

Reaffirmation Agreements

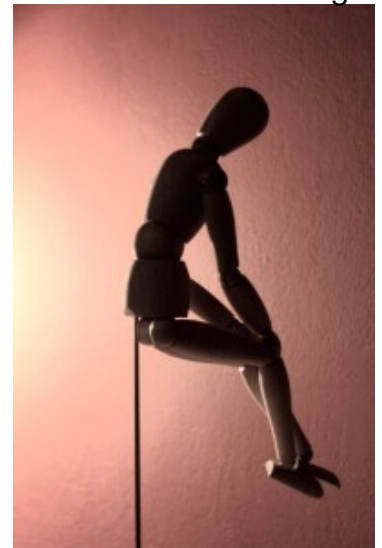
Everyone has given in to peer pressure at one point in their life. You and I have both agreed to do something that we did not want to or did not have to do. On a daily basis we are forced to act in order to meet the whims of others. In extreme cases, we are pressured or even bullied into making decisions or performing actions not at all in our best interests.

I like to think of reaffirmation agreements as the bankruptcy bully. A mean little puppet with a secured creditor pulling the strings. Reaffirmation agreements are not mandatory, despite what most [Chapter 7](#) debtors think. You do have a choice and you do have a strong incentive not to enter into these agreements.

What is a Reaffirmation Agreement?

The [Executive Office for the United States Trustees](#) defines a reaffirmation agreement as follows:

Even if a debt can be discharged, you may have special reasons why you want to promise to pay it. For example, you may want to work out a plan with the bank to keep your car. To promise to pay that debt, you must sign and file a reaffirmation agreement with the court. Reaffirmation agreements are under special rules and are voluntary. They are not required by the bankruptcy law or by any other law.



In addition, reaffirmation agreements must be voluntary and must be in the best interest of you, the debtor. As a protective measure, these agreements can be cancelled within sixty (60) days of the filing of the agreement with the court. All reaffirmation agreements must be approved by the court by signed order of the judge and if you are not represented by an attorney, a hearing is held to determine if the agreement is in your best interest.

Basically, a reaffirmation agreement is a brand new contract with the creditor. By signing and filing a reaffirmation agreement, you are waiving your right to the discharge of that debt, a steep price to pay for the limited benefit afforded.

Should I give in to the pressure?

The answer to this question is something that you must work out with your attorney. Lets look at the pros and cons to come up with a reasonable answer:

Pros:

- *In many cases, reaffirmation agreements allow for the negotiation of payment terms and interest rates. If you can work out favorable terms through the reaffirmation process, this could be the best incentive to enter the agreement.*
- *Many vehicle loan companies threaten repossession if the agreement is not signed. While they do maintain this right, even if payments are current, it rarely happens, [Ford Motor Credit being the exception](#). Entering into the reaffirmation agreement will provide security and peace of mind.*

- *Filing bankruptcy stops all creditor contact with the debtor. Entering into the reaffirmation agreement will put your loan back into normal status with the bank and you will be treated like a “real” customer again. This does include receiving billing statements.*

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Cons:

- *Reaffirmation laws changed in 2005 with the enactment of the [new bankruptcy laws](#) and became more favorable to creditors.*
- *You are agreeing to waive your right to discharge of a particular debt. This is the most important point to remember with reaffirmation agreements and is an incredible burden to bear for someone coming out of bankruptcy. This can create an undue financial hardship on you and your family due to the obligation to pay an otherwise discharged debt.*
- *Finally, it reinstates certain legal rights that the creditor would have lost had the debt been discharged in bankruptcy.*

So, should you sign the reaffirmation agreement? My answer is “rarely,” but under certain circumstances, “maybe.” I will never recommend a reaffirmation agreement, but will agree to certify them in certain instances.

Don’t be bullied!

So, the important thing to remember is that these reaffirmation agreements are 100% voluntary. Do not give into the threats of your mortgage bank or car loan company when they tell you you “must” sign or you will lose your property. In very limited instances, this is true, but in most instances, you can continue to make your monthly payments without worry and without the loss of your discharge rights.

So, when you step out onto the bankruptcy playground and you see this bully approaching, stand strong with your attorney and do not be afraid to fight back to protect your financial rights.