

## Debt Consolidation instead of Bankruptcy?

Most people would love to pay back their debts if they could. However, before signing up with a “debt consolidation” program or “debt settlement” company you have talked to over the phone or the internet, you should talk in person with an attorney, like us at Dempsey, Dempsey & Moelling. We will go over your budget and see if any kind of repayment is feasible. If you have under \$5000 in unsecured debt (ie credit cards, pay day loans or medical bills) bankruptcy may not be right for you. But if you have more than \$10,000 in unsecured debt, you should definitely look at bankruptcy as an option.

There are two types of bankruptcies for individuals: Chapter 7 and Chapter 13. If you have the means to pay back something over time, a Chapter 13 bankruptcy has far more power than a debt settlement company. First of all, a bankruptcy will put a stop to law suits or garnishments, as well as continuing interest and fees. A settlement program cannot do that. Secondly, a Chapter 13 will consolidate all your debts, not just those willing to participate in a non-bankruptcy program. Thirdly, debt consolidation does impact your credit score, despite what these companies may tell you. Lastly, if a debt is “settled” for less than you owe, the part written off will be reported to the IRS as income to you for which you may owe taxes. This doesn’t happen in bankruptcy.

If your budget has more going out than coming in, a Chapter 7 bankruptcy will be more realistic than a Chapter 13 or debt consolidation. Don’t send anyone any money or give the right to debit your bank account until you get advice from an attorney who can explain the law to you. You could wind up sending thousands of dollars to one of these companies, most of which goes to them for fees, and not your creditors.

Call our office for your free in person consultation today.