UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS

ASSIGNED JUDGE	Timothy A. Barnes	**CASE NO.**	25bk10375
DATE	11/14/2025	**ADVERSARY NO.**	
CASE TITLE	In re Rabboni Sherrod Smith		
TITLE OF ORDER	Order Granting Motion of U.S. Bank National Association to Modify the Automatic Stay		

DOCKET ENTRY TEXT

The Motion of U.S. Bank National Association to Modify the Automatic Stay [Dkt. No. 29] is GRANTED.

[For further details see text below.]

DECISION AND ORDER[1]

This matter comes on for consideration on the Motion to Modify the Automatic Stay [Dkt. No. 29] (the "Motion"), filed, by and through its counsel, by the U.S. Bank National Association ("U.S. Bank"), as owner trustee for the RCF 2 Acquisition Trust. U.S. Bank seeks to modify the automatic stay with respect to the property located at 127 Detroit St., Calumet City, IL 60409 (the "Property"). In response, Rabboni Sherrod Smith (the "Debtor"), acting *pro se*, filed Debtor's Objection to Motion to Modify the Automatic Stay [Dkt. No. 33] (the "Response") on August 20, 2025, to which U.S. Bank filed Creditor's Reply to Debtor's Objection to Motion to Modify the Automatic Stay [Doc. 33] [Dkt. No. 38] (the "Reply") on September 4, 2025.

The court has jurisdiction over this matter. 28 U.S.C. § 1334; 28 USC § 157(b); N.D. Ill. Internal Op. P. 15(a). It is a core proceeding. 28 U.S.C. § 157(b)(2)(G). Venue is proper in this court pursuant to 28 U.S.C. § 1409(a). "The automatic stay arises from federal statutory law and only within the context of a bankruptcy case." *In re D/C Distribution, LLC*, 617 B.R. 600, 605 (Bankr. N.D. Ill. 2020) (Barnes, J.). As such, the court has statutory and constitutional authority to hear and determine the Motion. *Stern v. Marshall,* 564 U.S. 462, 471 (2011); *Klarchek Family Tr. v. Costello* (*In re Klarchek*), 508 B.R. 386, 389 (Bankr. N.D. Ill. 2014) (Barnes, J.). In addition, as no party has objected to the court entering final orders on the Motion, all parties have impliedly consented to the court's authority over this matter. *See Wellness Int'l Network, Ltd. v. Sharif*, 575 U.S. 665, 668 (2015) (parties may consent to a bankruptcy court's authority); *Richer v. Morehead*, 798 F.3d 487, 490 (7th Cir. 2015) (noting that "implied consent is good enough").

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[1] On November 13, 2025, the court heard arguments and orally delivered a ruling based on this Decision and Order, to come. It is this Decision and Order, not the oral ruling, that reflects the court's final decision on this matter.

In taking up U.S. Bank's concerns, the court notes the following principal facts.

(a) On March 5, 2025, the Circuit Court of Cook County (the "State Court") entered a Judgment for Foreclosure and Sale (the "Judgment") against the Property. The determinations of the Judgment, which bind this court, establish that the Debtor owed at that time $185,830.06 (including accrued interest) to U.S. Bank and that indebtedness is secured by mortgage liens against the Property. The Judgment ordered the Property to be sold, but provided a redemption period expiring on June 5, 2025.

(b) After the redemption period expired and prior to the filing of the Debtor's chapter 13 case, on June 6, 2025, the Property was sold at a published foreclosure sale (the "Foreclosure Sale"). U.S. Bank was the successful bidder with a bid of $130,000.00.

(c) Thereafter, but before the State Court confirmed the Foreclosure Sale and before a foreclosure deed was recorded, on July 8, 2025, the Debtor filed for bankruptcy under chapter 13 of the Bankruptcy Code, 11 U.S.C. § 101, *et seq.* (the "Bankruptcy Code").

(d) On July 21, 2025, the Debtor filed his Chapter 13 Plan [Dkt. No. 14] (the "Plan"). The Plan attempts to treat the Property and a secured claim for U.S. Bank under section 3.1 of the Plan.

(e) The Property is not the Debtor's residence. According to his Petition, the Debtor resides at 9 Marquette PI, Park Forest, Illinois 60466. Official Form 101 [Dkt. No. 1].

(f) The Debtor has scheduled the Property as having a value of $190,000.00. Official Form 106A/B [Dkt. No. 16] (the "Schedule A/B").[2]

(g) The Debtor has not scheduled any leases with respect to the Property. Official Form 106G [Dkt. No. 16] (the "Schedule G"). The Debtor reports no rental income on his schedules, with the Debtor identifying as self-employed and listing no other source of income. Official Form 106I [Dkt. No. 16] (the "Schedule I").

