**Can I Save My Car from Repossession by Filing Bankruptcy?**

Filing bankruptcy can prevent repossession of your vehicle. In some cases, filing bankruptcy can even recover a vehicle after it has been repossessed, as long as it has not already gone to sale. You must file very quickly to save your vehicle, so you should contact an attorney immediately.

**How can bankruptcy stop a repossession?**

One effective way to stop a repossession or sale is by filing a Chapter 13 case. The filing of the Chapter 13 bankruptcy immediately stops the creditor from taking any further action. Then, the creditor’s claim is paid over a 3-5 year period as part of a Chapter 13 repayment plan.

**Can a Chapter 13 case reduce the amount I have to pay on the vehicle?**

In some cases, yes. Generally, you can reduce the creditor’s claim only if you purchased the vehicle or took out the loan on it at least 2 ½ years before filing bankruptcy. If the vehicle is worth less than you owe, only the value of the vehicle must be paid in full, and in some cases, the interest rate can be reduced. The rest of the debt is “stripped away” and paid along with other debts like credit cards and medical debts, often at less than the full dollar value.

**Can you give me an example of how this works?**

Let’s say the vehicle is worth $6,000, but you owe $10,000 to the bank, loan company or dealer. This creditor is paid a “secured” amount of $6,000 with interest. But the remaining $4,000 is considered “unsecured” and paid along with other creditors, often at less than 100% of amount.

Sometimes the monthly Chapter 13 Plan payments you pay on all debts are less than you were paying on vehicle debts before bankruptcy. This is particularly true if you have more than one vehicle debt.

**Can I prevent repossession by filing a Chapter 7 bankruptcy?**

You may be able to save your vehicle, but your options are more limited. A Chapter 7 can discharge the debt, but it doesn’t eliminate or change an otherwise valid lien held by your lender.

The filing of a Chapter 7 bankruptcy does stop the lender from taking any immediate actions against your vehicle, at least temporarily, to give you and your attorney time to look at your options.

**What are my options in a Chapter 7 case?**

Your options may include:

* “Reaffirm” the Vehicle Loan – You and the creditor sign an agreement whereby you agree to be liable on the debt and keep the vehicle. Any back-payments due must be worked out with the creditor. Terms of the loan such as balance, monthly payments and interest, can also be worked out, but only if the lender agrees. The reaffirmation agreement is filed with the Bankruptcy Court. After it is filed, you will have sixty days to cancel the reaffirmation if you change your mind, and your attorney will advise you on how this is done.
* “Redemption” – You pay the creditor only what the vehicle is worth, get the title, and discharge the rest of the debt. Redemption can be done by agreement or by asking the Bankruptcy Court to order it. However, unless the creditor agrees otherwise, the value of the vehicle must be paid in a lump sum within a short time after redemption is done.
* “Ride-Through” – this is where you resume monthly payments to the creditor but do not reaffirm the debt. This can only be done with the creditor’s permission, and you and the creditor would have to work out arrangements on any past-due payments.
* Surrender – You give the vehicle back to the lender. If there are proceeds left over after the creditor sells the vehicle, you may get some of the proceeds – but this is very rare. You will owe nothing further to your lender. The timetable for surrender and other details can be worked out with the lenders, and your attorney can help or advise you.