

Chapter 13 Bankruptcy and a New Vehicle....

What You Need to Know

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If you are considering filing a [Chapter 13 bankruptcy](#), it is important that you carefully consider your vehicle before you file your case. A Chapter 13 case lasts 3 to 5 years, depending on how your repayment plan works out. Thus, you need to consider whether your car will last for the entire term of your bankruptcy.

If you have an older vehicle that could die at any moment, you may want to consider replacing it before you file your bankruptcy. If you get in the middle of your bankruptcy case and your car dies or becomes expensive to maintain, you could be forced to take out a [car loan](#) to replace your vehicle. This puts you in a difficult spot financially, because you are already paying all of your disposable income to the Chapter 13 plan. Thus, finding the finances to pay for a new vehicle could be difficult, if not impossible.

So, what should you do? If you are fairly certain your vehicle will not remain reliable during the term of your bankruptcy case, you should get a car that will last throughout your case before you file. You will most likely need to purchase a new (or new to you) car, which means taking out a new car loan. Once the loan is in place, you can file your Chapter 13 and include the car loan in your repayment plan. You can also pay the car loan outside of the plan, but either way, you have a reliable mode of transportation without impacting your monthly cash flow during your case. In other words, your Chapter 13 payment is reduced by the new loan payment, or your Chapter 13 plan payment includes the car loan and your unsecured creditors simply receive less money.

It is essential that you receive the assistance of a bankruptcy attorney to avoid any claims of bad faith. Incurring [debt](#) just prior to bankruptcy is only allowed if you intend to repay the debt in full and you don't incur the debt with the intent of discharging all (or some) of it in bankruptcy. Thus, it is essential that you can prove the new vehicle was a reasonable necessity. In other words, that you bought the car because you needed reliable transportation and not because you were about to file your case!

If you are planning to file a Chapter 13 bankruptcy case and you believe you need a new vehicle, it is imperative that you discuss this matter with your attorney as soon as possible.

*If you live in the area of Surprise, Arizona, contact **The Dodds Law Firm, PLC**, [at 623-209-8923](tel:623-209-8923). **The Dodds Law Firm, PLC**, serves clients primarily in the areas of Fair Debt Collection Practices Act violations, Chapter 7 and 13 bankruptcies, and issues of Unfair or Deceptive Business Practices. Mr. Dodds and his staff know how to listen carefully, and how to explain the law and procedures involved in a legal matter, as well as your rights and options, so that you can make informed choices.*