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## **How Secured Debt Works in Chapter 7**

I often hear people tell me they don't want to include their mortgage and/or car loans in the Bankruptcy. However, the paperwork requires that I give the entirety of your financial situation. The fact that you have a mortgage and/or car payments is part of that story. So those debts must be listed.

You will not lose your home or your car by listing it the Bankruptcy paperwork. You simply must continue to make payments on that debt.

The Bankruptcy allows you to take those debts out of the Bankruptcy by filing a "reaffirmation agreement."

### **The Automatic Stay and Your Payments**

1. When you file a case, an automatic stay is put in place. This is a bar on ALL collection activity. Secured lenders must also abide by this rule even though you plan on keeping those accounts active. There are many different lenders who have many different policies. However, here is what may happen:
  - a. Report the account as closed on your credit report.
  - b. Stop sending you statements.
  - c. Unable to make a payment via phone or through their website.
  
2. The creditor can still take your payment (they just cannot "ask" for it). The BEST way to make the payment is through your bank's online bill system. I suggest you go your bank's online bill pay system and set up your car and mortgage account information before we file the case. You can also send a physical check through the mail. At the very least print out a statement for those accounts so that you have the info handy.

### **Details on the Reaffirmation Agreement**

1. The reaffirmation agreement is an agreement between you and the lender that the particular account will not be discharged in the Bankruptcy.
2. By not being discharged the lender will continue the normal related activity with the account such as: sending you statements, allowing for automatic payment drafts, online access, and reporting on your credit report.
3. The lender will send us a reaffirmation agreement with the details of your account.
4. We will then fill out info on your case and have you sign the agreement.
5. After your signature(s) we send back to the lender for their signature.
6. The lender will then file the agreement with the Court.
7. The normal related activity items referenced in #2 will continue shortly after your case is closed (case closure is about 100 days after your initial filing date)