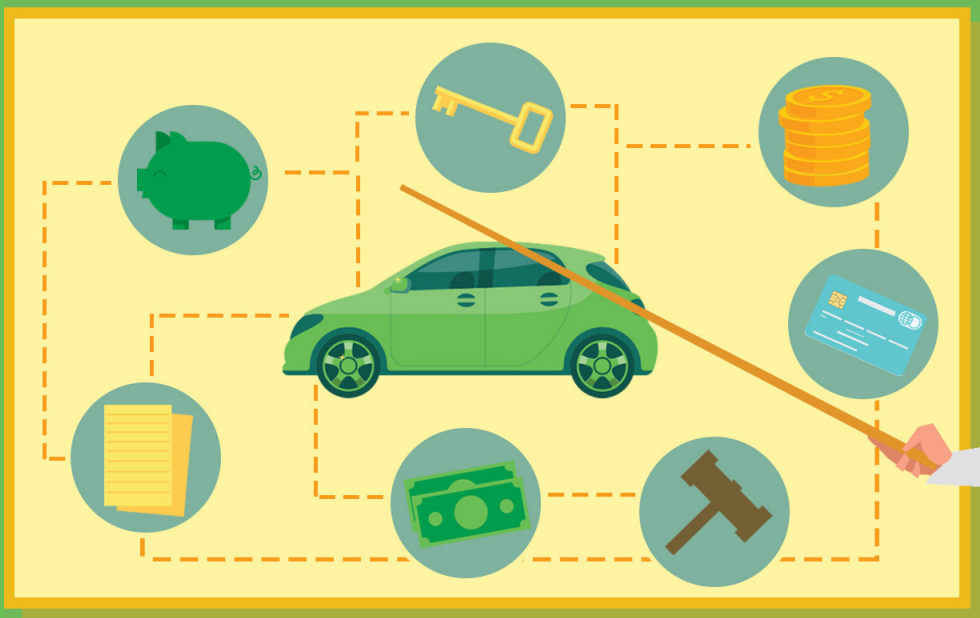


DAY ONE CREDIT'S CONSUMER GUIDE TO BANKRUPTCY CAR LOANS

GETTING THE CAR YOU NEED BEFORE, DURING, AND AFTER BANKRUPTCY



1

Day One Credit

W W W . D A Y O N E C R E D I T . C O M

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Day One Credit is a marketing service that connects people who do not qualify for traditional car loans due to a Chapter 7 or Chapter 13 bankruptcy, with lenders and dealers who offer bankruptcy car loans.

DAY ONE CREDIT IS NOT A LENDER, AND WE DO NOT PROVIDE BANKRUPTCY OR LEGAL ADVICE. The content provided in this guide is for informational purposes only, is opinion, and is not intended as financial or legal advice.

If you are contemplating filing for bankruptcy, or have an open or recent bankruptcy case, you must consult with legal counsel as to the potential implications of applying for or obtaining vehicle financing before submitting your inquiry to Day One Credit.

What This Guide Will Do For You

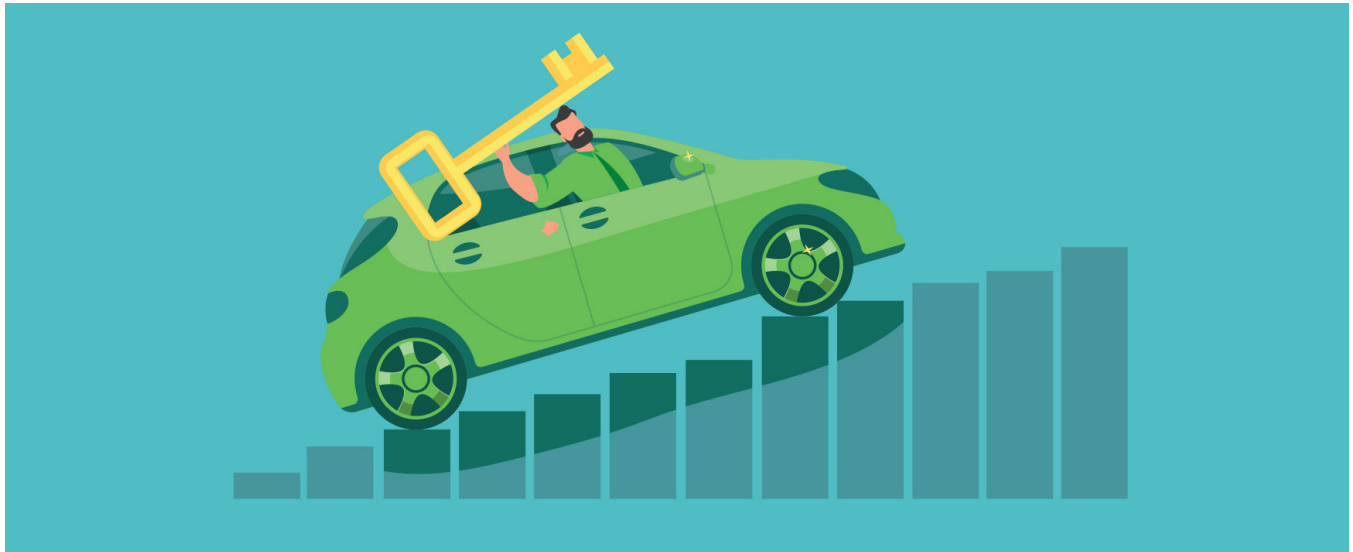
Filing for bankruptcy is not an easy decision to make, but for many it is the right decision. How you and others view your bankruptcy is important. Some view it as an ending, as a last resort to address a crushing mountain of debt, or even as some kind of failure. They fear the consequences, the stigma attached to bankruptcy, and the long-term negative impacts on their credit. But all of that is just one lens through which some people view bankruptcy, and it is a very negative lens. ***There is a better way to think about your bankruptcy.***

There is a positive lens through which bankruptcy can be viewed. Bankruptcy laws were designed to provide an avenue of relief to people suffering from more debt than they can handle. When viewed through a more positive lens, declaring bankruptcy becomes a proactive step towards regaining control of your financial future. When you emerge from the process, you've greatly reduced or eliminated all your worst debts. You get the chance to make a fresh start. This is why financing programs willing to work with bankruptcy customers are often called "fresh start programs."

