

WHAT IS A CHAPTER 13 BANKRUPTCY?

Chapter 13 is also known as a reorganization bankruptcy. Chapter 13 is filed by individuals who want to pay off their debts over a three to five year period of time. This form of bankruptcy appeals to those individuals who have non-exempt property that they want to keep but cannot pay a Chapter 7 trustee to keep within a short period of time. It is an option only for individuals with regular income. An individual may be forced to file a Chapter 13 proceeding where the household income exceeds the median income for a household of the same size in the same region.

Chapter 13 may also be the better option for you if you have tax debt.

Chapter 13 allows for reduction of the principal balance on a vehicle which you financed over 2 ½ years prior to your bankruptcy filing, along with a reduction in the contract interest rate, if appropriate.

Chapter 13 also provides an avenue in which you may be able to “strip” off a second mortgage on your residence if that second mortgage is wholly unsecured. For example, if your residence is valued at \$100,000 and the balance on your first mortgage is \$105,000, a second mortgage on your home would be considered wholly unsecured. If you believe you have a wholly unsecured second mortgage on your property and you wish to keep your residence, your attorney will discuss the procedure for stripping a second mortgage.