(h) The Debtor has, however, noted rental income of $1,700/month on his Chapter 13 Statement of Your Current Monthly Income and Calculation of Commitment Period, but noted no associated expenses or mortgage service with respect to that income on the form. Official Form 122C-1 [Dkt. No. 17] (the "Statement of Income").

(i) The Plan proposed to pay unsecured creditors $9,000.00 in total. Plan § 5.1.

(j) On September 15, 2025, U.S. Bank filed a claim secured against the Property in the chapter 13 case. Proof of Claim No. 13 (the "Claim"). In the Claim, U.S. Bank asserts

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[2] In that same Schedule A/B, the Debtor notes his interest in the Property is worth only $19,000.00. No further mention by the parties of partial ownership is made and the court therefore presumes this notation is an error, though it is pervasive throughout the Schedule. Were it true, the question of the Debtor's equity in the Property would be even simpler to answer than as discussed below. No set of calculations could result in the Debtor having equity in the Property.

an indebtedness owed to it as of the Petition Date of $221,904.87. The Debtor has not objected to the Claim.

(k) The Claim was not scheduled by the Debtor on his Schedule D, *see* Official Form 106D [Dkt. No. 16], and is not treated in the Plan. According to the loan documents attacked to the Motion, prepetition monthly debt service on the U.S. Bank loan would be $1,040.47.

The dispute in this matter centers around the status of the Property under state and federal law. As the bankruptcy case was commenced before the Foreclosure Sale was confirmed and a foreclosure deed was recorded, the Debtor's interest in the Property requires further consideration. However, it is first and foremost a motion for relief from stay, rather than an objection to confirmation of the Plan. As a result, the court takes up the matter in the context of the Motion before it.

THE MOTION

The Motion alleges that relief from stay is appropriate for essentially two reasons. The first is that the Property is not a part of the bankruptcy estate as it was properly sold to U.S. Bank at the Foreclosure Sale and cannot be treated under a bankruptcy plan. *Colon v. Option One Mortg. Corp.*, 319 F.3d 912 (7th Cir. 2003). As a result, the Motion argues that the Debtor has no right to cure any defaults owed to U.S. Bank. The second is that U.S. Bank is not adequately protected. Though not argued directly in the Motion, the Required Statement under Rule 4001-1(A) of the Local Rules of the United States Bankruptcy Court for the Northern District of Illinois (the "Required Statement") accompanying the Motion argued a third point, that there is no equity in the Property and that the Property is not necessary for an effective reorganization.

THE DEBTOR'S RESPONSE

The Debtor responds on a variety of grounds. First, the Debtor objects to U.S. Bank's interpretation of *Colon*, arguing that the case allows the Debtor to cure the default owed for the Property under his Plan because Illinois law requires a court order confirming the foreclosure sale under 735 ILCS 5/15–1508. As there has been no court order confirming the sale, the Debtor argues that he can still treat the Property in his Plan. Second, the Debtor argues that U.S. Bank failed to prove a lack of adequate protection or cause under section 362(d)(1) of the Bankruptcy Code due to the lack of evidence submitted in the Motion. Third, the Debtor argues that U.S. Bank has not adequately shown a lack of equity in the Property, contending that the Property is necessary to an effective reorganization as he is "prosecuting a §15-1508(b) challenge" in state court and that he can feasibly treat the claim in his Plan. Response, p. 4. Finally, the Debtor argues there were documented service irregularities that justify denying relief to U.S. Bank.

THE REPLY

In reply, U.S. Bank argues: (1) that because the Property is an investment property, and not a principal residence, and because courts have claimed that the foreclosure sale date is the cutoff date for a debtor to cure a default, then the debtor should not be able to cure the Property; (2) the required Illinois rule for foreclosure sales to get court confirmation is a ministerial step and not a necessary element; (3) there is no equity in the Property and it is not necessary for a reorganization; and (4) that the Debtor's dispute with the foreclosure process should be resolved in state court, not bankruptcy

court. The Reply also provides additional evidence to support the Motion, including the Judgment, the Report of Sale and Distribution and the Proof of Sending the Notice of Sale.

THE STANDARDS

Relief from stay is governed by the Bankruptcy Code itself. 11 U.S.C. § 362(d). The statute authorizes relief either where there exists "cause, including the lack of adequate protection" under section 362(d)(1), or where the debtor lacks equity in the property and the property is not necessary for an effective reorganization under section 362(d)(2). Although section 362(d) is phrased in mandatory terms, the bankruptcy court retains discretion in determining whether and to what extent relief is appropriate. *In re Williams*, 144 F.3d 544, 546 (7th Cir. 1998).

