The Newsletter
FAUCHER LAW
TAX & BANKRUPTCY

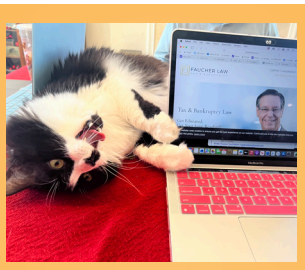
Think Twice Before
Signing a Reaffirmation for your Car If You're in Bankruptcy

Debtors filing chapter 7 bankruptcy are often asked by the bank or car company holding their car loan to "reaffirm" their debt - verify they still owe the balance on their car loan. You aren't required to sign these reaffirmation agreements. ***If you are current on your car loan, the lender cannot repossess your car just because you filed bankruptcy.*** I recommend not signing a reaffirmation agreement, unless you can't live without on-line access to your car loan account. Here's why.

Car Owes the Debt, Not the Debtor. When a chapter 7 bankruptcy is finalized, the debtor no longer personally owes money on their car loan(s). That's because the bankruptcy erases debts owed when the bankruptcy was filed, including what's left on a car note. However, while the debtor no longer owes, the car still does. Huh? ***With secured creditors like mortgage and car loan companies, the person may be off the hook, but the property isn't.*** In other words, if you own a Toyota RAV4 and go through bankruptcy, Toyota can no longer legally pursue collections actions with you, but it can pursue the RAV4 by repossessing it. The RAV4 continues to owe, even if the bankruptcy means you no longer do. That's part of the repayment guarantee lenders receive when they secure a loan with collateral: if you can't repay the debt, then the property that's collateral can.

Reaffirmation Agreement Put Debtors Back on the Hook for the Car Loan. A reaffirmation agreement is the finance company asking you to say you personally will repay, regardless of the debt having been discharged in bankruptcy. ***If you sign a reaffirmation agreement, you have made yourself legally liable for the balance on the car note.*** This makes you worse off and is why I recommend not signing them.

When To Sign a Reaffirmation Agreement. If you can't afford your car payments after bankruptcy, or no longer want to pay, don't sign a reaffirmation. Let the lender go through the repossession process, which can take up to 6 months, to take back the car after the bankruptcy is finalized. However, if you want to keep your car, continue making your monthly payments fully and on-time. If you are current on your loan, the lender has no legal right to repossess. ***Not signing a reaffirmation agreement is not a legal reason for car repossession.*** If you want on-line access to your car loan and intend to keep your vehicle, then signing a reaffirmation agreement is a good thing.



Sebastian's flipping out at the thought of your call – do it! 818.889.8080

Not Signing Means Losing On-Line Account Access. A likely result of not signing the reaffirmation agreement is that the car lender will stop on-line access to your account and the right to pay by automatic monthly debit. ***You are likely to be able to make car payments only by check after the bankruptcy, and you are likely to lose the ability to check the loan balance on-line, but you can always call your lender for balance information.*** On-line payment and access to account information are usually removed because car lenders (like all other lenders) are not allowed to collect from debtors following bankruptcy, and on-line access may be considered a collection attempt. If you can live with sending payment by monthly check and calling the lender when you need account information, then don't sign a reaffirmation agreement.

Questions? Call me, but if it's about what kind of car you should drive, I'm always going to recommend a vintage Mercedes.

JDF

INSIDE STORIES

- John's Annual "Best Of" List!
- *The Adventures of Sebastian*
- Turkey Chipotle Recipe

