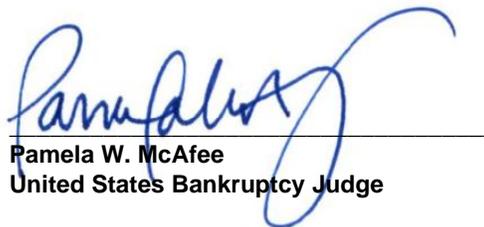




**SO ORDERED**

**SIGNED this 3 day of February, 2026.**

  
Pamela W. McAfee  
United States Bankruptcy Judge

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**UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF NORTH CAROLINA  
RALEIGH DIVISION**

**IN RE:**

**CAMARA DANIELLE PRUETT,  
  
DEBTOR**

**CASE NO.  
22-01271-5-PWM  
CHAPTER 13**

**ORDER REGARDING DEBTOR'S MOTION TO MODIFY PLAN**

The matter before the court is the motion to modify plan filed by the chapter 13 debtor, Camara Danielle Pruett, D.E. 39. The chapter 13 trustee filed a response and an amended response in opposition, D.E. 40, 43. A hearing on the matter was held in Raleigh, North Carolina, on December 30, 2025, after which the court took the matter under advisement. For the reasons that follow, the motion is allowed as to the surrender of Ms. Pruett's vehicle and cessation of vehicle payments by the trustee pursuant to 11 U.S.C. § 1329(a)(3), and denied to the extent that Ms. Pruett seeks modification pursuant to 11 U.S.C. § 1329(a)(2).

**BACKGROUND AND CONTENTIONS**

Ms. Pruett filed a petition for relief under chapter 13 of the Bankruptcy Code on June 10, 2022, and her amended plan was confirmed on August 23, 2022. D.E. 17. Ms. Pruett is an "above median" debtor, resulting in an applicable commitment period of 60 months pursuant to 11 U.S.C. § 1325(b)(4). Ms. Pruett's confirmed plan requires five payments of \$536 followed by 57

payments of \$543, with that amount including monthly payments by the trustee to Coastal Federal Credit Union (Coastal) for a 2018 Hyundai Sonata Sport. Pursuant to the “liquidation test” set forth in § 1325(a)(4), the amount estimated to be paid to holders of non-priority unsecured claims under the plan is \$3,077.74. D.E. 16 at 2. The total amount estimated to be paid by Ms. Pruett to the trustee (i.e., the “plan base”) was \$32,559. *Id.*

On November 18, 2025, Ms. Pruett filed the motion to modify her plan because the Hyundai was deemed a total loss due to hail damage. Asserting that the proposed modification conformed to the standards set forth in § 1329, Ms. Pruett proposed the following modification:

The Debtor shall surrender her 2018 Hyundai Sonata along with insurance proceeds to Coastal Federal Credit Union. The trustee shall immediately cease and desist from all disbursements to Coastal Federal Credit Union on the related claim (court claim 3, trustee claim 2). The plan shall be \$22,270 paid through November 2025 followed by 9 payments of \$389 commencing in December 2025.

D.E. 39 ¶ 3. On that same date, Ms. Pruett filed a notice of address change, reflecting a move from Smithfield, North Carolina to Lubbock, Texas.<sup>1</sup>

The trustee objected to the motion to modify, contending that because the proposed modification would shorten the plan to fewer than 60 months, it failed to comply with the statutory applicable commitment period. D.E. 40. In his amended objection, after noting that Ms. Pruett was in month 42 of a 60-month plan, the trustee again argued that the proposed amendment does not satisfy the applicable commitment period, and further that Ms. Pruett “failed to show that the proposed modified plan satisfies the good faith requirement of 11 U.S.C. § 1325(a)(3) as that standard is described in *Deans v. O’Donnell*, 692 F.2d 968 (4th Cir. 1982), or that there has been a substantial and unanticipated change in her financial circumstances warranting reducing the Plan

