

If I stop making payments on my car after bankruptcy, can they sue me?

I received a discharge of debts in a Chapter 7 bankruptcy and now I can't keep making payments on the car. If they repossess the car, can they also sue me?

The answer to that question is a strong "it depends". If you signed what's called a reaffirmation agreement and it was approved by the bankruptcy judge, then the answer is yes, the auto lender can sue you and collect the amount of your loan balance that wasn't paid off from the repo sale. A reaffirmation agreement says you agree to pay that auto loan debt even though your personal liability for it was discharged (eliminated) in your bankruptcy.

Why would you sign such an agreement? Because in some court jurisdictions, if you don't sign a reaffirmation agreement during your bankruptcy, an auto loan lender can repossess your car even if you continue to make the payments. Why would a lender want to do that? Ask Ford Motor Credit because they are known to do that. Many other lenders do not. So the decision to sign a reaffirmation agreement or not depends on your specific court jurisdiction, your specific lender, and the amount of risk of a repossession you're willing to take. Needless to say, you should discuss this subject with your bankruptcy attorney during your bankruptcy.

Since it's now after your bankruptcy, you need to find out from your bankruptcy attorney whether you signed a reaffirmation agreement and whether it was approved by the judge. If you didn't sign such an agreement or if you did and the judge didn't approve it, your auto lender can't collect from you any amount of your loan balance that wasn't paid off from the repo sale.

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