While a movant always bears the initial burden of bringing a facially plausible motion, *In re Bluberi Gaming Techs., Inc.*, 554 B.R. 841, 856 (Bankr. N.D. Ill. 2016) (Barnes, J.) ("In every matter before the court, regardless of what burdens may apply after, the movant bears the initial burden of demonstrating that it at least has a colorable claim to the relief it is requesting."), the burden of going forward is allocated between the parties by the Bankruptcy Code itself. The party requesting relief has the burden of establishing the lack of equity in any subject property, while the party opposing the relief bears the burden on all other issues. 11 U.S.C. § 362(g). U.S. Bank thus has the burden to establish a *prima facie* cause, with the burden shifting to the Debtor only once U.S. Bank has brought a facially plausible motion. *See In re Woods*, 517 B.R. 106, 116 (Bankr. N.D. Ill. 2014) (Barnes, J.).

In taking up the Motion, the court therefore first considers the applicable standards:

A. Cause under Section 362(d)(1)

Under section 362(d)(1), the stay may be lifted "for cause, including the lack of adequate protection of an interest in property of such party in interest." 11 U.S.C. § 362(d)(1). The term "cause" is not defined in the section, and whether cause exists is a fact-intensive inquiry determined on a case-by-case basis. *In re Betzold*, 316 B.R. 906, 915 (Bankr. N.D. Ill. 2004) (Schwartz, J.) (*citing In re Fernstrom Storage & Van Co.*, 938 F.2d 731, 735 (7th Cir. 1991)).

The only expressly included cause in section 362(d)(1) is lack of adequate protection. Adequate protection is addressed in the Bankruptcy Code and may be provided by cash payments, replacement liens, or other relief ensuring the creditor receives the "indubitable equivalent" of its interest. 11 U.S.C. § 361. The purpose of adequate protection is to protect against diminution in the value of a secured creditor's interest during the bankruptcy case. *See United Sav. Ass'n v. Timbers of Inwood Forest Assocs., Ltd.*, 484 U.S. 365 (1988). Generally, a debtor must provide adequate protection for any "potential harm that the creditor could reasonably sustain as a result of the debtor's possession and use" of the property, including potential damage to the collateral and depreciation from mileage, wear, and tear. *In re Coleman*, 229 B.R. 428, 432 (Bankr. N.D. Ill. 1999) (Schmetterer, J.) (quotation omitted). Adequate protection may be shown where "(1) the value of the property is stable; (2) the property is insured and well-maintained; and (3) the debtor is current with postpetition payments to the creditor." *In re Cadwell's Corners P'ship*, 174 B.R. 744, 761 (Bankr. N.D. Ill. 1994) (Katz, J.). In considering whether cause exists for an alleged lack of adequate protection, the court must balance the interests of the debtor and the secured creditor in its collateral. *In re Bovino*, 496 B.R. 492, 502 (Bankr. N.D. Ill. 2013) (Barnes, J.).

B. Equity and Necessity for an Effective Reorganization under Section 362(d)(2)

Section 362(d)(2) directs the court to grant relief if (i) the debtor has no equity in the property and (ii) the property is not necessary for an effective reorganization. As noted above, the movant bears the burden to establish the debtor's lack of equity. 11 U.S.C. § 362(g)(1); *Fed. Nat'l Mortg. Ass'n v. Dacon Bolingbrook Assocs. Ltd. P'ship*, 153 B.R. 204, 208 (N.D. Ill. 1993); *In re Standfield*, 152 B.R. 528, 534 (Bankr. N.D. Ill. 1993) (Squires, J.). As a properly filed proof of claim constitutes *prima facie* evidence of validity and amount of that claim, Fed. R. Bankr. P. 3001(f), if no objection has been raised to a claim, 11 U.S.C. 502(a) (an unobjected to claim is deemed allowed), no further inquiry into the claim's validity and amount is required. *In re Midway Airlines, Inc.*, 167 B.R. 880, 883 (Bankr. N.D. Ill. 1994) (Squires, J.).

The party opposing the relief requested bears all other burdens, including the burden of showing the property is necessary for an effective reorganization. 11 U.S.C. § 362(g)(2). To meet this standard, such a party must demonstrate a "reasonable possibility of a successful reorganization within a reasonable time." *Timbers*, 484 U.S. at 376.

