

MAR 17 2026

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U.S. BKCY. APP. PANEL
OF THE NINTH CIRCUIT

ORDERED PUBLISHED

**UNITED STATES BANKRUPTCY APPELLATE PANEL
OF THE NINTH CIRCUIT**

In re: CLAUDIA L. RAMIREZ, Debtor.	BAP No. AZ-25-1000-SCB Bk. No. 2:23-bk-09249-DPC
CLAUDIA L. RAMIREZ, Appellant, v. RIVER FLOW FUNDING, LLC, Appellee.	OPINION

Appeal from the United States Bankruptcy Court
for the District of Arizona
Daniel P. Collins, Bankruptcy Judge, Presiding

Before: SPRAKER, CORBIT, and BRAND, Bankruptcy Judges.

APPEARANCES

Adam E. Hauf of Hauf Law PLC argued for appellant; Kristin A. Zilberstein of ZBS Law, LLP argued for appellee.

SPRAKER, Bankruptcy Judge:

INTRODUCTION

Claudia L. Ramirez and her husband jointly filed chapter 7¹

¹ Unless specified otherwise, all chapter and section references are to the Bankruptcy Code, 11 U.S.C. §§ 101–1532, and all “Rule” references are to the Federal Rules of Bankruptcy Procedure.

bankruptcy in 2008. Each received a discharge. The chapter 7 resulted in a small dividend paid to their creditors. In preparation for that distribution, the chapter 7 trustee objected to the proof of claim filed by the secured creditor holding the second note and deed of trust against their residence, to require the creditor to recover from its collateral rather than participate in the distribution. The secured creditor did not oppose the objection, and the bankruptcy court “disallowed” its claim.

In 2023, Ms. Ramirez filed a chapter 13 bankruptcy. River Flow Funding, LLC currently holds the second note and is the current beneficiary under the second deed of trust. Ramirez objected to River Flow’s proof of secured claim on the basis that the debt was previously disallowed in her chapter 7. The bankruptcy court overruled her claim objection.

On appeal, Ramirez argues that the limitations period for enforcing the underlying debt has expired. But this argument hinges on her meritless contention that River Flow’s predecessors in interest accelerated the underlying debt in the first bankruptcy. None of the acts Ramirez relies on qualify as an affirmative and clear act of acceleration of the subject debt under Arizona law.

Ramirez also argues that the bankruptcy court erred when it overruled her current claim objection based on her understanding that the claim disallowance order entered in the first bankruptcy extinguished the underlying debt and § 506(d) required the court to void the second deed of

trust. But Ramirez misreads the claim disallowance order. Both the chapter 7 claim objection and the resulting disallowance order were premised on the *validity* of the second note and deed of trust. That order was meant to merely require the secured creditor to look to its collateral rather than the bankruptcy estate to satisfy its secured claim. Because the bankruptcy court did not err in its interpretation of its prior order, claim preclusion does not support Ramirez’s current attempt to disallow the secured claim. Nor does § 506(d) apply as the claim disallowance order did not “disallow” the claim but rather required the creditor to seek recovery of that claim from its collateral.

We publish to focus attention on the issues that can arise when bankruptcy courts use the term “disallowed” to dispose of claim objections that merely seek to limit the secured creditor to its collateral for satisfaction of its claim rather than to adjudicate allowance under § 502(b).

Accordingly, we AFFIRM the bankruptcy court’s order overruling Ramirez’s claim objection in her chapter 13 case.

FACTS²

A. IndyMac’s loans to Ramirez.

In December 2006, IndyMac made two loans to Ramirez. The first loan was memorialized by a \$268,168 note secured by a first deed of trust.

² We exercise our discretion, when appropriate, to take judicial notice of documents electronically filed in the underlying bankruptcy case and in the Ramirezes’ prior case. See *Atwood v. Chase Manhattan Mortg. Co. (In re Atwood)*, 293 B.R. 227, 233 n.9 (9th Cir. BAP 2003).

The second loan was memorialized by a \$67,042 note secured by a second deed of trust. Both loans are secured by Ramirez's residence located in Laveen, Arizona, which she jointly owns with her spouse. The first loan and deed of trust are only tangentially relevant to this appeal.

B. The first bankruptcy.

Ramirez and her husband jointly filed their voluntary chapter 7 petition in October 2008. In their schedules, they listed IndyMac as the secured creditor on the first and second loans. IndyMac moved for relief from stay shortly after the bankruptcy was filed to foreclose on the first note and deed of trust. The motion stated that the senior debt secured by the first deed of trust had been accelerated and the principal amount owing was \$273,680.71 at the time of the motion. The motion referenced the second note and deed of trust—but only as part of its argument that the debtors lacked equity in their residence under § 362(d)(2)(A). The bankruptcy court entered an order granting the relief from stay motion in July 2009, though it is unclear what, if anything, happened to the first note and deed of trust thereafter.

