

Chapter 13 Bankruptcy

Some of our Tacoma Bankruptcy clients choose to file a Chapter 13 bankruptcy. If you have a regular source of income and have the ability to repay some of your debt, Chapter 13 bankruptcy can be a great alternative. By filing a Chapter 13 bankruptcy, you can repay all or a portion of your debts over a period of three to five years. The experienced bankruptcy attorneys at Morton McGoldrick represent Tacoma clients regularly and successfully in Chapter 13 bankruptcies. A Chapter 13 is also called a “wage earners plan.” If your annual household income is less than the median income for the state of Washington, you may be able to do a three-year repayment plan. If your annual household income is more than the median income for the state of Washington, you may be required to do a five-year repayment plan.

How Chapter 13 Bankruptcy Works

Under Chapter 13 bankruptcy, you and your bankruptcy attorney at Morton McGoldrick will prepare a plan to repay some of your debts. As soon as the bankruptcy is filed, you are under the protection of what is known as an “automatic stay.” The automatic stay stops creditors and collectors from being able to take any action to collect payments from you. Once your case is filed, creditors are no longer allowed to call you, send you bills, harass you, garnish your income, repossess your vehicles or property, or foreclose on your home.

Chapter 13 plan payments are based on a combination of the following factors:

- Your monthly income.
- Your monthly expenses.
- How much income you earned over the last six months.
- What type of debts you have.
- What property you want to keep.

In order to help our team at Morton McGoldrick file Chapter 13 bankruptcy, you will need to list all of your creditors and the amount of money that you owe. You will need to provide verification of your income over the six months prior to filing the bankruptcy. In addition, with the assistance of your attorney at Morton McGoldrick, you will need to create a budget of your monthly income and expenses. When that is done, you and your bankruptcy attorney will be able to create a Chapter 13 repayment plan. The Chapter 13 Plan will determine how much money you pay to the bankruptcy trustee each month and how and when that money will be distributed to your creditors.

After you have made all of your required Chapter 13 plan payments, the court will issue you a discharge.

What are the Benefits of Filing Chapter 13 Bankruptcy?

There are many reasons why a person would choose to file Chapter 13 bankruptcy instead of Chapter 7 bankruptcy. Some of those reasons are:

1. Chapter 13 may allow you to save your home from foreclosure. The filing of a Chapter 13 bankruptcy will stop foreclosure proceedings and allow you up to five years to catch up with your delinquent mortgage payments.
2. Chapter 13 bankruptcy may allow you to eliminate a second mortgage from your home. If the amount of money that you owe on your first mortgage is greater than the value of your home, you may be able to eliminate your second mortgage.
3. Chapter 13 may allow you to restructure your secured debts and modify their payment terms. For example, if you have a vehicle that you want to keep, but you can no longer afford the monthly payment, it may be possible to reduce the monthly payment through a Chapter 13 bankruptcy. This can be done by extending the length of the loan, reducing the principal balance of the loan, and reducing the interest rate charged by the creditor.
4. Chapter 13 bankruptcy may protect your co-borrowers on accounts for the duration of your plan.
5. If your driver's license has been suspended because of traffic tickets, Chapter 13 may allow you to reinstate your driving privileges.
6. If your income is too high to allow you to qualify for Chapter 7 bankruptcy, you may want to consider filing Chapter 13 bankruptcy.
7. Since you are only permitted to file a Chapter 7 bankruptcy once every eight years, you might want to consider filing Chapter 13 bankruptcy if you are not yet eligible to re-file Chapter 7.
8. Under a Chapter 7 bankruptcy, the bankruptcy trustee will take away and liquidate any of your valuable non-exempt assets. A Chapter 13 Trustee does not have the ability to take away and sell your non-exempt property. Instead, you can keep your valuable property and repay a portion of your debt through a Chapter 13 plan.
9. There are certain debts that cannot be discharged in Chapter 7 bankruptcy that can be discharged in Chapter 13 bankruptcy. The most common type of debt that can be discharged in Chapter 13 that is not discharged in Chapter 7 bankruptcy are marital property settlements. If you were ordered to pay money to an ex-spouse as a property settlement, it can be discharged in Chapter 13 bankruptcy. Please note that spousal maintenance and child support payments cannot be discharged in any type of bankruptcy.
10. Chapter 13 bankruptcy may allow you to delay payment on your student loans.
11. If your wages are being garnished for back child support payments, and it is more than you can afford to pay, Chapter 13 bankruptcy may allow you to repay your back child support payments at a rate that you can afford.
12. You will no longer need to pay interest to your unsecured creditors upon filing for Chapter 13 bankruptcy.