

Chapter VII.

Alternatives to Iowa Bankruptcy

The most common alternatives to bankruptcy are paying the debt off yourself, consumer credit, debt settlement, second mortgages, consolidation loans, “robbing Peter to pay Paul”, and doing nothing and hoping for a lottery win (if you can call that an alternative).

A. Paying the debt off Yourself

If you have the ability to pay your debt off yourself you may want to choose the debt with the highest interest rate first. Concentrate on paying as much as you can to that one debt and making modest payments on the others. That way you will have a greater sense of satisfaction when you pay each debt off and you will reduce the interest you will pay. Most people who are considering bankruptcy do not have the ability to pay off their debt themselves, although it is a good alternative if you can.

B. Consumer Credit

Unfortunately there are many “non-profit” consumer credit agencies that actually operate primarily for the benefit of insiders and do not act in your interest. They will take your money and not pass it on to creditors. They are always located out of state. They may do you wrong. But in order to sue them you have to go to their state courts and then try to enforce a judgment and it is not practical given the amount of money involved. Many of these companies, some of which run large national television and other marketing campaigns are being investigated by the Internal Revenue Service and Federal Trade Commission. Consumer Credit of Des Moines <http://www.consumercredit-dm.com/> is the consumer credit agency we trust.

Some people, upon being told by Consumer Credit of Des Moines that they are not eligible for consumer credit will seek an online company that will accept their case. Usually they are disappointed when the online company turns out to be one of the “rip off artists” that prey on people with high debt. So, if Consumer Credit of Des Moines tells you that you are not eligible, it is better to just rely on that advice in our experience. If it sounds too good to be true it probably is.

If you think consumer credit may be a viable option for you I encourage you to contact Consumer Credit of Des Moines (they have offices beyond Des Moines too) and see if you are eligible. Most of our clients find they are not eligible because their income just is not sufficient to make the payments. If this is the case for you, you will probably feel better about your choice to file bankruptcy having considered this option. And even

if you enroll in their program, that does not keep you from coming back and filing bankruptcy later if your situation changes or you simply cannot handle the payments.

C. Debt Settlement

This industry exists primarily online. They will debit your bank account each month and tell you they are going to offer a settlement of anywhere from 25% to 75% of your debt for each creditor once they get enough money in your fund. The problem is that enrolling with a debt settlement program does not protect you from continued collections, calls at home and work, lawsuits, judgments, liens and wage and bank garnishment. I have had many clients who have complained that the debt settlement company took their money but never settled a debt. When the clients try to get their money back they discover that the cost of suing the debt settlement company, getting any judgment perfected in the companies home state and actually trying to collect any of the money back is prohibitive. These “fly by night” companies are difficult or impossible for State Attorney Generals to keep up with.

D. Second (or third) Mortgage (also known as “Home Equity” loans)

If you have ever turned on your television you know that home equity loans or second mortgages are very popular with banks. Banks love these loans for one simple reason. They convert dischargeable credit card and medical debt (the sort of debt that leads people to bankruptcy) into non-dischargeable secured debt. Once you take that second mortgage they have their hooks in you. If you cannot pay the extra payment then you are facing foreclosure and in all likelihood, bankruptcy. It is far better to file bankruptcy in the first place and avoid this risk.

D. Consolidation Loans

For some clients a consolidation loan can work, if the interest is lower than on the debt you are consolidating. The only big pitfall here is that a consolidation loan turns old debt into new debt. Since new debt can be difficult or impossible to discharge in bankruptcy, taking out a consolidation loan that you will not be able to pay can be a disaster.

E. Robbing Peter to Pay Paul

Unfortunately, a few clients will use balance transfers or cash advances from one credit card to pay another. This too is heavily advertised by banks. There is a reason. These balance transfers also turn old debt into new debt. Since Courts will in some cases except new debt from discharge, some of my clients have to pay back recent balance transfers and cash advances even though they are going through bankruptcy.

F. Doing Nothing

Sadly, this is probably the most common response since we all have a tendency

toward inertia. The easiest thing to do is nothing. If you need to file bankruptcy it is much better to do it before it is too late to keep your home, before your bank account and wages have been garnished and before you have lost countless nights of sleep worrying about your financial future.