IndyMac conveyed its interest in the junior loan to Deutsche Bank National Trust Company, as trustee for a certain pool of mortgage-backed securities (“Deutsche Bank”). In September 2009, Specialized Loan Servicing, LLC, acting as the attorney in fact for Deutsche Bank, filed a proof of secured claim in the amount of \$66,307.75. Specialized Loan Servicing later amended its proof of claim to present additional supporting

documentation. The chapter 7 trustee objected to both Deutsche Bank's initial and amended proof of claim on the basis that: "Said claimant asserts a lien on certain property of the debtor's estate and said claimant has or should have looked to said property for payment of the debt thereby secured." The trustee asked that the proof of claim be disallowed solely on this ground. After the claimant failed to respond, the court entered an order disallowing the claim. The trustee fully administered the bankruptcy estate and closed the case in November 2010.

C. The second bankruptcy and Ramirez's claim objection.

In December 2023, Ramirez filed her individual chapter 13 petition. In her schedules, she again listed two loans secured by her residence. Neither debt was listed as disputed, but she identified the amount of the second debt as \$0.00.

River Flow filed a proof of claim and an amended proof of claim as Deutsche Bank's successor in interest under the second note and deed of trust. The amended claim included a copy of the note indorsed in blank and an unbroken chain of assignments of the second deed of trust from the original beneficiary to River Flow. Both proofs of claim identified the loan as fully matured as of February 1, 2022. Additionally, the attached loan history stated that the date of first default on the loan occurred on January 1, 2018, but there is nothing in either claim indicating that the second loan had been accelerated.

Ramirez objected to River Flow's claim on multiple grounds. She first

argued that the order disallowing the claim entered in her first bankruptcy barred River Flow's current proof of claim under the doctrine of claim preclusion. As she put it, her "personal liability" to any creditor claiming under the second note and deed of trust "was eliminated" when the order was entered in her first bankruptcy disallowing Deutsche Bank's proof of claim.³

Ramirez further argued that a six-year statute of limitations applied to enforcement of both the note and deed of trust and had long expired. Ramirez acknowledged in her original claim objection that under the theory of "continuous breach," every time a debtor failed to make a contractually-obligated payment on an unaccelerated debt, a new cause of action arose in favor of the creditor. However, she contended that Deutsche Bank's proof of claim filed in her first bankruptcy constituted a demand for immediate payment of the full stated amount of the claim that accelerated the debt.

River Flow opposed the claim objection. As for claim preclusion, it asserted that the doctrine did not apply because there was neither an identity of claim, nor an identity of parties. With respect to the statute of limitations, River Flow disputed that anything said or included in the proof of claim filed in the first bankruptcy qualified as an acceleration of the debt.

³ Ramirez also argued that one or more of the assignments of the second deed of trust were invalid, and that River Flow had miscalculated the amount of its claim, but she has abandoned these arguments on appeal.

In her reply, Ramirez focused on the proof of claim filed in the first bankruptcy rather than the chapter 7 trustee's claim objection. She insisted that claim was identical to the claim asserted by River Flow in her current bankruptcy. She further maintained that there was sufficient identity between her interests and those of the chapter 7 trustee in the first bankruptcy to conclude that she was in privity with the chapter 7 trustee. As for her statute of limitations argument and the alleged acceleration of the debt, she equated the filing of a proof of claim with a demand for full payment. According to Ramirez, the two were the same.

D. The bankruptcy court's order overruling the claim objection and Ramirez's post-judgment motion.

After holding a hearing, the bankruptcy court entered an order overruling the claim objection. The court's order only specifically addressed the acceleration/limitations argument. Ramirez then moved the court to amend the judgment or make additional findings addressing the claim preclusion argument. As part of its opposition to the motion to amend, River Flow submitted a declaration from the former chapter 7 trustee in the first bankruptcy. She confirmed that the sole ground and purpose of her claim objection was to require the lender to look to their collateral for satisfaction of the debt. The chapter 7 trustee stated that the secured creditor: "had no secured interest in the funds on hand which came from tax refunds and wages. I did not liquidate the real property; therefore, the Creditor should look to its collateral for payment. The Estate

would not pay the secured Proof of Claim No 15 with the funds on hand.”

Ramirez filed a reply in support of her motion that argued for the first time that River Flow’s lien was void under § 506(d).

E. The bankruptcy court’s amended order overruling Ramirez’s claim objection.

The court held a hearing on the motion to amend and afterwards revised its order overruling Ramirez’s claim objection. The analysis of the acceleration/limitations issue remained unchanged, but the court added a detailed explanation why claim preclusion did not apply. It also rejected Ramirez’s argument that River Flow’s lien had been voided pursuant to section 506(d). The court initially reasoned that Rule 7001(2) requires commencement of an adversary proceeding to determine the validity of a lien. The court observed that absent a successful adversary proceeding to void a lien, it remains intact. The amended order also recognized that the chapter 7 trustee in the first bankruptcy case never challenged the allowance of the claim as secured. The court reasoned that the original order only disallowed the unsecured portion of the claim. The court ultimately concluded: “In effect, the Disallowance Order placed Deutsche in the position of a secured creditor who did not file a proof of claim. Therefore, River Flow’s lien claim falls under the § 506(d)(2) exception.”