DISCUSSION

The Motion seeks relief from the automatic stay for the Property in what are essentially two tranches of arguments. First, U.S. Bank argues that the Property is not part of the estate, with the automatic stay therefore not being applicable. Second, U.S. Bank argues that if the Property is part of the estate, the stay should be lifted. The Motion specifically asserts a lack of adequate protection and that there is both no equity in the Property and the Property is not necessary for an effective reorganization. The court will consider each argument in turn.

A. Is the Property Part of the Bankruptcy Estate?

The automatic stay protects actions against both the debtor and property of the bankruptcy estate. Relief from stay is available only if the stay applies, and that threshold question turns first on whether the Property is part of the bankruptcy estate. 11 U.S.C. § 362(a)(1)–(3). Property of the estate is defined as "all legal or equitable interests of the debtor in property as of the commencement of the case." 11 U.S.C. § 541(a)(1).

Though the estate succeeds only to the interests the debtor actually held as of the petition date, section 541 is intended to be interpreted broadly, encompassing "all kinds of property, including tangible or intangible property." *United States v. Whiting Pools, Inc.*, 462 U.S. 198, 205 n.9 (1983); *In re Yonikus*, 996 F.2d 866, 869 (7th Cir. 1993) (recognizing that "virtually all property of the debtor" becomes property of the estate, and that "[t]he term 'property' has been construed most generously") (quoting *Segal v. Rochelle*, 382 U.S. 375, 379 (1966). Although the question of whether an interest is "property of the estate" is a matter of federal law, courts look to state law to determine whether and to what extent the debtor has any legal or equitable interest in the property as of the petition date. *Yonikus*, 996 F.2d at 869 (*citing Butner v. United States*, 440 U.S. 48, 55 (1979); *In re Jones*, 768 F.2d 923, 927 (7th Cir. 1985)).

The key inquiry is whether, as of the Petition Date, the Debtor retained any legal or equitable interest in the Property. Even a partial, residual, or contingent interest suffices to bring the property within section 541. Here, relying on *Colon*, U.S. Bank contends that the Debtor held no remaining

interest in the Property as of the Petition Date as the Property had been sold at a judicial foreclosure sale before the bankruptcy filing, removing the Debtor's right to cure. *Colon*, 319 F.3d at 921. U.S. Bank further contends that the subsequent state-court confirmation was a mere ministerial act, such that all of the Debtor's rights were extinguished prior to the Petition Date. In contrast, though the Debtor admits that *Colon* limits a debtor's state law right to cure after a foreclosure sale, he contends that a debtor retains the rights afforded him or her under the Bankruptcy Code. The Debtor argues that Illinois law—requiring judicial confirmation under 735 ILCS 5/15-1508(b)—preserves the title and possessory interests of a debtor until the confirmation occurs, meaning the Property remained within the bankruptcy estate as of the Petition Date.

The Court agrees with the Debtor on this point. Under Illinois law, a foreclosure sale is not final until confirmed by a state-court order pursuant to 735 ILCS 5/15-1508(b). The confirmation process serves a substantive function, empowering the state court to ensure that the sale was conducted in accordance with state law. The Illinois statute permits the state court to deny confirmation if (1) notice was improper, (2) the sale terms were unconscionable, (3) the sale involved fraud, or (4) "justice was otherwise not done." 735 ILCS 5/15-1508(b). Confirmation of a foreclosure sale is therefore not a ministerial act. If confirmation were purely ministerial, this statutory safeguard would be meaningless.

Even in *Colon*, the Seventh Circuit acknowledged that under Illinois law, a foreclosure sale is not legally complete until confirmed by the state court. 319 F.3d at 918. The court quoted *Citicorp Savings of Illinois v. First Chicago Trust Co. of Illinois*, 645 N.E.2d 1038, 1045 (Ill. App. Ct. 1995) for the principle that "the highest bid received by a sheriff at a judicial sale is merely an irrevocable offer to purchase the property and acceptance of the offer takes place when the court confirms the sale." *Id.* The court further cited similar Illinois appellate decisions, *see id.*; each holding that "a foreclosure sale is not final until it is confirmed, an action which rests within the circuit court's discretion." *Grubert v. Cosmopolitan Nat'l Bank of Chicago*, 645 N.E.2d 560 (Ill. App. Ct. 1995); *Commercial Credit Loans, Inc. v. Espinoza*, 689 N.E.2d 282 (Ill. App. Ct. 1997), *Fleet Mortgage Corp. v. Deale*, 678 N.E.2d 35 (Ill. App. Ct. 1997).