John's "Best of 2025" List

Case Outcome	Client sisters inherited their dad's ranch in Santa Barbara county. The IRS assessed its value $5 million higher than the ranch was worth. Tax implication: $2 million more in taxes owed by my clients. No, sireee… after 3 years of foot-dragging and several new valuation reports, the IRS settled – for our original offer. Great outcome! And what fun to run into my client, Tina, in Firenze this summer.
Purchase	I'm not a clothes-hound but I love the Tirolean ***Trachten*** jacket I bought in Munich at Oktoberfest (I liked the vest in this photo but didn't buy it – so few days I can even wear a wool jacket in southern California). I also loved shopping for snazzy shoes in Italy where there's a greater selection of stylish-but-not-too-interesting men's shoes than here.
Concert	LA Master Chorale's annual ***Messiah Sing-Along*** at the Disney Concert Hall this Christmas with our younger daughter, Rose, and her partner, Patrick. The beauty and power of hundreds of human voices leaves me breathless. It leaves Karen grateful that no one can hear her sing off-key.
Family Time	Karen and I saw her German cousin Bettina and husband Georg for the first time in 7 years this fall. It was also the first time Karen's sister Andrea (left), Karen and Bettina were all together in over 40 years. Those are locks on the bridge behind us, on a main bridge over the Rhine River in Cologne.
Celebrity Sighting(s)	George Clooney on Broadway in ***Good Night and Good Luck*** for Karen's birthday. We also walked by Malcolm Gladwell in Greenwich Village and sat next to Mike Farrell (BJ Hunnicutt in ***Mash***) at lunch.
Tea	Dewdrop Oolong Tea. The tea leaves develop slowly at high elevation under the mists of the Alishan Mountain Range in Taiwan. Smooth, yellowish color, tastes of apple and melon, floral scents, quite sweet. I've only found it at the ***Healing Tree***, a small shop in Thousand Oaks.
Faucher Law Employee	Milo's not mentioned much because he's still only an Intern at Faucher Law, but he's as much a fixture in the office as Sebastian is. During cold months, it's particularly helpful to have Milo on my lap for warmth, if not for legal acumen.
Client Compliment	What's a bigger compliment to ***The Newsletter*** than Faucher Law fan Ira L. reading it on vacation in Sorrento, Italy?! Who brings ***that*** on vacation? Ira, that's who!
Book	***The Art Thief***, Michael Finkel. This meticulously reported book tells how an Alsatian waiter stole more than 200 pieces from European museums, solely to bring them into his apartment and appreciate them. A fascinating look at a person who clearly had talent and intelligence yet used them to ruin his life.
TV show	***Pluribus***, from Vince Gilligan of ***Breaking Bad*** fame (one of my Top 5 TV dramas), is a sci-fi vehicle for the acting abilities of ***Better Call Saul's*** female protagonist and breakout star, Rhea Seehorn. The plot is sad and disturbing, but raises fascinating questions on the nature of happiness and individuality.

Turkey Chipotle Chili

Karen makes a lot more chilis in wintertime because they're warm and filling on cooler nights. This is one of my favorite because it's so flavorful and different than most red chilis.

3 – 3.5 lbs. fresh tomatillos	4 lbs. ground turkey
3 onions, finely chopped	8 cloves garlic, finely minced
3 green peppers, chopped	2 4-ounce cans mild green chilies, drained
2 - 3 19-oz. cans white beans, drained	2 – 2.5 cups chicken broth
4 TBS vegetable oil	3 TBS cumin
3 TBS ground coriander	2 tsp dried oregano
1 cup chopped fresh cilantro	1 Bay leaf
2 whole chiles from small can chipotle chilies in adobo	2 tsp salt, or to taste (we like ours saltier)

Instructions:

• Preparing the tomatillos: discard papery husks of tomatillos and rinse tomatillos. Boil water in large pot and blanch the cleaned tomatillos in boiling water for 5 minutes and drain. Puree drained tomatillos in a blender or food processor (you're likely to need to do this in several batches). Reserve puree.

• Cut chipotle chilies in half & remove seeds (wear gloves to protect your fingers). Chop fine and put into a food processor with ½ cup chicken broth; process mixture until chili pieces are very small. If you like your chili spicier, use 3 chiles. Reserve chipotle puree.

• In a large soup pot or dutch oven cook diced onions in the vegetable oil over moderate heat until onions are softened, about 8-9 minutes. Add minced garlic, cumin, and coriander and cook for additional 2-3 minutes. Add ground turkey, breaking up lumps, and cook the mixture until the turkey is no longer pink, approximately 7-8 minutes. Add the reserved tomatillo puree, chipotle puree, remaining chicken broth, bay leaf, dried oregano and salt. Simmer the mixture on low heat, uncovered, for 1 hour. Add more water or chicken stock to keep mixture barely covered, if necessary.

• Stir in diced green peppers, canned chili peppers and chopped cilantro and cornmeal, stirring to mix, and continue simmering over medium heat for additional 30 minutes.

• Stir in canned white beans, simmering for another 5-6 minutes or until beans are warmed through. Discard bay leaf before serving with sour cream and crusty bread.

• Chili can be made and saved in refrigerator for 3 days; it also freezes well.

Serves 8-10

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WELCOME TO FAUCHER LAW

John D. Faucher worked for 10 years as an IRS trial attorney and has been in private practice since 2008. He and his team speak the legal language. They know the **tax and bankruptcy systems** and can help you get the best result. Have other legal issues? Call us. We'll find the lawyer who's right for you, your friends, or family.

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Chapter 7 Personal Bankruptcy:

What's Up with Reaffirmation Agreements on Car Loans?

Almost everyone still owing on a car loan when they file bankruptcy will be asked by their lender to sign a reaffirmation agreement. In this edition of ***The Newsletter***, I overview the **pros and cons of signing a reaffirmation**, and what it means if you do. Also inside is my annual **Best of 2025** list which gives my answers to some of life's most pressing questions: what should I read next? Are there any good, new television shows? And what was John's favorite tea this year? As I said: ***pressing questions***. We replace our regular ***Sebastian the Feline Paralegal*** comic with the new, occasional **Adventures of Sebastian** exploring – gulp – Sebastian's life outside Faucher Law. Finally, a **recipe for a green, turkey chipotle chili** to warm you up on cool winter nights.