Ramirez timely appealed the amended order.

JURISDICTION

The bankruptcy court had jurisdiction under 28 U.S.C. §§ 1334 and

157. We have jurisdiction under 28 U.S.C. § 158.

ISSUES

1. Whether filing the proof of claim in the first bankruptcy accelerated the debt arising from the second note and deed of trust, thereby causing the applicable limitations period to run for enforcement of the entire debt.
2. Whether the claim disallowance order entered in the first bankruptcy case precludes River Flow from asserting its secured claim in the second bankruptcy case.
3. Whether the claim disallowance order entered in the first bankruptcy case effectively voided the lien arising from the second deed of trust under § 506(d).

STANDARDS OF REVIEW

The issues regarding acceleration of the debt and the expiration of the limitations period require us to construe and apply state law, which we review de novo. *See Collect Access LLC v. Hernandez (In re Hernandez)*, 483 B.R. 713, 719 (9th Cir. BAP 2012).

“We review rulings regarding rules of res judicata, including claim and issue preclusion, de novo as mixed questions of law and fact in which legal questions predominate.” *Khaligh v. Hadaegh (In re Khaligh)*, 338 B.R. 817, 823 (9th Cir. BAP 2006) (citing *Robi v. Five Platters, Inc.*, 838 F.2d 318, 321 (9th Cir. 1988)), *aff’d*, 506 F.3d 956 (9th Cir. 2007). We also review de novo the bankruptcy court’s construction and application of § 506(d).

HSBC Bank USA, N.A. v. Blendheim (In re Blendheim), 803 F.3d 477, 489 (9th

Cir. 2015).

Under de novo review, “we consider a matter anew, as if no decision had been made previously.” *Francis v. Wallace (In re Francis)*, 505 B.R. 914, 917 (9th Cir. BAP 2014).

We review the bankruptcy court’s interpretation of its own orders for an abuse of discretion. *Rosales v. Wallace (In re Wallace)*, 490 B.R. 898, 905 (9th Cir. BAP 2013) (citing *Arenson v. Chi. Mercantile Exch.*, 520 F.2d 722, 725 (7th Cir. 1975)). A bankruptcy court abuses its discretion if it applies the wrong legal standard or its findings are illogical, implausible, or without support in the record. *TrafficSchool.com, Inc. v. Edriver Inc.*, 653 F.3d 820, 832 (9th Cir. 2011).

DISCUSSION

A. The bankruptcy court correctly held that no action taken in the first bankruptcy accelerated Ramirez’s debt under the second note and deed of trust.

In her claim objection filed in the chapter 13 case, Ramirez argued that River Flow’s proof of claim was barred by the applicable six-year statute of limitations, *see* Ariz. Rev. Stat. Ann. (“A.R.S.”) § 12-548 (2025).⁴ In the bankruptcy court, Ramirez acknowledged that under Arizona’s theory of “continuous breach,” every time a debtor fails to make timely payment

⁴ In relevant part, this statute provides: “An action for debt shall be commenced and prosecuted within six years after the cause of action accrues, and not afterward, if the indebtedness is evidenced by or founded on . . . [a] contract in writing that is executed in this state.” A.R.S. § 12-548(A)(1).

on an *unaccelerated* debt, a new cause of action accrues. See *Ortiz v. Trinity Fin. Servs. LLC*, 98 F. Supp. 3d 1037, 1042 (D. Ariz. 2015). However, Ramirez contends that actions taken by River Flow's predecessor(s) in interest during the first bankruptcy accelerated the debt on the note now held by River Flow. She therefore posits that River Flow's entire claim is unenforceable because the six-year limitations period expired in or around 2015—six years after River Flow's predecessors allegedly accelerated the debt in Ramirez's first bankruptcy. She contends that the bankruptcy court erred when it rejected her assertion that River Flow's entire claim should be disallowed.

In bankruptcy, parties' property interests, rights, and duties generally are created and defined by applicable state law. See *Off. Comm. Of Unsecured Creditors v. Hancock Park Cap. II, L.P. (In re Fitness Holdings Int'l, Inc.)*, 714 F.3d 1141, 1146-47 (9th Cir. 2013) (citing *Butner v. United States*, 440 U.S. 48, 55 (1979)). The parties agree that Arizona law applies to both the statute of limitations issue and the acceleration issue. As Ramirez further recognizes, when acceleration does not occur automatically under the applicable contract, it will not occur unless and until the creditor "undertake[s] some affirmative act to make clear to the debtor it has accelerated the obligation." *Baseline Fin. Servs. v. Madison*, 278 P.3d 321, 322-23 (Ariz. Ct. App. 2012) (citing *Beal Bank v. Crystal Props., Ltd., L.P. (In re Crystal Props., Ltd., L.P.)*, 268 F.3d 743, 749-50 (9th Cir. 2001)). Ramirez maintains that the *senior* lienholder's relief from stay motion and Deutsche

Bank's original proof of claim filed in the first bankruptcy both accelerated the debt. We disagree.