While the *Colon* court held that the right to cure terminates when the foreclosure sale occurs, it did not hold that the debtor loses all state-law interests prior to confirmation. *Colon*, 319 F.3d at 919. *Colon* itself acknowledged that after the auction, the purchaser's rights remain "presumptive" and contingent on judicial confirmation, and that title "does not revest in [the purchaser] until the deed actually issues." *Id.* at 919–21 (*quoting Van Fleet v. Van Fleet*, 467 N.E.2d 592, 595, (Ill. App. Ct. 1984). There can be no question therefore that, even under *Colon*, prior to the confirmation of a foreclosure sale, a debtor possesses interests that constitute property of the estate under section 541 and are therefore subject to the automatic stay's provisions in section 362.[3]

Where the issue lies is in the *Colon* court's conclusion that, in light of there being no right cure, such property may not be treated under section 1322(c)(1) of the Bankruptcy Code. This conclusion is at odds with the Seventh Circuit's later decisions addressing the scope of section 1322(c)(1). In *LaMont*, the Seventh Circuit held that before expiration of the redemption period, "a property subject to a Certificate of Purchase still belongs to the delinquent taxpayer, legally and equitably," and that a

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[3] As neither party has addressed the possible effect of section 541(d) of the Bankruptcy Code, the court does not consider that issue here.

purchaser's attempt to obtain possession violates the automatic stay. *In re LaMont*, 740 F.3d 397, 406, 410 (7th Cir. 2014) (*citing Smith v. SIPI, LLC (In re Smith)*, 614 F.3d 654, 658-59 (7th Cir. 2010) ("*Smith I*")). Similarly, in *Smith v. SIPI, LLC (In re Smith)*, 811 F.3d 228 (7th Cir. 2016) ("*Smith II*"), the court held that a tax sale transfers only a certificate, not ownership, and that title passes to the purchaser only when the deed is issued, at which point the debtor's ownership rights are terminated. The Seventh Circuit made clear in these cases that a debtor may treat such property under section 1322(c)(1) irrespective of the loss of any redemption rights under state law. Treatment under section 1322(c)(1) is *not* redemption or cure. *LaMont*, 740 F.3d at 409 ("The plan is treating his secured claim, *not* formally redeeming the property.").

These principles have been considered at length by this court. *See, e.g.*, *In re Robinson*, 577 B.R. 294 (Bankr. N.D. Ill. 2017) (Barnes, J.) (tax purchasers' rights remain contingent until a deed issues and that the debtor may treat those claims in chapter 13); *In re Woodruff*, 600 B.R. 616 (Bankr. N.D. Ill. 2019) (Barnes, J.) (even contingent or speculative interests fall within the reach of section 541).

Accordingly, while *Colon* is clear that a debtor may not cure a default under section 1322(c)(1), *LaMont*, *Smith I* and *Smith II* make clear that a debtor's ability to treat a property under section 1322(c)(1) is not contingent on such rights. As Illinois law expressly requires a judicial confirmation order before the title to the foreclosed property passes, 735 ILCS 5/15-1508(b), the Property here is property of the estate and appears to be treatable under section 1322(c)(1).

This is, however, a motion for relief from stay and not an objection to confirmation of the Plan. "Hearings to determine whether the stay should be lifted are meant to be summary in character. The statute requires that the bankruptcy court's action be quick." *In re Vitreous Steel Prods. Co.*, 911 F.2d 1223, 1232 (7th Cir. 1990). It is not, therefore, appropriate to make binding determinations under section 1322(c)(1) in this context. Instead, the court simply concludes that the automatic stay under section 362(a) is applicable to the Property for the reasons discussed above.

B. Should Relief from Stay be Granted?

Perhaps anticipating this result, U.S. Bank also seeks relief from the stay under section 362(d), making assertions under both section 362(d)(1) and section 362(d)(2). The standards for each of these sections are discussed above. In relation to the Motion itself, the court will take up each, in turn.

1. *Section 362(d)(1)*

The primary question under section 362(d)(1) is whether the Plan affords U.S. Bank adequate protection as, other than the gating question of whether the Property is property of the estate, U.S. Bank asserts no other cause.[4] The argument that the Property may not be treated in the Debtor's bankruptcy does not fit well as other "cause" under section 362(d)(1), as, if the argument were to

[4] For the sake of completion, U.S. Bank's argument that it is being injured by the automatic stay might also, in a very attenuated way, fit as a possible cause under section 362(d)(1). That said, injury, quite simply, is not a factor for consideration under section 362 and this is thus a throwaway argument. The stay by its very nature is injurious to creditors. Such an injury does not constitute other cause under section 362(d)(1). If it did, virtually every creditor would have cause for relief from stay, undermining the very statutory protections awarded by Congress. There is good reason that the stay is automatic and not subject to the gating criteria of injunctive relief. The court affords this argument no further consideration.

succeed, then the automatic stay would not apply. It cannot, therefore, be a cause for relief from stay, as the stay must first apply for the section to be considered.

