What to Do <em>After</em> Your Car Is Repossessed

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Get Back Personal Property Left in the Car. Creditors cannot keep your personal property that was left in your car after it has been repossessed. The lender can only keep the car itself. As soon as possible, demand both by phone and in writing any property left in the car specifying each item. Make the request quickly before the property disappears.

In Some States You Can Reinstate the Contract and Get the Car Back. The following states allow a consumer to reinstate the contract after repossession in at least some circumstances: California, Connecticut, the District of Columbia, Illinois, Maryland, Mississippi, New York, Ohio, Rhode Island (although the phrasing of the law is not completely clear), and Wisconsin. Reinstating the contract allows you to recover the repossessed car by paying only the back-due payments, not the full amount of the debt. You may also have to pay the costs of the repossession and any storage charges, plus possibly one or two payments in advance. You must act quickly. In most states where it is allowed, you have only a few weeks to reinstate after repossession.

You Can Redeem the Car. In every state, after a repossession, you can redeem the car. This means that you can get the car back by paying the full remaining amount due plus expenses (redemption does not apply to leases). The creditor must notify you of the date of the car’s sale or a date after which the car will be sold and the creditor must include a telephone number to call to find out how much you have to pay to redeem the car. You can redeem the car up until the very moment before the car is sold.

If you are having trouble keeping up with monthly payments, you are unlikely to be able to pay off the whole debt at once. If a car is important to you and worth more than the debt, consider borrowing from friends, relatives, or elsewhere. Don’t mortgage your house to get your car back because defaulting on that loan may result in your losing your home.

Try to Negotiate with the Creditor. If your car has just been repossessed, you might be able to negotiate to get the car back. You are in a particularly strong position if you have significant claims or defenses relating to the car, its credit terms, or its repossession. If a car has minimal resale value, the creditor should also prefer a workout agreement to a worthless asset.

Get the Car Back by Filing Bankruptcy. You can get your car back by filing bankruptcy, even after it has been repossessed, as long as you do so before the creditor sells it. Once you get the car back, if you want to keep it for the long-term, you must make payment arrangements, which as explained below, will vary depending on whether you file a chapter 7 or 13 bankruptcy.

In a chapter 7 bankruptcy, you must pay the creditor the lesser of the full remaining balance of the debt or the car’s value. Some creditors let you make this payment in installments, but other creditors will require you to pay the full amount in one lump sum.

In a chapter 13 bankruptcy, you have several ways of keeping the car. Probably the best one is to set up a plan to pay off the car loan in monthly installments over a period as long as five years. The interest rate charged in a chapter 13 plan can, in some instances, be lower than what you are paying on the car loan. You may even reduce the amount owed to the current value of the car, if the car’s value is less than the amount you owe, particularly if you bought the car over 910 days before your bankruptcy filing.

When the Repossession Was Wrongful. You can file a lawsuit to get the car back and receive damages if the car was taken improperly, but this will require the help of an attorney.

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