Where do you start if you can't pay bills?

Take action right away!

Contact creditors BEFORE you miss a payment. You can reduce your chances of being harassed by creditors or collection agencies by working out solutions early.

At the first sign that you will not be able to make a payment, do the following:

- **Work out your new income and expenses.** Use a monthly spending plan worksheet to compare your income to current expenses. This will give you a picture of your current spending and possibly places to cut back on your day to day expenses.
- **Prioritize your bills.** Credit card collection agencies can be rude and persistent if you miss a credit card payment, but missing a mortgage payment could mean losing your house. Figure out what other bills are priorities to you, such as the car payment or groceries. After you set aside enough money for priorities, then divide the rest of your income among the other creditors and bills.
- **Contact your creditors before they contact you.** When you contact creditors, youôll need to work with someoneð a supervisor, accounts manager, or ñloss mitigationò specialistð who can negotiate with you. When you call, this may mean getting busy signals or spending some time on hold since many others in similar situations may be calling, too. If the creditor is local, make an appointment to meet with them in person.
- **Make specific and realistic offers to creditors.** A creditor does not have to accept a lower payment from you, but it never hurts to ask and explain your situation. Agreements may include lower payments over a longer period (with more interest added) or payment on interest alone for a set time period. Donôt make promises you canôt keep.
- **Follow up with a letter detailing the arrangements you agreed to with each creditor.** In the letter, write down the terms of your agreement including amount and due date, the name of the person you talked to, and the date. Keep a copy of the letter for your records. Get agreements in writing and signed by the creditor *before* you send money.
- **Contact a credit counseling agency if** you need help working with your creditors. Be aware that these agencies charge a fee and a debt repayment program may affect your credit rating. Find a credit counselor near you at 1-800-388-2227 or www.debtadvice.org
- **Consider seeking legal advice.** You have rights under the Consumer Protection Act. If a creditor has filed a judgment against you to garnish your wages or repossess collateral, you may want to speak with an attorney before the court date.
- **Donôt take on new debt.** You may be tempted to use credit cards, take out a home equity loan, or borrow money to pay bills. Unless your situation turns around quickly, more debt only creates bigger problems.

WHAT ABOUT YOUR CREDIT RATING? Nonpayment of bills is reported on your credit report which can make it harder and more costly to get credit. A future employer or landlord may ask to see your credit report. If you contact all creditors immediately and pay something on each debt as agreed, creditors are less likely to report problems to credit bureaus.

Extension
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