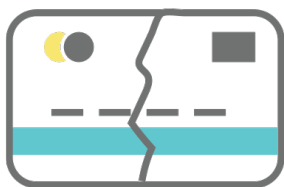
This guide was created by the Day One Credit team in order to help consumers like you understand your options when you've declared bankruptcy and also need to buy a car. If you need a different vehicle, you do have a way to possibly finance its purchase in spite of your bankruptcy filing – a bankruptcy car loan from a lender who works with customers during or after filing bankruptcy. Day One Credit helps bankruptcy customers find bankruptcy car loans to meet their needs. This guide will explain our perspective on what we think you need to know about bankruptcy and buying a car. And when you're ready, Day One Credit is here to help you get the keys to your fresh start!

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1 Rebuilding Your Credit with a Bankruptcy Car Loan



If you've declared bankruptcy, the first thing we want to do is congratulate you! Why? Because you've taken the first difficult but positive step towards improving your situation. Whether you just filed, are in the middle of the process, or have recently had your bankruptcy discharged, you are now in a position to make the most of the fresh start bankruptcy gives you. But first we have to dispel one of the biggest misperceptions people have about bankruptcy.



Busting the Myth of No New Credit with a Bankruptcy

Many people assume they are automatically disqualified from getting any new credit because of their bankruptcy. This is not necessarily true! It all depends on what kind of lender you work with. Some lenders might reject you – they may view you as too risky because of your bankruptcy.

They're seeing bankruptcy through the negative lens mentioned in the introduction.

There are, however, lenders who view your bankruptcy through a more positive lens. They see you've taken action to get your debt situation under control. In fact, they're willing to work with you because you have taken a positive step towards a better financial future. And you may even get better rates than many other kinds of bad credit financing. Some argue you can and even *should* get new credit even with a bankruptcy. They actually view it as the key to making the most of your fresh start.



Rebuilding Your Credit During or After Bankruptcy

Your credit score was probably in a downward spiral leading up to your decision to file bankruptcy. If you had tried to get a new loan before filing bankruptcy, your low credit score might have resulted in being rejected. After declaring bankruptcy, your credit score might go down even further.

More importantly, the bankruptcy will be listed on your credit report for all lenders to see, and it will stay there for 7-10 years. There is no way to have it removed from your credit reports early – and any credit repair service that says they can remove it is lying to you. It's going to stay there for 7-10 years. All the more reason to immediately start taking action to rebuild and restore your credit, right?

One way to rebuild your credit is with a new loan and making on-time monthly payments on it. Some lenders won't be willing to work with you, but the fresh start programs of specialized bankruptcy lenders might. And this is where it may make sense to look at the option of a bankruptcy car loan.

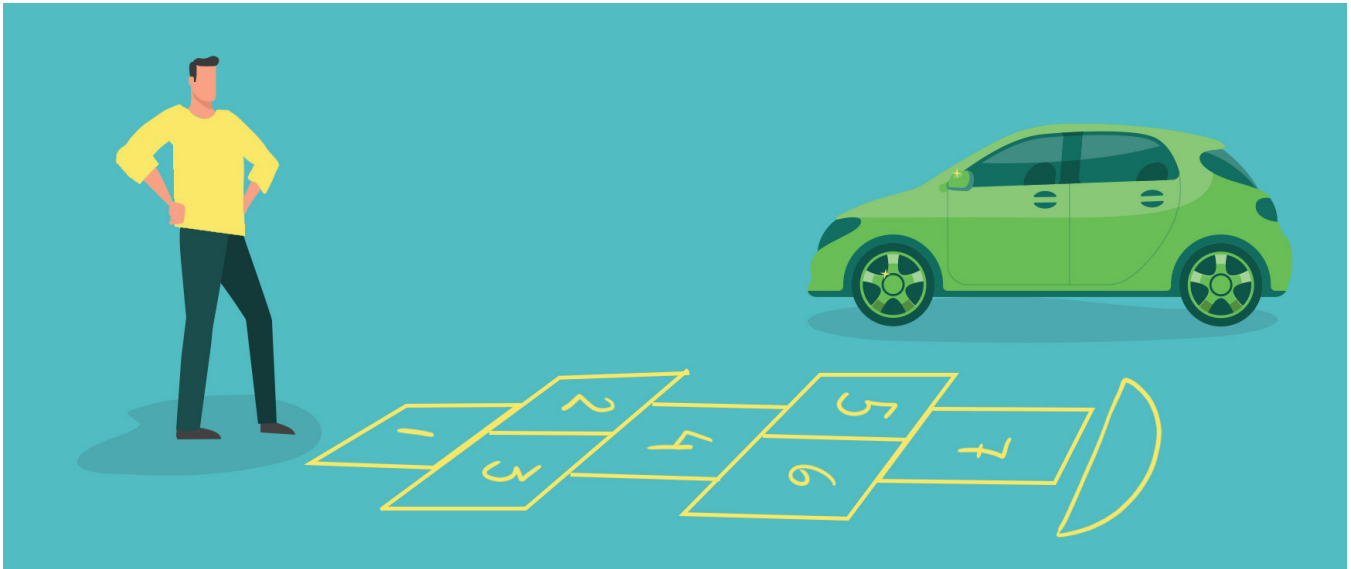


Making the Most of Your Fresh Start: Will a Bankruptcy Car Loan Help?

