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## What you Need to Know about Reaffirmation Agreements in Bankruptcy

There are two types of bankruptcies applicable to individuals called Chapter 7 and Chapter 13 bankruptcies, named according to the sections of the bankruptcy code that govern them. Chapter 7 bankruptcy is liquidation bankruptcy in which all disposable assets of the debtor are liquidated to raise money to repay all debts. Any debts still outstanding after disposal of assets will be forgiven. On the other hand, under Chapter 13 bankruptcy, the bankruptcy court judge will approve a debt-repayment schedule and the debtor must repay all debts over a period of time (usually up to 5 years).

If you have filed for Chapter 7 bankruptcy (or are going to) and wish to keep a property that is encumbered with a loan instead of liquidating it, you can do so by signing a reaffirmation agreement. But a reaffirmation agreement comes with certain conditions that you should be aware of.

The most important thing to note about a reaffirmation agreement is that it is binding even after your bankruptcy discharge. Since that is the case, the bankruptcy trustee would have a say in advising you on the agreement. It is the bankruptcy trustee's responsibility to help you start afresh financially after your bankruptcy discharge. Hence, your trustee will vet through the agreement to make sure it would not adversely affect your fresh start.

If your bankruptcy trustee feels you cannot afford the financial obligations, he or she would advise you against signing the reaffirmation agreement or re-negotiate more favorable terms for it. Therefore, it is of paramount importance that you take heed to what your bankruptcy trustee advises you in relation to reaffirmation agreements.

Another layer of defense you have is your bankruptcy lawyer. The bankruptcy lawyer in such cases is required to sign a sworn declaration that the reaffirmation agreement was entered into voluntarily and that it does not cause undue hardship to the debtor.

Finally, according to the law you do have a 60-day period from the date you sign in which to withdraw from the reaffirmation agreement if you so choose.

If you need the services or advise of a bankruptcy lawyer, contact us at (813) 200 4133 for a free consultation.