

CHAPTER 13 – WAGE EARNER’S PLAN

A chapter 13 bankruptcy is a wage “earner’s plan”. It allows debtors regular income to create a plan for the repayment of all or part of their debts. Under this chapter, debtors propose a repayment plan to make installments to creditors over three to five years. During this time the law forbids creditors from starting or continuing collection efforts. After the repayment plan is over the debts are discharged and the debtor is relieved of the responsibility of continued payment. Under this plan it is possible that the debts will not be completely repaid. One terrific advantage of this plan is that the debtor can stop a foreclosure proceeding and enter a payment plan with their mortgage company for the 3-5 year period. The plan would include partial payment of the arrearage and the full regular mortgage payment.