

Getting out of debt



Unpaid debt is a problem that only gets worse the longer it continues. The good news is that there are ways of getting out from under a pile of past due payments.

Consolidating Loans

Consolidating several loans into a single loan may decrease your overall monthly interest, as well as simplifying your repayment process and making it easier to track how much you owe. There are several methods to consolidate your debt. Find out more at the Consumer Financial Protection Bureau's website.

Credit Counseling

Agencies such as the National Foundation for Credit Counseling can help you manage your debt through four forms of assistance:

- Review your debt load and income
- Help you set up a realistic personal budget
- Negotiate with creditors to reduce payments on bills
- Plan for your future expenses

Your Rights

Creditors do not have the right to harass you. The Fair Debt Collection Practices Act is a federal law that protects you. It forbids collectors from the following:

- The use of threat of violence or other criminal means to harm a person or that person's reputation or property
- The use of obscene or abusive language
- Repeated calls with intent to annoy or harass

- False affiliation with the government, including the use of a badge or uniform
- Threat of arrest
- Communication at unusual or inconvenient places and times
- Communication with third parties without debtor consent

If you feel these regulations have been violated, consider filing a complaint with the Consumer Financial Protection Bureau online or by calling 855-411-CFPB.

Bankruptcy

As a last resort, bankruptcy is a way to eliminate debts or repay them under court protection and supervision, although child support payments, alimony, fines, taxes, and some student loan obligations are typically not eliminated. Bankruptcy will stay on your credit report for up to 10 years, possibly affecting your ability to buy or rent a home, and will likely result in higher interest rates on future loans.

The most common types of bankruptcy are Chapter 7 and Chapter 13. In a Chapter 7 or “straight bankruptcy” scenario, you agree to turn over all your nonexempt assets to a Chapter 7 trustee, who subsequently sells your assets and distributes the money to your creditors. Chapter 13, or “reorganization,” allows you to keep your property, such as a mortgaged house or car, as you pay creditors over a period of three to five years with a single monthly payment.

