



Pratt's Journal of Bankruptcy Law: Rent Assignments in Bankruptcy: An Eleventh Circuit Analysis

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The Bankruptcy Code is designed to protect a debtor from creditor actions while the debtor reorganizes its financial affairs or makes a fresh start. To assist the debtor in its efforts to reorganize, the Code generally prohibits the creation of any new liens, and allows the debtor to acquire new property without the imposition of existing liens. A creditor generally cannot attach a pre-petition lien to property acquired by the debtor after the petition date because such property should be available to the debtor to fund the reorganization. However, Congress carved out an exception to this rule for proceeds, products, offspring, profits, and rents. Section 552(b)(2) of the Bankruptcy Code allows a creditor with a perfected security agreement in pre-petition property to also have a security interest in any "amounts paid as rents of such property" after the filing of the bankruptcy petition. If the debtor executed an assignment of rents in conjunction with a mortgage on the property, the lender may have a lien interest or other entitlement in the rents generated from the property during the bankruptcy case, in addition to its mortgage interest in the property.

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