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## **Chapter 13 & Lien Stripping**

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Chapter 13 bankruptcy cases require a serious commitment. While the Chapter 7 case is a relatively short (4-6 months) and straight forward process, a Chapter 13 case commits the filer to a long-term payment plan. However, Chapter 13 of the bankruptcy code has powerful tools that help get you back on track financially while allowing you to retain most of your property.

One of the most powerful tools Chapter 13 provides is an opportunity to retain your home. Many home values have significantly dropped over the last couple of years which is the number one issue facing most people today. Whether upside down in value or the payments are too high a Chapter 13 may be able to help you.

A Chapter 13 bankruptcy provides two powerful tools for home owners to use. First, it may allow one to get caught up on any missed payments. This is done by spreading out delinquent payments through the payment plan. The second opportunity is it can provide for the removal or "strip off" of a second mortgage, Home Equity Line of Credit, or other junior liens on your home.

If your problem is that your house is upside down in value, then you may be able to remove and discharge your second mortgage or HELOC. In order to qualify, the value of your house must be less than what you owe on your first mortgage. For example, if you owe \$200,000 on your first mortgage, and have a second mortgage of \$50,000, but your house is only worth \$150,000, then it may be possible to remove the second mortgage completely, leaving only the first mortgage to pay. In determining the value of your home it will be necessary to get an appraisal.

If you would like to learn more about the Chapter 13 bankruptcy process, lien stripping, or if you have any other bankruptcy related question, please contact our office for a free consultation to determine what options you have.