

**UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF TENNESSEE
WESTERN DIVISION**

In re:

JAMES EARL BELTON,
Debtor.

Case No. 25-22423-DEB
Chapter 13

**MEMORANDUM OPINION AND ORDER GRANTING CONNEXUS
CREDIT UNION’S MOTION FOR RELIEF FROM THE CO-DEBTOR STAY**

This case came before the Court on March 28, 2026, at 10:00 a.m., on Connexus Credit Union’s (“Credit Union’s”) *Motion for Relief from Co-Debtor Stay* (“Motion for Relief”), James Earl Belton’s (“Mr. Belton’s” or “Debtor’s”) *Response to Motion for Relief from Co-Debtor Stay* (“Response”), and the Credit Union’s *Reply to Response to Motion for Relief from Co-Debtor Stay* (“Reply”).¹ Upon review of the record and arguments from the parties, the Motion for Relief is granted as to the co-debtor for the reasons outlined below.

¹ ECF Nos. 70, 76 and 77.

I. PROCEDURAL AND FACTUAL BACKGROUND

A. Procedural History, Schedules, Statements, Plan, and Proof of Claim

On May 16, 2025 (“Petition Date”), Mr. Belton filed a voluntary petition, schedules, and statements, commencing a case under chapter 13 of the Bankruptcy Code (“the Code”).² Mr. Belton’s Amended Schedule A/B listed real and personal properties with a total stated value of \$157,177. Mr. Belton’s personal property included the Travel Trailer and household goods.³ Mr. Belton has a combined monthly gross income of \$8,406.50 and his monthly expenses total \$7,485.⁴ Mr. Belton’s Schedule D shows creditors holding secured claims for \$94,110.00, and Schedule E/F creditors holding unsecured claims of \$25,780.24.⁵ Debtor filed Amended Schedule A/B and Schedule D, which included the Travel Trailer.⁶ On Schedule H, Debtor listed his non-filing spouse as Mrs. Heather Belton (“Mrs. Belton” or “Co-Debtor”).⁷

On July 10, 2025, the Credit Union filed a self-bifurcated Proof of Claim 5-1 (“Claim 5-1”) with a 2022 Silver Lake 20KRD Travel Trailer (“Travel Trailer”) securing the claim.⁸ The Claim 5-1 lists the total debt of \$28,423 (self-bifurcated), with a secured claim of \$18,000 and a general unsecured claim in the amount of \$10,423.⁹ Claim 5-1 further stated that the value of the collateral was \$18,000 as of the Petition Date and the contractual interest rate was 9.9%.¹⁰ The

² ECF No. 1.

³ ECF No. 12.

⁴ ECF No. 35.

⁵ ECF No. 12.

⁶ ECF Nos. 38 and 12.

⁷ ECF Nos. 12 and 54.

⁸ Proof of Claim 5-1

⁹ Credit Union’s Motion for Relief from Co-Debtor (“Evidentiary hr’g. on March 28, 2026”), at 10:11 a.m.

¹⁰ Proof of Claim 5-1

Retail Installment Contract and Security Agreement attached to Claim 5-1 lists the original lender as Aqua Finance, Inc.¹¹ The Credit Union acquired the debt.¹²

Over the course of the chapter 13 case, Mr. Belton amended his chapter 13 Plan (“Plan”) several times, each time reducing the amount of the secured claim he proposed to pay to Credit Union. Paragraph 8 of Mr. Belton’s initial Chapter 13 Plan proposed to pay Credit Union \$18,000 at 6% interest, at a rate of \$318 per month over 60 months.¹³ Mr. Belton’s first amended Chapter 13 Plan proposed to pay Credit Union \$11,800 at 6% interest, at a rate of \$349 per month over 60 months.¹⁴ Mr. Belton filed his second amended Chapter 13 Plan proposing to pay Credit Union \$11,800 at 6% interest, at a rate of \$229 per month over 60 months.¹⁵ Mr. Belton later filed his third amended Chapter 13 Plan proposing to pay Credit Union \$7,577 at 8.5% interest, at a rate of \$369 per month over 60 months.¹⁶ Mr. Belton filed his fourth amended Chapter 13 Plan proposing to pay Credit Union \$7,577 at 8.25% interest, at a rate of \$369 per month over 60 months.¹⁷

On March 26, 2026, the Court entered the *Order Confirming Plan Combined With Related Orders* (“Confirmation Order”).¹⁸ Under the confirmed chapter 13 plan and Confirmation Order, the secured portion of Claim 5-1 is being paid in the amount of \$7,577, with 8.25% interest, and the unsecured portion of the Claim 5-1 (\$20,826) will share pro rata with the

¹¹ Proof of Claim 5-1, Part 2.

