

Can I get a loan modification while in chapter 7 bankruptcy?

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The answer is yes. However, chapter 7 may not be the way to go if a loan modification is your goal. Many considerations are in order.

People desirous of a loan modification want to keep their residential home, but at the same time they may not be able to afford the current monthly payments required. It could also be that they are in default because they are late on their payments and have an arrearage that they cannot pay in one lump sum that the mortgage servicer requires. It could be both, cannot afford the on-going monthly required payments and they are in default and have an arrearage that they cannot pay in one lump sum. Whatever the reason, the people want the original terms of their mortgage contract(s) changed to allow them to avoid foreclosure and afford their residential home.

They have also usually had a difficult time communicating and dealing with their mortgage loan servicer(s). This makes people want to somehow force the mortgage servicer's hand or somehow get their attention. And this goal, getting the mortgage servicer's attention, is sometimes the reason people state they want to file a chapter 7 bankruptcy. However, there are very serious ramifications to filing chapter 7 and some of them could affect your ability to obtain a loan modification, *forever*. Initially, one point concerning chapter 7 bankruptcy is in order.

Chapter 7 bankruptcy for the individual should be viewed as a personal liquidation. Although individuals filing chapter 7 bankruptcies should use it and think of it as an important step in their financial turnaround, it is not a financial tool designed for a personal reorganization per se. Because chapter 7 bankruptcy is a liquidation, it is not designed to cure a residential mortgage default, which is what most people seeking a loan modification need, as a chapter 13 bankruptcy is. The point to understand is that chapter 7 bankruptcy is not designed or usually the best tool to save your home. So, you will need someone legally savvy enough to use this tool (chapter 7 bankruptcy) to perform a task it was not originally designed for. (For you car buffs out there, think of using a screw driver to remove an oil filter. It can be done, but it certainly was not designed for it.)

A loan modification must be achieved during the chapter 7 bankruptcy, and before a certain deadline in the case, or one's ability to modify the loan ends *permanently*. Achieving a loan modification during bankruptcy also triggers a number of considerations that requires an adept bankruptcy professional to assess and handle. Not to mention the fact you are still dealing with the same mortgage servicer that has probably shown itself to be quite difficult to deal with in the first place. Essentially, you should consider filing a chapter 7 bankruptcy as the firing off a starting pistol in a race to make an agreement with the mortgage servicer before a particular deadline occurs *and* as the only and last shot to attaining the loan modification.

All this to say, if you seek to attain a loan modification and are considering chapter 7 as a part of the plan to achieve this, we suggest that you team up with a qualified bankruptcy professional before taking the plunge, if you still wish to do it after attaining counsel at all.

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Loan modification during chapter 7 bankruptcy/loan modification during chapter 13 bankruptcy/reaffirmation of mortgage in chapter 7 bankruptcy