

16 Guidelines for Prioritizing Debt

Pay Family Necessities First

Food and medical necessities, like prescriptions, usually rank the highest.

Pay Housing-Related Bills Next

If possible, continue to make rent or mortgage payments. 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 the abuser, speak to an attorney about ways in which the abuser 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. Explore reduced rate options that may be available in your state. For state by state information visit the National Association of State Utility Advocates at <http://www.nasuca.org/about/cont-dir03.php>.

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.

Pay Child Support

If you owe child support, pay as much as possible. Failure to pay child support can cause you serious problems. If your income or living situation has changed, making it more difficult to pay child support, you should report the change to the child support enforcement office and take whatever steps are necessary to request a reduction in your child support obligations.

Income Tax Debts

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

Loans without Collateral

Most credit card debts, attorney bills, doctor and hospital bills, open accounts with merchants, and similar debts are of low priority. There is rarely anything that the creditors can do to harm you in the short term.

Loans with Household Goods as Collateral

Treat these as a low-priority debt. Creditors rarely seize household goods because they have little market value.

Debts with Creditors Who Threaten Suit

Many threats to sue are not carried out by creditors, and when they are it can take a while for the collector to seize any property that is not exempt from seizure. However, nonpayment of rent, mortgage, and car loans may result in the loss of the home or car very quickly.

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.

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, including seizure of tax refunds, wage garnishment, and denial of new student loans and grants. However, if you owe student loans there are a number of [options](#) you can explore to reduce your payments.

Debt Collectors

You should make your *own* choices about which debts to pay based on what is best for your family. You can easily stop debt-collection contacts and may have legal remedies to deal with collection harassment. More information, as well as a sample 'cease collection harassment letter,' can be found in the [Dealing with Debt Collection 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.

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.

For more information on all of these steps read the "Prioritizing Your Expenses" brochure.