¹² *Id.*

¹³ ECF No. 14.

¹⁴ ECF No. 30.

¹⁵ ECF No. 40.

¹⁶ ECF No. 48.

¹⁷ ECF No. 54.

¹⁸ ECF No. 63.

other allowed general unsecured claims (paragraph 15 of the Confirmation Order states that “the trustee shall estimate the percentage to be paid after the passing of the final bar date”). Credit Union will receive an interest rate less than the contract rate, the secured portion of the claim that is less than the secured amount in the proof of claim, and a partial payment of the general unsecured portion of the claim.¹⁹

On April 10, 2026, the Credit Union filed their Motion for Relief. On April 24, 2026, Mr. Belton filed his Response objecting to the lifting of the co-debtor’s stay, contending that subsection 1301(c)(2) permits relief from the co-debtor stay only where the plan does not propose to pay the claim.²⁰ On April 27, 2026, the Credit Union filed its Reply, asserting that courts have uniformly held that, under subsection 1301(c)(2), if the chapter 13 plan only partially pays a joint obligation, creditors are entitled to relief from the co-debtor stay.²¹ As of March 28, 2026, Mr. Belton is current on his Chapter 13 Plan payments.²²

B. Parties’ Positions

1. Credit Union: The Court Should Grant the Motion for Relief from Co-Debtor.

The Credit Union explained that the co-debtor stay only protects the co-debtor to the extent that the full balance is being paid under the chapter 13 plan.²³ The Credit Union is a holder of a Note and Security Agreement (“Note”), dated May 21, 2022, executed by Mr. and

¹⁹ The contract rate is 9.9%, and the confirmed chapter 13 plan provides 8.25% (*Till* rate). It is unclear what portion of the general unsecured claim will be paid through the plan, if any.

²⁰ ECF No. 76.

²¹ ECF No. 77.

²² Credit Union’s Motion for Relief from Co-Debtor (“Evidentiary hr’g. on March 28, 2026”), at 10:11 a.m.

²³ Credit Union’s Motion for Relief from Co-Debtor (“Evidentiary hr’g. on March 28, 2026”), at 10:16 a.m.

Mrs. Belton (the non-filing spouse).²⁴ The Note is secured by a lien on the Travel Trailer.²⁵ The Credit Union's Claim 5-1 listed a Petition Date balance of \$28,423 (including the secured portion of the claim in the amount of \$18,000), with an interest of 9.90%.²⁶ The Credit Union explained that Claim 5-1 is treated as a secured claim in the amount of \$7,577, with 8.25% interest,²⁷ resulting in the Credit Union receiving less than the total amount of the claim.

The Credit Union contends that to the extent that the Plan provides for a release of the lien upon completion of payments, the Plan only governs Mr. Belton's interest in the collateral, not Mrs. Belton.²⁸ Credit Union argues that because the confirmed Plan does not provide for the Travel Trailer in full that the Credit Union is entitled to relief from the co-debtor's stay in order to collect the amounts due under the Note.²⁹ In the Reply, the Credit Union argues that Mr. Belton conflates the partial payment of its claim with full payment of the claim. The Credit Union asserts that, under subsection 1301(c)(2), creditors are entitled to relief from the co-debtor stay if the confirmed plan partially pays a joint obligation.³⁰

2. Mr. Belton: The Court Should Deny the Motion for Relief from the Co-Debtor Stay Under the Plain Language of Subsection 1301(c)(2).

Debtor argued that if the Credit Union were to be granted relief from the co-debtor's stay, the protection afforded to the co-debtor would virtually disappear in all chapter 13 confirmed

²⁴ Proof of Claim 5-1, Part 2.

²⁵ ECF No. 70.

²⁶ *Id.*

²⁷ *Id.*

²⁸ *Id.*

²⁹ ECF Nos. 70 and 77.

³⁰ ECF No. 77.

plans.³¹ Furthermore, the Credit Union is reading a “full payment” requirement into the requirements of subsection 1301(c)(2), a reading not in the plain language of the text and an interpretation that Congress intended.³² In the Response, Debtor argued that the Credit Union’s *Motion* constitutes an improper collateral attack because it uses section 1301, the co-debtor stay, to seek the collateral of the Travel Trailer.³³

Debtor argued that the Credit Union’s reliance on the cited cases including *In re McKee*³⁴ was not in line with the plain language of subsection 1301(c)(2). Debtor further argued that this case is distinguishable and does not apply to a confirmed plan that provides for payment of the secured claim.³⁵ Debtor (through his counsel) argued:

