

OTHER CHOICES

There are choices other than bankruptcy. One of these may give people with credit problems a fresh start.

Contact creditors: Let credit card companies, utilities and other businesses know you are having trouble making timely payments. Try to work with the creditor to find a payment plan.

Contact a credit counselor: Call Credit Counseling Services at 1-800-388-2227 (24-hour service) for referral to a source near you.

Among your choices in Memphis are:

- Consumer Credit Counseling Services (901) 323-4909
- Consumer Debt Counseling Services (901) 276-2000
- Memphis Consumer Credit Education Services (901) 321-6730

These three accredited agencies assist people who are not able to make satisfactory payment plans with creditors. Credit counselors will meet with you face-to-face and make a budget that fits your income. The credit counselors will discuss choices for improving your total financial picture. All records are private. These agencies charge a small administrative fee if you decide to have them set up a payment plan. (This is not filing for bankruptcy.) The first meeting—the one to look at your finances and talk about choices—is free.

It is important to keep in mind that the counseling services are all different programs with different criteria and some may not be right for some people's needs. Individuals must look at all choices and decide which one is best for their situation. You may decide after shopping around and looking at your total financial picture that bankruptcy is your best option.

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BANKRUPTCY

Think Before You File



Are your bills overwhelming you? Is your debt more than you can handle?

Many people struggle with their personal finances. It is common for people to stress out over money problems and to think they can no longer handle their debts. Bankruptcy can seem like the best—and only—choice.

Bankruptcy may be the best choice for some people. However, there may be better choices. It is important to have good information before making any big decisions that cost you even more money.

The information in this brochure is for people who are thinking about bankruptcy. It discusses the common causes of bankruptcy and the costs, consequences and choices available. Most important, you'll find places in Memphis that might help you put your personal finances back in order.

This brochure was developed by the MemphisDEBT (Decision, Education, Better Thinking) Collaborative, a group of more than 80 Memphis organizations working to reduce the number of bankruptcies in

our community. The collaborative is a project of the RISE (Responsibility, Initiative, Solutions, Empowerment) Foundation, whose mission is to teach low-income residents how to build assets and invest in their futures.

The goal of the MemphisDEBT Collaborative is to improve the financial health of our community. The collaborative hopes that this information is useful and that it will help you make the right financial decisions for your future. If you would like to speak to someone at the MemphisDEBT Collaborative, please call (901) 576-6831. Information is also available at www.memphisdebt.org.

This brochure should not be a substitute for the advice of a professional.

CAUSES OF BANKRUPTCY

Debt and bankruptcy affect people from all walks of life. Experts have found that most Memphis bankruptcies are caused by:

- loss of employment
- divorce
- poor health and medical issues

TYPES OF BANKRUPTCY

There are two types of bankruptcy: Chapter 7 and Chapter 13. There are good things and bad things about both. It is important to have information from a professional, such as a credit counselor, before making a choice. Family and friends have stories to share and advice to give, but their suggestions may not be best for your situation. A credit counselor will talk with you, look at your situation and explain your choices. The first meeting is free. The counselor can help you decide if you need to file for bankruptcy or if there is a better choice for you.

FACTS ABOUT BANKRUPTCY

TYPES	CHAPTER 7	CHAPTER 13
Upfront cost	\$500 - \$1,000	\$950
Time on credit record	10 years	Up to 10 years, including repayment period
How often can you file?	Every 6 years	Every 2 years
Asset protection	Assets are usually not protected.	Assets are protected if repayment schedule is completed as planned.
Effect on debt	Eliminates debt.	Debt must be paid off over a 5-year period.

CONSEQUENCES

Bankruptcy has many costs. Chapter 7 and Chapter 13 have different methods for paying the lawyers' fees and filing charges. Other costs come later.

Bankruptcy can stay on your credit record for up to 10 years. This means that a higher interest rate will be charged on new credit and loans for people who have filed for bankruptcy.

Prospective employers often check credit records. You may have a difficult time getting a job if you have credit problems or bankruptcy on your record.

Property managers check credit and may refuse to rent to someone with poor credit or bankruptcy on their record.