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The Top 10 Assets Most Likely to be Abandoned (but shouldn't be)

By John Palumbo

While the temptation to abandon asset oddities may be great, think twice before doing so; you could be abandoning real value for the estate if you do. You just need to think a little more creatively on how to handle these unusual assets so they can obtain the utmost possible value for the estate.

The fallout of the Bankruptcy Reform Act (BRA) has already been felt in all parts of the country as a decrease in number of new asset cases. So that's why, as trustees, you may want to take a closer look at those asset cases filed during the pre-BRA period, and dig deeper to recover the true asset value for the estate.

Here are the top 10 assets trustees are most likely to abandon because of the associated difficulties they can present when trying to administer them. It's not like selling a Rolex to a watch dealer - that's a no-brainer — these assets are a little more complex and require more tenacity on the part of the trustee, but they're worth the second look.

1) Life Estates - The debtor may only have rights to the property during his (or someone else's) lifetime. When the debtor dies, the property passes automatically to the "remainderman," usually a child or grandchild. While this type of asset is not readily liquidated, it is marketable, if you have the patience and a good private investor in your hip pocket.

2) Criminal Restitutions - This is one of the more tricky assets to turn into cash. With no collateral, there's no safety net if the person who owes this money to the debtor fails to pay it back. However, it shouldn't be ignored because, while restitution payments can span a period of years, they can add to the estate's bottom line, if handled properly. Rather than holding the estate open for all those years, you should sell the income stream quickly. It probably won't net a lot, but that's okay; remember it's secured by a "criminal," so any value is better than a mere "promise" to pay!

3) Divorce Decree Liens - Here's another odd asset which arises when an ex-spouse owes the debtor money not payable until a trigger date sometime in the future, for example when a child turns 18 years old, the spouse remarries, or when the property is sold at a certain date. This asset requires you to look a little harder to find the right buyer. It's a long-term asset with no immediate

return. Your local real estate agent will not move it for you, that's for sure.

4) Fractional Interests - This type of asset usually is real estate in which the debtor owns an undivided fraction, like one-third, one-half, or even one-tenth. It can be a more difficult asset to sell, but it can be sold. The debtor or family members are the most likely buyer candidates; however they often will try to bluff the trustee into abandoning the asset. Don't be swayed. The more solid potential buyers are high-risk investors and, although small in number, this group can help you increase the estate's asset net value.

5) Survivorship Interests - The transferability of this type of asset is not authorized in all states. Because it depends on one party outliving the other, it's more of a gamble when it comes to getting a solid value from it. Again, by looking to the private market, you can realize a value from this otherwise often abandoned asset.

6) Remainder Interests - This is the flip-side of a Life Estate. The buyer will have no rights until the life tenant dies. By knowing the age and health of the life tenant, you can make a better determination of the asset's value, but it's difficult to get this type of information. Your best bet is to involve a savvy buyer who has more tenacity, deeper pockets, and long-term objectives than most, so you can "pocket" some value for the estate.

7) Time Shares - People who file for bankruptcy seem to have a predilection for this type of "investment." There is, however, a small, but viable, market for these assets. To learn more about time shares and bankruptcy, read my article, "Ten Strategies to Triumph over Time Shares" by logging onto www.Chapter7assets.com, then click on articles. It will give you tips on how to find value from these pesky assets.

8) Life Insurance Policies - The value of these assets are not easily determined. About half the time, there is something to sell, such as the cash value of the policy, so it's worth it to investigate before

abandoning this asset. Some investors decide the best course to take is to assume the policy, and pay the premiums, in hopes of ultimately collecting the full amount of the policy.

9) "Underwater" Real Estate - While the definition alone suggests abandoning this asset, in today's real estate market with double-digit appreciation growth year after year, don't be too hasty to throw it aside. Many sophisticated buyers can turn this seemingly hopeless situation into a small asset distribution for the estate by knowing how to negotiate with the lenders and their loss/mitigation departments.

10) Limited Liability Corp. (LLC) Interests - This asset is perhaps the most mysterious of all since you can't always determine its true value. Nonetheless, don't let it escape your radar screen. Look into the books; study its assets; find out its profitability and expenses. Even if the business looks shaky, often it only takes the interest of one bidder for a bidding war to erupt. And that's the kind of war the estate can only benefit from.

While these assets are often undesirable, remember that many times rewards only come to those willing to take the time to find the less-than-obvious solution. Many of these assets can be lucrative, but only if you take the time to investigate. If you're willing to think outside the box, you may just find that your previously "worthless" assets that you planned to abandon can make your list of asset cases grow. 🏠

About the author: John Palumbo is the principal of Bankruptcy Asset Management, based in Jacksonville, Florida, and one of the nation's leading authorities on the evaluation and liquidation of unusual assets in bankruptcy. His uncanny ability to recognize value in items oftentimes deemed unworthy has transformed his asset analysis into an extraordinary art form. For questions on any asset case, you may contact John at (904) 641-2043, or via e-mail at PalumboJ@aol.com.