

# Chapter 13 Lien Stripping



Sometimes in a Chapter 13 type Bankruptcy, a debtor is able to remove a junior lien from their home if that lien is deemed to be unsecured. When that occurs within a Chapter 13, a once secured loan becomes an unsecured loan.

Here's an example:

Home Value:           \$350,000  
1<sup>st</sup> Mortgage:       \$400,000  
2<sup>nd</sup> Mortgage:       \$100,000

In this example the Chapter 13 Debtor would be able to turn the second mortgage which was secured by their residence into an unsecured debt because the amount of the first mortgage is greater than the value of the house and thus there is no equity to which the second mortgage can attach and be secured.

The effect would be that once the Chapter 13 bankruptcy is successfully completed, the debtor would no longer owe the second mortgage. The debtor's house would then only have one mortgage on it, the first mortgage.

If you would like to learn more about Lien Stripping in a Chapter 13 Bankruptcy, then **contact The Lilly Law Group, PC TODAY! Call 571-432-0300** for your initial consultation with an experienced bankruptcy attorney.

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