Reaffirmation agreements are standard in bankruptcy. But before I can explain if you should sign a reaffirmation agreement, we need to understand exactly what a reaffirmation agreement is. A reaffirmation agreement is a contract created by your secured creditor for you to agree to continue making your regular payments on your debt. The reaffirmation agreement will only be given to you if you file a Chapter 7, because if you file a Chapter 13 you will continue making the payments or cover the payments in your Plan. These are usually issued by creditors who holds the loan on your car or mortgage, but sometimes are issued by creditors like Best Buy (assuming you recently bought that big screen television). The reaffirmation agreement will pull the debt out of bankruptcy and that debt will not be discharged. So you will be on the hook for the debt after you get your discharge.

Sounds like a good deal? You keep making payments and you get to keep your car, TV, and/or house, right? Not so fast. Remember, the main reason you file for bankruptcy is to get a fresh financial start in life, with no debts hanging over your head which will allow you to save for retirement or whatever. If you sign the reaffirmation agreement, you defeat that purpose by allowing the debt to survive bankruptcy. If you sign the reaffirmation agreement, the debt will still be reported on your credit report, the creditors can still collect from you you if you fall behind, and the harassing phone calls will start all over again. If they decide to repossess your car or foreclose on your home, you will be responsible for the deficiency. ***And you can't file another Chapter 7 for 8 years!!!***

If you do not sign the reaffirmation agreement, the debt will be discharged in your Chapter 7. You will get out from a huge house or car payment that more than likely put you in bankruptcy in the first place. So what happens if you do not sign the reaffirmation agreement? Probably nothing. The mortgage company really does not want the house back, they would prefer you to make the monthly payments. The car loan people probably do not want to arrange for a repo man to take your car and then set it up for auction, where they may get pennies on the dollar for it. They would prefer you to make the monthly payments on it. You more than likely could just continue to make the normal monthly payments, and your creditors will be happy and you may keep your car and home. If you start to get behind, they could foreclose or repo the car.

But so what? You will not be responsible for any deficiency because the debt has been discharged in bankruptcy and you did not sign the reaffirmation agreement. You walk away owing nothing.

Some other things you need to be aware of before signing a reaffirmation agreement. Under the bankruptcy laws, your attorney must sign the agreement, stating that by agreeing to continue with this debt, it will not create an undue hardship on you. This means your attorney must predict your future. Also, by filing a Chapter 7, you are saying that your living expenses meet or exceed your take home pay. So if this is the case, how can you afford to pay for the house and the car? It is almost impossible for your attorney to agree to sign off on this. Even if your attorney signs, your judge may deny the agreement for this very same reason.

You need to think long and hard before signing any reaffirmation agreement. You must take the emotion out of it and make a purely economic decision. This where your Detroit Bankruptcy Attorneys will help you out in making that decision and give you rock solid advice, because we do not want to see you suffer financially after your bankruptcy.

So call now for your free consultation at (586) 439-4297, Extension 0, and let us help you sort out your financial problems and get you a fresh financial start in life.