

Arizona Bankruptcy Attorney: The Chapter 13 Cram-Down

By John Skiba

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The chapter 13 bankruptcy process is much longer and requires you to make a monthly payment to your creditors, so why would anyone want to file a chapter 13 bankruptcy when they qualify for a chapter 7 bankruptcy? One possible reason is that chapter 13 of the Bankruptcy Code has many more tools that can help you on your road to financial recovery. One of the most powerful tools in a chapter 13 bankruptcy is the cram-down.

The cram down rules most often come into play on debts owed on cars, ATVs, motorcycles, R.V.'s, etc. If you owe money on a car, but the car is worth far less than what you owe on it, then in a chapter 13 bankruptcy you will only be required to pay the fair market value of your car rather than what you owe. For example, let's say you own a Ford F350 truck that you owe \$38,000. However, the truck is only worth \$18,000. In a chapter 13 bankruptcy you would only be required to pay for the value of the truck, or \$18,000, and the balance would be discharged or eliminated through the bankruptcy case. Further you will have three to five years to pay the \$18,000 and your interest rate will be reduced to about 5.00%. This could save you thousands of dollars on a vehicle you want to keep but that is very upside down in debt to value.

There is one requirement. You must have purchased the car more than 910 days (about 2 1/2 years) prior to your bankruptcy. If you bought a vehicle within that time you won't qualify for the cram down.

Attorney John Skiba offers a free bankruptcy consultation where your specific situation can be discussed. Mr. Skiba can be reached at (480) 464-1111.