



What To Do If You Can't Pay Your Bills

☞ If you are swamped with bills, go ahead and take action. Don't wait until they are so bad you cannot do anything about them. ☞ Talk to your family about the problem. Work together as a family to make it through this rough time. ☞ Cut back on spending. For one month, don't spend any money on things that are not really necessary. ☞ Talk to the people you owe: your creditors. Try to work out a payment plan you can handle.

☞ You may want to explore a consolidated loan. This is one large loan to pay off your debts. The payment on the new loan should be smaller than the total of your other monthly payments, but the total cost will be greater. It is often easier to pay on only one debt. There is a danger, however, of getting caught in the trap of overspending.

☞ Before you decide to do this, you may want to take another step. Go see a credit counselor.

☞ Prepare for seeing the credit counselor by figuring your income and what you spend every month.

How much money do you have coming in on a regular basis?

It may be from: Your paycheck, Pension, Farm income, Rent, Social Security, Insurance, Help from relatives, Unemployment, Economic Services, or aid-to-children checks.

You may be getting money from only one place or you may get it from several places. Make a list of where you get your money. Put how much you get in the column that shows how often you get it: weekly, twice a month, or once a year.

List the amount you get in your paycheck or pay envelope after deductions are taken out. Deductions taken out might be taxes, insurance, union or other dues, social security, retirement or savings, and child support.

List money earned by all family members. You may wish to list money earned by children, too, if it is used to pay some household expenses.

Make a chart like this one to determine how much money is coming in.

Where From	Weekly	Twice a Month	Monthly	Yearly
Total				

How do you spend your money?

How much and what are your fixed bills, such as rent or house payments, insurance and debt payments? Use a chart like the one shown below to add up your fixed monthly expenses. (If taken out of a paycheck, do not list here)

Expense Items	Amount
Housing (rent or mortgage)	
Utilities- Gas	
Water	
Electricity	
Telephone	
Cell phone	
Life Insurance	
Accident and health insurance	
Auto insurance	
Daycare	
Taxes	
Car payments	
Installment loans- furnishings and appliances	
Credit cards	
Other debt payments	
Legal fees	
Child support	
Allowances (personal)	
Others (list)	
Savings	
TOTAL FIXED EXPENSES	

Record your flexible monthly expenses in a chart like the one on the following page. Flexible monthly expenses include items like food, clothing, and medical expenses.

Flexible Monthly Expenses

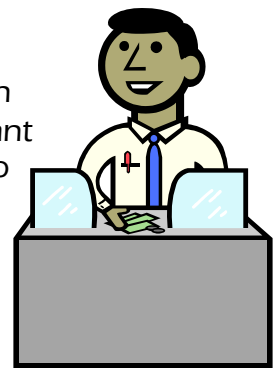
Expense Items	Amount
Food	\$
Clothing	\$
Transportation	\$
Contributions	\$
Personal Care	\$
Medical expenses	\$
Recreation	\$
Household expenses and supplies	\$
Gifts	\$
Others	\$
	\$
	\$
	\$
	\$
	\$
	\$
TOTAL FLEXIBLE EXPENSES	\$

What are your resources and plans for emergencies?

These can include unexpected bills, large repairs, etc.

Loans	\$
Savings	\$
Other	\$
	\$
	\$
	\$
TOTAL RESOURCES	\$

What to do.... Take these forms with you when you go to a credit counselor. When you know what you are able to pay on the bills, talk to your creditors. Tell them you want to make smaller payments and pay over a longer period of time. Most of them will try to help you out if you show you are sincere and willing to pay. Remember though, taking longer to pay bills will usually cost more in the long run.



BE SURE to get any new agreement in writing. Then stick to the agreement. Before using the counseling service, be sure you know who is backing the program, what charges will be made, how the program operates and what exactly the counselor is doing.

What is a Credit Counselor?

A credit counseling service helps people work out a plan for getting out of debt. A credit counselor will help you look at your money management. Some counselors will help you work out a repayment plan and contact your creditors. You will pay the counselor a monthly payment, and the counselor will use that money to make your credit payments. Agreements are made with your creditors. They will allow you to pay off the loan in smaller payments. Credit counselors may charge you a fee.

If you work with a credit counselor you must agree not to take on any more debts. Go by the plan that you and the credit counselor decide on. If you fail to follow through, the program will be stopped, and creditors may begin to take legal action.

Where to go...

Financial counseling may be available from:

- \$ Churches and volunteer groups
- \$ Banks and savings and loan association.
- \$ Credit Unions
- \$ National Foundation for Consumer Credit

Write and ask for names of members who offer such a service near you: Federal Bar Building West, 1819 H Street, N.W., Washington, D.C. 20005.
Or call 1-800-2227

What the credit counselor can do...

A credit counselor can:

- \$ Help you draw a money management plan
- \$ Advise you on working with creditors
- \$ Give you information to help plan your expenses

Also, some counselors and counseling centers may:

- \$ Serve as a go-between with your creditors
- \$ Make payments for you from the money that you send them every month

If All Else Fails

If you have tried everything else and have finally decided to file for bankruptcy, wait. **GET A LAWYER.** The Wage Earner Plan, Chapter 13 of the U.S. Bankruptcy Act, might be a solution to your problem. If you own a house, car, and other assets, you can keep them under Chapter 13. You will pay off your debts under a plan. The plan will be set up by you and your lawyer, and approved by the court. Creditors will not be able to bother you as long as you stay within the plan.

FINAL OUT

If Chapter 13 also fails, then filing for straight bankruptcy is your legal release from your debts. This is not an easy way out, but a last resort. When filing bankruptcy:

- \$ **GET A LAWYER**
 - \$ You are giving up some of your assets in return for being legally released from your debts. Certain assets cannot be taken away from you. Social Security and Veterans' benefits are not given up.
 - \$ Also certain debts are not taken away, such as taxes, college loans, alimony and child support.
- Bankruptcy remains a part of your credit file for up to 10 years. Bankruptcy is a court action and as such remains in court records. Court records are public documents. Going bankrupt can hurt you when you try to get credit in the future. It can also keep you from getting some jobs. These are some of the reasons why going bankrupt should only be done as a last resort.

- \$ Changes in bankruptcy laws