

## Syllabus

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 Timber & Lumber Co.*, 200 U. S. 321, 337.

**SUPREME COURT OF THE UNITED STATES**

## Syllabus

**BANK OF AMERICA, N. A. v. CAULKETT****CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR  
THE ELEVENTH CIRCUIT**

No. 13–1421. Argued March 24, 2015—Decided June 1, 2015\*

Respondent debtors each filed for Chapter 7 bankruptcy, and each owned a house encumbered with a senior mortgage lien and a junior mortgage lien, the latter held by petitioner bank. Because the amount owed on each senior mortgage is greater than each house’s current market value, the bank would receive nothing if the properties were sold today. The junior mortgage liens were thus wholly underwater. The debtors sought to void their junior mortgage liens under §506 of the Bankruptcy Code, which provides, “To 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). In each case, the Bankruptcy Court granted the motion, and both the District Court and the Eleventh Circuit affirmed.

*Held:* A debtor in a Chapter 7 bankruptcy proceeding may not void a junior mortgage lien under §506(d) when the debt owed on a senior mortgage lien exceeds the current value of the collateral if the creditor’s claim is both secured by a lien and allowed under §502 of the Bankruptcy Code. Pp. 2–7.

(a) The debtors here prevail only if the bank’s claims are “not . . . allowed secured claim[s].” The parties do not dispute that the bank’s claims are “allowed” under the Code. Instead, the debtors argue that the bank’s claims are not “secured” because §506(a)(1) provides that “[a]n allowed claim . . . is a secured claim to the extent of the value of such creditor’s interest in . . . such property” and “an unsecured claim to the extent that the value of such creditor’s interest . . . is less than the amount of such allowed claim.” Because the value of the bank’s

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\*Together with No. 14–163, *Bank of America, N. A. v. Toledo-Cardona*, also on certiorari to the same court.

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interest here is zero, a straightforward reading of the statute would seem to favor the debtors. This Court’s construction of §506(d)’s term “secured claim” in *Dewsnup v. Timm*, 502 U. S. 410, however, forecloses that reading and resolves the question presented here. In declining to permit a Chapter 7 debtor to “strip down” a partially underwater lien under §506(d) to the value of the collateral, the Court in *Dewsnup* concluded that an allowed claim “secured by a lien with recourse to the underlying collateral . . . does not come within the scope of §506(d).” *Id.*, at 415. Thus, under *Dewsnup*, a “secured claim” is a claim supported by a security interest in property, regardless of whether the value of that property would be sufficient to cover the claim. Pp. 2–4.

(b) This Court declines to limit *Dewsnup* to partially underwater liens. *Dewsnup*’s definition did not depend on such a distinction. Nor is this distinction supported by *Nobelman v. American Savings Bank*, 508 U. S. 324, which addressed the interaction between the meaning of the term “secured claim” in §506(a)—a definition that *Dewsnup* declined to use for purposes of §506(d)—and an entirely separate provision, §1322(b)(2). See 508 U. S., at 327–332. Finally, the debtors’ suggestion that the historical and policy concerns that motivated the Court in *Dewsnup* do not apply in the context of wholly underwater liens is an insufficient justification for giving the term “secured claim” a different definition depending on the value of the collateral. Ultimately, the debtors’ proposed distinction would do nothing to vindicate §506(d)’s original meaning and would leave an odd statutory framework in its place. Pp. 5–7.

No. 13–1421, 566 Fed. Appx. 879, and No. 14–163, 556 Fed. Appx. 911, reversed and remanded.

THOMAS, J., delivered the opinion of the Court, in which ROBERTS, C. J., and SCALIA, GINSBURG, ALITO, and KAGAN, JJ., joined, and in which KENNEDY, BREYER, and SOTOMAYOR, JJ., joined except as to the footnote.



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same. The debtors, respondents David Caulkett and Edelmiro Toledo-Cardona, each have two mortgage liens on their respective houses. Petitioner Bank of America (Bank) holds the junior mortgage lien—*i.e.*, the mortgage lien subordinate to the other mortgage lien—on each home. The amount owed on each debtor’s senior mortgage lien is greater than each home’s current market value. The Bank’s junior mortgage liens are thus wholly underwater: because each home is worth less than the amount the debtor owes on the senior mortgage, the Bank would receive nothing if the properties were sold today.

In 2013, the debtors each filed for Chapter 7 bankruptcy. In their respective bankruptcy proceedings, they moved to “strip off”—or void—the junior mortgage liens under §506(d) of the Bankruptcy Code. In each case, the Bankruptcy Court granted the motion, and both the District Court and the Court of Appeals for the Eleventh Circuit affirmed. *In re Caulkett*, 566 Fed. Appx. 879 (2014) (*per curiam*); *In re Toledo-Cardona*, 556 Fed. Appx. 911 (2014) (*per curiam*). The Eleventh Circuit explained that it was bound by Circuit precedent holding that §506(d) allows debtors to void a wholly underwater mortgage lien.

We granted certiorari, 574 U. S. \_\_\_ (2014), and now reverse the judgments of the Eleventh Circuit.

## II

Section 506(d) provides, “To the extent that a lien secures a claim against the debtor that is not an *allowed secured claim*, such lien is void.” (Emphasis added.) Accordingly, §506(d) permits the debtors here to strip off the Bank’s junior mortgages only if the Bank’s “claim”—generally, its right to repayment from the debtors, §101(5)—is “not an allowed secured claim.” Subject to some exceptions not relevant here, a claim filed by a creditor is deemed “allowed” under §502 if no interested party

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objects or if, in the case of an objection, the Bankruptcy Court determines that the claim should be allowed under the Code. §§502(a)–(b). The parties agree that the Bank’s claims meet this requirement. They disagree, however, over whether the Bank’s claims are “secured” within the meaning of §506(d).

The Code suggests that the Bank’s claims are not secured. Section 506(a)(1) provides that “[a]n allowed claim of a creditor secured by a lien on property . . . is a *secured claim* to the extent of the value of such creditor’s interest in . . . such property,” and “an *unsecured claim* to the extent that the value of such creditor’s interest . . . is less than the amount of such allowed claim.” (Emphasis added.) In other words, if the value of a creditor’s interest in the property is zero—as is the case here—his claim cannot be a “secured claim” within the meaning of §506(a). And given that these identical words are later used in the same section of the same Act—§506(d)—one would think this “presents a classic case for application of the normal rule of statutory construction that identical words used in different parts of the same act are intended to have the same meaning.” *Desert Palace, Inc. v. Costa*, 539 U. S. 90, 101 (2003) (internal quotation marks omitted). Under that straightforward reading of the statute, the debtors would be able to void the Bank’s claims.

Unfortunately for the debtors, this Court has already adopted a construction of the term “secured claim” in §506(d) that forecloses this textual analysis. See *Dewsnup v. Timm*, 502 U. S. 410 (1992). In *Dewsnup*, the Court confronted a situation in which a Chapter 7 debtor wanted to “strip down”—or reduce—a partially underwater lien under §506(d) to the value of the collateral. *Id.*, at 412–413. Specifically, she sought, under §506(d), to reduce her debt of approximately \$120,000 to the value of the collateral securing her debt at that time (\$39,000). *Id.*, at 413. Relying on the statutory definition of “allowed secured

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