



What Happens To My Car In a Chapter 13 Bankruptcy?

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When you file a Chapter 13 bankruptcy case, you must propose a plan to repay your creditors. Usually, your unsecured creditors (such as credit cards, personal loans, medical bills, and other debts for which no collateral is pledged) will be discharged without any payment. However, if you want to keep your secured assets, such as your home, vehicles, or other assets you are buying on credit, such as furniture, you must arrange to pay for those assets.

You have three options regarding your vehicles in a Chapter 13 bankruptcy:

1. **Surrender the vehicle.** If you cannot afford to pay for a vehicle, you can surrender it in your Chapter 13 Plan, and will be under no obligation to make any further payments or have any liability for the balance that remains after the surrendered vehicle is sold by the creditor.
2. **Pay the current value of the vehicle.** If you purchased your vehicle more than 910 days prior to filing the bankruptcy case, you can propose to pay the current market value of the vehicle in your Chapter 13 plan, regardless of the amount actually owed on the vehicle. Depending upon where you file your bankruptcy case, you may also be able to reduce the interest rate considerably. For example, in the Northern District of Texas, you will only be required to pay interest of about 4.25% on the vehicle balance.
3. **Pay the balance at a lower interest rate.** If you purchased your vehicle less than 910 days before the case was filed, you will have to pay the full balance owed on the vehicle. However, your interest rate may be reduced to a rate as low as 4.25%, depending upon where your case is filed.

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It is very important for you to consult with a lawyer in the district where your case will be filed to obtain advice about how vehicles are handled in a Chapter 13 case in your district.

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