

You have probably heard the terms "Unsecured" and "Secured" debt come up many times in your search about bankruptcy and probably wondered what those terms mean. You are not alone, as many of our clients are not sure what they mean or what they are. Once you read this post, you will realize you knew what those terms were all along.

"Unsecured" debt can be defined as debt that you did not put any collateral (assets) up to obtain the loan. This means, that you did not have to give the bank anything to get the loan. You simply signed the loan documents, and they cut you a check. Common examples of "unsecured" debt are credit cards, medical bills, department store cards, and gas cards?

"Secured" debt is debt that you put up collateral (assets) in order to get the loan. This means, you gave the bank some sort of real (house, land) or personal property (cash, stocks, bonds, cars, etc) for them to hold until the loan is paid off. Once the loan is paid off, the bank will give you back your property. Common examples of "secured" debt are mortgages, home equity loans, and car loans.

It is important to know which debts are secured and unsecured when filing bankruptcy, because they are treated differently in your bankruptcy petition. If you file a [Chapter 13](#), your secured debt must be paid back in full. For example, if you are behind in your mortgage payments, you must make your normal monthly mortgage payments plus pay back your past due mortgage amount within three years of your filing. Your unsecured debt will all be treated the same and you will pay that back sometimes for pennies on the dollar. So if your Plan calls for paying back your unsecured creditors at 10% of what you owe, then each unsecured creditor will receive only 10% of what you owe them. The remaining 90% will be discharged at the end of your plan.

If you are filing a [Chapter 7](#), all of your unsecured debt will be discharged, meaning you do not have to pay any of your unsecured debt back. However, if you have secured debt and you want to keep the collateral (home or car), you must pay the normal monthly payment amount and at the normal monthly time, otherwise your creditor will take the assets by legal action.

Your [Detroit Bankruptcy Lawyers](#) will help you determine what your secured and unsecured assets are and we will help you protect your [assets](#) in filing your bankruptcy. Call us at (586) 439-4297, Extension 0, and set up your free consultation so we can help you with your financial problems and set your mind at ease.