

IF YOU HAVE DEBT, UNDERSTAND THAT YOU ARE NOT ALONE. FOR THOSE WHO ARE STRUGGLING TO KEEP UP WITH MONTHLY BILLS, IT MAY BE A SIGN THAT THERE IS TOO MUCH DEBT.



If you have debt, understand that you are not alone. For those who are struggling to keep up with monthly bills, it may be a sign that there is too much debt. Remember, when you use credit to make purchases — such as a home, furniture, or even a college education — there is a cost associated with that in the form of interest. Interest rates and re-payment terms will vary, but debt balances can quickly start to get out of hand without good budgeting and spending decisions.

If debt starts to become overwhelming, there are ways to deal with those accounts and start to regain some financial stability. The option you choose is up to you — but make sure you fully understand how each option works before making any final decisions. Another important consideration is how you handle your creditors. It's important to stay in close contact with your creditors, explain your situation, but don't commit to something that is not feasible.

HANDLING ON YOUR OWN

- **Rework the budget** – you may have to increase income, decrease expenses, or try a combination of both in order to improve your monthly cash flow situation. Determine what are the “needs” in your budget, versus the “wants”.
- **Liquidate Assets** – are there items you could sell that could help you pay down debt? Are there any savings or investment accounts that may provide some needed funds? Please note — you should only consider using funds in a 401K or IRA as an absolute last resort for dealing with a financial crisis. That money is designated for retirement, and any withdrawals will usually come with penalties and taxes.
- **Hardship Program with Creditors** – many creditors have internal programs that may provide some temporary relief with the interest rate, monthly minimum payment, and/or the due dates.
- **Refinance existing loans** – you may have loans (auto, home, personal) with a high interest rate. Depending on your credit, you may be able to refinance those loans, reduce your monthly payment, and save some money.

LOAN DEFERMENT

A deferment excuses you from making loan payments for a set period of time because of a specific condition in your life — such as returning to school, economic hardship, or



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unemployment. Deferments are very common for student loans. Interest may or may not continue to accrue, while the payments are not required.

LOAN FORBEARANCE

During forbearance, your payments are temporarily postponed or reduced. Forbearance can also be an extension of the time you have to repay your loan. Unlike deferment, you'll be charged interest during forbearance.

LOAN EXTENSION

If you find yourself unable to make your payment, due to a temporary situation, you may be eligible for an extension on your installment loan account. An extension allows you to postpone one or more monthly payments and remain current on your loan, by moving some payments to the end of the loan.

DEBT MANAGEMENT PROGRAM

A Debt Management Program (DMP) sets up a payment schedule for you to repay your debts over a specified period — generally 3-5 years. By voluntary agreement, you deposit funds with a credit counseling agency, like GreenPath, and they send those funds directly to your creditors.

You may also receive a reduction or waiver in interest rates and late fees, which will greatly help accelerate the payoff of your balances. Credit counselors also provide assistance with helping establish a workable budget, as well as other financial education.

DEBT SETTLEMENT

Debt settlement is an agreement between a debtor and a creditor to pay off any remaining debt, at a reduced amount. Individuals can negotiate directly with their creditors, or utilize the fee-based services of a debt settlement company. There may be some negative impact to the credit, as well as potential tax implications for any forgiven debt.

DEBT CONSOLIDATION

This involves a process, whereby you may work with a lender to consolidate many or all of your debts into one new loan. You may be able to save money, if the interest rate on the new loan is less than many of your existing debts. Your credit score will be a factor in getting an approval for this loan.

BANKRUPTCY

- **Chapter 7** is the most common form of bankruptcy filed by consumers. Chapter 7 involves the liquidation of a debtor's property to pay creditors and wipe out remaining debts, giving the debtor what's known as a *fresh start*. Only a licensed bankruptcy attorney can provide legal advice and help you understand exactly how a bankruptcy would work for your individual situation. However, it's important to know that Chapter 7 bankruptcy will stay on a person's credit report for ten years.
- **Chapter 13** bankruptcy provides a viable option for those who are unable to qualify for Chapter 7, or for those who wish to keep their assets, while still being able to get a better handle on debt. There are several important provisions to be aware of for Chapter 13 bankruptcy, but

the main thing to know is that this form of bankruptcy does not simply liquidate debt like Chapter 7. Instead, you will repay at least some of the total debt you owe, during a three-to-five year period of time, in exchange for keeping your assets.

Again, only a licensed bankruptcy attorney can provide legal advice and help you understand exactly how a bankruptcy would work for your individual situation. Bankruptcy can be complex — it's critical to work with an experienced attorney, if you are contemplating this option.

10 WARNING SIGNS OF TOO MUCH DEBT

1. No savings.
2. You only make the minimum payment on your credit cards each month.
3. You continue to make more purchases on your credit cards while trying to pay it off.
4. You have at least one credit card that is near, at, or over the credit limit.
5. You are occasionally late in making payments on bills, credit cards, or other expenses.
6. You don't even know how much total debt you actually have.
7. You use cash advances from your credit cards to pay other bills.
8. You bounce checks or overdraw your checking accounts.
9. You've been denied credit.
10. You lie to friends or family about your spending and debt.

BE POSITIVE AND GET STARTED

Sometimes, we know deep down that we have a debt problem, but it is easier to deny the problem than to address it. It can be painful and require hard work, but the sooner you realize that you are in over your head, you can get help and begin to make positive changes.

Take the first step to get out of debt. Call GreenPath at 877-337-3399 to get started today.



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