



Bankruptcy May Not Be Your Last Option

As the American lifestyle has become dependent on credit cards to finance a desire to live beyond one's means, more and more people are turning to bankruptcy to escape their crushing debt burdens. There are also those who turn to bankruptcy because they have found themselves heavily in debt due to unforeseen medical bills or other financial emergencies. Whatever the reason, bankruptcy filings have increased astronomically during the past decade.

Yet bankruptcy can carry some very unwanted consequences. This is particularly true for those looking to buy a home. A bankruptcy on the record in the recent past can be a good reason for lenders to deny you the needed funding. A bankruptcy can also do horrible things to your credit score. If you have found yourself suffocating under an overwhelming amount of debt, consider the following options before jumping into a bankruptcy.

First, try to negotiate new payment schedules with your creditors. They will almost certainly rather receive late payments than no payments from you, which is what would happen if you filed for bankruptcy. Go to each of them separately and propose a slower, more affordable repayment plan. Many will probably be more cooperative when they know your only other alternative is bankruptcy.

Another helpful step is to try selling off whatever valuables you have to cover your debts. While it may be unpleasant to lose your treasures, selling those pieces of jewelry or the second car can sometimes net you enough cash to keep you from the nasty consequences of bankruptcy. If pawning off your assets is not enough to satisfy your debts, you may consider selling your home. Depending on the amount of equity you've built up, the money from the sale could help you avoid bankruptcy and get back on your feet.

If you absolutely do not want to sell your home, there are still ways to use your home to your advantage in this situation. Refinancing your home mortgage may be a great way to pull out the cash you need to pay off your debts and still keep your home. You might even get a better interest rate in the process! You could run into trouble with this option though if you cannot come up with the funds for the closing costs on the new loan. If you definitely plan on staying in your home for several years, you may do well to find a lender who will roll the closing costs into the cost of the loan.

One final suggestion is to work with a credit counseling group. Not only will you gain an advocate who will work with your creditors for you, you can also take advantage of financial education from these groups to better prepare you for managing debt in the future. For best results however, make sure you check out the accreditation of the group before signing on. You should find an organization that has been certified by the National Foundation for Credit Counseling. The Better Business Bureau can also be helpful in providing a history of the organization's dealings.

There are many things you can do to avoid bankruptcy and problems that follow. Do not be afraid to turn to professionals and trusted friends for advice and help. While the measures you will have to take to sidestep bankruptcy may be difficult, it will prove worth the effort to save yourself and your family from the potentially credit-crippling effects.