SEVEN THINGS TO KNOW WHEN YOU CAN'T PAY YOUR BILLS

If your job search has taken much longer than anticipated and you cannot pay your bills, don't ignore the problem. Learn all you can about your options for digging yourself out of debt and how to avoid scams that target people with financial problems.

1. **ALL DEBTS ARE NOT EQUAL**
   If left unpaid, some debts have more serious consequences than other. Secured loans such as your mortgage, home equity lines of credit or car loans can result in the loss of your assets. There are federal programs that offer relief to homeowners who are struggling to keep up with mortgage payments.

   When it comes to medical debts, many medical providers are eager to work with patients who are unable to pay. There are also government programs that may provide relief or deferment of student loan payments.

2. **BUDGETING IS KEY TO GETTING OUT OF DEBT**
   Create a budget that includes all of your income and expenses. Explore ways to reduce spending and expenses. If possible increase your income, and then revise your budget. Come up with a realistic dollar amount that you can devote to paying off your debts each month.

   Prioritize your debts and expenses, listing those that are essential to pay (mortgage, utilities, child support) and those that might be less important.

3. **COMMUNICATE WITH CREDITORS**
   Don't ignore your creditors or throw bill notices in the garbage. Even if you have no money coming in, you need to discuss your situation with your creditors. Some creditors may be willing to work with you. They will often tack late payments on to the end of your loan term or waive late fees.

4. **CREDIT COUNSELING CAN HELP – BUT BE SELECTIVE**
   If you need money management help or budget counseling, consider getting help from a credit counseling organization. These agencies can suggest options for digging out of debt, or refer you to other agencies that can provide you with specialized advice. Some credit counseling agencies contact your creditors for you to set up payment plans or create a debt management plan.

   Always check out the credit counseling agency before utilizing their services. Some charge excessive fees and provide bad advice.

5. **PROS AND CONS OF CONSOLIDATION LOANS**
   With a consolidation loan you are using a home equity line of credit or second mortgage to pay off your unsecured debt. You consolidate all of your debt into one big loan secured by your home. There are pros and cons to this option.

PROS
Often interest rates on loans secured by your home are lower than those charged by credit card companies and there may be tax advantages to having your debt in a home equity line or second mortgage.

CONS
The consequences are great if you don't pay the consolidation loan. You could lose your home to foreclosure. Also, the costs associated with obtaining a new loan can be quite high and the repayment terms may not be favorable.

Consider the consolidation loan option very carefully. Talk to a tax expert to determine how much money you will actually save and remember if you default on the loan you could lose your home.

6. **BANKRUPTCY MIGHT BE AN OPTION**
   This is an affordable federal court remedy that frequently allows debtors to get rid of their debt and start over without paying anything back. Bankruptcies can generally be described as "liquidation" (Chapter 7) or "reorganization" (Chapter 13). Not all debts are dischargeable and not everyone qualifies for Chapter 13.

   Bankruptcy does have a negative impact on your credit score which can prevent you from securing employment with any employer who conducts a credit check as part of their hiring process.

7. **THERE ARE LIMITS ON WHAT DEBT COLLECTORS CAN DO**
   If you haven't paid your bills for some time, the creditor could turn your account over to a collection agency. Unless you plan to file for bankruptcy, it is often best to communicate with these agencies.

Understanding these seven areas can guide your decisions and options for getting out of debt. They also help protect you against scams or people that take advantage of individuals who are unemployed.