

## **The Bankruptcy Cram-Down - Keep Your Car, Lower Your Interest Rate, and Lower Your Payment**

**By Arizona Bankruptcy Attorney John Skiba**

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We all know that our car begins to depreciate the moment we drive it off the lot. If you have poor credit, the value of your car is not only going down, but you are likely saddled with a terrible loan. The worst car loan I have ever seen was on a Hummer, the loan was for \$60,000 payable over seven years with an 18% interest rate!

If you are in a bad car loan or are having difficulty making your payment, you can avoid repossession and reduce what you pay on the car through a chapter 13 bankruptcy. Chapter 13 bankruptcy has many tools that a chapter 7 bankruptcy does not. Many people choose to file a chapter 7 bankruptcy because it is a shorter process, however it does not have powerful tools that are available in a chapter 13 bankruptcy case.

### **Chapter 13 Cram-Down**

One of those powerful tools is the chapter 13 cram-down. In a chapter 13 bankruptcy you will be proposing a plan to your creditors as to how you are going to deal with their debt. When it comes to car loans, through the chapter 13 cram down you will only be required to pay the value of your car, not what you owe. For example, let's say you have a 2007 Chevy Suburban that you owe \$24,000 on. Let's say that the Suburban is only worth \$12,000. In a chapter 13 bankruptcy you would be required to repay the \$12,000 not the \$24,000 that is owed. Further, the chapter 13 bankruptcy would allow you to reduce your interest rate to about 5.00%, saving you further on your car payment.

There is a catch...you must have purchased the car at least 910 days (or about 2.5 years) prior to the filing of your chapter 13 bankruptcy case. If you bought the car earlier than that, you won't be able to take advantage of the cram down but you can still take advantage of the interest rate reduction which will still save you a lot of money on your car loan.

### **Works for ATVS, RVs, and Boats**

The cram down is not limited to your cars, you can cram down what is paid on ATVs, RVs, boats, and most secured debts. You can't however do this to your home loan.

I offer a free bankruptcy consultation where we can discuss your specific situation and determine what bankruptcy route is best.

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