As stated in *Baseline* "a variety of actions" can be sufficient to constitute affirmative action to exercise an "optional acceleration clause." *Id.* at 323. These include: (1) a demand for payment of a debt in full before the obligation has fully matured; (2) repossession of collateral; and (3) commencing litigation to collect the entire debt. *Id.* On the other hand, merely recording a notice of trustee's sale does not, by itself, accelerate the underlying debt. *Bridges v. Nationstar Mortg. L.L.C.*, 515 P.3d 1270, 1274 (Ariz. 2022).

1. The motion for relief from stay as to the senior debt and first deed of trust.

According to Ramirez, the *senior* lienholder's relief from stay motion in the first bankruptcy somehow accelerated the *second note and deed of trust*. On its face, it is difficult for us to comprehend how action taken to enforce one debt could constitute action to enforce another. Though the relief from stay motion listed the junior secured claim in the computation of equity, the motion was solely addressed to the senior lienholder's desire to enforce the first note and deed of trust. Nothing in the relief from stay motion states or otherwise indicates acceleration of the second note and deed of trust.

Moreover, a motion for relief from stay, by itself, is not an affirmative act of acceleration. A relief from stay motion is a summary proceeding

which only concerns whether the automatic stay should be modified as requested; it does not by itself otherwise affect or determine the parties' respective rights and duties. *Veal v. Am. Home Mortg. Servicing, Inc. (In re Veal)*, 450 B.R. 897, 914-15 (9th Cir. BAP 2011); *see also Johnson v. Righetti (In re Johnson)*, 756 F.2d 738, 740 (9th Cir. 1985) ("Stay litigation is limited to issues of the lack of adequate protection, the debtor's equity in the property, and the necessity of the property to an effective reorganization."). As such, even if the relief from stay motion was somehow directed to the junior secured claim, we reject Ramirez's contention that it was an affirmative act sufficient to trigger acceleration of that debt for purposes of the statute of limitations. Accordingly, the relief from stay motion did not accelerate the debt owed on the junior promissory note.⁵

2. The filing of a proof of claim.

The same is true of Deutsche Bank's proof of claim. Ramirez argues that filing the proof of claim was analogous to a demand for payment of the entire debt. But interpreting a proof of claim in this manner ignores—and could potentially impede—the role proofs of claim play in chapter 7 bankruptcies.

⁵ To be clear, a relief from stay motion could contain information or include evidence reflecting that the underlying debt already has been accelerated. But the creditor's act of seeking relief from stay to enforce its rights is not in and of itself indicative of acceleration. Here, Ramirez does not point to any specific language in the motion at issue to support her argument that there was an acceleration of the debt.

In chapter 7, proofs of claim enable the chapter 7 trustee to assess the entire body of claims asserted against the estate, to defend against them if necessary, and to make a distribution on them to the extent they ultimately are allowed. *In re Daystar of Cal., Inc.*, 122 B.R. 406, 408 (Bankr. C.D. Cal. 1990); *see also Kronemyer v. Am. Contractors Indem. Co. (In re Kronemyer)*, 405 B.R. 915, 921 (9th Cir. BAP 2009) (“In no-asset chapter 7 liquidation cases, the filing of a proof of claim serves no practical purpose since there will be no distribution from the estate in which to participate.”). Moreover, claims are very broadly defined under the Bankruptcy Code. They include in relevant part any, “right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, *matured*, *unmatured*, disputed, undisputed, legal, equitable, secured, or unsecured.” 11 U.S.C. 101(5) (emphasis added).

Under these circumstances, the mere filing of a proof of claim, without more, does not satisfy Arizona’s requirement for “some affirmative act to make clear to the debtor” that the creditor has accelerated the debt. *Baseline Fin. Servs.*, 278 P.3d at 322. Obviously, if the creditor states in the proof of claim that it has accelerated the debt or includes in the proof of claim a specific demand for immediate payment of the full debt—including any unmatured portion thereof—this would be a different matter. But Deutsche Bank’s proof of claim contained nothing of the sort.

When a lender files a proof of claim under the Bankruptcy Code stating the total balance owed as of the petition date, it is stating the full

amount of the liability whether matured or not. Secured creditors must also state the amount necessary to cure any default. Rule 3001(c)(2)(B). Such creditors are not necessarily demanding immediate payment of that full balance. Deutsche Bank never made an affirmative act to accelerate its debt. To the contrary, it chose not to contest the trustee's claim objection to participate in the small chapter 7 distribution but rather elected to seek its recovery from its collateral in the future. Accordingly, Ramirez's acceleration argument lacks merit. As a result, the bankruptcy court did not err when it determined that the six-year statute of limitations did not bar the entirety of River Flow's claim.⁶

B. The bankruptcy court did not err in its interpretation of the meaning and preclusive effect of the claim disallowance order.

