This document has been electronically entered in the records of the United States Bankruptcy Court for the Southern District of Ohio.

IT IS SO ORDERED.

Dated: March 08, 2006

Jeffery P. Hopkins
United States Bankruptcy Judge

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF OHIO
WESTERN DIVISION

In Re	:	
	:	
LEONARD DAVIS SAYLOR	:	Case No. 03-14034
	:	Chapter 7
Debtor	:	Judge Hopkins
	:	

ORDER DENYING MOTION FOR RELIEF FROM STAY

Presently before the Court is an Amended Motion Of Ford Motor Credit Co. For Relief From Stay ("Motion") (Doc. 41). A hearing on the Motion was held on January 3, 2006. The issue presented is whether a creditor, with a lien on a motor vehicle that is titled in the name of a debtor and a non-debtor, is entitled to relief from the automatic stay in the debtor's chapter 7 case, after the case has been converted from chapter 13, even though the creditor's allowed secured claim was fully paid under the terms of the confirmed chapter 13 plan.

FACTS

Prior to the commencement of this case, the Debtor and Patty Saylor (who is now the Debtor's ex-spouse) borrowed funds from Ford Motor Credit Company ("Ford") to purchase a 2000 Ford Expedition. The vehicle was titled jointly and a lien in favor of Ford is noted on the title. Thereafter, the Debtor and Patty Saylor initiated separate bankruptcy cases.

The Debtor commenced this case in 2003 with the filing of a chapter 13 petition. The Court confirmed the Debtor's chapter 13 plan that bifurcated Ford's claim pursuant to 11 U.S.C. § § 506(a) and 1325(a)(5). See Doc. 4 at ¶ IV. The plan also required Ford to release its lien within 30 days of payment of its allowed secured claim. See Doc. 4 at ¶ XIII. Subsequently, the Debtor completed payment on Ford's secured claim on July 26, 2005. On September 7, 2005, a couple months following completion of those payments, the Debtor converted the case to chapter 7.

Patty Saylor filed a chapter 7 petition on June 10, 2005. See Case No. 05-14854. She received a discharge after the trustee filed a no-asset report. Neither Ford nor the vehicle were listed in Patty Saylor's bankruptcy schedules.

LAW

Absent Patty Saylor's involvement in the transaction, Ford would not be entitled to relief from stay. This was the very issue addressed in *In re Pickett*, 151 B.R. 471 (Bankr. W.D. Tenn. 1992). In *Pickett*, a creditor (ironically, Ford) filed a motion for relief from stay in a chapter 7 case that had been converted from chapter 13. Similar to the instant case, Ford's secured claim was fully paid in chapter 13 prior to the conversion. The court denied the motion, reasoning that Ford's lien was extinguished once its allowed secured claim had been satisfied. Although *Pickett* was not mentioned at the hearing in this case by either side, counsel for Ford seemed to admit that the same outcome would be reached in this case but for Patty Saylor's interest in the vehicle.

Pickett differs from this case, however, because, unlike here, there was no fractional ownership interest held by a non-debtor who granted Ford a security interest in the collateral. Nevertheless, there are additional factors in this case that leads this Court to conclude that *Pickett* is indistinguishable, and that after applying the appropriate legal standards to the facts presented the same result should obtain.

At the hearing, some details concerning the divorce proceedings came to light. As part of the divorce, the domestic relations court ordered Patty Saylor to transfer her interest in the vehicle to the Debtor. Because of Ford's lien on the title, the most that Patty Saylor could do at the time was to execute a power of attorney to transfer her legal interest as soon as Ford released its lien. Thus, the Debtor obtained equitable title, but not legal title, to Patty Saylor's one-half interest in the vehicle.

Ford argues that this transfer does not change the result given that the transfer was still subject to Ford's lien on the one-half interest. The Court agrees that the transfer was subject to Ford's lien. But the transfer of Patty Saylor's one-half interest, in effect, also created a unified interest in the Debtor, albeit one that was encumbered by Ford's prior lien. When the Debtor thereafter files his chapter 13 petition, the analysis is no different from *Pickett*, where a lien on a unified property interest was extinguished by payment of the allowed secured claim in chapter 13. Thus, the Debtor proposed a plan to deal with Ford's interest in the unified property. The plan was confirmed, providing Ford with an allowed secured claim of $13,290 at 9% interest. Once Ford's secured claim was paid in full, Ford was required to release its lien on the property interest addressed by the plan, that being the unified property interest in the vehicle that had been previously transferred to the Debtor.

The Court also finds an alternative basis for holding as we do in this case. At the January 3rd hearing, counsel for both parties conceded that their dispute essentially came down to the issue of whether the Debtor could redeem the vehicle involved in this dispute for $0. Ford took the position that the Debtor possessed no right to redeem Patty Saylor's interest in the vehicle, even if the Debtor could redeem his interest for $0.

Case law in this district holds that a debtor may redeem property for $0 in a chapter 7 case that was converted from chapter 13 when the secured claim related to the property was fully paid prior to the conversion. *See In re Stoddard*, 167 B.R. 98 (Bankr. S.D. Ohio 1994) (Sellers, J.). Given that Patty Saylor's equitable interest in the vehicle was transferred to the Debtor and addressed through his chapter 13 plan by payment of the entire allowed secured claim, *Stoddard* permits the Debtor to redeem the unified interest from the lien securing the same for $0.

CONCLUSION

For the foregoing reasons, the Motion is hereby **DENIED**.

Copies to:

Leonard Davis Saylor
200 Stewart Way
Monroe, OH 45050

Lynn A. Lape, Esq.
lapebnc@fuse.net

John A. Schuh, Esq.
jaschuhohecf@nuvox.net

U.S. Trustee
ustpregion09.ci.ecf@usdoj.gov

###