

Is There Any Way You Can Get Rid Of A Second Mortgage By Filing Bankruptcy?

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If you want to keep your house, you might be able to strip off the second mortgage if you file a Chapter 13 bankruptcy. Lien stripping a junior mortgage during Chapter 13 bankruptcy has become a very popular option for underwater homeowners. Many homeowners have found relief for their home mortgage woes by filing a Chapter 13 bankruptcy case, which allows a bankruptcy judge to strip away an entirely unsecured second mortgage lien.

It works like this:

Let's say you purchased your home for \$400,000, and obtained two mortgage loans. Today your home is worth \$300,000 and you owe \$305,000 on the first mortgage and \$70,000 on the second. During a Chapter 13 bankruptcy case a bankruptcy court can strip away the second mortgage lien on your home because it is entirely unsecured by your home (i.e. the value of your home is not more than the first mortgage debt). The above example is only possible when the second mortgage is not secured at all by the value of the home. If the home is merely under-secured, lien stripping is not authorized. For instance, if the value of the home in our example is \$305,001, then the loan is partially secured (by one dollar) and its second mortgage lien cannot be stripped.

By stripping the lien from your home, the second mortgage loan becomes an unsecured, non-mortgage debt. Unsecured debts receive the lowest payment priority during a Chapter 13 bankruptcy and typically receive pennies on the dollar, if anything

Lien stripping is a beneficial features of a Chapter 13 bankruptcy. The debtor can save thousands and keep their property. If you have upside-down loans, speak with an experienced bankruptcy attorney and discuss your options. Your attorney can use the power of the federal bankruptcy laws to improve your financial situation and put you back on the right track. For a free consultation, call the Law Office of Anand "Lucky" Jesrani at 530-241-3350.