

Can I Keep My Car In Chapter 7 Bankruptcy?

One of the most common bankruptcy questions I receive is whether you can keep your car if you file for Chapter 7 bankruptcy. If you are not making payments on your car, you will be able to keep it if it falls under the Arizona car exemption statute. However, if you owe money on your car, you are going to have to decide whether you want to surrender it or keep making payments on it.

If you decide to surrender the vehicle, you will be relieved of any liability for the debt. If however you intend on keeping the car, you have a couple options. First, you can redeem the car by paying the remaining balance of the loan in one lump sum. The other more common way to keep your vehicle is to reaffirm the debt by entering into a new contract (reaffirmation agreement), which allows you to keep your car under similar terms as your original car's promissory note. If you find yourself requiring a reaffirmation agreement in your Chapter 7 bankruptcy, I would recommend retaining an attorney to discuss whether keeping the car is a good option for you and to review the reaffirmation agreement.