1. The meaning of the claim disallowance order.

Ramirez argues that the claim disallowance order entered in her prior chapter 7 bankruptcy bars River Flow from asserting a claim in her current chapter 13 case. More specifically, she contends that the claim preclusive effect of that order already conclusively determined River Flow's asserted rights under the second note and deed of trust. She rests her argument on the court's use of the term "disallowed." Because the court ordered the

⁶ Ramirez's acceleration argument relies in large part on *In re LHD Realty Corp.*, 726 F.2d 327, 331 (7th Cir. 1984), and *In re PCH Associates*, 122 B.R. 181, 198 (Bankr. S.D.N.Y. 1990). Neither of these decisions appears to have involved the issue of what constitutes an affirmative act of acceleration under Arizona law. Thus, we do not consider either of these decisions helpful.

claim disallowed, she contends that the order fully and finally adjudicated the validity of the second note and deed of trust. And because the claim was disallowed, she argues that the bankruptcy court ruled that she was not indebted to River Flow's predecessor in interest Deutsche Bank. Based on this interpretation of the claim disallowance order, Ramirez argues that it is error to permit River Flow to recover on a claim that has previously been disallowed.

The bankruptcy court disagreed. It read the prior order to merely bar Deutsche Bank from participating in any distribution from the chapter 7 estate. The court emphasized that the objection—and therefore the resulting order—directed the creditor to look beyond the bankruptcy to its collateral for satisfaction of its claim. Given the disparate interpretations of the claim disallowance order, we first examine whether the bankruptcy court erred in its interpretation of its prior order as a predicate to examining the preclusive effect of that order. Ramirez, as the proponent of preclusion, “has the burden of establishing what was litigated in the prior action and determined by the prior judgment.” *Rein v. Providian Fin. Corp.*, 270 F.3d 895, 899 n.3 (9th Cir. 2001) (citing *Hydranautics v. FilmTec Corp.*, 204 F.3d 880, 885 (9th Cir. 2000)).

When we construe a bankruptcy court's order, we strive to ascertain and give effect to the bankruptcy court's intent, as manifested by the order itself as well as the judge's and the parties' related conduct. *See, e.g., Brown v. Wilshire Credit Corp. (In re Brown)*, 484 F.3d 1116, 1120 (9th Cir. 2007)

(construing court rulings for purposes of determining finality); *Mullen v. Hamlin (In re Hamlin)*, 465 B.R. 863, 868-69 (9th Cir. BAP 2012) (same). In addition, we typically give significant deference to the bankruptcy court's interpretation of its own orders. *In re Wallace*, 490 B.R. at 906; *see also Hallett v. Morgan*, 296 F.3d 732, 739-40 (9th Cir. 2002) (giving deference to district court's interpretation of its own order because of its extensive involvement in the underlying action for a matter of years).

Ramirez bases her interpretation of the claim disallowance order on the court's use of the word "disallow." She contends that the "disallowance" of the claim in the chapter 7 necessarily eliminated her debt on the junior loan as a matter of law. She also argues that the court erred in considering the chapter 7 trustee's declaration explaining the basis for her claim objection. But Ramirez has offered no analysis to support her interpretation of the order. Indeed, she has not even provided any argument as to what the court meant when it ordered the claim "disallowed."

Even more problematically, she has doggedly ignored the well-established differences between *in personam* and *in rem* claims held by secured creditors in bankruptcy. "[A] secured creditor has the option of enforcing its claim against the debtor in two ways: (1) against the debtor personally (*in personam*), or (2) against the collateral (*in rem*)." *Lane v. Bank of N.Y. Mellon (In re Lane)*, 959 F.3d 1226, 1229 (9th Cir. 2020) (citing *In re Blendheim*, 803 F.3d at 486). A bankruptcy discharge affects only the *in*

personam claim; it does not eliminate the underlying debt. *Johnson v. Home State Bank*, 501 U.S. 78, 84 (1991). This is because the injunctive aspect of the bankruptcy discharge merely bars creditors from pursuing debtor’s “personal liability” on discharged debts. § 524(a)(2); *see also RS Air, LLC v. NetJets Aviation, Inc. (In re RS Air, LLC)*, 651 B.R. 538, 540 (9th Cir. BAP 2023) (explaining that “[t]he discharge injunction does not . . . extinguish the debt”).

Despite the discharge of the *in personam* claim, secured creditors may still foreclose on their collateral to satisfy the underlying debt. As the Supreme Court explained in *Johnson*:

A mortgage is an interest in real property that secures a creditor’s right to repayment. But unless the debtor and creditor have provided otherwise, the creditor ordinarily is not limited to foreclosure on the mortgaged property should the debtor default on his obligation; rather, the creditor may in addition sue to establish the debtor’s *in personam* liability for any deficiency on the debt and may enforce any judgment against the debtor’s assets generally. A defaulting debtor can protect himself from personal liability by obtaining a discharge in a Chapter 7 liquidation. However, such a discharge extinguishes only the personal liability of the debtor. Codifying the rule of *Long v. Bullard*, 117 U.S. 617, 6 S.Ct. 917, 29 L.Ed. 1004 (1886), the Code provides that a creditor’s right to foreclose on the mortgage survives or passes through the bankruptcy.

