

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF ALABAMA

IN RE:)
)
Latarshia Marie Clark,) Case No. 26-11277
)
Debtor.)

ORDER SUSTAINING OBJECTIONS (DOC. 22 AND 36) IN PART

This chapter 13 case came before the court on the objection to confirmation (doc. 22) filed by Republic Finance, LLC (“Republic”). The court held an evidentiary hearing on August 19, 2026. The court heard testimony from the debtor, Latarshia Marie Clark, and a Republic representative, Taylor Goldstan. The court also admitted Republic’s exhibits 1-6 and 9-12 without objection.

The debtor filed this chapter 13 bankruptcy in May 2026. Republic filed a secured proof of claim for \$17,895.18 and objected to the value of its collateral – which it contends includes a Chevrolet Cruze vehicle and various other personal property – in the debtor’s chapter 13 plan. It also objected to the interest rate for its collateral in the plan. After the hearing, the debtor amended its plan and Republic objected again. This ruling applies to Republic’s original objection (doc. 22) and its objection (doc. 36) to the amended plan.

The parties stipulated to the value of the vehicle as \$3,500 and to an interest rate for Republic’s collateral of 8.75%. The amended plan provides for the vehicle in the amount of \$3,900 at the agreed interest rate of 8.75%, while the original plan provided for the vehicle for \$3,500 at 8% interest. It appears to the court that the debtor is attempting to value the additional personal property items at \$400 in the amended plan.

Background

The debtor signed an April 2026 loan agreement with Republic in the amount of \$17,969.30. The 2026 loan was a renewal of previous loans and listed \$10,581.01 as the “Amount Credited To My Existing Loan(s) with You.” (See Republic exs. 1, 4, 6). As part of the loan, Republic paid off debtor’s loans with Credit Central in the amount of \$950 and 1st Franklin Financial in the amount of \$3,900 and gave the debtor a cash advance check of \$1,520.99.

The promissory note and other documents associated with the 2026 loan provide for a security interest in favor of Republic in a variety of items: the Chevy Cruze; a 70-inch Sony TV; a 63-inch Roku TV; a gun safe; 2 iPads (referred to as Apple tablets); a gold necklace and bracelet; and a gold diamond ring. (See Republic exs. 1, 2). The only collateral added to the 2026 loan that had not been listed as part of another Republic loan was the gold diamond ring. (See Republic exs. 1, 4, 6). The debtor signed a “non-purchase money security appraisal form” (Republic ex. 3) with respect to the 2026 loan that listed the collateral value of the items other than the Cruze at \$20,290.

Republic argues that (1) the debtor did not file her plan in good faith; and (2) even if she did, she has undervalued Republic’s collateral. The court will discuss Republic’s arguments in reverse order below.

Collateral valuation

Under Bankruptcy Code § 506(a)(2), the value of personal property securing a creditor’s proof of claim is determined based on the replacement value as of the petition date, meaning the price a retail merchant would charge considering its age and condition. The court values the

vehicle at \$3,500, as agreed to by the parties. The remaining issue is the other items, which the debtor did not list in her original plan and has not listed in the amended plan even though, as discussed above, it appears she is trying to value what she claims she still has at \$400.

The debtor's testimony at her 341 meeting of creditors in June 2026 was played in open court at the evidentiary hearing. At her 341 meeting, the debtor responded to a question from Republic's attorney that she still had a ring; but at the evidentiary hearing, she testified that she did not have the ring in April 2026 when she renewed the Republic loan and had not had a gold diamond ring for a long time. The debtor testified at the hearing that a Republic representative always wrote down the collateral values and that she just signed off on whatever the representative wrote, while the Republic representative testified that the representative wrote down the collateral values based on what the debtor told her.

The court need not resolve this discrepancy between the two witnesses because – while most of the items below were valued much higher in the security appraisal form associated with the 2026 loan – the court gives no weight to such valuation, as both parties (the debtor and Republic) were incentivized to inflate collateral values when doing the loan. And, it has been the undersigned's experience on the bench that such appraisal forms routinely overstate value and are not an accurate benchmark for purposes valuation under § 506(a)(2).

The debtor testified in either or both the 341 meeting and the evidentiary hearing that she still had the following items at the time of filing, and the court accepts her undisputed hearing testimony about the value of the following items (value was not discussed at the 341 meeting), which totals \$850:

- Gun safe worth \$250: The debtor testified at the hearing that her child's father took this after a break-up, but she did not know if it was before or after the bankruptcy filing. At the 341 meeting, she testified that she still had the gun safe.

- Gold necklace and bracelet worth \$300: Similarly, the debtor testified at the hearing that her child's father took this, but she did not know if it was before or after the bankruptcy filing. At the 341 meeting, she testified that she still had the necklace; she was not asked about the bracelet at the 341 meeting.
- Roku TV worth \$200: The debtor was not questioned about this TV at the 341 meeting but confirmed at the hearing that she still had this TV at the time of filing.
- 1 iPad (about 5 years old) worth \$100: The debtor was not questioned about either iPad at the 341 meeting but confirmed at the hearing that she still had 1 of the 2 iPads at the time of filing.

The court also accepts the debtor's undisputed hearing testimony that the other TV was struck by lightning and thrown away and that the other iPad quit working and was disposed of (she was not asked about these items at the 341 meeting).

