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Writer/Source: Michael Rupured (706) 583-0054 (mrupured@uga.edu)

Resolve to become debt-free in 2004

**By Michael Rupured
University of Georgia**

If you have more debt than you can handle, you're not alone. Last year, more than a million families filed for bankruptcy. Many more sought help from credit counseling agencies.

To get out of debt, first look at your credit report. Georgia law allows you to get two free credit reports each year from each of the three major credit reporting agencies.

Your credit report is a record of your repayment history for the past seven years. It shows how creditworthy you are and affects how much you have to pay to borrow money.

Make sure your credit report is accurate and complete. If you find errors, follow the directions provided with the report to correct them. Check out any negatives: late payments, judgments, wage garnishments, charge-offs.

If all your payments have been current for the past six to 12 months and you have no other negatives, it's best to dig out of debt on your own.

If you're adding negatives to your report each month with late or missed payments, though, you probably need help. Face-to-face credit counseling is available in many communities. You can get help on-line, too, or by telephone.

Credit counselors can usually negotiate better terms with your creditors and reduce the amount you owe. They can set up a repayment plan

that will usually require you to close all credit accounts and stop charging anything until the debt is gone.

Your creditors will tell the reporting agencies you're taking part in a debt management plan. This usually isn't as negative, though, as continuing to miss or be late with payments.

If you work with a credit counselor, there are important questions to ask, such as how much they charge?

Some agencies take the first month's payment as a fee, which means your creditors don't get paid that month. This damages your credit even further and adds late fees and finance charges.

Many agencies offer their services free or have very low fees. If you pay the agency monthly, make sure you know which of your debts the payment covers. Certain debts, such as automobile loans, home mortgages and other secured debts, generally aren't included in debt management plans.

Know how often payments are sent to your creditors, too, and whether you'll get a regular statement showing how your payments were disbursed.

Beware of counselors who try to steer you into consolidation loans. If debt is your problem, borrowing more is **NOT** the answer.

Some people owe so much that even credit counselors can't help. Often this is because of divorce, unemployment or medical bills not cov-

ered by insurance. These people may have no choice but to file for bankruptcy.

Georgia has the fourth highest rate of personal bankruptcy in the nation. One of every 44 Georgia households filed for bankruptcy in 2002. In these cases, people who owe more than they can repay go through the court system for debt relief.

Some people file Chapter 7 petitions. They're allowed to keep certain assets, with others sold to repay their debts.

Others file Chapter 13 and work with an attorney to develop a budget. They have to pay all of their disposable income to the courts for three to five years. The monthly payments are distributed among the creditors. Georgia has the highest Chapter 13 rate in the nation.

However you do it, getting out of debt is a sound investment. You'll free up money you now commit to monthly debt payments and eliminate finance charges. You'll feel less stress, too, and be more optimistic.

To learn more about becoming debt-free, contact a family and consumer sciences agent through your county University of Georgia Extension Service office.

(Michael Rupured is an Extension Service financial management specialist with the University of Georgia College of Family and Consumer Sciences.)