

Getting a Second Loan

Another option is to obtain a new loan and use that to pay off the old one. When you get a new loan, you are usually given 30 days until the first payment due date, which could address an urgent need at that time. This is not as direct an option as debt consolidation but it is a viable approach, especially if you can prolong the maturity date of your debt and pay a lower interest rate.

Credit Counseling

Consumer Credit Counseling Services can help you by negotiating monthly payments, late and over-limit fees, and interest rates with your creditors. Credit counselors from nonprofit organizations can help you set up Debt Management Plans. They can also help you learn how to budget and teach good money management skills so you can improve your financial situation and meet your financial goals. Credit counseling can be expensive, but the upfront counseling costs could save you money in the long-run by helping you get your debts under control. For more information on credit counseling services, visit: <https://www.nfcc.org/>

Debt Settlement

Debt settlement involves negotiating with a creditor to reduce the principal balance of what you owe. This is done by paying a lump-sum payment to a creditor in exchange for the lender forgiving a portion of your debt. Typical debt settlements can range from 10% to 50% of what you owe. This can be a viable option for individuals who simply cannot pay back the full amount they owe.⁹⁷

File for Bankruptcy

A final, last resort option is to file for bankruptcy. When you file for bankruptcy, a judge and a court trustee examine the assets and liabilities of individuals whose debts have become too overwhelming to be able to pay them. The court decides whether to discharge the debts so the individual is no longer required to pay them, or dismiss the case if they believe the person has enough assets to pay what they owe.⁹⁸

You should try *all other options first* before filing for bankruptcy. Bankruptcy has benefits, but it also has serious drawbacks. Among them is the negative information it adds to your credit record, which remains in the system for 10 years and can negatively impact future credit applications.

⁹⁷ Amy Fontenelle. "Debt Settlement: Cheapest Way to Get Out of Debt?" *Investopedia*, June 16, 2021. <https://www.investopedia.com/personal-finance/debt-settlement-cheapest-way-get-out-debt/>

⁹⁸ "What is Bankruptcy & How Does it Work?" *Debt.org* <https://www.debt.org/bankruptcy/>