

**UNITED STATES BANKRUPTCY ADMINISTRATOR
MIDDLE DISTRICT OF NORTH CAROLINA**

JOHN PAUL H. COURNOYER — BANKRUPTCY ADMINISTRATOR

101 S. EDGEWORTH ST.
GREENSBORO, NC 27401
(336) 378-4170
WWW.NCMBA.USCOURTS.GOV

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Via Email to Chapter 7 Trustees

Re: Unnecessary Objections to Secured Claims

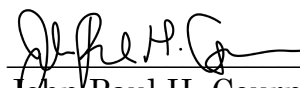
Dear Trustees,

Some trustees in our district object to fully secured claims where the collateral has not been administered, on the basis that such claims are not entitled to distribution. Some trustees do not file objections, and simply indicate in their final report that the claim is not entitled to distribution since it is fully secured and the collateral was not administered.

Our view is that the latter approach is better, and that an objection is unnecessary. Unless collateral is sold, chapter 7 does not provide for distributions to secured claims. *See* 11 U.S.C. § 726; *In re Taylor*, 289 B.R. 379, 387 (Bankr. N.D. Ind. 2003) (holding that there is no distribution on a fully secured claim unless the collateral is sold, and that an objection to a secured claim was unnecessary because the “result is already provided for by the structure of the Bankruptcy Code”).

If the collateral is sold or the filed claim is a bifurcated claim that includes an unsecured portion, this guidance does not apply. However, when there is a fully secured claim and you have not administered the collateral, no objection to the claim is necessary. You should simply indicate in your final report that the collateral was not administered and the claim is not entitled to distribution under § 726.

Thanks for your hard work!



John Paul H. Cournoyer
U.S. Bankruptcy Administrator
Middle District of North Carolina