[T]he narrow issue [is] whether section 1301 requires full payment of the entire contract balance before the co-debtor stay applies or whether the plan satisfies section 1301 by treating the creditors allowed claim through the confirmed chapter 13 plan. Your Honor[,] 1301(c)(2) says relief may be granted if the plan does not propose to pay the claim, it does not say that the plan must pay the entire contractual debt in full. Here[,] the creditor is not being ignored, Connexus is being paid through the confirmed plan. The plan values the collateral at \$7,577 and it pays the interest at 8.25 percent, Mr. Rogers acknowledge[d] that. Their position effectively reads “paid in full” into the statute. If adopted[,] that would mean that the co-debtor stay disappears virtually in every chapter 13 cram down case. This is a very broad result. This is not a clean equitable case for full contractual enforcement. The proof of claim reflects a long-term consumer transaction secured by 2022 [sic] Travel Trailer with a claim balance of approximately \$28,423 and a stated collateral value of \$18,000 and asserted unsecured portion of approximately \$10,423. There is no evidence before of the Court of irreputable harm, no evidence of missed plan payments, no evidence that the collateral is uninsured, no evidence that Connexus is receiving nothing. This is simply a request to collect outside of the plan. I understand that Connexus relies on such cases as *McKee*, *Garret*, *Moore*, *Fink*, and *Brown*, but those cases are not binding on this Court. And they adopt a reading of section 1301 that adds a full payment requirement not found in the statute. Yes,

³¹ *Id.*

³² *Id.*

³³ ECF No. 76.

³⁴ *In re Lisa Diane McKee*, No. 3:18-bk-32585-SHB (Bankr. E.D. Tenn. Feb. 11, 2019).

³⁵ ECF Nos 70 and 76.

Your Honor the co-debtor's liability is not discharged by Mr. Belton's bankruptcy. We are not asking the Court to erase that liability. We are asking the Court to preserve the temporary co-debtor protection Congress provided during the chapter 13 case. Therefore, we're respectfully asking the Court not to [sic] add a requirement into the code that is not there. It does not say that full payment is required in this case. Therefore, we respectfully ask the Court to deny the motion.³⁶

II. LEGAL DISCUSSION³⁷

The central issue before the Court is whether the Credit Union is entitled to relief from the co-debtor stay pursuant to subsection 1301(c)(2) when the confirmed Plan provides for payment of a portion of the secured claim at the *Till*³⁸ interest rate (less the contract rate) and the unsecured portion of the claim will be paid consistent with other allowed general unsecured claims.³⁹ This Court must determine whether to accept Debtor's argument that the "plain language" of subsection 1302(c)(2) supports denying the creditor's request for relief from the co-debtor stay or whether the case law developed around this subsection supports granting relief from the co-debtor stay.

Subsection 1302(c)(2) of the Code reads:

(c) On request of a party in interest and after notice and a hearing, the court shall grant relief from the stay provided by subsection (a) of this section with respect to a creditor, to the extent that—

....

(2) the plan filed by the debtor *proposes not to pay such claim*[.]

³⁶ Credit Union's Motion for Relief from Co-Debtor ("Evidentiary hr'g. on March 28, 2026"), at 10:16 a.m.

³⁷ The Court has subject-matter jurisdiction under 28 U.S.C. § 1334(b). Venue is proper in this District. 28 U.S.C. §§ 1408 and 1409. This is a core proceeding under 28 U.S.C. § 157(b)(2)(G). The following shall constitute the Court's findings of fact and conclusions of the law in accordance with Rule 7052, Federal Rules of Bankruptcy Procedure.

³⁸ *Till v. SCS Credit Corp.*, 541 U.S. 465, 124 S. Ct. 1951(2004) (outlining the appropriate method for determining adequate rate of interest on cram down loan).

³⁹ 11 U.S.C. § 1301(c)(2).

The precise language at issue is how the Court interprets the words “the plan . . . *proposes not to pay such claim*[.]” Stated differently, is modifying the terms of a secured creditor’s claim (“cramdown”) a proposal to pay such claim? Debtor suggests that the Court adopts a simple reading of this language—the confirmed plan provides for payment of a portion of the secured claim at the *Till* interest rate, and therefore, the plan proposes to pay such claim. The Credit Union disagrees. It is this Court’s position that a debtor proposes not to “pay such claim” if the debtor is paying less than the full amount of the claim.

