

Filed bankruptcy and can't afford to keep your house? How long should you stay in it?

If you filed bankruptcy and can't afford to keep your house (payments too high for your income), how long should you stay there?

As a part of your bankruptcy filing, you'll tell the court that you're surrendering your house to the lender. What then?

Until the house is sold (or taken back by the lender) at a foreclosure or other sale, you are the owner of the house and responsible for all the issues of ownership. These issues include loss by fire (keep it insured), loss due to someone being injured on the property (keep up the liability insurance), maintenance as required by the city or county (you can be billed for it if they have to do it) and other items.

That's why I recommend to my clients that they stay in the house until it's sold.

You're getting a rent-and-payment-free house to live in and the lender benefits from the house not falling into disrepair. It's a win for both parties. When the lender is ready, they can foreclose and you will then have to move.

How long will it take for the lender to foreclose and sell or take back the house?

There's no way to know. It depends on the lender and its desire (or lack of desire) to deal with your house in a foreclosure sale at any particular time. It may be soon or it may be a year or more in the future. It's on their schedule, not yours, but in the meantime enjoy your house.

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