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<sup>1</sup> Pursuant to an order entered on October 4, 2024, Ms. Pruett was authorized to sell the Smithfield property without court approval as required by Local Rule 4002-1, as long as she provided a closing statement to the trustee within 14 days. D.E. 38. According to representations made at the hearing and in a follow up email, Ms. Pruett did sell the property and provided the closing document to the trustee.

length from 60 to 50 months.” D.E. 43 at 2. Noting that Ms. Pruett’s motion does not set forth any information regarding her current financial circumstances, including the reasons she would be able to perform under a modified plan for a total of 50 months but not for 60 months as required by the confirmed plan, the trustee asserted that the motion and record of this case provide insufficient information to support the proposed modification. *Id.* The trustee did not articulate an objection to the slight reduction in the amount of the monthly payments.

At the hearing, Ms. Pruett argued that the fact of the totaled vehicle is a substantial and unanticipated change in her financial circumstances that allows for a plan modification, and that the applicable commitment period is irrelevant to modification because § 1329, which governs modification, does not incorporate the requirements of § 1325(b) – including the applicable commitment period. Ms. Pruett cites several authorities to support her statutory interpretation, including *In re Runnels*, 530 B.R. 626 (Bankr. W.D.N.C. 2015), and *In re Swain*, 509 B.R. 22 (Bankr. E.D. Va. 2014).

The trustee does not oppose and in fact supports modification to the extent Ms. Pruett seeks simply to surrender the Hyundai and the insurance proceeds associated with it to Coastal and cease distributions on the Coastal claim; rather, the trustee’s opposition and the dispute before the court center on whether, on the record before the court, Ms. Pruett has established a basis upon which to shorten the duration of the plan. The trustee concedes that there are cases supporting the two opposing positions on the applicability of § 1325(b) to a plan modification, but also maintains that the court need not reach that issue because the good faith requirement of § 1325(a)(3) has not been established.

## DISCUSSION

The modification of a confirmed chapter 13 plan is governed by 11 U.S.C. § 1329, which provides, in part, as follows:

- (a) At any time after confirmation of the plan but before the completion of payments under such plan, the plan may be modified, upon request of the debtor, the trustee, or the holder of an allowed unsecured claim, to—
  - (1) increase or reduce the amount of payments on claims of a particular class provided for by the plan;
  - (2) extend or reduce the amount of time for such payments; [or]
  - (3) alter the amount of distribution to a creditor whose claim is provided for by the plan to the extent necessary to take account of any payment of such claim other than under the plan ...

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(b)(1) Sections 1322(a), 1322(b), and 1323(c) of this title and the requirements of section 1325(a) of this title apply to any modification under subsection (a) of this section.

11 U.S.C. § 1329(a), (b). Section 1325(a) includes among its several requirements that the plan be “proposed in good faith and not by any means forbidden by law.” 11 U.S.C. § 1325(a)(3). The party moving for modification under § 1329 bears the burden of proof. *See, e.g., In re Hayes*, Case No. 15-04581-5-DMW, 2018 WL 718386 \*4 (Bankr. E.D.N.C. Feb. 5, 2018); *In re Matusak*, Case No. 14-02032-5-SWH, 2017 WL 4174361 \*3 (Bankr. E.D.N.C. Sept. 19, 2017).

Here, Ms. Pruett seeks modification under two separate sections of § 1329(a), in that she requests cessation of the trustee’s payments to Coastal under § 1329(a)(3), and, separately, she seeks to “reduce the time” in which she must make her plan payments to the trustee under § 1329(a)(2). Because the first basis for modification as to the vehicle under § 1329(a)(3) is unopposed, the court focuses only on the second and concludes, for reasons detailed more fully below, that Ms. Pruett has not satisfied her burden of proof to establish an appropriate basis on

which to shorten the plan term, and for that reason she also has not shown that the proposal is made in good faith.

