

GET PROFESSIONAL COUNSELING

Counselors at a reputable consumer counseling service can help you establish a debt management program. **The National Foundation for Credit Counseling (800) 388-2227** or **The Association of Independent Credit Counseling Agencies (800) 450-1794** would be good places to begin the search for a reputable counselor.

Credit unions have a long history of working with members who are suffering under a heavy debt load and are thinking of bankruptcy. If this sounds like you or someone you know, talk to your credit union. They're here to help!



Presented by the National Association of Federal Credit Unions, an independent trade association representing federally chartered credit unions nationwide.

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UNDERSTANDING THE NEW BANKRUPTCY LAW

- **Changes in bankruptcy laws will require new responsibilities on the part of consumers.**

BANKRUPTCY LAW CHANGES

● Credit Counseling Now Required

A new federal law puts new responsibilities—and new rights—on people looking to make a clean start through bankruptcy.

Of particular importance is the requirement that potential filers must receive credit counseling at some time during the 6-month period before filing. Lawmakers hope that debtors will learn through counseling that bankruptcy is usually the option of last resort—and that good management of debt and credit can often be the preferred option.



● Partial Repayment May Be Required

The new law also requires that some debtors repay at least a portion of their debts based on what they can afford. A “means” test will be applied to determine whether a person should have all of their debts erased in Chapter 7—or instead be required to pay off some portion of them in Chapter 13. The test is designed to require those who are financially able to help pay some part of the debt. It will compare income versus expenses, which cannot include such items as cell phones, restaurant meals, and similar luxury items.



Experts estimate that less than 10% of people declaring bankruptcy will have to file Chapter 13 instead of Chapter 7.

Chapter 7 protections may still be available to those who appear to have the means to repay debts but would have difficulty following a repayment plan because of a medical condition, or a call to active duty in the Armed Forces.

● Staying Ahead of Bankruptcy

Far and away the preferred option to bankruptcy is to pay off debt, even if it takes a long time. Bankruptcy stays on a person’s credit record for up to ten years, making it difficult to get credit for a house, car, or other purchase. The bankruptcy on a person’s credit record might also trigger added finance charges...if credit is granted at all.



If you or someone you know is considering bankruptcy, the following alternatives should be tried:

✔ WORK YOUR WAY OUT OF DEBT

Careful money management may be the best solution over the long term. By putting away credit cards, cutting back on spending and using the money saved to reduce debt, or taking on a part-time job if possible, you may be able to eliminate your debt on your own.

✔ TALK TO YOUR LENDERS

If you are unable to work your way out of debt, talk to your lenders. Many lenders will help you rearrange your debt payments by extending your payment period, helping you consolidate your debts, or refinancing your debt.