Day One Credit works exclusively with customers who have filed for bankruptcy to help rebuild credit with a car purchase. We have worked tirelessly to build a network of lenders who have programs designed specifically for bankruptcy customers. A bankruptcy car loan might be just what the doctor ordered to start treating and healing your credit in order to help you recover from bankruptcy. But first you have to decide whether or not it makes sense for you to buy a car in spite of your bankruptcy.

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Find Out if Buying a Car in Bankruptcy is Right for You

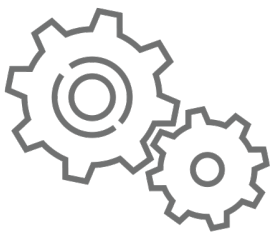


Should you buy a car during or after your bankruptcy? There is no single easy answer to this question because everyone's situation is unique. But we can provide you with some guidance on how to go about evaluating your own situation to make this decision.

The Factors Affecting Your Decision to Buy a Car in Bankruptcy

The things you need to consider and think about when deciding whether or not to try and buy a car during or after your bankruptcy include the following:

- The status of your current vehicle.
- Your financial situation.
- The type of bankruptcy case you filed.



The Status of Your Current Vehicle

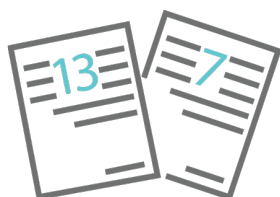
If your current car is no longer meeting your needs for whatever reason, then your decision is very easy – you have to replace your car out of necessity if you don't have alternative forms of transportation available to you. In this kind of situation, a bankruptcy car loan may give you a way to get the car you need in spite of your bankruptcy – and may also give you the added benefit of helping restore your credit.



Your Financial Situation

For this factor, let's assume you have a car loan on your current vehicle. How difficult will it be for you to keep making on-time payments on the loan? Do you have positive equity in the vehicle? This would mean your car is worth more than you owe on it. Or are you "underwater" or "upside-down" on the loan? This means you owe more on the loan than your car is worth. These are all important considerations when deciding whether or not you should buy a car in spite of your bankruptcy.

Now think about your income – is it stable? Can you comfortably keep making payments on your current loan? Take a long, hard, serious look at this factor. If you still owe a ton of money on your car and you realize you can't really afford to keep making the payments, then it might make sense to get out from under that loan and obtain a bankruptcy car loan to get a different vehicle you can afford.



The Type of Bankruptcy Case You Filed

There are two main types of bankruptcy most people file – Chapter 7 or Chapter 13. Which one did you file under?

A Chapter 7 bankruptcy (also called a "liquidation" or "straight" bankruptcy) is where any significant non-exempt assets are sold off to pay back some portion of your qualifying debts, and what remains is entirely wiped away when the bankruptcy is discharged.

A Chapter 13 bankruptcy is the kind where your debts are reorganized and/or reduced so you can get caught up over the course of a 3-5 year court-approved repayment plan.

You may be able to surrender your current vehicle and then include your loan on it in your bankruptcy, whether it's a Chapter 7 or a Chapter 13. The main difference is that if you decide to include your car loan in a Chapter 7 bankruptcy, it's because you want to walk away from the car and the loan. In a Chapter 13 bankruptcy, you may try to include the car because you want to keep it and get caught up on your payments, or you might want to surrender it and include the loan in the bankruptcy to have most of it discharged.

In the final analysis, a bankruptcy car loan may be right for you if you either need to replace your current vehicle out of necessity or want to replace it because you really can't afford it. Either way, if quickly rebuilding your credit is important to you, then a bankruptcy car loan may be one way to do it. But you still need to understand what all your options are for what happens to your car under both types of bankruptcy cases.

3

Decide Whether or Not to Try Keeping Your Car in Bankruptcy



We've already gone over some of the basics of how to decide whether or not you should buy a vehicle during your bankruptcy – it depends on the status of your current vehicle, your financial situation, and the kind of bankruptcy case you filed. Now it's time to go into more detail about what your options are for both a Chapter 7 and a Chapter 13 bankruptcy to help you decide whether or not you should try to keep your car in bankruptcy.



Chapter 7 Bankruptcy and Your Car

Here are the basic options for what can happen to your car if you've declared a Chapter 7 bankruptcy:

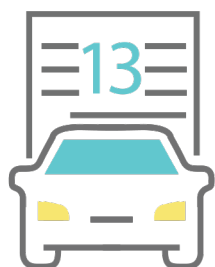
Retain-and-Pay: This may be a good option if you want to keep your current vehicle, you're current on payments, and can afford to keep making payments. You just keep making on-time monthly payments and hang onto the car. Some lenders, however, do not like this type of arrangement. They may demand what's called a "reaffirmation agreement."

Reaffirmation: Some banks and credit unions want you to "reaffirm" your car loan if you intend to keep driving your car during a Chapter 7 bankruptcy. It basically means you promise to keep making payments on your loan, and remain personally liable for the debt, which

means your vehicle could get repossessed if you fail to make your payments. However, you can change your mind and rescind (cancel) the agreement. You must rescind within 60 days after you sign the agreement or before the court enters your discharge, whichever is later. If you rescind on time, you can give the car back without having to pay for it.

