

Owe way more on your car than it's worth? A Chapter 7 bankruptcy might fix that.

Last week we looked at how a Chapter 13 (payment plan) bankruptcy might help when you owe way more on your car than it's worth. Today we look at how a Chapter 7 (get rid of debts quickly) bankruptcy might help in this situation.



If you owe way more on your car than it's worth, these are your options in a Chapter 7 bankruptcy if you want to do something about that car-not-worth-what's-owed issue:

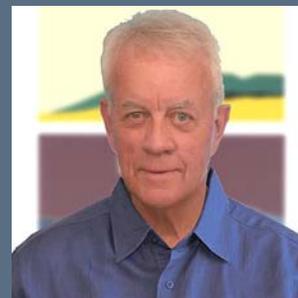
1. **Give the car back.** You won't be liable for any amount still owed after it's sold (because of the discharge of debts in your Chapter 7 bankruptcy). What will you do for a car? If you need to finance one, there are companies that will do that (for a high interest rate).
2. **Negotiate with your auto loan holder for a new loan at a lower price** on the car, in line with it's current actual value or less instead of the current loan balance. Your leverage is that you've filed bankruptcy and if you give it back they get a very low price for the car and that's all.
3. **"Redeem" the car, which means that you pay the lender what the car is worth and they give you clear title to the car.** Of course you have to have the money to pay the lender what the car is worth. There are companies in the business of providing loans for this purpose. This method requires additional work on the part of your bankruptcy attorney so expect to pay an additional attorney fee.

Discuss with your bankruptcy attorney the advantages and disadvantages of the options, as well as the requirements for redeeming your car.

Prior article:

[Owe way more on your car than it's worth? A Chapter 13 bankruptcy might fix that.](#)

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