

Yes, it is possible but only in a Chapter 13, under certain circumstances. First you have to qualify for a Chapter 13, which means you have some money to pay back to your creditors. If you are unemployed, underemployed, or not working, then chances are slim you would qualify for a [Chapter 13](#) bankruptcy, and may have to file a [Chapter 7](#) instead, which does not allow for a second mortgage lien strip. However, your liability on the mortgage may be [discharged](#).

Second, you cannot strip off a first mortgage, assuming the house has some value. But a second mortgage is a junior lien to the first mortgage. This means that if the house foreclosed, any money would first go to the first mortgage, and if there is anything left it would go to the second mortgage. The second mortgage has to wait in line and if there is no value after the first mortgage is paid, then the second mortgage gets nothing.

Under [section 506](#) of the bankruptcy code, an asset is secured only to the extent that asset has value. If the asset has no value, then the debt is [unsecured](#). So in a chapter 13 how can we strip the lien? First we have to get a qualified appraisal on your home because we need to prove the value of the home. If this appraisal comes in at an amount lower than your first mortgage, then it can be claimed that the second mortgage is wholly unsecured. For example, you have a home that appraises at \$150,000 and you have a first mortgage in the amount of \$200,000 and a second mortgage in the amount of \$50,000, then your second mortgage is unsecured because the house is worth less than the first mortgage amount:

Appraisal	\$150,000
Less: First Mortgage	(\$200,000)
Deficiency in first mortgage	\$50,000

You can see there is not even enough to cover the first mortgage balance. However, in this example:

Appraisal	\$220,000
Less: First Mortgage	(\$200,000)
Surplus	\$20,000

Here, there is about \$20,000 available to the second mortgage. Therefore the second lien cannot be stripped because there is value for the second secured mortgage. You will be responsible for paying the second mortgage either through your Chapter 13 plan or outside, depending on your circumstances.

Sometimes it may not be as simple as this hypothetical. In order to strip the second mortgage, we have to file an Adversary proceeding in the bankruptcy court (this is a lawsuit in the bankruptcy court). We have to serve the second mortgage company, and they are allowed to contest it. They may get their own appraisal (rarely do two appraisals come in at the exact number). If their appraisal shows value for the second mortgage, we have to have a hearing and the judge will determine which appraisal is more credible.

If you would like more information or see if you qualify for a lien strip in a Chapter 13, call your [Detroit Bankruptcy Lawyer](#) and set up your free consultation. I will analyze your situation and give you advice that will help you make an informed decision.