Surrender: If what you want to do is get rid of your car and the loan you're still making payments on, you can surrender the car to the lender and include the car loan in your Chapter 7 bankruptcy filing. You can literally walk away from the loan, even if you owe more on the loan than the car is worth. A car loan is a "secured" debt where the car itself serves as the collateral. When you surrender the car back to the lender, then the loan becomes an "unsecured" you can include in the bankruptcy, which means it will be entirely wiped away with the rest of your qualifying unsecured debts. This is a good way to get out from under the burden of a car you can no longer afford. Surrender the car that's too expensive for you during your bankruptcy and then you have the option of getting a bankruptcy car loan for something you can afford.

Redemption: Redeeming your car is another option for people who really want to hang onto their current vehicle. If the car is worth less than what you still owe on it, you can pay the lender just the actual market value of the car. The catch, however, is that you have to pay it in one lump sum. Most people declaring Chapter 7 bankruptcy don't have that kind of cash just lying around, but if you can get a gift or loan from friends or family, then it might be worth considering.



Chapter 13 Bankruptcy and Your Car

Chapter 13 bankruptcy is a bit different from Chapter 7, so here are the basic options for what can happen to your car with this type of bankruptcy:

Outside the Plan: If you're current on your car loan and you like your car, you can just continue making your payments totally outside of your Chapter 13 payment plan. This means you're not including the car in your bankruptcy at all.

Surrender: Similar to a Chapter 7, you can surrender your car back to the lender and then include the now unsecured loan in the bankruptcy. You'll end up paying some of it back as part of your payment plan, but only a small portion, and then the rest will be wiped away at the end of plan in your discharge.

Principal Reduction: There are several ways your car loan can be “modified” in a Chapter 13 bankruptcy. Having the principal reduced is also called a “cram down” of your car loan. You can only do this if you took the loan out at least two-and-a-half years before filing bankruptcy. In this approach, the lender is willing to accept a reduction in the principle balance on the loan down to what the car is actually worth (fair market value). Instead of being “upside down” or “underwater” on the loan, where you owe more than the car is worth, after the cram down you’ll only owe exactly what the car is worth. If you still owe \$10,000 on the car but it’s only worth \$7,000, the outstanding principal that you owe will be reduced or “crammed down” to \$7,000. This makes for a more affordable payment.

Interest Rate Reduction: Another potential modification is having the interest rate reduced on your loan. If part of your struggle to pay your car loan is because it has a high interest rate, this could be reduced by as much as 4-6%, again making for a more affordable payment.

Arrears Catch-Up: This third potential modification is for when you are several payments behind on your car and it hasn’t been repossessed yet. You can take the total past due amount and stretch out repayment over the course of your Chapter 13 bankruptcy for 3-5 years. This can end up being a very small monthly payment that is easy to handle on top of the current monthly payment you have to continue making. At the end of the plan, you’re all caught up on any arrears.

These are all your basic options for what can happen to your car in a Chapter 7 or a Chapter 13 bankruptcy. Whatever option you decide is right for you, be sure to consult with your bankruptcy attorney if you want to change how your car is being handled in your bankruptcy.

4 Applying for Auto Financing When Dealerships Reject You



It's very frustrating when you're in the midst of a bankruptcy and need to finance a car purchase, only to discover the hard way that many dealerships won't even give you the time of day because of your bankruptcy. It's worth understanding why that's the case, and what you can do about it. There are four main reasons why many dealerships won't work with bankruptcy customers.



There Aren't Very Many Bankruptcy Lenders

One of the reasons you might get the cold shoulder from dealerships if you've declared bankruptcy is that there really aren't very many specialized lenders willing to work with bankruptcy customers. Dealerships aren't the ones who actually make the loan to you – they use lenders that they're used to working with, and in many cases the lenders dealerships work with simply aren't willing to work with bankruptcy customers. These lenders want to get their money back and then some, and they view bankruptcy customers as being too risky and fear they will default on their loans. These lenders are “risk-averse” in this regard.

The lenders who specialize in working with bankruptcy customers see you through a more positive lens. They see you've taken action to get your debt situation under control. They also understand you're probably very motivated to improve your credit score. Unfortunately, there simply aren't very many lenders who do this kind of specialized lending, and therefore there aren't many dealerships who work with bankruptcy customers. It takes real time and

effort for a dealership to find and develop relationships with bankruptcy lenders. We've done that work at Day One Credit. In our experience, many dealerships have not.



The Bankruptcy Market is Too Small in Most Places

In our experience, another reason many dealerships avoid bankruptcy customers is that there simply aren't enough bankruptcy customers in their area to make it worth their while. A town or city doesn't have to be very big to support one or more car dealerships, but how many people in that area are filing for bankruptcy? Given the time and effort it takes to find and develop relationships with bankruptcy lenders, many dealerships in smaller cities and towns don't see it as worth the time and effort because it's a very limited market opportunity for them. But once you get into big cities and metropolitan areas, then there are enough bankruptcy customers to make it a worthwhile pursuit.



Lack of Experience Makes Many Dealerships Avoid Bankruptcy Customers

If a dealership's experience is mostly working with customers who already have great credit, the idea of learning how to work with bankruptcy customers can feel like a daunting task they'd rather not have to figure out. They need to develop at least a basic understanding of bankruptcy laws and how the process works because customers will have lots of questions about bankruptcy in general. But they also have to know how to qualify bankruptcy customers who will make good on their loans.

At Day One Credit, we've been working exclusively with bankruptcy customers for years. We're deeply familiar with all the different common questions and concerns people have when declaring bankruptcy and how to finance a car purchase in spite of a bankruptcy.



