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**IMPORTANT INFORMATION REGARDING REAFFIRMING PERSONAL  
PROPERTY AND MORTGAGE LOANS**

If you are filing a Chapter 7 Bankruptcy the loan should be current and in good standing at the time the bankruptcy case is filed. (Important Note: If you have entered into a modification agreement or other arrangement with your lender to pay for any arrearage, though you may be current under the terms of the agreement, your loan is not current for bankruptcy purposes. Additionally, it is very important that the loan is paid each month on time. It should be paid even though the lender may not send a monthly statement and may not accept payments over the internet via online banking. The lender may also not accept payment by telephone and may even ask that payment be sent to a different address while your bankruptcy case is open.

If you pay late or miss a payment the lender may file a motion for relief from the automatic stay seeking permission to take the property. This does not mean that you will not have an opportunity to work something out with the lender; but, it does mean that you will have to pay the lender's legal fees and court costs which typically total \$850.00

During periods when real property values were steadily appreciating, individuals routinely reaffirmed mortgage loans. During periods when real property values decline or are unstable, the decision to reaffirm is more difficult. If you do not reaffirm the loan (ie; you "surrender" the home), the

lender will continue to have its lien against the property; however, you would have the advantage of no longer being personally liable for the loan. If you reaffirm a second or third mortgage, you will continue to be personally liable for the loan. Therefore, after you receive your bankruptcy discharge, if the first mortgage lender forecloses on the loan due to a default in payments you will be held personally liable for the remaining balance on the second or third mortgage.

Finally, remember that with all loans secured by personal property such as vehicles, boats, furniture, etc. bankruptcy law allows three options: Reaffirmation (Signing of legal document reestablishing your personal liability on the loan), Surrender of the property (With no remaining personal liability), and Redemption (A one-time lump sum payment to a creditor of the fair market value of the personal property to satisfy the loan).

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