In this circuit, “[w]hile § 1329 does not explicitly state what justifies a modification to a bankruptcy plan, the United States Court of Appeals for the Fourth Circuit has held ‘that a substantial change in the debtor’s financial condition after confirmation may warrant a change in the level of payments.’” *In re Williams*, Case No. 14-00793-5-JNC, 2016 WL 4069776 \*1 (Bankr. E.D.N.C July 28, 2016) (quoting *In re Arnold*, 869 F.2d 240, 241 (4th Cir. 1989)). More specifically, and as the Fourth Circuit further explained in *In re Murphy*, a bankruptcy court “first ‘must determine if the debtor experienced a substantial and unanticipated change in his postconfirmation financial condition’ that would ‘inform the bankruptcy court on the question of whether the doctrine of *res judicata* prevents modification of the confirmed plan.’” *Williams*, 2016 WL 4069776, \*1 (quoting *In re Murphy*, 474 F.3d 143, 150 (4th Cir. 2007)). Under *Murphy*, if a debtor has in fact experienced a substantial and unanticipated change, the bankruptcy court can then “proceed to inquire whether the proposed modification is limited to the circumstances provided by § 1329(a). [If it does,] then the bankruptcy court can turn to the question of whether the proposed modification complies with § 1329(b)(1).” *Murphy*, 474 F.3d at 150.

Here, there is no dispute that Ms. Pruett has demonstrated a substantial and unanticipated change in her financial condition insofar as her vehicle was deemed a total loss due to hail and is now the subject of a voluntary surrender of both the vehicle and the insurance proceeds for it, supporting termination of any distribution to Coastal under § 1329(a)(3). However, the court routinely considers motions to modify based on the not-uncommon context of a debtor’s vehicle being deemed totaled after an accident or other damage, then surrendered in connection with an insurance payoff. In most of those instances, whether the event prompting the motion qualifies as

or even requires a “substantial and unanticipated change” under the statute and Fourth Circuit precedent is not even discussed. This court has no difficulty in seeing the logic to that, as the *Hayes* court explained:

The Debtors proffer and the court agrees that the substantial and unanticipated change requirement established by *Arnold* does not expressly extend to modifications under [§ 1329(a)(3)] and is limited to modifications under §§ 1329(a)(1) and (2). This argument is logical, because if a claim included in a Chapter 13 plan is otherwise paid, then modification of that plan to alter the amount of distribution to the creditor is appropriate regardless of changes to the debtor’s financial condition.

*Hayes*, 2018 WL 718386 \*4. The conundrum here is this: while the destruction of Ms. Pruett’s vehicle, the associated surrender of the vehicle and proceeds, and the resulting cessation of any need for the trustee to continue to pay that claim together constitute a basis for modification under § 1329(a)(3), Ms. Pruett relies on that exact same circumstance or “change” to justify a shorter plan duration under § 1329(a)(2), without any evidentiary basis (or even the suggestion) of a connection between the loss of the vehicle and an established need to cease payments 9 months in the future.

Without any testimonial evidence, the only evident facts of record before the court in connection with Ms. Pruett’s motion are those established by the documents in the case file. Based on those documents, it is uncontested that Ms. Pruett has the ability to continue to make the proposed modified payment of \$389 to the trustee. However, she seeks not only to reduce the payments from \$536 to \$389, but also to cease payments entirely and complete her plan after a total period of 50 months rather than 60. The only articulated basis for this is that her unsecured creditors will receive the exact distribution they expected to receive at confirmation in a shorter amount of time, so there is, in Ms. Pruett’s view, “no harm,” and, she contends, her creditors are in a better position because they will receive their payment sooner. But, that is not the standard.

