

16 GUIDELINES FOR PRIORITIZING DEBT, CONTINUED

CO-SIGNED DEBTS

You may have co-signed on a loan. If the loan is secured by your home or car, then it is a high-priority debt, especially if the other signor has not been making payments. If you have not put up such collateral or the other signor put up the collateral, you should treat this debt as a low priority.

REFINANCING

Be very careful when refinancing. It may be very expensive and give creditors more opportunities to seize important assets.

Significant portions of this brochure were excerpted from the Guide to Consumer Rights for Domestic Violence Survivors, published by the National Consumer Law Center, 2006. For more information on the Guide or to obtain a copy, contact the National Consumer Law Center.



THE BROCHURE WAS CREATED BY **CONSUMER RIGHTS FOR DOMESTIC VIOLENCE SURVIVORS INITIATIVE** — A PARTNERSHIP BETWEEN THE NATIONAL CONSUMER LAW CENTER, THE CENTER FOR SURVIVOR AGENCY AND JUSTICE, AND THE NATIONAL ASSOCIATION OF CONSUMER ADVOCATES.

THE INITIATIVE AND THIS BROCHURE ARE SUPPORTED BY GRANT NO. 2007-VF-GX-K010 AWARDED BY THE OFFICE FOR VICTIMS OF CRIME, OFFICE OF JUSTICE PROGRAMS, U.S. DEPARTMENT OF JUSTICE. POINTS OF VIEW IN THIS DOCUMENT ARE THOSE OF THE AUTHOR AND DO NOT NECESSARILY REPRESENT THE OFFICIAL POSITION OR POLICIES OF THE U.S. DEPARTMENT OF JUSTICE.



CENTER FOR SURVIVOR AGENCY AND JUSTICE

1802 VERNON ST. NW
WASHINGTON, DC 20009
PHONE: 202-265-0967
FAX: 202-265-5703
WEBSITE: WWW.CSAJ.ORG

NATIONAL CONSUMER LAW CENTER

77 SUMMER STREET
10TH FLOOR
BOSTON, MA 02110
PHONE: 617-542-8010
FAX: 617-542-8028
WEBSITE:
WWW.CONSUMERLAW.ORG

PRIORITIZING YOUR EXPENSES

FOR SURVIVORS OF
DOMESTIC VIOLENCE



CONSUMER RIGHTS FOR DOMESTIC
VIOLENCE SURVIVORS INITIATIVE

WHAT IF I CAN'T PAY ALL MY EXPENSES?

If you have recently separated from a partner who is physically, economically, and/or emotionally abusive, or if you are living with a partner who controls your finances, you may be facing significant challenges in meeting your daily expenses. This brochure is designed to help you make decisions about how to spend your money when you may not be able to pay for all your expenses.

Definitions:

Secured Debt: Debt owed to a creditor who has a right to seize certain property or “collateral” if you do not pay the debt. For example, your home is the collateral for a mortgage and your car is the collateral for a car loan.

Unsecured Debt: Debt owed to a creditor without collateral. It can be difficult for unsecured creditors to collect what they are owed unless you pay voluntarily. Common examples include, credit cards, medical bills, and department store cards.

How to Prioritize:

It can be beneficial for you to direct your resources to what is most necessary for yourself and your family – often food, shelter, and utility services. The following are guidelines, but everyone’s situation is different, so be sure to tailor it to meet your particular needs.

16 GUIDELINES FOR PRIORITIZING DEBT

PAY FAMILY NECESSITIES FIRST

Which debts do you rank as your highest priority? Often, food and medical necessities, like prescriptions, rank the highest.

PAY HOUSING-RELATED BILLS NEXT

If possible, continue to make rent or mortgage payments. These payments can be essential to keeping you in safe and secure housing. If you can’t make these payments, speak to your landlord or mortgage holder to see if they might be willing to let you accrue a balance for one month or two, with the promise to pay the balance at a later date. If you shared the apartment or home with your partner, speak to an attorney about ways in which your partner could be ordered by a court to pay part of your rent or mortgage.

PAY THE MINIMUM REQUIRED TO KEEP ESSENTIAL UTILITY SERVICE

If you are unable to pay the full amount of any utility bill, make the minimum payment necessary to avoid disconnection of service.

PAY CAR LOANS OR CAR LEASES IF THE CAR IS A NECESSITY

If you need the car to get to work or for any other essential transportation, the car payment should be your next priority, after food, housing costs, necessary medical expenses, and utilities. If your car is necessary for your employment, you may even want to place it higher on the list.

PAY CHILD SUPPORT

If you owe child support, pay as much as possible to avoid problems caused by unpaid child support.

INCOME TAX DEBTS

The government has many collection rights that other creditors do not have, particularly if you do not file a tax return. It is important that you file federal income tax returns each year, even if you cannot pay any balance due.

LOANS WITHOUT COLLATERAL

Most credit card debts, attorney bills, doctor and hospital bills, open accounts with merchants, and similar debts are of low priority. You typically do not pledge collateral for these loans, and there is rarely anything that the creditors can do to harm you in the short term.

LOANS WITH HOUSEHOLD GOODS AS COLLATERAL

These loans can generally be treated in the same way as an unsecured debt – as a low-priority debt. Creditors rarely seize household goods because they have little market value.

16 GUIDELINES FOR PRIORITIZING DEBT, CONTINUED

DEBTS WITH CREDITORS WHO THREATEN SUIT

Many threats to sue are not carried out by creditors. Even when a creditor does sue, it can take a while for the collector to seize any property, and some of your property may be exempt from seizure. However, nonpayment of rent, mortgage, and car loans may result in the immediate loss of the home or car.

DEBTS WITH GOOD LEGAL DEFENSES TO REPAYMENT

You may have a good defense to repayment if the goods were defective, the creditor is asking for more money than it is entitled to, or you were coerced or forced into a loan. If you think you may have one of these defenses, speak with an attorney.

DEBTS ARISING FROM COURT JUDGMENTS

If a creditor obtains a court judgment against you, that debt often should move up in priority because the creditor can enforce the judgment by asking the court to seize your property, wages, and bank accounts. The seriousness of this threat varies depending on your state’s laws, the value of your property, and your income.

STUDENT LOANS

Most unpaid student loans are backed by the United States government and the law provides special collection remedies to the government that are not available to other creditors. These include seizure of tax refunds, wage garnishment, and denial of new student loans and grants.

DEBT COLLECTORS

You should make your *own* choices about which debts to pay based on what is best for your family. Debt collectors are unlikely to give good advice. You can easily stop debt-collection contacts and may have legal remedies to deal with collection harassment. For a sample ‘cease collection harassment letter,’ go to www.consumerlaw.org and locate the “Dealing with Debt Harassment” brochure.

THREATS TO RUIN ONE’S CREDIT

A debt collector may threaten to report your unpaid debt to the credit bureau. However, in most cases, the creditor already has reported the status of your account to the credit bureau. The debt collector does not pose any additional threat to your credit report.