

Will they take my house if I file bankruptcy? (Part 2)

I'm current on my house mortgage payments but am way in debt for other things. If I file bankruptcy, will they take my house? In Part 1 we discussed what might happen in a Chapter 7 bankruptcy. Today we discuss **Chapter 13, the "payment plan" bankruptcy**.

As we discussed in **Part 1**, **if your equity in your home is more than the exemption amount for your situation, you may not be able to keep your home in a Chapter 7 bankruptcy**. You'll need to consider a Chapter 13.

If you're current on your mortgage payments as in the original question above, a **Chapter 13 bankruptcy allows you to keep you house as long as you can show the court that you can afford to do the following things**. Then of course you have to actually do those things.

1. **Pay into the Chapter 13 monthly payment plan**, over three or five years, enough to:
 - Pay your "preferred creditors" what you owe (for example, most back taxes).
 - Pay your unsecured creditors (credit cards, etc.) at least as much as you would have to pay them in a Chapter 7 bankruptcy.
2. **Pay into the Chapter 13 monthly payment plan** all of your disposable income (net income less expenses) as shown in your bankruptcy filing. This amount is not in addition to 1 above, but is another requirement for the payment amount that has to be satisfied.
3. **Continue to be current** on your mortgage payments.

After the end of the payment plan, **your unsecured debts will be discharged** (eliminated) regardless of how much you're paid on them through the payment plan. **And you got to keep your house!**

Needless to say, there's more to a Chapter 13 bankruptcy than the quick look here, but this should give you a good idea of whether a Chapter 13 might be valuable for you.

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