Marketing to Bankruptcy Customers is Hard and Costly

A final reason why many dealerships avoid bankruptcy customers, in our opinion, is because of how hard and costly it is to market to them as a group. Because so many bankruptcy filers assume they can't possibly finance a car purchase, they don't even know they have the option to apply for a bankruptcy car loan. Many dealerships simply don't think it's worth the time, effort, or expense to reach bankruptcy customers.

Finding bankruptcy auto financing through Day One Credit is easy and fast. But if you're serious about needing or wanting to buy a car while in bankruptcy, be sure to avoid the mistakes covered in the next chapter.

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Avoid These 6 Costly Mistakes When Buying a Car in Bankruptcy

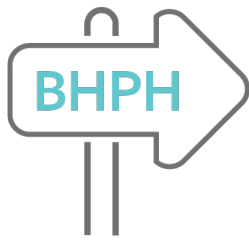


Because we've been working exclusively with bankruptcy customers for years, we've seen first-hand how bankruptcy car buying can go wrong. This chapter describes the 10 most common mistakes people make when buying a car in bankruptcy and how you can easily avoid them all.



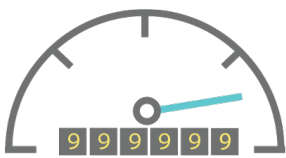
Mistake #1: Paying Cash for a Car

If you're in the midst of a bankruptcy, you more than likely don't have enough cash on hand to buy your next vehicle outright. But if somehow you do – don't use your cash to buy a car! At least, not directly. Remember that your top priority after filing for bankruptcy is to start restoring your credit, and the fastest way to do that is with a new line of credit and making on-time monthly payments. Paying cash for a car means you lose out on those benefits. A bankruptcy car loan, on the other hand, is one way you may be able to reap those benefits. Use some of your cash to make a solid down payment on a vehicle, and then hang onto the rest to ensure you'll be able to make every monthly payment on time! This is what the credit bureaus want to see in order to start bumping up your credit score. Each on-time payment on the loan is reported to credit bureaus and helps rebuild your credit history. And restoring your credit as quickly as possible is your key to making sure you'll be eligible for future financing needs, whatever they may be.



Mistake #2: Purchasing an Older Car with High Miles

This is a mistake often made by people who just assume they can't get financing for a decent car because of their bankruptcy. They try to spend as little of their precious cash as possible, but they end up buying an older car with a lot of miles on it, or one with a salvage title. This can end up costing them more in the long run because the car often needs costly repairs to keep it going. Buying a used car is a great way to save money, but it's got to be the right kind of used car. You want to aim for one that is on the newer side, in great shape, and with lower mileage because you want it to serve you well for years to come. Letting Day One Credit help you find a bankruptcy car loan is one way to pursue this goal.



Mistake #3: Buying a Brand-New Car Instead of a Used Car

When you're in an open or recently discharged bankruptcy situation, you need to make smart choices in order to make the most of the fresh start bankruptcy provides. The smart choice when you need to buy a car is to get the most bang for your buck as possible, which makes buying new one of the most common bankruptcy car-buying mistakes people make. The reason it's a mistake is because of the depreciation factor. In the first several years your new car loses 15-25% of its value each year, which means you'll be "underwater" or "upside-down" on the loan for years. But if you buy a high-quality used vehicle, the previous owner has already taken the big hit on depreciation, which means you get a great car for a lot less money! At Day One Credit we specialize in helping bankruptcy customers find financing they can afford for a high-quality used car that will seem like new to you.



Mistake #4: Choosing a Vehicle with Unaffordable Payments

If you've declared bankruptcy, you have to ask yourself, can you really afford a luxury car? Would it be a stretch to afford it? What will you do if something changes and your income goes down? At Day One Credit, we help people be realistic about what they can afford. After all, the last thing you want to happen when you're trying to rebuild your credit is to overshoot what you can afford and become delinquent on your car payments. What many people don't realize is that there are more costs to owning a luxury car than just the price tag and monthly payment. Luxury cars cost a lot more to insure, and they're also going to cost more to maintain and repair when something goes wrong.



Mistake #5: Failing to get GAP Insurance

What is GAP insurance? This is an acronym that stands for Guaranteed Asset Protection. It's a type of insurance that covers any "gap" between the balance of a loan due on a vehicle and what an insurance company pays in the event of a total loss. In case you didn't know, those two figures rarely match up. The insurance company often pays less for the car than what you still owe on it. No one likes being stuck with payments on a car that no longer exists, and GAP insurance is what protects you from that scenario. In our opinion, taking on any kind of car loan, including a bankruptcy car loan, without making sure you have GAP coverage is a bad idea! Some car insurance policies include GAP coverage, so check with your insurance company first.



Mistake #6: Replacing a Great Car

A surprising number of people in bankruptcy make the mistake of getting a different car when they don't even need one to begin with. Yes, you want to rebuild your credit, and financing a car purchase is a great way to do that, but it should never be your *only* reason to do it, and especially if you already have a great car. Here's what Day One Credit offers as a rule of thumb in this situation: If your current car is less than five years old, has relatively low mileage, and is paid off or close to being paid off, you should definitely stick with it! There are other ways to start rebuilding your credit, such as getting a secured credit card.

But if you do need to finance the purchase of a vehicle during or after your bankruptcy, Day One Credit is ready to help you find bankruptcy car financing from lenders who are willing to consider bankruptcy customers.

