

## **- BANKRUPTCY CORNER -**

**Y**ou may have heard about a bill afoot in congress this past session seeking to modify the provisions of Chapter 13 Bankruptcy to allow debtors the ability to effectively “lien strip” mortgages on their homestead. Bills were introduced in both houses of congress, but stalled and were not passed by the Senate. However they may reappear at a later session.

The bills permitted families to modify the terms of their mortgage and effectively pay the value of the depreciating homestead versus the amount of the outstanding debt. The bill introduced in the House of Representatives would have altered the debt limitations that currently apply to Chapter 13 Bankruptcy debtors and would omit from the debt qualification the amount of the mortgage debt. Further, the bill would provide homeowners with the ability to allow the bankruptcy court to change the terms of the underlying mortgage in three distinct ways:

- a. Lower the balance of the loan to equal the value of the homestead;
- b. Prohibit, reduce, or delay any adjustment to the interest rate of the loan over the life of the loan; or
- c. Extend the time period of the loan to a maximum of 40 years.