The court finds guidance in *In re Smith*, Case No. 14-02611-5-SWH, 2016 WL 3232728 (Bankr. E.D.N.C. June 3, 2016), which addressed the question of whether the satisfaction of a secured claim, on its own, constituted a basis to change the amount of the plan payments where the proposed modification would result in the same distribution to unsecured creditors as anticipated in the confirmed plan. In that case, the court considered a motion to modify based on the sale of real property, where the debtor's mortgage had been paid through trustee disbursements. Although the initial issue in that case was the extent to which a debtor was required to provide updated Schedules I and J or other evidence of current income and expenses to the trustee in connection with a modification request, the trustee's overarching concern was whether all of the debtor's net disposable income remained committed to the plan, such that the modification would satisfy the requirement that it be proposed in good faith. As in this case, the *Smith* court agreed that the plan should be modified to terminate distributions to the mortgage creditor. However, the court and the trustee questioned whether the debtor established that the satisfaction of the mortgage on its own was a basis for the debtor to reduce the amount of her plan payments.

The trustee . . . maintains, the plan *payment amount* is established at confirmation and cannot be modified unless there is a change in the debtor's ability to make that payment—which would typically also change the amount to be paid on a class of claims as contemplated by § 1329(a)(1) to bring the modification within that subsection. Absent such a showing, the trustee contends, the confirmed plan conclusively establishes the amount the debtor has to pay, because that is the amount the debtor can afford. As a result, he argues, the payment amount may only be modified if the debtor establishes that she can no longer afford that amount.

*Smith*, 2016 WL 3232728 \*4. Of particular relevance here is the *Smith* court's ultimate conclusion:

While the debtor has met her burden of proof that no further distribution to [the mortgage creditor] should be made, which is one part of her requested modification, *she has not demonstrated that there has been a substantial change in circumstances impacting her ability to make her plan payments. . . . [A]bsent [evidence of a substitute expense that needs to be paid directly], it appears that the debtor now has funds in hand that should be paid to her unsecured creditors.*

*Id.* (emphasis added). In that case, as in this one, even aside from the trustee's concerns about whether a modification was proposed in good faith, the threshold issue was whether the debtor had demonstrated a change that impacted her ability to make her plan payments. In *Smith*, as in this case, the debtor failed to do so.

Notably, in *Smith*, the debtor gave no indication that the secured debt payment was being replaced with a similar obligation such that the debtor could not cash flow the plan payment in the same amount. The same is true in this case. If, for example, Ms. Pruett needed to replace her vehicle, that need would be germane to the question of what amount she is able to pay. *But there is no evidence of such a need.* Instead, the record before the court establishes that Ms. Pruett is capable of paying and intends to pay only a slightly reduced monthly payment amount to the trustee. But she also requests to be allowed to stop those payments in month 50, as opposed to continuing that payment stream for the full 60 months and reallocating the amount that would have been paid to Coastal for the benefit of unsecured creditors.

Furthermore, Ms. Pruett's primary argument is that her proposed modification results in the unsecured creditors receiving the same distribution, but in less time, raises an additional issue that was persuasively resolved in *Smith*: whether the plan is *res judicata* as to the payment amount or as to the dividend to the unsecured creditors. Relying on Fourth Circuit precedent, the *Smith* court found that the plan is *res judicata* as to the payment amount, subject to modification only where a substantial and unanticipated change in the debtor's financial circumstances justifies changing the amount of payments. More specifically:

. . . [T]he goal of chapter 13 is *not* for the debtor to pay the least amount the debtor can get away with, but instead to pay the greatest amount the debtor can afford. As the Fourth Circuit observed, a chapter 13 debtor receives a number of benefits, including retaining encumbered assets and having defaults cured, while secured creditors have long-term payment plans imposed upon them and unsecured creditors may receive payment on only a fraction of their claims.

In exchange for those benefits, a Chapter 13 debtor makes a multi-year commitment to repay obligations under a court-confirmed plan. *Id.* The repayment plan remains subject to modification for reasons including a debtor's decreased ability to pay according to plan, as well as the debtor's increased ability to pay. *See* 11 U.S.C. § 1329. As we have stated before, "[w]hen a [Chapter 13] debtor's financial fortunes improve, the creditors should share some of the wealth." *In re Arnold*, 869 F.2d 240, 243 (4th Cir. 1989).