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Why You Need Day One's Help to Find Bankruptcy Car Financing Now



Finding a car loan in a bankruptcy situation may have potential benefits. This chapter describes some of the benefits and advantages of letting Day One Credit help you find a bankruptcy car loan:



Benefit #1: Improve Your Credit Score

With your credit score as low as it's ever been and a bankruptcy on your credit reports for at least 7-10 years, how will you ever get a new line of credit if you need one? It's all about making the most of your fresh start, and one way to do that is to let Day One Credit help you find a bankruptcy auto loan. Every on-time payment you make will be helping restore your credit and move your credit score in the right direction!



Benefit #2: Dealing with an "Underwater" Car Loan

Some people in a bankruptcy situation feel trapped by an "underwater" or "upside-down" car loan, meaning they owe substantially more on the vehicle than it's worth. One possible bankruptcy car loan benefit might be the opportunity to get out of a loan. If you are able to surrender your unaffordable car to your lender, your loan becomes "unsecured" debt and may be

mostly or entirely wiped away in your bankruptcy discharge. Ask your bankruptcy attorney about your options.



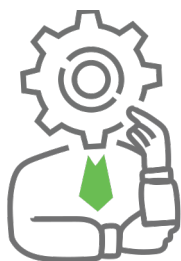
Benefit #3: Upgrade Your Ride

If you're in bankruptcy but struggling to keep your older car with lots of miles on the road, a bankruptcy car loan found by Day One Credit might help you get a better car. Expensive or frequent repairs to an older car can quickly add up to an unaffordable expense. You may be able to use a bankruptcy car loan to buy a better car with fewer miles on it in good enough shape that it might actually cost you less in the long run!



Benefit #4: Better Loan Rates

You might be surprised to learn that in some cases you may be able to get a better rate as a bankruptcy customer than someone who is in bad financial shape but hasn't filed for bankruptcy. Many lenders won't want to lend to them. But as soon as you file bankruptcy, the specialized bankruptcy lenders will see that as a positive step. You're moving in the right direction. The people with bad credit who haven't filed for bankruptcy don't show any signs of doing anything about it. Filing for bankruptcy means you're greatly improving your debt-to-income ratio as some or all of your worst debts will be reduced or eliminated. Day One Credit works with bankruptcy lenders who reward you for this!



Benefit #5: Deep Experience

Day One Credit was founded by the same people who started the Auto City used car dealership in El Cajon more than a decade ago. Working with bankruptcy customers to find the financing they need has been a part of the core mission of this team from the very beginning.



Benefit #6: Robust Network of Lenders

At Day One Credit we help you find a bankruptcy lender who tries to meet your needs. We've spent years putting together the most incredible network of specialized lenders as possible. They have special programs to serve bankruptcy customers of all kinds. When we get all these lenders competing for your business at the same time, you are more likely to get rates and terms appropriate for your specific credit situation.



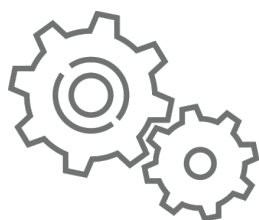
Benefit #7: Affordability

We help many of our customers find bankruptcy car loans that don't require any down payment at all. If you are able to make a down payment, you definitely should. But if you can't make a down payment, that doesn't have to stop you from finding the loan and car you need. We'll also help you find a car and loan you can afford. It doesn't do any good to stretch yourself too far and end up missing payments.



Benefit #8: Trusted

Read about the work we have done on behalf of our bankruptcy customers online. Our customers love the results we get for them, as well as how we treat each and every customer like a VIP!



Benefit #9: Know-How

Because we've been doing this work for so long, we are familiar with many of the common questions people tend to ask, and we are always ready to help our customers understand their options. Our goal is always to educate our customers so they feel confident they are making an informed decision. See Chapter 8 for some of the most common questions we answer for our customers.



Benefit #10: Getting a Great Car

Our goal is to help you find bankruptcy auto financing that will help you purchase the used car you need

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Qualify for Bankruptcy Car Financing Through Day One Credit



Unlike shady lending operations that guarantee your approval (only to then gouge you with horrible rates and terms), Day One Credit cannot work with every single bankruptcy customer. There are still eligibility guidelines you have to meet to potentially qualify for a Day One bankruptcy car loan. This chapter describes those eligibility guidelines.



Minimum Credit Scores

Many lenders have a rigid minimum credit score potential borrowers have to meet in order to be eligible to apply for a loan. At Day One Credit, we don't have a minimum credit score requirement. In fact, you might qualify even if you have no credit history at all. Because we specialize in bankruptcy car loans, we already know your credit score is not good. But because you're in bankruptcy or recently had one discharged, we know you're on the pathway to restoring your credit. The lenders we work with are the ones who also look past your credit score to serve bankruptcy customers and help them make the most of their fresh start.



PTI and DTI

Many lenders want to take a close look not just at your income, but how much of your monthly gross income (before taxes are taken out) is going to go towards the loan payment. This is a way of making sure you don't end up with a loan payment you really can't afford. Lenders refer to this ratio as PTI – your payment-to-income ratio. But they don't just take into account the monthly car loan payment. They're also going to add in your monthly car insurance payment because you need to be able to afford both. Many lenders want to see a PTI in the 15-20% range. They also look at your DTI or debt-to-income ratio to see how much of your gross monthly income has to go to all your debt and bill payments combined together. Some lenders get very nervous about making a loan to you if your DTI is more than 50%. Much like your credit score, Day One Credit works with specialized bankruptcy lenders who understand how these common guidelines don't necessarily apply in the same way to bankruptcy customers.



