

Debt in Bankruptcy: Secured vs. Unsecured

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When you file a [bankruptcy case](#), you must list all of your assets and all of your debts. Your debts are classified and each class is treated similarly. Thus, it is important for debtors to understand the difference between secured and unsecured debt.

[Secured debt](#) is created when the debtor has a loan that has an asset pledged as collateral to the lender. For example, when you purchase a vehicle, the lender has a security interest in the car. If you fail to pay your car loan, the lender has the legal right to seize the car and resell it to payoff a portion of the defaulted loan.

If the debtor files a Chapter 7 case, he must either surrender the property to his creditor or he can keep the asset can continue to pay what he owes on the loan. If the debtor files a Chapter 13 case, the debtor may keep the asset if his Chapter 13 plan provides for repayment of the loan.

[Unsecured debt](#) includes all loans or bills which do not have an asset pledged as collateral. Unsecured debt includes credit card bills and medical bills. In a Chapter 7 case, the debtor may be allowed to discharge all or at least a portion of his unsecured debt. In a Chapter 13 case, the debtor pays a percentage (it may be anywhere from 0% to 100%) of the unsecured debt under the Chapter 13 plan.

If you are considering filing a bankruptcy case, you should ask your attorney how your secured and unsecured debt will be handled in your filing.

If you would like a down-to-earth approach and a lawyer who will listen carefully to all your questions and concern, call [The Dodds Law Firm, PLC](#) at [623-209-8923](tel:623-209-8923) [begin of the skype highlighting 623-209-8923 end of the skype highlighting](#). Dan Dodds serves clients primarily in the areas of Chapter 7 and Chapter 13 bankruptcies, real estate issues, violations of the Fair Debt Collection Practices Act, and issues of Unfair or Deceptive Business Practices. Mr. Dodds and his staff know how to listen carefully, and how to explain the law and procedures involved in a legal matter, as well as your rights and options, so that you can make informed choices. If you live in the area of Surprise, Arizona, call [The Dodds Law Firm, PLC](#).