

Chapter 13

Chapter 13 is a debt repayment plan for individuals. In Chapter 13 bankruptcy, the debtor keeps his property and makes regular payments to the Chapter 13 trustee for a period of 36 to 60 months. These payments are then used to pay priority creditors (taxes, child support) and amounts that you have fallen behind on your mortgage, homeowner's association and automobile payments. If there are more funds left over, your unsecured creditors will receive some small portion (or occasionally all) of the money owed to them. Chapter 13 also provides a mechanism for individuals to prevent foreclosures and repossessions, while catching up on their secured debts.

In theory, as the filer of a Chapter 13 bankruptcy, you have income left over after paying normal necessary living expenses. There may not be enough to pay all of your creditors, but there is enough to make a payment of some amount. The Chapter 13 Trustee will then be responsible for distributing these payments to creditors under a plan created by your attorney. Often these payments allow for minimal amounts to be paid to your unsecured creditors (medical bills, credit cards, etc.)

Chapter 13 is beneficial to many debtors because it can save a home from foreclosure or a car from repossession. In the plan, you will use 36 to 60 months to pay the amount that you have fallen behind on your car or mortgage payments while you recommence making the regular monthly payment. While you are making these payments, the creditor cannot continue repossession or foreclosure efforts. Chapter 13 can also be very beneficial in paying back due taxes (and stop the addition of further interest and penalties) or child support arrears.

Some attorneys won't do Chapter 13 because they are complicated, with specific procedures and rules, and simply "too much work." However, both Mark and Bob (Robert I. Cohen, P.C.) specialize in Chapter 13 case and have been preparing Chapter 13 plans for years now. Chapter 13 typically lasts a longer period of time than a Chapter 7, but for some clients who have property that could otherwise be lost in Chapter 7 filing, Chapter 13 offers the best alternative.

Chapter 13 is especially helpful when you have more than one mortgage on your residence. Due to the current real estate market and mortgage crisis, we often see homes that aren't worth what is even owed on the 1st mortgage. If your house is **worth less than what you owe on your 1st mortgage**, a Chapter 13 plan may allow you to stop making any further payments on a 2nd or 3rd mortgage. This can be a real benefit provided that your plan is done correctly and provided that you complete the plan and make all of the payments required by it.