

# In Arizona, Can I Keep My Car in Chapter 7 Bankruptcy?

The most common bankruptcy question I receive is whether you will be able to keep your car in Chapter 7 bankruptcy. Unfortunately that answer is not a simple yes or no. In Arizona a debtor can keep one car as long as it has no more than \$5,000 in equity. If married debtors are filing jointly, you can keep two vehicles with up to \$5,000 in equity in each vehicle or one vehicle with up to \$10,000 in equity. If the debtor is disabled, you may have up to \$10,000 in equity in a motor vehicle. Equity in the vehicle is equal to the fair market value of the car minus what is owed to the secured lender. In determining the fair market value of the vehicle, I generally advise my clients to visit KBB.com (Kelly Blue Book) to obtain the private party value for the vehicle.

For example in a joint bankruptcy filing, if you have one car with \$4,500 in equity and another car with \$4,800 in equity, both cars have less than \$5,000 in equity and would qualify under the Arizona motor vehicle exemption. However, if one vehicle has \$6,000 in equity and the other vehicle has \$3,000 in equity, the \$6,000 vehicle has \$1,000 in excess equity and could be taken by the trustee unless you plan accordingly. Please click on the following link for strategies on how to deal with excess equity in your motor vehicle.

If you find yourself in a situation where you have excess equity in your vehicle you should contact an experienced bankruptcy attorney in Tucson, Arizona for advice on how to keep your vehicle in Chapter 7 bankruptcy.

Due to a lack of mass transportation, those residing in Arizona are left with little choice but to own a car. In addition, clients often want to retain their car because they fear they will not qualify for a vehicle with a loan, or do not have the money to purchase a car outright. Although obtaining financing for a car may be difficult for some after filing bankruptcy, I have heard from a significant number of clients about car offers they received shortly after filing with very reasonable terms.

After filing Chapter 7 bankruptcy you will have to make the decision whether to keep or surrender your vehicle. If you decide to surrender your car in Chapter 7 bankruptcy, the discharge will wipe out any debt associated with your vehicle. On the other hand, if you decide to keep your car, you must sign what is called a reaffirmation agreement. Reaffirming your car loan means that if you fail to make payments at any time after reaffirming, the lender will repossess the car, sell the vehicle, and you will be responsible for the total amount of the loan minus the sale price, with fees. This amount is known as the deficiency. Please click on the link for more information on bankruptcy reaffirmation agreements.

Deciding whether to keep your car or surrender your vehicle in Chapter 7 bankruptcy is a serious decision for which you should consult an experienced Tucson bankruptcy lawyer.