

Title:

Alternatives To Bankruptcy

Word Count:

658

Summary:

Many people want to file bankruptcy the moment they realize they are in over their heads, and they feel like there is nothing they can do to get out of debt. Bankruptcy however, should be used as an absolute last resort- after all other options have been thoroughly researched and exhausted.

Before making the decision to file bankruptcy, consider each of the following alternatives:

- Refinancing
- Debt Consolidation
- Debt Settlement
- Debt Negotiation

If after you...

Keywords:

debt relief, debt, get out of debt, refinance, credit card, debt free, alternatives to bankruptcy

Article Body:

Many people want to file bankruptcy the moment they realize they are in over their heads, and they feel like there is nothing they can do to get out of debt. Bankruptcy however, should be used as an absolute last resort- after all other options have been thoroughly researched and exhausted.

Before making the decision to file bankruptcy, consider each of the following alternatives:

- Refinancing
- Debt Consolidation
- Debt Settlement
- Debt Negotiation

If after you've considered each bankruptcy alternative, you still find that your

personal debts are greater than the money you have available to make payments each month, you may have no choice other than bankruptcy.

Refinancing

If you are a home owner and have not refinanced your home in the last year, it may be possible for you to obtain additional money from the equity you have in your home, and use it to pay off your other debt. This will eliminate the monthly payments on each of your credit cards or loans that you have used your refinance to pay off, and allow you to make a single, more affordable monthly payment. If you are able to use refinancing of your home to manage your debt, make sure that you do not run right out and get another credit card or car loan, because before you know it you will be right back where you were before the refinance!

Debt Consolidation

Many individuals are able to consolidate all of their monthly credit card and loan payments together by taking out a debt consolidation loan. Typically, a consolidation loan will require some form of collateral to secure it. Unfortunately, you do need to have fairly good credit in order to obtain a debt consolidation loan, but this is a viable option for someone who finds themselves in over their head before the payments start becoming late.

Debt Settlement

Sometimes you can settle your debt out of court. While it is possible to get a debt settlement on your own, it is advisable that you find a reputable company to help you negotiate with your creditors to reduce the amount of money that is owed. Typically, creditors are willing to accept less than the money that is owed to them if they believe you are going to be filing bankruptcy. They realize that a settlement is going to give them more money on the balance owed than the bankruptcy will, and it is in their favor to work with you in this situation. In order to settle your debts, you should have money on hand to immediately pay your creditors and get them to close the account, and report it as "paid as agreed" to your credit report. If you've just received a fairly large tax return for example, you could consider attempting to settle your debt with each creditor by offering them less than the total amount owed to close out the account.

Debt Negotiation

Negotiating your debt can be helpful, although it doesn't eliminate your debt.

Call each of your creditors and discuss with them that you are having financial difficulties. Explain you are considering bankruptcy, but before you take that leap you would like to see if you can negotiate your debt with each of your creditors to obtain payment arrangements that work better with your financial situation. Some credit card companies will lower the interest rate and stop late fees and finance charges from occurring, and it really helps you start paying down on the balances. The trouble with credit cards is that once you get behind, the interest and finance charges each month are as much as or more than your minimum monthly payments, so you are paying every month and never reducing your balance. With lower interest rates, and creditors who stop the finance charges and late fees temporarily, you can start chipping away at the actual balance, and hopefully pay off a few accounts during the negotiation period.