Johnson, 501 U.S. at 82-83 (citation modified); *accord Dewsnap v. Timm*, 502 U.S. 410, 417-18 (1992); *In re Lane*, 959 F.3d at 1229-30.

The bankruptcy court recognized and discussed at length the differences between Deutsche Bank's *in personam* and *in rem* claims in the chapter 7 bankruptcy. In stark contrast, Ramirez offers no meaningful analysis of either the claim disallowance order or the subsequent claim objection in the chapter 13 case. Instead, she simplistically maintains that no debt remains because the court disallowed the claim in the chapter 7 proceeding. True, the claim disallowance order specifically stated that the claim was "disallowed." But the underlying objection *never* challenged the validity of the debt or the lien securing the debt. Rather, the sole basis of the chapter 7 trustee's objection was: "claimant asserts a lien on certain property of the debtor's estate and said claimant has or should have looked to said property for payment of the debt thereby secured." No response or opposition was filed. The court then entered the trustee's proposed order stating that the "claim is disallowed."

There is simply nothing in the record to suggest that the chapter 7 trustee ever challenged the validity of the debt or the lien securing that debt. To the contrary, River Flow submitted the declaration of the chapter 7 trustee to place Ramirez's argument in context. The trustee stated that her objection was necessary to prepare the chapter 7 estate for a small distribution to unsecured creditors. At the time of the objection, Deutsche Bank asserted against the estate a claim that already was secured by Ramirez's residence. The Bankruptcy Code required that the trustee "dispose of any property in which an entity other than the estate has an

interest, such as a lien, and that has not been disposed of under another section of this title.” § 725. This necessarily required the trustee to address the secured proof of claim Deutsche Bank filed against the estate. As explained in her objection, the trustee objected to Deutsche Bank’s claim to require it to recover its secured claim from its lien against Ramirez’s residence rather than participate in the trustee’s anticipated distribution of the estate under § 726(a). Consistent with her objection, the trustee technically abandoned the residence back to the debtor at the close of the case rather than administer it as an estate asset.⁷ As the bankruptcy court correctly recognized, the trustee’s claim objection (and the resulting disallowance order) both implicitly accepted the validity of Deutsche Bank’s secured claim and merely sought to prevent Deutsche Bank from sharing in the trustee’s chapter 7 distribution to unsecured creditors.

Ramirez assumes that every disallowance of a claim invalidates the underlying debt. But as this appeal cogently illustrates, not every claim objection adjudicates the validity of the debt. In this instance, the trustee needed to administer an over-encumbered asset and address the related secured claim. She filed her claim objection to exclude the secured claim from sharing in any bankruptcy distribution. She did so recognizing that the secured creditor’s *in rem* claim would survive the bankruptcy and

⁷ The bankruptcy court had already granted relief from the stay to permit the senior secured creditor to proceed to foreclose on its deed of trust, evincing that there was no value in the residence for unsecured creditors.

would serve as the basis for the creditor's recovery of the underlying debt after entry of the chapter 7 discharge. There being no opposition to the claim objection, the bankruptcy court simply sustained the original claim objection and entered the chapter 7 trustee's proposed order stating that the claim was "disallowed."

To the extent that any ambiguity existed, the trustee's declaration removed any doubt that the objection meant what it said: the secured creditor was being told to look to its collateral for payment of the debt. Ramirez argues that the chapter 7 trustee's intent was irrelevant and cannot be considered. Again, she offers no analysis or support for this proposition. In interpreting the prior claim objection order, the bankruptcy court sought to understand the context and purpose of the objection. The objection, and the declaration from the party filing that objection, were valid and persuasive evidence of the specific context in which the claim disallowance order was entered. *See, e.g., In re Brown*, 484 F.3d at 1121-22 (analyzing procedural context); *In re Hamlin*, 465 B.R. at 868-69 (same).

Section 502(a) governs the allowance of claims. And § 502(b) provides the nine bases under which a claim may not be allowed. "It is well-established that section 502(b)(1)-(9) provides the exclusive grounds for the disallowance of claims." *Meruelo v. Meruelo Maddux Props., Inc. (In re Meruelo Maddux Props., Inc.)*, 2013 WL 1890634, at *3 (9th Cir. BAP May 6, 2013) (citing *Heath v. Am. Express Travel Related Servs. Co., Inc. (In re Heath)*, 331 B.R. 424, 435 (9th Cir. BAP 2005)). Ramirez has not identified which

provision of § 502(b) was invoked or implicated to “disallow” Deutsche Bank’s secured claim.⁸ None of the nine statutory bases to “not allow” a claim in § 502(b) apply here—where the objection and court order directed a secured creditor to look to its collateral for recovery because the trustee was planning to not administer the collateral as part of the bankruptcy estate. The court was not asked and did not find that Deutsche Bank’s claim—and the lien securing that claim—were unenforceable. At bottom, the trustee merely sought to exclude the secured creditor from participating in the chapter 7 distribution because the creditor held a claim secured by an asset that the chapter 7 trustee was not administering.

