply decide that it doesn't make financial sense to stay in a home, there has been a large influx in renters. According to the article about 40% of all homes in Phoenix are rentals.

In most situations when you are renting a home or an apartment it comes with a short or long term lease. Many people I meet with for a bankruptcy consultation are concerned as to what will happen to their lease if they file for bankruptcy and are especially concerned that their landlord will throw them out.

Alternatively, I meet with many clients who are stuck in a long term lease at a home that they don't like or that is far too expensive for their current circumstances. They want to get out of the lease.

Bankruptcy and Leases

In bankruptcy, whether it be a chapter 7 bankruptcy or a chapter 13 bankruptcy, you will be required to declare what your intentions are when it comes to the lease agreement with your landlord. In bankruptcy lingo you are going to be required to either "assume" or "reject" your lease.

Assuming a Lease

If you choose to assume the lease agreement, then you are simply letting your landlord know that you intend to keep the lease agreement intact and continue on as it was prior to filing for bankruptcy. This applies not only to residential leases, but you can assume car leases, commercial building leases, or pretty much any other type of lease agreement.

By assuming the lease you are agreeing to continue to pay. So long as the home is a good fit for you and you can make the monthly lease payment, assuming the lease is a good option.

Rejecting a Lease

If you are in a home that is not working for you any longer, or are in a car lease where they payment is too high and you still have years to go, rejecting the lease agreement may be the better option. If you reject a lease you are letting the landlord know that you will not be staying in the leased home and further that you will not be responsible for any outstanding balance that is due under the lease agreement. This can be particularly helpful where you need to get out of a lease that has many years left. You can cancel the lease and discharge any future liability on the lease agreement.

If you are dealing with a lease and are going to need to file bankruptcy, I offer a free bankruptcy consultation where we can discuss your specific situation and put a plan together to get you back on your feet.

Arizona bankruptcy attorney John Skiba can be reached at (480) 420-4028 or via email at john@skibalaw.com.