

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

NOBELMAN ET UX. v. AMERICAN SAVINGS BANK
CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE
FIFTH CIRCUIT

No. 92-641. Argued April 19, 1993—Decided June 1, 1993

In their debt repayment plan under Chapter 13 of the Bankruptcy Code, petitioners relied on 11 U. S. C. §506(a)—which provides, *inter alia*, that an allowed claim secured by a lien on the debtor's property "is a secured claim to the extent of the value of [the] property," and "is an unsecured claim" to the extent it exceeds that value—to propose that the mortgage on their principal residence in Texas be reduced from \$71,335 to the residence's \$23,500 fair market value. Respondents, the mortgage lender and the Chapter 13 trustee, objected to the plan, arguing that the proposed bifurcation of the lender's claim into a secured claim for \$23,500 and an effectively worthless unsecured claim modified its rights as a homestead mortgagee in violation of §1322(b)(2), which, among other things, allows a plan to "modify the rights of holders of secured claims, other than a claim secured only by a security interest in real property that is the debtor's principal residence." The Bankruptcy Court agreed with respondents and denied confirmation of the plan. The District Court and the Court of Appeals affirmed.

Held: Section 1322(b)(2) prohibits a Chapter 13 debtor from relying on §506(a) to reduce an undersecured homestead mortgage to the fair market value of the mortgaged residence. Although petitioners were correct in looking to §506(a) for a judicial valuation of their residence to determine the status of the lender's secured claim, that valuation does not necessarily limit the lender's "rights [as a claim] holde[r]," which are the focus of §1322(b)(2)'s protection. In the absence of a controlling Bankruptcy Code definition, it must be presumed that Congress left the determination of property "rights" in estate assets to state law. *Butner v. United States*, 440 U. S. 48, 54-55. The mortgagee's "rights," therefore, are reflected in the relevant mortgage instruments, which are enforceable

under Texas law. Those rights include, among others, the right to repayment of the principal in monthly installments over a fixed term at specified adjustable interest rates, and they are protected from modification by §1322(b)(2). That section's "other than" exception cannot be read to protect only that subset of allowed "secured claims," determined by application of §506(a), that are secured by a lien on the debtor's home. Rather, the more reasonable interpretation is to read "a claim secured only by a [homestead lien]" as referring to the lienholder's entire claim, including both its secured and unsecured components, since it would be impossible to reduce petitioners' outstanding mortgage principal to \$23,500 without modifying the mortgagee's contractual rights as to interest rates, monthly payment amounts, or repayment term. Pp. 2-8.

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968 F. 2d 483, affirmed.

THOMAS, J., delivered the opinion for a unanimous Court.
STEVENS, J., filed a concurring opinion.