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## How to Avoid Losing Property in Chapter 7 Bankruptcy

Chapter 7 bankruptcy is a total dismissal of debt through liquidation of assets. Non-exempt properties will be sold to pay for outstanding debts. You might be able to keep some exempt property, those that are not exempted under the bankruptcy code will be liquidated and distributed to your creditors to pay for as much debts as possible.

Suppose you want to keep certain property in Chapter 7 bankruptcy. This process is called redemption of property under Chapter 7. The first thing to note is that redemption of property only applies to personal properties used by the debtor. Unfortunately, real estate is not personal property under this definition (there are other ways to keep real estate under bankruptcy). Personal properties that can be redeemed include cars, household goods and appliances used by yourself and your household.

Redemption of property under Chapter 7 bankruptcy is not the same as reaffirmation of a loan agreement. I wrote about reaffirmation agreements in bankruptcy last week. A reaffirmation of a loan is where you reaffirm your commitment towards repaying the loan. This means you need to keep up with the payments and if you fail to do so, then you will be liable.

But redemption involves paying the lender the current market value of your property in a lump sum and the balance is treated as unsecured debt. In such a case, the loan outstanding and the monthly repayments would be reduced and you can keep the property. Redemption is almost always used where the property is worth significantly less than the loan outstanding. Note also that business property is not included in the personal properties that can be redeemed.

So the main difference between reaffirmation and redemption is that reaffirmation obligates you to continue to service the property's loan even after being discharged from bankruptcy whereas redemption will free you from future debt payments on the property redeemed.

So if you wish to redeem some of your properties under Chapter 7 bankruptcy, how do you do so?

The best thing you can do is talk to a bankruptcy attorney. If you are considering redeeming your property under Chapter 7 bankruptcy, call us at (813) 200 4133 for a free consultation.

The other alternative is to file a motion for redemption with the bankruptcy court. But bear in mind not all creditors will respond to redemption in the same way. Some will be more open to it than others, so the best thing to do would still be to consult a bankruptcy attorney about the matter.

If you do not have enough cash to redeem a property, you may need to take a loan to do so. Taking an additional loan brings about another set of considerations in view of the bankruptcy. To help you make the right decisions in these matters, consult a bankruptcy attorney. Call us at (813) 200 4133 for a free consultation.