

How to Calculate Chapter 13 Payments

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Unlike Chapter 7 bankruptcy, that typically "wipes out" all unsecured creditors via liquidation of assets, Chapter 13, in its simplest incarnation, is basically a long-term plan to pay unsecured creditors some percentage of monies due. Calculating payments is usually based on the petitioner's cash flow after paying other required obligations. However, since individual states author regulations that modify the federal bankruptcy provisions, always learn about the rules that apply in the state where the bankruptcy is filed.

Instructions

Things You'll Need:

- Documentation regarding all debts, including unsecured, secured, and post-filing creditors.
- Evidence of regular monthly income amounts and sources.
- Third party verification of all necessary monthly expenses.

Calculate Chapter 13 Payments:

- Step 1** Understand the basic rules of Chapter 13. There are three typical categories of creditors: Unsecured, secured, and post-creditors. In most cases, the secured creditors (mortgage, auto, and other lenders with collateral) and the post-creditors (new debts created after the bankruptcy filing) are "outside" the Chapter 13 terms and calculations.
- Step 2** Estimate (with evidence, if possible) all "required" monthly expenses. These normally include mortgage or rent payment, auto payments, utilities, tuition, student loans, taxes, food, and other necessary obligations. Fine dining, entertainment, vacations, and other "discretionary" (personal choice expenses) are not considered.
- Step 3** Calculate regular monthly income from all sources, including jobs, interest, dividends, trust [funds](#), and any other verifiable cash flow sources. Sporadic, irregular, and "one-time" income typically can be excluded from this calculation. Don't "fudge" this figure as tempting as it may be. This data must be filed with the court and the appointed trustee.
- Step 4** Subtract the necessary expenses from the regular gross monthly income to arrive at an estimated available cash figure. For example, if the petitioner has stable monthly income of \$3,000 with necessary and secured creditor payments of \$2,600, around \$400 per month is available for unsecured [debt repayment](#). This is the key calculation, as the court assumes the petitioner will agree to the final payment amount and maintain it throughout.

Take the total amount of secured debts and divide by twelve months, twenty-four months, thirty-six months and forty-eight months. This will give you an estimate of how much your repayment would be monthly for a chapter 13 repayment plan for the amount of time of the plan. If you have this amount left over or more after you calculated your monthly budget versus your income, you may qualify for a chapter 13. Unsecured debts are calculated after the secured debts and sometimes the amount paid can be as low as a penny on a dollar or nothing at all. This all depends on how much [money](#) you have left after the secured debts and a monthly fee for the trustee.