

Debt Limits for Chapter 13 Eligibility to Increase on April 1, 2010

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With the recent housing boom and bust, many people find themselves with debt in excess of the eligibility limits for Chapter 13, which since 2007 have been \$1,010,650 in secured debt, and \$336,900 in unsecured debt. But on April 1, 2010, those debt limits (along with most other dollar amounts in the Bankruptcy Code, including exemption amounts) will increase in accordance with the increase in the Consumer Price Index for the last 3 years. **While the Judicial Conference of the United States has yet to issue the official new numbers, the Department of Labor has issued the CPI numbers for the relevant period (December 2006 – December 2009), showing an increase of 7.01%. So we can estimate, pretty accurately, that the new limits will be \$1,081,500 for secured debt, and \$360,525 in secured debt.**

To count towards these limits, debt must be liquidated (generally meaning fixed or easily calculable) and non-contingent (owed without depending on whether something may or may not happen in the future). And how to apply these limits to mortgages on homes that are now worth less than the mortgage debt is an issue on which the bankruptcy courts do not all agree, but they are usually treated as unsecured to the extent the home is “under water,” forcing debtors into Chapter 11 or precluding effective bankruptcy relief altogether.

While this is the smallest increase since the Chapter 13 debt limits started increasing in 1998 (they were originally \$750,000 and \$250,000 when enacted in 1994), it will help many consumers qualify for Chapter 13 relief.