



UNIVERSITY OF ALASKA FAIRBANKS

# OUTSIDE FINANCIAL HELP

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*There are generally four strategies you can try to get out of financial trouble. Here are some strategies available to you.*

## Credit Counseling Services

Credit counseling agencies give help with budgeting your money. They study your situation with you and work out a repayment plan. They will contact your creditors and may make the payments for you. You send them an agreed amount of money from each paycheck, and they distribute it among your creditors. Such programs may last up to four years, and you are usually required to cut up your credit cards and use no more credit while your debts are being settled. For assistance, contact Money Management International: 417 Barrow St. (Anchorage) or 250 Cushman St. (Fairbanks); 800-308-2221 (toll free).

You may be able to get advice on handling financial problems from local welfare agencies, legal aid societies, University of Alaska Fairbanks Cooperative Extension Service, and charitable or religious organizations. All these services are free or low cost based on your ability to pay. Be sure you know who runs such a program and what the fees will be. Some profit-making businesses will offer to pay bills for fees as high as 30 percent of your debt without giving any counseling.

## Consolidation Loans

A consolidation loan is a single loan you take out to pay off all your debts. The payments on the new loan are lower than all the old payments because they are stretched out over a longer repayment period. It is easier to keep track of your debt

because you only have one payment. But, you end up paying more interest over a longer period of time. And you may forget how much you still owe because the new payments seem so small. Remember, you don't really have more money to spend. A consolidation loan can only work if you give up using more credit and if you work to balance your spending and income.

## The Wage Earner Plan

If your debts cannot be settled by either of the first two methods, Chapter 13 of the U.S. Bankruptcy Act (The Wage Earner Plan) may be the answer. You will probably need the help of a lawyer to file the plan. Legal aid may be available to you for this purpose. Together, you and the attorney work out a repayment plan which must be acceptable to most of your creditors and agreed to by the court.

Generally, the court will agree if your total necessary living expenses are not more than three-fourths of your take-home pay and the remaining amount can repay all your debts within three years. Creditors will usually accept such a plan because they are more likely to get some money than if you file for bankruptcy.

Some plans pay back the whole debt, but most propose to pay less. Every payday a fixed amount is paid to a court-appointed trustee who pays off the creditors. Lawyers' fees, court costs and trustees' fees may be paid in installments along with your other debts. You cannot file for bankruptcy for six years after filing the wage-earner plan or until 70 percent of your debt is paid off.

## Bankruptcy

Filing for bankruptcy should be a last resort. It is not an easy way out, and it lets down people who trusted you to pay your bills. Once you file for bankruptcy, you may not do so again for seven years. Bankruptcy appears on your credit report for 10 years. It is very difficult to get any more credit during that time. Fees and court costs, which are higher than for a Chapter 13 plan, must be paid in advance.

Once you are declared unable to pay your debts, all your possessions, except those that are exempted by federal or state law, are turned over to the court trustee to be sold. The money is then paid to your creditors in proportion to the amount you owe them. Anything remaining unpaid is a loss to the creditor — the debts are discharged. Debts that

cannot be discharged through bankruptcy include child support, maintenance and taxes.

In short, try to work out a debt payment plan with your creditor first. If the debt is too large or complex for you to handle alone, seek outside help in one of the four ways discussed. But save bankruptcy as your absolutely last choice.

For further information on either type of bankruptcy, check [www.uscourts.gov/bankruptcy-courts/bankruptcybasics/process.html](http://www.uscourts.gov/bankruptcy-courts/bankruptcybasics/process.html).

***If you still have money problems even after you've talked with your creditors, you may need outside help.***

*Adapted from Tough Times II with permission from Washington State University Cooperative Extension Service.*

**[www.uaf.edu/ces](http://www.uaf.edu/ces) or 1-877-520-5211**

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