

Trying to Strip Your Second Mortgage Can Be a Bad Idea In Some Chapter 13 Cases

<http://www.kellycanhelp.com/chapter-13-bankruptcy-and-stripping-your-second-mortgage-bad-idea/>

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The word is starting to get out in Northwest Georgia that you can eliminate your second mortgage in a [Chapter 13](#) bankruptcy. I recently met with a potential client who came to see me because he was told by a coworker that he might be able to get rid of his second mortgage.

Many consumers from Dallas, Georgia all the way up to Dalton, Georgia are upside down on their houses because of the economic depression that our area is currently experiencing. While [eliminating a second mortgage works for some](#), for others it just doesn't.

For example, if your house is worth just a penny more than what you owe on the first mortgage, your second mortgage cannot be reduced at all in a [Chapter 13](#) in the Northern District of Georgia. For this reason, many mortgage companies will challenge your appraisal of the property if the line is even remotely close. This is why it is important that you get an appraiser that has experience testifying in court. Otherwise, you might get squashed when the mortgage company comes into court with their seasoned expert.

A second example of where stripping a second mortgage in a [Chapter 13](#) does not work is when the consumer has a really high number at the end of the bankruptcy means test.

I will further explain. Let's say your house is in fact worth less than what you owe on the first mortgage. The next step is for your bankruptcy attorney to take a careful look at how the means test would apply in your case. Some high wage earners can end up with a really high number. When we are paying all the debts in case off at 100 cents on the dollar, this is not an issue. However, when you strip a second mortgage, the claim is treated as a general unsecured claim. Thus, if you have a really high number at the end of the means test, you could get stuck with a large [Chapter 13](#) payment that would not work in reality.

Stripping an equity line/ junior mortgage in a [Chapter 13](#) bankruptcy just does work for everyone.