In summary, the imprecise use of the term “disallowed” in the context of the underlying chapter 7 case is understandable but unfortunate—as it has spawned needless claims litigation in the subsequent chapter 13 case. As indicated above, bankruptcy courts sometimes generically refer to “disallowance” to cover a host of situations—including when, as here, the creditor holds a *valid* secured claim but should not be permitted to participate in any distribution from the bankruptcy estate. Section 502(b) defines and controls when a claim can

⁸ The first enumerated ground—set forth in § 502(b)(1)—states that a claim should be disallowed if it “is unenforceable against the debtor *and property of the debtor*, under any agreement or applicable law for a reason other than because such claim is contingent or unmatured.” (Emphasis added.) As explicated above, neither the trustee’s claim objection nor the claim disallowance order states any basis to determine that Deutsche Bank’s claim was unenforceable as against the debtor’s residence under applicable law.

be formally “disallowed.” None of the grounds for disallowance specified in § 502(b) were alleged or found here. Thus, the claim disallowance order did not adjudicate the validity of either the underlying debt or the lien securing it. At most, the claim disallowance order “disallowed” the secured creditor’s *in personam* claim and its participation in the subsequent bankruptcy distribution. But the order also implicitly recognized the validity of the secured creditor’s *in rem* claim, which survived the chapter 7 discharge. For these reasons, the bankruptcy court did not err in its interpretation of the claim disallowance order.

2. Claim preclusion doctrine does not help Ramirez.

Ramirez argues that the bankruptcy court erred in not applying the doctrine of claim preclusion to bar River Flow’s current proof of claim in the chapter 13 case. But as we already have explained above, the claim disallowance order entered in the prior chapter 7 case did not adjudicate Deutsche Bank’s underlying debt or affect its *in rem* claim. Thus, River Flow’s current proof of claim is not at odds with the claim disallowance order.

Claim preclusion is a judicial doctrine that “prevents litigation of all grounds for, or defenses to, recovery that were previously available to the parties, regardless of whether they were asserted or determined in the prior proceeding.”⁹ *Brown v. Felsen*, 442 U.S. 127, 131 (1979) (citing *Chicot*

⁹ In her briefing on appeal Ramirez made a passing reference to collateral estoppel but she only substantively addresses claim preclusion. We do the same.

Cnty. Drainage Dist. v. Baxter State Bank, 308 U.S. 371, 378 (1940)). In other words, once a final judgment on the merits has been entered, claim preclusion generally prevents “the parties from relitigating all issues connected with the action that were or could have been raised in that action.” *Rein*, 270 F.3d at 898-99 (citation omitted).

Ramirez’s claim preclusion argument is premised on her belief that the claim disallowance order invalidated her obligations under the second note and deed of trust. Based on this reading of that order, she believes that River Flow is precluded from relitigating their validity in the instant chapter 13 case. As discussed above, however, Ramirez has misread the claim disallowance order. That order did not invalidate either the debt or the lien securing that debt. To the contrary, we agree with the bankruptcy court that both the claim objection and disallowance order implicitly recognized that the *in rem* claim arising from the second note and deed of trust was valid and would survive chapter 7 discharge. Thus, River Flow’s current proof of claim is entirely consistent with the claim disallowance order. As a result, Ramirez’s claim preclusion argument does not improve her position in this appeal.¹⁰

¹⁰ The bankruptcy court’s correct interpretation of the claim disallowance order also makes plain that there is no identity of parties or claims to support claim preclusion. Ramirez sought to adjudicate the validity of the note and deed of trust, whereas the chapter 7 trustee merely sought administrative direction regarding how estate funds should be distributed under § 726. Hence, the interests advanced by the different claim objectors are not sufficiently aligned to support claim preclusion.

C. River Flow's lien is not void under § 506(d).

Finally, Ramirez argues that the bankruptcy court erred by declining to declare River Flow's lien void under § 506(d). Relying again on her erroneous interpretation of the claim disallowance order entered in the chapter 7 bankruptcy, she contends that River Flow's lien is void under § 506(d) because the underlying debt was disallowed.