The main item of contention between the parties is the gold diamond ring. The Republic representative testified that when the debtor took out the 2026 loan, the debtor told her that she had a gold diamond ring and that the ring was worth "at least \$10,000." The representative admitted, though, that she never saw the ring or an appraisal of the ring, and never verified that the debtor had the ring. She just took the debtor's word for it, including the value. When questioned by Republic's lawyer at the 341 meeting, the debtor said that she still had the ring at the time of filing. But at the evidentiary hearing, the debtor testified that she did not have such a ring at the time of the loan or at the time of filing, and that if she had had a \$10,000 ring, she would not have had to file for bankruptcy.

The court finds that the debtor did not have a gold diamond ring when she filed for bankruptcy. As a result, while the court will discuss Republic's good faith argument below, for purposes of collateral valuation, the court finds that the value of Republic's secured claim is \$4,350 (\$3,500 for the Cruze + \$850 for the remaining items that the debtor had at the time of filing).

Good faith

Based on the debtor's representations about the ring at when she took out the 2026 loan and in her 341 meeting, Republic argues that the debtor's plan was not proposed in good faith under Bankruptcy Code § 1325(a)(3). That section provides that "the court shall confirm a plan if . . . the plan has been proposed in good faith" The Eleventh Circuit "has set forth a non-exhaustive list of factors relevant to whether a plan was proposed in good faith[.]" commonly referred to as the *Kitchens* factors. *See In re Brown*, 742 F.3d 1309, 1316-17 (11th Cir. 2014).

Those factors are:

(1) the amount of the debtor's income from all sources; (2) the living expenses of the debtor and his dependents; (3) the amount of attorney's fees; (4) the probable or expected duration of the debtor's [c]hapter 13 plan; (5) the motivations of the debtor and his sincerity in seeking relief under the provisions of [c]hapter 13; (6) the debtor's degree of effort; (7) the debtor's ability to earn and the likelihood of fluctuation in his earnings; (8) special circumstances such as inordinate medical expense; (9) the frequency with which the debtor has sought [bankruptcy] relief . . . ; (10) the circumstances under which the debtor has contracted his debts and his demonstrated bona fides, or lack of same, in dealings with his creditors; (11) the burden which the plan's administration would place on the trustee; (12) the extent to which claims are modified and the extent of preferential treatment among classes of creditors; (13) substantiality of the repayment to the unsecured creditors; and (14) other factors or exceptional circumstances.

Id. (citation and quotation marks omitted).

The court determines good faith on a case-by-case basis using a "totality of the circumstances" approach; no one factor is dispositive. *See id.* This determination is "within the [c]ourt's discretion and denial of confirmation for bad faith occurs in extreme situations." *In re Brown*, 402 B.R. 19, 37 (Bankr. M.D. Fla. 2008); *see also, e.g., In re Mangieri*, No. 2:20-BK-07403-FMD, 2021 WL 1747422, at *6 (Bankr. M.D. Fla. May 3, 2021). The Eleventh Circuit has recognized that even "egregious pre-petition conduct by a debtor, such as embezzlement of funds from an employer," will not necessarily bar confirmation. *See In re Brown*, 402 B.R. at 37.

Here, Republic did not contest the debtor's eligibility for a discharge under Bankruptcy Code § 523(a)(2) based on a loan obtained by misrepresentation or fraud, which would have required Republic to bear the burden of proof. Instead, Republic focuses on only one of the factor of the § 1325(a) good faith analysis – dealings with creditors. Based on the court's review of the record here, the applicable *Kitchens* factors, and the totality of the circumstances, however, the court finds that the debtor's plan was proposed in good faith.

Even if the debtor knowingly represented to Republic that she owned a \$10,000 ring and was putting it up as collateral – despite not having such a ring – other factors contribute to the court's conclusion that denial of confirmation for bad faith is unwarranted. These include the debtor's testimony, which the court finds credible, that she decided to file for bankruptcy when her employer (The University of South Alabama) started to reduce her hours at work. And the debtor is not a “frequent flyer” in this court; she filed a chapter 7 bankruptcy over 10 years ago but has had no bankruptcies since then.

And as this court reiterated at the hearing, the court is reluctant to allow a § 523(a)(2) claim of a single creditor to proceed under the guise of a § 1325(a)(3) objection to confirmation. If the court were to rule in Republic's favor in this respect, it would essentially be allowing Republic a secured claim based on collateral (namely, a ring) that the court has found that the debtor did not have at the time of filing.

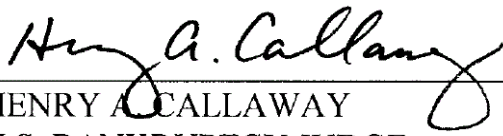
With respect to the 341 testimony, the debtor was not questioned extensively about the ring; in a very brief questioning, she was asked if she still had a ring and answered in the affirmative. And as discussed at the hearing, even if the debtor had the ring, she could still avoid any security interest in jewelry. *See, e.g., In re Brown*, Case No. 16-4023 (Bankr. S.D. Ala. Apr. 11, 2017). The court does not find that this is an extreme situation warranting denial of

confirmation. *See, e.g., In re Mangieri*, 2021 WL 1747422, at *6 (“denial of confirmation on bad-faith grounds is reserved for extreme situations where the court discovers unmistakable manifestations of bad faith”).

Conclusion

To the extent the court has not specifically addressed any of the parties’ arguments or evidence, it has considered them and determined that they would not alter this result. For the reasons discussed above, the court sustains Republic’s objections to confirmation in part: the court finds that Republic’s claim is secured in the amount of \$4,350 with the remainder of the claim unsecured. The debtor can address this change in the final plan summary, so the court is not requiring another amended plan. The court otherwise overrules Republic’s objections. The confirmation hearing has already been reset by separate notice to October 22, 2026.

Dated: September 24, 2026


HENRY A. CALLAWAY
U.S. BANKRUPTCY JUDGE