



WILL YOU KEEP YOUR CAR, TRUCK, OR OTHER MOTOR VEHICLE IF YOU FILE A CHAPTER 7?

Read this page carefully and find out.

1. If you have an outstanding loan for which the vehicle is collateral, you must be up to date on all of your payments and your lender must allow you to reaffirm the debt. Your lender has the right to require you to turn over the vehicle when you file Chapter 7 unless you redeem the vehicle from the lien by paying the lender its present value.
2. If you have any other lien on your vehicle (such as a recorded judgment or a tax lien), that lien may survive the bankruptcy and the creditor may be able to seize your vehicle.
3. As a general rule, your Chapter 7 Bankruptcy Trustee will not take your vehicle if any of the following circumstances apply:
 - a) The equity in the vehicle qualifies for an exemption; or,
 - b) There is no equity in the vehicle because you owe more on it than it is worth; or
 - c) It is burdensome to the estate (for example, the cost of storing, insuring, and selling it would be more than your Bankruptcy Trustee would net from the sale).
4. **You may only exempt one vehicle, and then only the first \$7,500 in equity value.**
5. The fact that you must have a vehicle to get to and from work is **NOT** sufficient to qualify it as exempt. Owning a car or truck must usually be a requirement of your job (e.g., traveling salesman, pizza delivery man, home health care worker, etc.), or you must need a vehicle to transport your tools, equipment, or materials. You may be required to give the court an affidavit from your employer that having a car is a condition of employment, and you might have to produce your tax returns showing that you take a business deduction for the use of your vehicle or that you are paid mileage by your employer.
6. Even though your vehicle is paid for in full, you will not be allowed to keep it unless it is exempt due to the requirements of your job or unless it has little or no resale value. If the non-exempt equity in your vehicle is worth more than \$7,500.00, your Bankruptcy Trustee will usually want to sell it.
7. In cases where there is more than \$7,500.00 of equity in your motor vehicle, your Bankruptcy Trustee will usually allow you to "purchase" the equity from the estate, instead of selling the vehicle on the open market. Usually (but not always) you are given several months to come up with the funds.
8. If the total of all of your non-exempt assets is more than \$1,500.00, your Bankruptcy Trustee might sell all of the assets, including your non-exempt vehicles.

Example: You have a two non-exempt vehicles, each worth \$750.00. The Bankruptcy Trustee might try to sell them both because together they would bring in at least \$1,500.00.
9. **In the situation described above, if you don't have or can't raise the necessary funds to purchase your equity, you may be able to save vehicle by converting your case to a Chapter 13.**

Don't take any chances.

If in doubt, ask your attorney before you file.