



Personal Finances

There Are Alternatives to Bankruptcy

(NAPS)—As reports show a surge in personal bankruptcy filings in anticipation of changes to federal bankruptcy laws, the American Financial Services Association Education Foundation (AFSAEF) has an important message for consumers about to jump on the bandwagon: stop and think twice.

"No one should file for bankruptcy without a complete understanding of the legal and financial consequences," says Susie Irvine, president and CEO of AFSAEF.

While bankruptcy may seem like a quick fix, she adds, it leaves a bad mark on an individual's credit record for up to 10 years and long-lasting problems—ranging from an inability to get credit from some lenders (or having to obtain it at higher interest rates and lower limits on credit lines) to difficulties finding employment or renting an apartment.

"For all these reasons, bankruptcy should be used only as a last resort, after exhausting all other viable alternatives," says Irvine.

Reports show that average bankruptcy filings were up in the first quarter of 2001 compared with the same period last year. Randy Lively, president and CEO of AFSA, believes the rush to file may be largely unwarranted since the vast majority of individuals who currently file for Chapter 7 relief (liquidation of assets) would still be eligible to do so under the proposed changes.

For a person in financial distress, the first step should be to visit a nonprofit consumer credit counseling service to determine available options. Ideally, borrowers should seek help at the first signs of financial difficulty—rather than waiting until their situations reach a point where bankruptcy is the only way out. AFSAEF lists the following "red flags" that could indicate trouble:

Being denied credit—Creditors deny credit to people whom they believe are already



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overextended or who are having problems paying their bills on time.

Using credit cards to stay afloat—If you're using credit cards to pay basic living expenses because there's no other way to pay them, you could be headed down a slippery slope.

Borrowing money earmarked for other financial obligations—Juggling bill paying each month or depleting savings to pay bills doesn't fix the problem.

Not knowing how much you owe—If you can't figure out where your money goes each month, establish a budget and get a handle on your income, expenses and credit obligations.

Making minimum payments—If you pay only the minimum amount due on your bills, you'll be paying off your debt for a long time.

AFSAEF offers numerous educational resources to assist consumers in managing their finances, including a pamphlet entitled "Bankruptcy: Facts and Consequences." Consumers can receive a copy by sending a self-addressed, stamped (number 10) envelope to: AFSA Education Foundation, 919 18th Street, NW, Dept. BR, Washington, DC 20006. To learn more, visit the Web site at www.afsaef.org.