Day One Credit's Three Core Eligibility Guidelines

Please note that meeting our three core eligibility guidelines does not guarantee you'll get a loan. We still have to evaluate your application to make sure we can work with you. But if you meet the guidelines below, you should feel free to apply:

Income: We need documented proof of minimum gross monthly income of at least \$2,200 per month. You can prove your income with W-2 forms from your employer or with 1099 forms if you are self-employed.

Bankruptcy Status: Because we work exclusively with bankruptcy customers, you need to have already filed for bankruptcy or had your bankruptcy recently discharged. The good news is you don't have to wait to apply. As soon as you have a Chapter 7 case number or a Chapter 13 confirmed payment plan, you can apply!

Valid Driver's License: Unfortunately, if your driver's license is expired or suspended, we cannot help you.

Those are our three most basic eligibility guidelines. But we also find there are cases where we think a bankruptcy car loan is not a good choice for you, including the following:

You Already Have a Great Car: If your current vehicle is still on the new side with low miles, is paid off or close to being paid off, you should just stick with it.

Income is Not Stable: In order for a bankruptcy car loan to work in your favor, your income needs to be stable. If you know your income is about to drop or you're going to experience a sudden increase in expenses, it would be better not to apply.

Cosigner Bankruptcy Status: Sometimes our bankruptcy customers want to use a cosigner to boost their chances of getting a loan. But if your cosigner didn't also file for bankruptcy and things go badly with payments, the lender will go after the cosigner.

Our commitment to you at Day One Credit is to help you understand the details of your own credit situation and give you a realistic picture of what's possible.

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Common Bankruptcy Car Loan Questions




People who file for bankruptcy have lots of questions about their options if it also turns out they need to finance a car purchase. This chapter provides information (not legal advice, which should always be sought from a qualified bankruptcy attorney) about the most frequently-asked questions we've heard from our bankruptcy customers.

Does bankruptcy cover a car loan?




The answer to this question may be “yes,” if you want it to. You may have the option of including your car loan in your bankruptcy, but you don't necessarily have to. If you want to include your current car and loan in your bankruptcy, the way this is often done is by surrendering your vehicle to the lender. This converts your previously “secured” car loan debt into unsecured debt, most or all of which may then be eligible to be wiped clean by the bankruptcy process, whether it's a Chapter 7 or a Chapter 13. If you've already filed and now want to change your mind and include your car loan, you may also be able to do that. Just contact your bankruptcy attorney for detailed instructions on what to do and they will guide you through the process. If you want to get out of a car loan that's too expensive for you, then discuss including it in your bankruptcy case with your attorney. Then you can work with Day One Credit to find a bankruptcy car loan to purchase a vehicle.


Does bankruptcy stop repossession?

 Yes is usually the answer to this question, but check first with your bankruptcy attorney. If you're behind on your payments and are on the verge of having your car repossessed, filing a Chapter 7 or a Chapter 13 bankruptcy typically stops the debt collection and repossession process through what's called an "automatic stay." But it's only a temporary halt to repossession and debt collection. During your bankruptcy process, the lender can ask the court to lift the automatic stay so they can repossess your car. One option for you is to work directly with your lender on a plan for how to keep the car. The lender may be willing to reduce your payments, your interest rate, or even your principal balance because they anticipate most or all of the debt will be discharged if it ends up being part of the bankruptcy. Another option is to come up with the money to get current on your car loan, which tends to not be an option for most people in a Chapter 7 bankruptcy, but may be more of an option in a Chapter 13 bankruptcy because the arrears can be spread out over your 3-5 year payment plan, giving you time to get caught up.


Can I keep a financed car in bankruptcy?

 Yes is often the answer to this question. You may be able to make arrangements to keep your car in both a Chapter 7 and a Chapter 13 bankruptcy (see Chapter 3 for details), but you don't necessarily have to. If part of the problem is you really can't afford the car you have, it may be worth considering including it in the bankruptcy, surrendering the car, eliminating any remaining debt you owe, and then getting a bankruptcy car loan with Day One Credit's help for a vehicle that's more affordable.


Can I buy a car after filing bankruptcy?

 Yes! You can apply for a car loan at any time, regardless of your bankruptcy status. However, many auto lenders won't work with you because of your bankruptcy status, which they see as a huge negative risk factor. But there are other lenders who see your bankruptcy through a more positive lens, so the moment you file for a Chapter 7 bankruptcy and have a case number, you can apply for bankruptcy car financing from multiple lenders through Day One Credit. If you're filing a Chapter 13 bankruptcy, you can apply through Day One Credit as soon as you have your confirmed, court-approved payment plan. Please note, however, that if you're considering surrendering your current vehicle, that should not take place until after the debtor's meeting of creditors, and after the bankruptcy trustee's filing of a *No Asset Report*. Remember to always consult with your bankruptcy attorney before taking any action.


Can I buy a car before filing bankruptcy?

 You can try to buy a car before filing bankruptcy, but you probably won't be successful. If you're on the verge of filing bankruptcy, your credit score is probably already very low, which means many auto lenders won't take a chance on you. But since you haven't actually filed for bankruptcy yet, the specialized lenders who work with bankruptcy customers also won't work with you because they haven't seen you take the positive step of filing for bankruptcy to make a fresh start. File for bankruptcy first, then you can work with Day One Credit to search for a bankruptcy car loan to get the car you need.


Can I buy a car after my bankruptcy is discharged?

 Yes! But once again you have to make a distinction between lenders who do and do not specialize in helping bankruptcy customers. Some lenders will tell you to wait at least two years after your bankruptcy discharge before applying for a loan with them. They still see you as a very high-risk case when it comes to loans. But the lenders who work with bankruptcy customers see your discharge as your fresh start and will be more willing to work with you.


