

Why Consumers Don't Pay

Loss of income (48%)

- Unemployment (24%)
- Illness (16%)
- Other (divorce, death) (80%)

Overextension (25%)

- Poor money management
- Emergencies
- Materialism
- Need for instant gratification

Defective goods and Services (20%)

Fraudulent use of Credit (4%)

Other (3%)

Warning Signs of Trouble

- You don't know how much you owe.
- You often pay bills late.
- You get a new loan to pay old loans.
- You pay only the minimum balance due each month
- You spend more than 20% of your net income (after paying rent or mortgage) on debt maintenance.
- You would have an immediate financial problem if you lost your job.
- You're spending more than you earn, using your savings to pay for day-to-day expenses.

First Steps To Take If You Can't Pay Your Bills

Take another (close) look at your budget

- Trim your expenses.
- Be realistic about what you can afford

Contact your creditors

- Tell them why you can't pay, that you intend to pay, and when/how much you will be able to pay.
- You may be able to work out a new payment schedule.
- If possible, continue to make the minimum payments

Credit Counseling

National Foundation For Consumer Credit (NFCC)

- Program that offers information on financial and consumer topics. All cities with populations of 50,000 and 1,500 locations nationwide.
- Review your income.
- Helps you set up a realistic personal budget
- May contact your creditors and make arrangements for reduced payments on your bills.
- Helps you plan for future expenses
- Services, depending on location, may be available for no charge or reasonable fee.
- Listed in yellow pages under “credit counseling” or call (800) 388-2227 for a location nearest you.

Consolidating Your Debts

Loan Consolidation

- You make only one payment, usually lower than the total amount of your monthly debt payments.
- Best to use only when combined with credit counseling.
- If you own a home, consider your spending habits carefully before you take out a home equity loan. You could end up with a loan and large credit card bills if you don't change your spending habits.

Watch Out For “Credit Repair” Companies!

- Offer for-profit counseling.
- Offer debt consolidation loans.
- Offer debt counseling.
- Some advertise they can erase a poor credit history (no one can do this!)

Fair Debt-Collection Practices

A Debt Collector Must:

- Inform you, in writing, of the amount of your debt, the name of the creditor, and an explanation of your right to dispute the debt.
- If you dispute the debt, the debt collector must give you written proof of the debt.

A Debt Collector May Not:

- Contact you at unusual times or places.
- Disclose what you owe to anyone but your attorney.
- Harass or threaten you.
- Use false statements.
- Give false information about you to anyone.
- Misrepresent the legal status of the debt.
- Engage in any kind of unfair practice, such as trying to collect an amount greater than you owe.