

## **.13 GUIDELINES FOR CHAPTER 13 STRIPDOWNS**

A Chapter 13 Stripdown is a bankruptcy plan proposing to reduce the secured balance of the indebtedness to correspond with the market value of the property. The remaining balance is considered unsecured and separate payments must be made on that portion through the bankruptcy trustee.

### **A. Notification**

When the Servicer receives a notice of a Chapter 13 filing proposing to strip the secured loan balance, a copy of the Notice should be sent to AHFC's Servicing Department via [Form SER-71](#) **within 5 business days**. AHFC will respond to the Servicer on the recommendation and will work with the Servicer regarding the specifics of the case.

### **B. Administration Procedures**

The Servicer should consider the following issues in administering a stripdown.

1. If the plan is confirmed, the Servicer will receive notice of the court ordered stripdown from the bankruptcy attorney. Unless directed otherwise, the Servicer must terminate the foreclosure and adjust the loan balance to meet the court order.
2. If the borrower(s) defaults on either the stripped down loan balance or the unsecured portion of the loan, the Servicer should notify the bankruptcy attorney and AHFC **within 5 business days**. The bankruptcy attorney may petition to have the stripdown set aside.
3. If the plan is set aside and a "Relief from Stay" is received, the Servicer is to submit recommended action to AHFC **within 5 business days** of the date the plan was set aside.