



FINDING HELP IN MANAGING DEBT

There are many reasons why people find themselves in financial difficulty. The key to resolving financial woes is understanding why the problems arose, making a plan to resolve the problems, and taking action to get back on track.

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Before you can resolve your debt issues, you need to deal with their causes or the problems will recur.

In the past, you may have managed your debt well—until you lost your job or had a financial setback due to large medical or legal expenses, or investment losses. You may have incurred large debt due to poor spending habits, overuse of credit cards, poor budgeting, or even gambling. Before you can resolve your debt issues, you need to deal with their causes or the problems will recur. Some of these issues you can resolve on your own, while others will require professional help.

If you have done all you could to reduce spending, made a budget, and consolidated your loans, it may be time to solicit help. If you still cannot make minimum payments on your loans, try speaking to your creditors. Explain your situation and how you intend to rectify it. Creditors may revise your loan terms or even suspend interest temporarily in order to give you time to repay your loan. Creditors would rather receive some payment than risk not getting any payments should you resort to bankruptcy.

However, creditors are leery of "deadbeat" debtors, so you may not be able to convince them of your sincerity. You may need to consult with the consumer credit counseling agency in your community. Often, creditors will work with a consumer credit counseling service to renegotiate and consolidate your debt so you can make manageable payments. However, your credit rating may be damaged if your debt is not paid in full, because creditors will report charge-offs and slow payments to the credit bureaus that track consumer credit information. You also need to be careful about selecting a credit counseling or debt consolidation service, as there are many questionable firms entering the market. For a list of reputable services, contact the National Foundation for Credit Counseling (www.nfcc.org/), the Association of Independent Consumer Credit Counseling Agencies (www.aiccca.org/), or the Better Business Bureau (www.bbb.org/). It is a good idea to check a couple of these organizations to see what services they will provide and how much their fees are. Reputable firms charge customers low fees—creditors pay fees to credit counseling services, which saves you money.



If you cannot get relief from your creditors or consumer credit counseling services, you may need to file for personal bankruptcy. This should be your last resort. If you file for protection under the US bankruptcy laws, your credit record will report your action for 10 years, which may adversely affect your ability to borrow money.

Congress is currently reviewing the federal bankruptcy laws because of the record high number of personal bankruptcies filed within the last few years, and we should see some dramatic changes in the near future. Individuals filing for bankruptcy usually apply under one of two sections of the US bankruptcy code: Chapter 7 or Chapter 13. Bankruptcy generally protects persons from their creditors, but how it does this is different according to the section under which one applies. Chapter 7 is generally referred to as the liquidation bankruptcy, while Chapter 13 is based upon the restructuring of debt.

Should you decide to consider bankruptcy, consult with a bankruptcy attorney in your community. You can file for bankruptcy on your own; however, you will probably fare better with professional help. Check your local telephone directory or the Better Business Bureau (www.bbb.org/) for bankruptcy attorneys in your area.

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