

Redemption



**For a Free Consultation
with one of our
experienced attorneys,
call (303) 300-6684.**

Morse & Associates, LLC

910 Sixteenth Street, Suite 1100
Denver, CO 80202
Phone: (303) 300-6684
Fax: (720) 941-2755
Web Page: morsebankruptcy.com
E-Mail:
morse_associates@morsebankruptcy.com

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The Basics

The information enclosed is only intended to give individuals considering bankruptcy an overview of the process. It should not be used as a legal authority and does not speak to any particular case. You should always speak to an experienced attorney prior to making any decision regarding your bankruptcy.



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Bankruptcy**

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There are many promises and wild claims made in bankruptcy law about the notion of redemption. Redemption is essentially where you buy the worth of an item out of your bankruptcy estate for its value and not for its loan amount. A common example of where redemption may be a good idea is the situation where a large truck is purchased for \$40,000.00. Two years later, the note is paid down to \$35,000.00 but the vehicle is worth only perhaps \$15,000.00.

If debtor chooses to redeem this vehicle, they can pay the Bankruptcy Court \$15,000.00, subject to Court and creditor approval, the value of the vehicle, and own the vehicle outright. The note of \$35,000.00 remaining is then forgiven.

Redemption Continued...

Bankruptcy Courts are very skeptical of motions for redemption. Many firms sell clients on the notion of redeeming vehicles and properties. Many firms charge additional fees for Motions to Redeem. The Bankruptcy Courts in Colorado are wisely skeptical of Motions for Redemption. Many of these motions are unsuccessful and prove to be a waste of money for the debtors who are enticed to file them.

When considering a Motion for Redemption, it is essential that you find competent, honest and professional legal advice before proceeding. In many instances, even our example of the large truck is not a good idea. For most debtors, coming up with a lump sum of money in order to buy the vehicle out of the bankruptcy estate is an impossibility.

There are several corporations that have sprung up in recent years to supply debtors with these monies. Most of these corporations charge 20-25% interest on these loans. When the debtor actually amortize out of their loan payment, many of them will find that while their principle has been reduced by half, their interest payments have made up the difference

between the former balance and the current balance, nullifying any positive gain that could be had from the Motion for Redemption. It is important, that you secure financing from an institution charging a reasonable interest rate before proceeding with a Motion for Redemption.

Be certain to ask your attorney the hard questions: What is the likelihood for the Motion for Redemption being successful? What will be my monthly payment if we are successful? If your attorney is not willing to explore these issues with you, you are very likely speaking with someone who is interested in collecting a fee rather than doing any real legal good in your case.

While redemptions are a legal option for debtors, Morse & Associates only pursues them if there is a clear and convincing net gain to be had on behalf of the debtor.

If you would like more information regarding Redemptions, please call 303-300-6684 for a FREE CONSULTATION with one of experienced attorneys.