



Ruth Brock
Regional Extension Agent
News Release

Advertisements Promising Debt Relief May Be Offering Bankruptcy

Are you looking for a quick fix for your debt? If so, you are not alone. Consumer debt is at an all time high. It does not matter whether your debt problem is the result of an illness, unemployment, or simply overspending, it can seem overwhelming. In your effort to become solvent, be on the alert for advertisements that offer seemingly quick fixes. These misleading ads pitch the promise of debt relief. They rarely say relief may mean bankruptcy. Although bankruptcy is one option to deal with financial problems, it is generally considered the option of last resort. The reason is its long-term negative impact on your credit rating. Bankruptcy information (both the date of your filing and the later date of discharge) stays on your credit report for 10 years, and can hinder your ability to get credit, a job, insurance, or even a place to live.

The Federal Trade Commission (FTC) cautions consumers to read between the lines when faced with ads in newspapers, magazines, or even telephone directories that say:

“Consolidate your bills into one monthly payment without borrowing.”

“STOP credit harassment, foreclosures, repossessions, tax levies, and garnishments.”

“Keep Your Property.”

“Wipe out your debts! Consolidate your bills! How? By using the protection and assistance provided by federal law. For once, let the law work for you!”

You will find out later that such phrases often involve filing for bankruptcy relief, which can hurt your credit and cost you attorneys’ fees. If you are having trouble paying your bills, consider these possibilities before considering filing for bankruptcy:

- Talk with your creditors. They may be willing to work out a modified payment plan.
- Contact a credit counseling service. These organizations work with you and your creditors to develop debt repayment plans. Such plans require you to deposit money each month with the counseling service. The service then pays your creditors. One such agency is the National Foundation for Credit Counseling (NFCC) and can be reached at 1-800-388-2227 or visit

www.nfcc.org. NFCC is a national non-profit organization that assists consumers in dealing with their credit problems.

- Carefully consider a second mortgage or home equity line of credit. While these loans may allow you to consolidate your debt, they also require your home as collateral.

For more information on this subject, as well as other financial topics, please contact Ruth Brock, Regional Extension Agent, at the St. Clair County Extension Office at 205-338-9416 or email brockru@aces.edu.

Source: <http://www.ftc.gov/bcp/edu/pubs/consumer/alerts/alt015.shtm>
Retrieved May 21, 2008