

**Title:**

Bankruptcy and Useful Tips for Avoiding It

**Word Count:**

535

**Summary:**

The new bankruptcy law makes filing for debt relief through the courts much more difficult. It' is definitely better to avoid bankruptcy if possible. Here are some tips that might help.

**Keywords:**

Debt consolidation, debt management, credit counseling, bankruptcy, credit cards, home equity loan, line of credit, interest rates, free credit report, payday loan

**Article Body:**

The Bankruptcy Abuse and Consumer Protection Act was passed in early 2005 with the intention of reforming American bankruptcy law as we know it. The existing laws, according to Congress and the credit card companies, allowed too many debtors who might be capable of repaying at least some of their debts to have them wiped away by the courts. The new law was intended, rightly or wrongly, to eliminate the "bankruptcy of convenience" that allowed many consumers to run up huge debts without repaying them. Under the new law, filing is much more difficult, time consuming and expensive; so much so that it has discouraged many would-be filers from seeking debt relief through the courts.

Given that debt relief through the bankruptcy courts is now so much more difficult, it makes sense that consumers with mounting bills might want to seek alternatives. In order to do that, debtors need to find some other way to manage their increasing debt. Below are a few tips that might help consumers avoid filing for bankruptcy.

**Negotiate with your creditors** - It is generally a good idea to talk to your creditors as soon as you have a problem. If you are missing payments, call them and explain why. Creditors want to get paid, but they also understand that everyone has financial problems from time to time. They may be able to work out a repayment arrangement with you that you can afford. You will receive much more cooperation from your lenders if you are honest and explain your problem than to simply stop paying without explanation.

**Seek credit counseling** - Credit counseling sessions are mandatory for filing for

bankruptcy, but many people with little or no formal financial training could benefit from meeting with a counselor and explaining their financial problems. The agency can offer help with money management and repayment plans. They may even be able to negotiate some better terms with your creditors if you haven't already done so yourself. Many agencies are nonprofit, so you will generally find their services to be quite affordable.

Get a debt consolidation loan - A consolidation loan is one that combines several debts, often at high interest rates, into one loan at a lower rate. A home equity loan is ideal for this, and thanks to rising real estate prices, many people now have a reasonable amount of equity in their property. As a bonus, the interest on a home equity loan is tax deductible. Other credit cards with low-interest introductory rates are also good for consolidating debt.

Sell your house - If you do have a lot of equity in your property, it may become necessary to sell your house to pay your bills. This is a drastic step, as you will have to find another place to live, but if the alternative is losing your home to foreclosure, it may be the only sensible choice.

Bankruptcy shouldn't be taken lightly. Having your debts removed by the courts will leave a mark on your credit report for up to ten years and will make it more difficult and expensive to borrow money or obtain credit in the future. Smart consumers know that avoiding bankruptcy, if at all possible, is a smart financial move.