

What if I Need a New Car During my Chapter 13 Bankruptcy?

Many clients wonder what will happen if their current vehicle breaks down or is a total loss during the term of their Chapter 13 Plan.



While it is preferable to pay cash for a new vehicle, expenses in our lives do not always allow for this. The bankruptcy does not prohibit you from incurring debt but the process does require patience. We will discuss all your options with you prior to you making a decision.

You will first need to find a car dealer who will work with customers who have an active bankruptcy. It may take some time to find a dealership or lender who will finance a vehicle, but be patient and ask your attorney for suggestions for car dealers who will work with you. Shop around to get the best interest rate and best price to keep your car payment as low as possible. It is important to remember that not every lender views bankruptcy the same way, so compare prices and interest rates with several dealerships. Be up front about your bankruptcy

status, in order to avoid wasting time as well as unnecessary inquiries into your credit.

If you do need to take out a car loan that is for more than \$5,000.00, the terms of the Chapter 13 Plan require that a motion be filed with the Bankruptcy Court to review the loan, and you will need to work with your attorney to make sure that they have the necessary information for the motion. It is important to contact your attorney immediately because the rules require that your creditors and the Chapter 13 Trustee receive a copy of the motion and that they are allowed to respond to the Court if they have an objection or concern about the motion. We will need to look closely at your income and expenses and discuss whether you can afford a car payment. We would also need to review and discuss the impact this will have on your Chapter 13 plan payment, and/or whether or not your other creditors would somehow be treated unfairly if the loan is approved by the Court. Expensive/luxury vehicles and/or a high monthly car payment are frowned upon and not approved by the Court.

If the motion is approved, the Court will enter an Order and you can present the Order to the lender. The entire process can take 30-45 days so it is important to find a lender who is willing to hold a vehicle for that long.

Richmond:

804.358.9900

Interstate Center
2104 W Laburnum Ave, Suite 201
Richmond, VA 23227

Virginia Beach:

757.313.3000

Southport Centre
4525 South Boulevard, Suite 201
Virginia Beach, VA 23452

Newport News:

757.825.5577

Patrick Henry Corporate Center
12350 Jefferson Ave, Suite 170
Newport News, VA 23602