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.

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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.

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 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.