Section 506 governs the determination of a creditor's secured status. It states: "[t]o the extent that a lien secures a claim against the debtor that is *not an allowed secured claim*, such lien is void" 11 U.S.C. § 506(d) (emphasis added). Sections 506(d)(1) and (2) identify two exceptions to the voiding of a lien under § 506(d). Section 506(d)(1) provides that a lien is not void where the claim was disallowed only under either § 502(b)(5) or (e), neither of which is relevant here. Section 506(d)(2) provides that a lien is not void under § 506(d) when: "such claim is not an allowed secured claim due only to the failure of any entity to file a proof of such claim under section 501 of this title." Section 506(d)(2) is a codification of the longstanding bankruptcy principle discussed at length above that liens generally pass through bankruptcy, leaving the *in rem* claim unaffected. *See In re Lane*, 959 F.3d at 1229-30; *In re Blendheim*, 803 F.3d at 486. The bankruptcy court held that River Flow's secured claim fell within the exception provided by § 506(d)(2). The court concluded that because the claim disallowance order implicitly recognized Deutsche Bank's continuing *in rem* claim, the order was meant to place the bank in the same position as

a secured creditor who did not file a proof of claim.

We agree that the claim disallowance order did not void the second deed of trust. But we cannot ignore the fact that Deutsche Bank filed a proof of claim. This necessarily rendered § 506(d)(2) inapplicable. However, as the bankruptcy court additionally recognized, Deutsche Bank's proof of claim actually was comprised of two claims: its *in personam* claim and its *in rem* claim. The chapter 7 trustee's claim objection was directed solely and exclusively against the *in personam* claim. As a result, Deutsche Bank's *in rem* claim was allowed as against its collateral and survived the chapter 7 bankruptcy.

The parties and the bankruptcy court discussed the *Blendheim* and *Lane* cases at length. Those cases resulted in different outcomes. The creditor's lien in *Blendheim* was voided under § 502(d) because the bankruptcy court disallowed its proof of claim based on the debtors' assertion in their claim objection that the promissory note giving rise to the secured claim was both forged and invalid for lack of proper proof. *In re Blendheim*, 803 F.3d at 491. In *Lane*, in contrast, the creditor's claim was disallowed because it lacked standing to enforce the secured claim. As reflected in the debtors' papers in *Lane*, they conceded to still owing a debt secured by a deed of trust but merely disputed who that debt was owed to. *In re Lane*, 959 F.3d at 1228. As a result, the "true" creditor with standing to enforce the note had not filed a claim against the bankruptcy estate. The exception provided by § 506(d)(2) applied to prevent the voiding of the lien

because the “true” creditor did not file a proof of claim. *Id.* at 1232-33.

In this instance, the bankruptcy court denied Deutsche Bank’s participation in the chapter 7 bankruptcy distribution at the trustee’s request. It did so precisely because Deutsche Bank held a valid and surviving *in rem* claim. The trustee and the court limited Deutsche Bank to collecting its debt from its collateral and not from the bankruptcy estate. Unlike in *Blendheim*, the trustee’s claim objection never challenged the validity of the underlying debt, and the bankruptcy court never adjudicated the validity of the creditor’s debt or lien.

As explained multiple times throughout this decision, the bankruptcy court’s use of the word “disallowed” in the claim disallowance order was unfortunately imprecise.¹¹ The bankruptcy court did not formally “disallow” Deutsche Bank’s claim under § 502(b). *But cf. In re Blendheim*, 803 F.3d at 489-90 (explaining how § 506(d) is tied to the disallowance of the underlying claim and noting that HSBC’s claim unequivocally was not allowed). As requested in the trustee’s claim objection, the court denied participation in the chapter 7 distribution. This arguably could be construed as effectively “disallowing” Deutsche Bank’s *in personam* claim in the generic sense. But the chapter 7 trustee sought to deny Deutsche Bank’s participation in the chapter 7 distribution precisely because it could,

¹¹ As this case suggests, claim objections and the resulting orders addressing secured claims may benefit from more precision in the use of the term “disallowed” in both the relief sought and granted to avoid the types of issues advanced in this appeal.

and should, recover its claim from its collateral. As such, the trustee never challenged the validity of Deutsche Bank's underlying claim or the lien securing it. Nor did Ramirez attempt to do so in her first bankruptcy. Accordingly, in the parlance of § 506(d), the subject lien did *not* "secure[] a claim . . . that is not an allowed claim."

In conclusion, despite the terminology used in the claim disallowance order, the secured claim that later passed from Deutsche Bank to River Flow was *allowed* for purposes of § 506(d). There was no challenge to either the underlying debt or its validity, much less any order holding that either the debt or the lien securing it was invalid. Under the Supreme Court's decision in *Johnson*—and as recognized by the Ninth Circuit in *Blendheim* and *Lane*—a secured creditor's *in rem* claim is generally unaffected by a bankruptcy that does not administer the creditor's collateral. The prior chapter 7 estate did not administer the collateral, and the lien against Ramirez's residence continues to secure River Flow's *in rem* claim, making the exceptions set forth in § 506(d)(1) and (2) immaterial and inapplicable.

CONCLUSION

For the reasons set forth above, we AFFIRM the bankruptcy court's order overruling Ramirez's claim objection in her chapter 13 case.