Can I sell my car while in bankruptcy?

 Yes! You always have the option of selling your car at any time during your bankruptcy. If selling the car doesn't cover what you still owe on your car loan, then the remaining debt can be included as "unsecured debt" in your payment plan. In a Chapter 7 bankruptcy, this remainder may be wiped away entirely upon discharge. In a Chapter 13, you might end up paying some of what you owe based on your income, but usually only a relatively small portion of it. What's left at the end of your payment plan will be wiped away in the bankruptcy discharge.


How soon can I get a new loan?

 At Day One Credit, filling out our [car loan application](#) takes less than five minutes. And then you'll have an answer from us in just minutes! We send your application out to our specialized network of bankruptcy lenders and then choose the one we think will meet your needs. When multiple lenders compete for your business, you're the one who wins!


Do I have to wait until my bankruptcy is discharged?

 No! A lot of people think there is some special period they have to wait before applying for bankruptcy car financing. Whether it's a Chapter 7 or a Chapter 13, you do not have to wait until your bankruptcy is discharged. As soon as you have a Chapter 7 case number or a Chapter 13 confirmed payment plan and permission from your bankruptcy trustee or judge, you are free to begin working with Day One to find a bankruptcy car loan, provided you meet our eligibility requirements. Please note, however, that if you're considering surrendering your current vehicle, that should not take place until after the debtor's meeting of creditors, and after the bankruptcy trustee's filing of a *No Asset Report*.


If my bankruptcy is discharged, do I have to wait two years?

 Many people have heard that lenders want to wait two whole years after a bankruptcy is discharged before they'll consider making a loan to you. That may be true with lenders who see your bankruptcy as a negative and consider you too risky, but it is not true for the lenders who are part of the Day One network! If your bankruptcy was recently discharged and you meet our eligibility requirements, you are free to apply.


Do I have to put any money down?

 Making a down payment when financing a car purchase is always a good idea if you can do it. But at Day One we understand that many of our customers simply can't, which is why we do not require it. Many of the lenders in our specialized bankruptcy network have no-money-down programs to help you get the car you need.

What will be my payment?

 We cannot predict ahead of time what your monthly payment will be. The amount of your payment depends on factors such as the price of the vehicle, your down payment (if any), the length of the loan, and the interest rate. These all become clear once you apply for a bankruptcy car loan at Day One and we send your application out to our network of lenders. They compete for your business and you end up with the rate and terms that match your situation.

What will be my APR?

 Your interest rate and APR vary greatly because they depend on many factors, including your credit history, the vehicle's age and condition, the length of the loan, and more. When you have an open or recently discharged bankruptcy, your APR will be higher than customers with good credit. But we work with many lenders and are able to secure the rates available for your credit situation. If you meet our eligibility requirements, you can apply for a Day One bankruptcy car loan and see what kind of deal we can find for you.

Am I going to get a better rate if my bankruptcy is discharged?



This is hard to answer because it depends on what you did or didn't do when your bankruptcy was an open case. If you took specific actions while your bankruptcy was open to improve your credit or save up money for a down payment, you might get a slightly better rate. But many people simply can't wait to get the car they need, and waiting may not make much of any difference at all. In many cases, Day One can find better rates for your bankruptcy car financing when you apply *before* discharge, when the bankruptcy case is still open.

What kind of car and amount financed I can get?



There are no restrictions on the type of car you buy, except that you have to be able to afford it! Affordability depends on your payment-to-income and debt-to-income ratios, which are what lenders look at when evaluating your application. For most bankruptcy customers, what makes the most sense is to look at newer used cars with low miles that are in great shape. You get more bang for your buck and will have an easier time affording a good used car. New cars are so expensive these days that they're often not a realistic option for bankruptcy customers.

If I signed a reaffirmation agreement can I still get a new loan?



Yes, you can! When you signed a reaffirmation agreement, all it meant was that you were committing yourself to continued payments on your vehicle's loan. But you still have the freedom to sell that vehicle and get another if you can qualify for the new loan. That may be difficult if you owe more on your vehicle than it's worth (being "underwater" or "upside-down" on the loan), but we've successfully helped many customers with this exact situation.

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Conclusion

Congratulations! Not only have you taken the first proactive step to improve your financial situation by filing for a Chapter 7 or Chapter 13 bankruptcy, but you now also know more about how to make bankruptcy car financing work in your favor. Just by reading this eBook, you're way ahead of most people when it comes to making the most of the fresh start bankruptcy gives you! The most important things to keep in mind are the following:

- Maintain a positive attitude – you're moving in the right direction!
- Work with your bankruptcy attorney if you want to include your current car loan in your bankruptcy.
- Get the approval of the bankruptcy court or your court-appointed bankruptcy trustee if you want to take on new debt during your bankruptcy.
- Contact Day One Credit if you have questions about bankruptcy car financing.

The keys to your fresh start are just a few clicks away at Day One Credit. All you have to do is visit our website to [find out more](#) or [apply today](#)!

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Day One Credit is a marketing service that connects people who do not qualify for traditional car loans due to a Chapter 7 or Chapter 13 bankruptcy with lenders and dealers who offer Bankruptcy Car Loans.

Day One Credit is not a lender, and we don't provide bankruptcy or legal advice. The content provided on this guide is for informational purposes only and is not intended as financial or legal advice. If you are contemplating filing for bankruptcy or have an open or recent bankruptcy case, you must consult with your legal counsel as to the potential effects of applying for or obtaining a bankruptcy car loan before submitting your loan inquiry to Day One Credit.