

Title:

Bankruptcy Alternatives - 5 Ways to Avoid Bankruptcy

Word Count:

754

Summary:

In today's debt ridden society many people are in severe financial difficulties, often for reasons outside their control. Bankruptcy for many, is the last step in a long road of financial pressures but many opt for this solution too early and without considering suitable bankruptcy alternatives. Whilst bankruptcy may get rid of the immediate pressures it isn't necessarily the end of the problems.

Keywords:

bankruptcy, bankruptcy alternative, debt, loan, debt consolidation

Article Body:

What you are about to read may stop you making the biggest mistake of your financial life.

In today's debt ridden society many people are in severe financial difficulties, often for reasons outside their control. Bankruptcy for many, is the last step in a long road of financial pressures but many opt for this solution too early and without considering suitable bankruptcy alternatives. Whilst bankruptcy may get rid of the immediate pressures it isn't necessarily the end of the problems.

When you file for bankruptcy your life becomes an open book for the court appointed bankruptcy officials. They will pry into all aspects of your life and you will be required to provide all your financial information, including bank accounts, savings, investments and assets. Anything that can be sold or converted to cash, including your family home and any valuable contents, will be disposed of and you may still have part of your income deducted from your salary to pay some of your debts.

But there are bankruptcy alternatives that may be less painful for many. Here I've listed 5 bankruptcy alternatives

1. Negotiate with your creditors.

When you get into difficulties you should contact your creditors as soon as possible. Contacting them sends a signal that you want to repay them.

Lenders are anxious to get their money back and sometimes they will go to great lengths to help you. They may be prepared to re-finance your debt to have it paid over a longer period with lower installments.

They will often be prepared to reduce or freeze the interest rate and will even cut the balance owing up to 75%.

2. Refinance your mortgage.

If you have a property, which you own outright or on a mortgage, there is the real possibility of you being able to refinancing your debts using a secured mortgage or re mortgage.

Refinancing your debts involves taking out a new mortgage, or an additional mortgage. Some lenders will lend up to 125% of the property value allowing you to pay all your outstanding debt and may even have some spare cash to treat yourself.

As the new loan is repayable over a long period of time (often 25 - 35 years) the monthly repayments are significantly lower than with short term debt and should be far more manageable

3. Refinance your debts using a debt consolidation loan.

Debt consolidation is where you take a new unsecured loan and use the funds to pay off your outstanding debts. Debt consolidation loans are repayable over a longer term at a relatively low interest rate and as a result the monthly repayments are lower. If the loan is secured on your property then the interest rate and payments may be even lower.

4. Sell your home and downsize.

One of the easiest ways to get out of debt is to sell your house or apartment and downsize or move into rented accommodation. The surplus cash can then be used to pay your debts and you can continue with your life without the pressure.

Selling up and moving home is, however, a difficult and often painful option. If you do sell however. you can determine the price and remain in control. If the house falls into bankruptcy, you lose control and the house may be sold by your mortgagor at auction for a price often considerably less than the price you can obtain in a normal sale.

5. A formal arrangement with your creditors.

A formal arrangement with your creditors can often be negotiated by specialist debt management companies and is filed with the courts. These arrangements are for 5 years. You pay an agreed amount each week or month to the debt management company and it is then divided between your creditors. While you continue to pay they are prevented from approaching you.

After the 5 year period is over any balance still owing is wiped out and you are free to live your life free of debt. If however you break the arrangement the normal result is bankruptcy.

As you can see, there are several sound bankruptcy alternatives for you to choose from. Everybody is under financial pressure from time to time, however you should not compound your problems by declaring bankruptcy too soon. Instead, choose the bankruptcy alternative that sounds the best for your particular situation and start working to repair your credit now.

Using a bankruptcy alternative means that in a few years you will have rebuilt your credit and will be back on track, whereas with bankruptcy it could be ten years before you can get back to normal.