Credit Union has the burden of showing that it is entitled to relief from the co-debtor stay.⁴⁰ Relief from the co-debtor stay is appropriate under subsection 1301(c)(2) if the claim is not being paid in full.⁴¹ Subsection 1301(c)(2) language “to pay such claim” means full payment of the claim through the chapter 13 plan—an interpretation supported by the legislative history and relevant case law of this subsection.⁴² The co-debtor stay allows a chapter 13 debtor to propose a repayment plan without the undue pressure of giving special treatment to a debt with a co-obligor.⁴³ Creditors cannot pursue the co-debtor without obtaining relief from the co-debtor stay because the debtor must be given an opportunity to propose a plan that provides for treatment of the debt without concern for whether the co-debtor (usually a relative, spouse, or close friend) will be immediately pursued upon filing of the chapter 13 case. The *Harris* court

⁴⁰ *In re Moy*, 515 B.R. 709, 714 (Bankr. N.D. Ill. 2014)

⁴¹ *Id.*

⁴² *Moy*, 515 B.R. at 714 (outlining case law supporting the position that the language “to pay such claim” means paying the full amount of the claim through the chapter 13 plan) (citing *Harris v. Fort Oglethorpe State Bank*, 721 F.2d 1052, 1054 (6th Cir.1983) (relief from co-debtor stay available “when the debtor’s plan proposes not to pay the creditor in full”); *Southeastern Bank v. Brown*, 266 B.R. 900, 908 (S.D.Ga.2001) (“The [co-debtor] stay should be lifted to the extent the bankruptcy debtor does not pay the full debt through the repayment plan.”); and H.R.Rep. No. 95–595, at 122 (1977), U.S. Code Cong. & Admin. News 1978, at 5787, 6083 (“[I]f ‘the debtor proposes not to pay a portion of the debt under his Chapter 13 individual repayment plan, then the stay is lifted to that extent. The creditor is protected to the full amount of his claim[.]’”).

⁴³ *Harris v. Fort Oglethorpe State Bank*, 721 F.2d 1052, 1054 (6th Cir.1983).

explained, “Congress believed that if a creditor could automatically reach the assets of a co-signer, who is generally a close friend or a relative of the debtor, then the co-signer would induce the debtor to give preference to that debt.”⁴⁴

Here, the facts are undisputed. The Debtor did not propose to pay (and the confirmed chapter 13 plan does not provide) for full amount of the secured portion of the claim. The Credit Union’s Claim 5-1 was filed in the amount of \$28,423, at 9.90% interest (self-bifurcated with a secured portion totaling \$18,000 and an unsecured portion totaling \$10,423).⁴⁵ After a series of proposed plans, the Debtor’s fourth amended plan was confirmed, and it provides for payment of a portion of the secured claim in the amount of \$7,577, at 8.25% interest, reducing the contractual interest and secured portion of the claim.

Mr. Belton provided no authority to support his “plain language” reading of subsection 1301(c)(2).⁴⁶ The Court concludes that the prevailing jurisprudence is that a creditor is entitled to relief from the co-debtor stay when the plan proposes not to pay the entire claim.⁴⁷ This Court gives effect to the language, “to the extent that” in subsection 1301(c).⁴⁸ Accordingly, pursuant to subsection 1302(c)(2) of the Code, the Court finds and concludes that Creditor’s Motion for Relief should be granted to the extent not provided for in the plan.

⁴⁴ *Id.*

⁴⁵ Credit Union’s Motion for Relief from Co-Debtor (“Evidentiary hr’g. on March 28, 2026”), at 10:11 a.m.

⁴⁶ See generally *Southeastern Bank v. Brown*, 266 B.R. 900, 905-07 (S.D. Ga. 2001) (interpreting the language “such claim” in the context of whether failure to pay post-petition interest on the claim constitutes failure to pay “such claim,” interpreting the word “claim” broadly under subsection 101(5) of the Code, concluding that the word “claim” in subsection 1302(c)(2) of the Code should be given such broad meaning to include a creditor’s entire claim, and reversing bankruptcy court’s denial of relief from the co-debtor stay).

⁴⁷ 3 *Bankruptcy Law Manual* § 13:8 (5th ed. 2026).

⁴⁸ *Moy*, 515 B.R. at 715 (“The use of the words “to the extent” in Section 1301(c) indicates that the co-debtor stay should only be lifted to permit the creditor to pursue against the co-debtor the *portion of the creditor's claim that is not provided for in the plan*, and that the creditor must wait to be paid through the debtor's plan for the remainder.”) (emphasis added) (citations omitted).

III. CONCLUSION AND ORDER

For the reasons stated in this Memorandum Opinion and Order, the Court finds and concludes that the Credit Union's Motion for Relief from the Co-Debtor Stay should be granted to the extent not provided for in the confirmed chapter 13 plan.

Accordingly, it is **ORDERED**:

Credit Union's *Motion for Relief from Co-Debtor Stay* ("Motion for Relief") is **GRANTED**, to the extent not provided for in the confirmed chapter 13 plan.