*Smith*, 2016 WL 3232728 \*5. In so holding, the court rejected the idea that a modification that is "dividend neutral" does not require scrutiny of a debtor's need for the modification or application of the debtor's burden of proof on the issue.<sup>2</sup> *Id.* at \*6.

Here, Ms. Pruett proposes only a modest change to the monthly payment amount, but also to shorten the plan term to reduce the total plan base. The reasoning advanced by Ms. Pruett, as rejected by the *Smith* court, is the same. Ms. Pruett maintains that the requested modification results in the same payment to unsecured creditors – that is, it is "dividend neutral." But it is not the dividend that is conclusively established by the confirmed plan; it is the payment amount and the plan term, and the doctrine of *res judicata* precludes modification of those plan components absent a substantial and unanticipated change in the debtor's financial circumstances that necessitates a change in the payment amount or plan term, or both. Ms. Pruett might disagree that her financial fortunes have improved, but she has presented no evidence that they have deteriorated or are expected to deteriorate in the future (which would be needed to show she could no longer

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<sup>2</sup> The *Smith* analysis and conclusion have been similarly applied by the other judges in this district. *See In re Hayes*, No. 15-04581-5-DMW, 2018 WL 718386, at \*5 (Bankr. E.D.N.C. Feb. 5, 2018) (agreeing that an unanticipated gift satisfying mortgage was a substantial and unanticipated change in the debtors' financial condition, but finding that because the change was an *improvement* in their financial condition, it did not support the requested modification to reduce the plan base); *In re Williams*, No. 14-00793-5-JNC, 2016 WL 4069776, at \*2 (Bankr. E.D.N.C. July 28, 2016) (debtor demonstrated a substantial and unanticipated change in her post-confirmation financial condition because she no longer is required to pay the secured mortgage claim but provided no information to the court that would demonstrate a changed circumstance impacting her ability to make the monthly plan payment as originally confirmed).

make any payments from months 51-60) in a way to support her proposed modification. There is simply nothing about the loss of the vehicle – which is the only fact before the court – that would render Ms. Pruett unable to continue making her payments from months 51 through 60.

Ms. Pruett’s primary argument at the hearing was that the applicable commitment period is not a requirement the debtor must satisfy at modification, and she cited persuasive (but not controlling) authority within the Fourth Circuit supporting her argument. However, the court does not need to reach that issue. The court is not holding that her plan cannot be modified as proposed because the modified plan does not comply with the applicable commitment period; rather, the plan cannot be modified because Ms. Pruett has not met her threshold burden of establishing that the plan should be modified under § 1329(a)(2) at all. Put another way, the cessation of payments to Coastal on its own indicates no negative change in Ms. Pruett’s circumstances; absent such a showing, there are no appropriate grounds to support the modification Ms. Pruett seeks.<sup>3</sup>

### **CONCLUSION**

Accordingly, and for the reasons set forth above, Ms. Pruett’s motion to modify her plan pursuant to 11 U.S.C. § 1329(a)(3) is ALLOWED to provide for the surrender of the Hyundai and related insurance proceeds to Coastal and to direct the trustee to cease disbursements to Coastal. The motion to modify pursuant to 11 U.S.C. §1329(a)(2) is DENIED.

### **END OF DOCUMENT**

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<sup>3</sup> This distinguishes this case from the facts before the court in *Runnels*, where the bankruptcy court allowed a modification to the plan term for a period less than the applicable commitment period not only because the plain language of § 1329 does not forbid a modification to reduce the plan length but also because the debtors demonstrated a reduction in income and resultant inability to complete the plan as confirmed. *Runnels*, 530 B.R. at 630.