

Chapter 7 Bankruptcy & Reaffirmation Agreements....Should you sign one?

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When you file a [Chapter 7 bankruptcy](#) case, you must file a Statement of Intent, which advises the court and your creditors what you intend to do with your secured debt. One of your options is to execute a [reaffirmation agreement](#) with your secured lender.

A reaffirmation agreement is a contract between the debtor and the lender whereby the debtor agrees to pay all (or a portion) of the money owed, despite the bankruptcy filing. The terms of the reaffirmation agreement may be the same as the original contract, or they may be changed. The creditor agrees that the debtor can keep the asset pledged as collateral under the loan as long as the debtor makes all of the payments required under the agreement.

It is important for a debtor to understand that by executing the reaffirmation agreement, a debtor's personal liability to the creditor remains intact at the conclusion of the bankruptcy case. Thus, it is something you should do only if necessary. A reaffirmation is most commonly used by a debtor in order to keep possession of a home or vehicle.

The lender generally drafts the reaffirmation agreement and outlines the terms of the new contract. It is common for there to be several blanks left in the document for the debtor to provide his income and expenses. These figures are used to determine whether the debtor can afford to reaffirm the secured debt. If you are represented by counsel, *both* you and your attorney must sign the agreement.

There are various important issues to consider before signing a reaffirmation agreement. You should discuss this matter with an experienced bankruptcy attorney to determine whether or not the agreement is in your best interest.

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About McDowell Riga Posternock P.C.

The attorneys at [McDowell Riga Posternock PC](#) provide New Jersey and Pennsylvania residents with experienced legal representation in bankruptcy matters. We assist consumers and business clients with significant debts in filing Chapter 7, Chapter 11, and Chapter 13 bankruptcies. If you are considering filing for bankruptcy protection, or you want to discuss options for dealing with your debt, please contact us at [856-528-3389](tel:856-528-3389). We also handle matters dealing with family law, consumer fraud, estate planning, real estate, personal injury, and debt collection.