

NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States v. Detroit Lumber Co.*, 200 U. S. 321, 337.

SUPREME COURT OF THE UNITED STATES

Syllabus

RAKE ET AL. v. WADE, TRUSTEE

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE
TENTH CIRCUIT

No. 92-621. Argued March 22, 1993—Decided June 7, 1993

At the time they initiated separate Chapter 13 bankruptcy proceedings, petitioners, two pairs of debtors, and another married couple were in arrears on long-term promissory notes held by respondent Wade, which were secured by the debtors' home mortgages and did not provide for interest on arrearages. The value of the residence owned by each pair exceeded each note's outstanding balance, making Wade an oversecured creditor. In their Chapter 13 plans, the debtors proposed to make all future payments due on the notes and cure the default on the mortgages by paying off the arrearages without interest. Wade objected to each plan on the ground that he was entitled to interest and attorney's fees, but the Bankruptcy Court overruled the objections, and the District Court affirmed. The Court of Appeals reversed, holding that §506(b) of the Bankruptcy Code entitled Wade to postpetition interest on the arrearages and other charges, even if the mortgage instruments were silent on the subject and state law would not require interest to be paid.

Held: Wade is entitled to preconfirmation and postconfirmation interest on the arrearages that were paid off under petitioners' plans. Pp. 3-11.

(a) Three interrelated Bankruptcy Code provisions determine whether Wade is entitled to interest. Section 506(b) provides holders of oversecured claims with an unqualified right to postpetition interest, regardless of whether the agreement giving rise to the claim provides for interest, *United States v. Ron Pair Enterprises, Inc.*, 489 U. S. 235, 241, until a plan's confirmation date. Section 1322(b)(2) prohibits debtors from modifying the rights of home mortgage lenders, while §1322(b)(5) authorizes debtors to cure any defaults on a long-term debt and maintain payments on the debt for the life of the plan.

Finally, §1325(a)(5) states that ``with respect to each allowed secured claim provided for by the plan," a plan may be confirmed if, *inter alia*, the holder of the claim retains the lien, §1325(a)(5)(B)(i), and the value of the property distributed under the plan on account of such claim is not less than the claim's present dollar value as of the confirmation date, §1325(a)(5)(B)(ii). Pp. 3-5.

RAKE v. WADE

Syllabus

(b) Under §506(b)'s clear language, Wade is entitled to preconfirmation interest on the arrearages. That section directs that postpetition interest be paid on *all* oversecured claims, *Ron Pair, supra*, at 245, and the parties have acknowledged that such interest accrues from the petition date until a plan is confirmed. Section 1322(b)(5) does not operate to the exclusion of §506(b). While it authorizes a plan to provide for payments on arrearages to effectuate a cure after the plan's effective date, it does not dictate the cure's terms. Specifically, it gives no indication that the arrearages cured under the plan may not include interest otherwise available under §506(b). This construction of the provisions gives effect to both. Pp. 6–7.

(c) Wade is also entitled to postconfirmation interest under §1325(a)(5). There is no support for petitioners' claim that §1325(a)(5)(B)(ii) applies only to secured claims that have been modified by a Chapter 13 plan and thus does not apply to home mortgages which, under §1322(b), are exempt from modification. The plans essentially split each of Wade's claims into two claims—the underlying debt and the arrearages. While payments on the underlying debt were simply “maintained,” each plan treated the arrearages as a distinct claim to be paid off within the life of the plan pursuant to its repayment schedule. Thus, the arrearages, which are part of Wade's home mortgage claims, were “provided for” by the plans, and he is entitled to interest under §1325(a)(5)(B)(ii). Other provisions of Chapter 13 containing the phrase “provided for by the plan” make clear that petitioners' plans provided for Wade's claims. See *United Savings Assn. of Texas v. Timbers of Inwood Forest Associates, Ltd.*, 484 U. S. 365, 371. Pp. 7–10.

968 F. 2d 1036, affirmed.

THOMAS, J., delivered the opinion for a unanimous Court.