

# UNDERSTANDING THE REQUIREMENTS OF A CHAPTER 13 BANKRUPTCY REPAYMENT PLAN



If you've chosen to file for Chapter 13 Bankruptcy protection, you'll be asked to submit a repayment plan for your outstanding debt. For approval of your repayment plan, the bankruptcy will require a number of things.

# UNDERSTANDING TERMINOLOGY IN A REPAYMENT PLAN



**You'll hear a number of terms used in a repayment plan. These include:**

**Priority Claims** - These are types of debts that lawmakers have decided should not be discharged. They usually include child support/alimony, certain taxes, salaries/wages/benefits you owe to employees, etc.

**Secured Creditors** - Secured creditors are those who have a lien on property you took out a loan to buy. Common examples include mortgages, car loans or any loan with collateral.

# BASIC REQUIREMENTS OF A REPAYMENT PLAN

## To be approved by the court, a Chapter 13 repayment plan must:

- ✓ fully pay priority creditors
- ✓ fully pay secured creditors
- ✓ provide for payment of the debtor's income after taxes to the bankruptcy trustee for at least 3 years
- ✓ pay unsecured creditors what they would have gotten from a Chapter 7 filing
- ✓ be made in good faith
- ✓ pay the trustee
- ✓ be reasonable and realistic

# WHAT HAPPENS IF THE PROPOSED REPAYMENT PLAN IS REJECTED?



Bottom line, if the proposed repayment plan doesn't meet any of the requirements, the court won't approve it. The debtor will then have to go back to the drawing board and submit a revised plan. Also, the court has discretion to propose additional requirements other than those listed.

# DO CREDITORS HAVE A SAY IN THE REPAYMENT PLAN?

**YES**

**Yes.** Creditors will have an opportunity to object to a proposed plan.

For help understanding what's required for court approval of a repayment plan and to help with the complex filing requirements, contact a bankruptcy lawyer.