

Can't Afford Your Car Payment? File Bankruptcy.

Many people believe that bankruptcy is a legal process used to deal with excessive credit card debt. Of course, bankruptcy can be a very good option if you have unreasonable credit card debt, however, this assumption is incorrect.

You can actually owe \$0 in credit card debt and still use the [bankruptcy process](#) to improve your financial situation.

While certain debts are not dischargeable in bankruptcy (student loans, child support, etc.), car loans are. This can be extremely helpful if you are stuck with a burdensome car loan that you can no longer afford.

Here is how it works.

“This Car Payment is Killing Me!”

This is an exact quote from someone I recently spoke with.

He had purchased a 2010 Nissan Maxima and due to bad credit and other financial constraints, was stuck with a high interest car loan. A Nissan Maxima is a quality car, but because of a pay decrease at work, his \$691/month payment became too burdensome.

In addition, the car was “under water,” valued at approximately \$15,000 less than the total cost of the loan on the vehicle.

With only \$4,500 in credit card debt, he wanted to know what he could do to improve his situation.

How Bankruptcy can Help

[Certain debts are not dischargeable in bankruptcy.](#) A car loan is not one of them.

Assuming the loan was not obtained fraudulently and no other discharge defense is available, a car loan can be wiped out in bankruptcy.

Of course, since the bank maintains a lien on the vehicle, the car does have to be “surrendered” as a part of the process. While this can be a temporary inconvenience, with proper planning most people are able to find a replacement vehicle without a problem.

The bankruptcy allows you to get out of the burdensome, high payment car loan and replace it with a less burdensome one, or none at all.

Voluntary Surrender

You may ask, “If I can’t afford my car, why not just stop paying, surrender the vehicle and avoid bankruptcy.” Some are forced to go this route out of sheer necessity, but this could eventually force you into bankruptcy as well.

Once the car is surrendered, the car will be sold and you will most likely owe the difference between the sale price and the balance of the loan. Inevitably, additional fees will be tacked on as well. You now owe a large, lump sum and failure to pay typically results in collection activity or worse, legal action.

Filing bankruptcy on your terms is the cleaner option and prevents [intrusive remedies](#) that could result from a repossession or voluntary surrender.

If you are struggling with an unreasonable car loan and a payment that you can't afford, do not rule out bankruptcy as an option. Consult with an experienced [bankruptcy lawyer](#) and discuss all of your options.

Relief from a burdensome car loan could free up disposable income and open the door to future financial freedom.