As to adequate protection, the court normally looks first in such inquiries to the Required Statement discussed above. But U.S. Bank did not comply with this Rule by failing to complete the Required Statement with respect to its adequate protection allegations, thus failing to quantify the amount claimed for adequate protection or what grounds it argued for adequate protection. The Debtor notes this failure and states further that the Motion supplied no evidence of specific adequate protection concerns, such as evidence of postpetition decline, depreciation, or risk to the collateral, no postpetition payment history and no competent valuation of the Property to sufficiently support "cause" or "value" of the Property. As such, the Debtor asserts that U.S. Bank has failed to meet its initial burden of proof under section 362(d)(1).

While this may be the case, the burden of establishing adequate protection under section 362 does not fall on the movant. It falls on the Debtor. 11 U.S.C. § 362(g). As a result, the court needs only to first determine whether the Motion meets its initial burden of plausibility. If it does, then the court must determine whether the Debtor has met his burden of going forward on this issue.

While it is not the court's task to find supporting evidence to make U.S. Bank's argument, *see United States v. Dunkel,* 927 F.2d 955, 956 (7th Cir. 1991) (noting that courts are not required to "hunt for truffles buried in briefs" and should not construct arguments or search the record on a party's behalf), nor is U.S. Bank's task to meet a burden that falls on the Debtor. Thus, while the court finds no evidence in the documents affixed to the Motion about diminished collateral, insurance issues, or the like, what is clear to the court is that the Debtor's Plan provides nothing by way of adequate protection to U.S. Bank. U.S. Bank's *prima facie* argument thus succeeds in this aspect, irrespective of its shoddy compliance with the Local Rules.

The Debtor, for his part, provides no evidence that the Property is insured, maintained, or otherwise protected. His objection merely reiterates that U.S. Bank's motion lacks evidence, yet provides none to meet his burden—no proof of payments, no insurance policy, and no appraisal supporting stable value. In this sense, even accepting the Debtor's contention that U.S. Bank's filing was thin, the Debtor has not met his burden under section 362(g)(2) to show that U.S. Bank's interest is adequately protected. U.S. Bank has therefore established cause for relief from stay under section 362(d)(1). While this alone is sufficient to grant relief from the automatic stay, the court will also consider U.S. Bank's arguments under section 362(d)(2).

2. *Section 362(d)(2)*

As noted above, there are two factors that must be satisfied for U.S. Bank to succeed under section 362(d)(2). The court will discuss each, in turn.

a) Equity in the Property

Though the Debtor has requested an evidentiary hearing on this issue, as noted above, relief from stay determinations are summary proceedings. *Vitreous Steel*, 911 F.2d at 1232; *In re Boomgarden*, 780 F.2d 657, 660 (7th Cir. 1985). As "[t]he guarantees of due process call [only] for a 'hearing appropriate to the nature of the case,'" *United States v. Raddatz*, 447 U.S. 667, 677 (1980) (*citing Mullane*

v. Central Hanover Bank & Trust Co., 339 U.S. 306, 313 (1950)), an evidentiary hearing is not generally required to satisfy due process concerns in such proceedings.

Even if an evidentiary hearing were appropriate, such a hearing would only be conducted if there existed a genuine dispute as to a material fact. Where, as here, the admissions by a debtor under penalty of perjury in his or her schedules and a creditor's presumptively valid claim together show that the total debt exceeds the value of the property, the court need not inquire further into equity as that fact is not in genuine dispute.

The Debtor's own Schedules are evidentiary in nature. *See, e.g.*, Fed. R. Bankr. P. 3003(b)(1) ("[a]n entry on the schedule of liabilities . . . is *prima facie* evidence of the validity and amount of a creditor's claim"); *In re Spiegel*, Case No. 22 C 1559, 2025 WL 358972, at *7 (N.D. Ill. Jan. 30, 2025) (same); *In re Neighborhood Barre, LLC*, 596 B.R. 667, 673 (Bankr. N.D. Ill. 2019) (Schmetterer, J.) (as to a debtor's schedules as a whole). The Debtor scheduled the Property with a value of $190,000.00. While the Debtor might be able to establish a higher value by the submission of evidence in the Debtor's favor, *In re Cobb*, 56 B.R. 440, 442 (Bankr. N.D. Ill. 1985) (Ginsberg, J.), the Debtor has offered no such evidence. Thus, the Debtor's admitted value of $190,000.00 is the Debtor's position on value for the purpose of the Motion.

