

Avoiding Repossession Through Bankruptcy

By Arizona Bankruptcy Attorney John Skiba

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Americans need their cars. I spent some time living in London and never needed a car. In huge metropolitan cities such as London the public transportation is so good and things are so close together that a car is not necessary. However, if you live in a place like Phoenix, a car is necessary. I drive about 50 miles round trip every day to work and back and that is considered pretty normal for this area. If you don't have a car, you can't get to work, if you can't get to work, you don't eat.

Because of how vital your vehicle is, the loss of it through repossession would be devastating. If you are behind on car payments and the bank is threatening to come get the car, bankruptcy can provide several options that will allow you to keep your car and even lower what you are paying for the vehicle.

Stop Repossession

First, filing bankruptcy will stop any possible repossession. Immediately upon filing your bankruptcy case the bankruptcy court will issue an order called the automatic stay. This immediately stops all collection efforts against you and your stuff. This will stop the bank from repossessing your car.

Chapter 7 Bankruptcy Options

If you file for chapter 7 bankruptcy you will need to work with the bank to get your car payments caught up and start making the regular monthly payment as they come due. If you can't make the monthly payment or get caught up on the missed payments the bankruptcy court may let the bank repossess the vehicle even though you are in bankruptcy.

In a chapter 7 bankruptcy you can redeem your vehicle. This means that the bankruptcy court will permit you to pay the bank what the car is worth, not what you owe (assuming you owe more than it is worth). For instance, if you have a truck that you owe \$20,000 on, but it is only worth \$11,000, then you can pay the \$11,000 and get the title to the truck. The remaining balance will be discharged or eliminated through your bankruptcy case. The catch to redemption is that you must pay the full amount immediately. In the above example, you would be required to pay the full \$11,000. Most people in bankruptcy do not have that kind of cash lying around. Because of this you will either need to get a loan from a family member or you can even get financing from another bank to pay off the amount owed. Here at my office we often recommend www.722redemption.com. They are funded through US Bank and will loan you money to pay off the redemption amount. To qualify for this loan you must be in a Chapter 7 bankruptcy. The loan is higher interest, however

they will run an analysis for you to show you side by side that you will end up paying less, even with the higher interest rate loan.

Finally, if you decide you can't keep the car, in a chapter 7 bankruptcy you can surrender your car back to the bank and have no future liability on it.

Chapter 13 Bankruptcy Options

In a chapter 13 bankruptcy there are several tools to help you keep your car. First, a chapter 13 bankruptcy case involves presenting a plan to your creditors as to how you will pay them back. If you are behind on your car payments, you can propose a plan that will get these payments caught up over the next three to five years. Further, your interest rate can be lowered to about 5.00% on the remaining balance. And, if you bought your car more than 910 days before your bankruptcy filing, you will only be required to pay back what your car is worth, not what you owe. This is called a "cram-down" in a chapter 13 bankruptcy.

If you are running into problems with your car and making the monthly payments, I offer a free bankruptcy consultation where we can discuss ways to save your vehicle from repossession.

Arizona bankruptcy attorney John Skiba offers a free bankruptcy consultation and can be reached at (480) 464-1111.