U.S. Bank, on the other hand, has offered evidence beyond simply that of the admissions contained in the Debtor's Schedules. It has submitted a broker's price opinion from 2025 that shows a probable sales price ranging from $140,000.00 to $145,000.00 for the Property. Reply, Ex. B. Further, U.S. Bank notes that the Foreclosure Sale conducted in accordance with the State Court's Judgment generated a high bid of $130,000.00. Reply, Ex. C. As a sale constitutes a market test of the Property's value, *see BFP v. Resolution Tr. Corp.*, 511 U.S. 531, 536 (1994), this is strong evidence of the Property's value.

Under the foregoing considerations, no evidentiary hearing on the Property's value is necessary or appropriate. The court will accept that $190,000.00, the amount most beneficial to the Debtor, is the value of the Property for these purposes.

Equity is, however, a netting calculation of gross value as against claims. The burden of establishing the amount of the claims to be netted, being a part of the overall issue on which U.S. Bank bears both the initial burden and the burden of going forward, falls squarely on U.S. Bank.

As to this issue, U.S. Bank has provided the Judgment of the State Court, under which the State Court determined a total debt owed by the Debtor to U.S. Bank of $185,830.06. Reply, Ex. A. This is not only strong evidence of U.S. Bank's claim against the Property at that time, but such a determination is binding on this court. *See Anderson v. City of Blue Island*, 917 F.3d 566, 571–72 (7th Cir. 2019) (federal courts must give state-court judgments the same preclusive effect they would receive in that state). The State Court could not have ordered foreclosure without such a determination. As a claim against property, even if exclusively *in rem*, is a valid basis for asserting a claim in a debtor's bankruptcy, *Johnson v. Home State Bank*, 501 U.S. 78, 84–85 (1991) (a mortgage lien surviving bankruptcy is a "claim" enforceable against the debtor's property); *Woodruff*, 600 B.R. at 627, even if the Judgment does not bind this court, the Claim predicated on that Judgment, unless and until objected to, constitutes *prima facie* evidence of the validity and amount of the claim. Fed. R. Bankr. P. 3001(f); *see In re Rosebud Farm, Inc.*, 660 B.R. 222, 253 (Bankr. N.D. Ill. 2024) (Barnes, J.), *aff'd sub nom. Longo & Assocs., Ltd. v. Moglia as trustee for Rosebud Farm, Inc.*, Case No. 18 B 24763, 2025 WL 849615

(N.D. Ill. Mar. 18, 2025); *see also* 11 U.S.C. § 502(a). As noted above, U.S. Bank's Claim is asserted at $221,904.87. The Debtor has not objected to that Claim and, as such, the Claim is *prima facie* evidence that U.S. Bank is owed $221,904.87.

Taking the highest value of the Property before the court ($190,000.00) and the lowest value of the Claim as set by the Judgment ($185,830.06) does not give rise to a genuine issue of material fact as to whether there exists equity in the Property. The Judgment was issued on March 5, 2025, and has not been paid. The bankruptcy case was commenced on June 6, 2025. Under Illinois law, unpaid judgments accrue interest at the rate of 6% per annum. 735 ILCS 5/2-1303. As such, the unpaid Judgment had accrued interest of approximately $2,750.00 on the Petition Date. Secured claims, however, may continue to accrue interest on a postpetition basis, up to the value of the property on which the security exists. 11 U.S.C. § 506(b). As a result, as of today, an additional nearly $5,000.00 in interest would have accrued, but for capping it at the value of the Property. There is little doubt that, even taking the numbers most favorable to the Debtor, there is no equity in the Property. The calculation is worse if the court takes the unobjected to Claim ($221,904.87) at face value. There is, therefore, quite simply no reason to conduct an evidentiary hearing on this issue. There is no equity in the Property. Accordingly, the first element for relief under section 362(d)(2)—lack of equity—is satisfied.

b) Necessity for an Effective Reorganization

The second element of section 362(d)(2) is whether the Property is necessary for an effective reorganization. Under section 362(g), the Debtor, as the party opposing relief, bears the burden of going forward on this issue. U.S. Bank, as the movant, must nonetheless bear the initial burden of presenting a motion that is plausible on its face. To defeat a motion, "[w]hat this requires is not merely a showing that if there is conceivably to be an effective reorganization, this property will be needed for it; but that the property is essential for an effective reorganization that is in prospect." *Timbers*, 484 U.S. at 375–76.

Here, there can be no question that U.S. Bank has met its initial burden, simply on the undisputed facts in the case. The Debtor does not reside at the Property; thus, there is no need to extend the meaning of necessity beyond its pure economic terms. The Property is an investment property that is not accretive to the bankruptcy estate. The Debtor's Schedules confirm that no income is derived from the Property—Schedule I reflects no reported rental income and has listed no leases on Schedule G. These Schedules are contradicted by the Debtor's Statement of Income, where he alleges $1,700/month in rental income. In order to pay the Claim within the applicable period of the Plan, however, the Debtor would be required to pay over $3,600/month to U.S. Bank, far in excess of the income he has available to make such payments. At the same time, the Debtor has by the court's claims records over $157,995.17 in unsecured debt which, according to his Plan, he intends to pay only $9,000.00.

Further, the most damning evidence against property being necessary for an effective reorganization is when a debtor presents a plan that does not rely on that property. Here, as U.S. Bank makes clear, the Debtor's Plan does not rely in any way on whether the Debtor retains ownership in the Property. To pay U.S. Bank, the Debtor would have to divert funds available to pay his other creditors. As it stands, the Debtor's nonrental income is more than sufficient to pay the $600/month he intends to pay his unsecured creditors. Were the Property removed from the Plan, the Debtor

could greatly increase his monthly payment and the distribution to the Debtor's unsecured creditors would improve.

The facts of the Debtor's case are clear. The Debtor does not need the Property and nor do the Debtor's creditors. At the same time, retaining the Property is harmful to the recovery of creditors. There can be no doubt that U.S. Bank has met both its initial burden and its burden of going forward.

None of the arguments that the Debtor raises in opposition to the Motion change this conclusion. It is the Debtor's burden to show that there is a possibility of an effective reorganization. While such determinations are considered in light of the stage of the case, *Cadwell's Corners*, 174 B.R. at 759 (*citing Timbers*, 484 U.S. at 376); *In re Ashgrove Apts. of DeKalb Cnty.*, Ltd., 121 B.R. 752, 756 (Bankr. S.D. Ohio 1990), even in light of the relatively early stage of this case, three months is more than sufficient time for a debtor to at the very least propose a plan that facially satisfies section 362(d). The Debtor is well aware of this issue as the Motion has been pending for most of that time. Despite this, the Debtor has simply not presented a plan for which the Property is necessary.

While the Debtor argues that the Property is necessary as he is pursuing loss-mitigation and a challenge under section 15-1508(b) of the Illinois foreclosure law for "justice not otherwise done," if the Debtor is not precluded under Illinois law from pursuing these remedies, nothing resulting from stay relief would change that result. Relief from stay simply removes a barrier to state court adjudication, it does nothing to change the parties' relative rights under state law. The State Court, the court best situated to hear such nuanced state law issues, would be able to determine whether staying U.S. Bank's remedies is warranted.

Further, this court agrees with those courts that have held that where the sole or main asset of the debtor is a litigation claim, there is no reasonable likelihood of rehabilitation. *See, e.g.*, *In re FRGR Managing Member LLC*, 419 B.R. 576, 581 (Bankr. S.D.N.Y. 2009). The Supreme Court has made clear that to succeed under section 362(d)(2), the party opposing the relief requested bears the burden of showing that the property is essential to an effective reorganization that is "in prospect"—meaning there must be "a reasonable possibility of a successful reorganization within a reasonable time." *Timbers*, 484 U.S. at 375–76. Merely asserting that the Property could conceivably be useful, or that ancillary proceedings may occur, does not satisfy this burden. *See id.* Without evidence of a feasible and timely reorganization plan, the Debtor's contentions fall short of demonstrating that the Property is necessary to an effective reorganization as required by section 362(d)(2).

Reorganization cannot rest on conjecture. While the Debtor suggests that future income might be generated from the Property, such speculation does not establish necessity for reorganization. If circumstances later change and should the Debtor retain his interest in the Property, the Plan can be modified to address those then present circumstances. Stay relief does not change that. The circumstances present that this time do not meet the Debtor's burden on this issue. The Property is not presently necessary to an effective reorganization.

Accordingly, as the Property lacks equity and is not necessary for an effective reorganization, relief from the automatic stay is warranted under section 362(d)(2).

CONCLUSION

For all of the foregoing reasons, the Motion is therefore GRANTED. U.S. Bank is not correct, however, the 14-day stay under Bankruptcy Rule 4001(a)(4) should not apply unless the Debtor establishes cause supporting that stay. This flips the burdens and the wording of the Rule. The presumption is that the 14-day stay will apply absent a showing of cause sufficient to alter it, and the court sees nothing in the arguments raised by U.S. Bank sufficient to overcome the default condition that the stay applies. This Decision and Order will be stayed for fourteen days pursuant to Bankruptcy Rule 4001(a)(4).

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Judge Timothy A. Barnes
United States Bankruptcy Court