

Because you may get unsecured credit offers, even after previous financial problems, it may be best not to accept a “secured” card that will jeopardize your bank account.

Generally, it is best not to get your credit card from the institution where you do your banking, because the bank can take money out of your checking or savings account to get payments that were not made on your credit card.

If you are not able to get credit on decent terms, it may be best to wait until you can.

## How to Manage After Bankruptcy

If you have received a fresh start after a bankruptcy, you are faced with the problem of how to preserve that fresh start and avoid getting back into debt.

While bankruptcy rids you of certain debts, others will remain. Debts that generally cannot be cancelled in bankruptcy are alimony, maintenance and support for children and a spouse or former spouse, most tax debts, drunk driving injury claims and most criminal fines, penalties and restitution orders.

After bankruptcy, your first efforts must go to resolving the debts that remain.

Talk about them with your bankruptcy attorney or another attorney or go to a debt counseling service such as CCCS. (See page 1.) Resolving your debts may mean reducing your spending, getting a job or even a second job to get back on your feet, or taking other actions. For instance, you may be able to get support payments reduced under certain conditions.

Few student loans are canceled by bankruptcy but there may be ways to have student loan debts cancelled.

For instance, if the school closed before you completed

the program or the school violated certain rules and you failed to benefit from its programs or you are permanently disabled, you may be able to get your student loan cancelled and/or money you paid refunded.

You can get student loan information at the Legal Aid website at [www.lasclev.org](http://www.lasclev.org).

After bankruptcy, you may get a credit card or other credit offer from a company that claims to represent a lender you listed in your bankruptcy or claims that it owns a debt that was discharged in bankruptcy. You should discuss it with a bankruptcy attorney before you reaffirm any debt you have discharged in bankruptcy.

## Avoid For-Profit Credit Repair

Stay away from anyone who promises to fix your credit if you pay them money. **For-profit credit repair is almost always a scam.**

Credit repair companies may charge you a lot of money to write letters to credit reporting agencies. You can do a better job by writing your own letters.



The  
Legal Aid Society  
of Cleveland  
Since 1905

*This brochure was prepared by Legal Aid, which serves low-income residents of Ashtabula, Cuyahoga, Geauga, Lake and Lorain counties in Northeast Ohio.*

### Intake Line for New Legal Cases

Toll Free: 888.817.3777

### Tenant Information Line

Call for info related to tenants' rights and rental housing. (This line does not provide legal advice.)

216.861.5955

Learn more about Legal Aid and upcoming brief advice clinics:

[www.lasclev.org](http://www.lasclev.org)

### Legal Aid Offices:

#### Cleveland & Administrative Offices

1223 West Sixth Street, Cleveland, OH 44113

#### Elyria Office

1530 West River Road, Suite 301, Elyria, Ohio 44035

#### Jefferson Office

121 East Walnut Street, Jefferson, OH 44047

#### Painesville Office

8 North State Street, Suite 300, Painesville, OH 44077

*If you have a communications limitation, contact Legal Aid through the Ohio Relay Service at 800.750.0750.*

*Legal Aid offers interpretation and translation services so those with limited English proficiency can communicate with Legal Aid staff in their dominant and/or preferred language.*

*The information in this brochure cannot take the place of advice from a lawyer. Each case is different and needs individual legal advice. You should contact a lawyer if you need representation or if you have questions.*



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# Be Smart About Managing Your Debt



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[www.lasclev.org](http://www.lasclev.org)

## Some Ways to Deal with Debt

If you are struggling with debt and want to avoid bankruptcy, there may be other options for you.

For instance, you may want to consider a debt repayment plan set up by the Consumer Credit Counseling Service (CCCS).

Under such a plan you make one regular payment no matter how many creditors you have. **The main advantage is that under an agreed plan many creditors will not charge interest and fees and your wages will not be garnished as long as you make payments.**

CCCS is a nonprofit agency which provides free debt counseling help at 2800 Euclid Avenue in Cleveland and at eight other area locations. It can be reached toll free at 800.355.2227.

**Avoid payday loans...and fast cash or instant tax refunds.**

**A different debt repayment plan may be available through your municipal court.** For instance, you may be able to avoid garnishment of your wages by filing for a **trusteeship** in the municipal court. There is a small filing fee and there may be other charges. Check with your court.

You may not need credit counseling if your only income is from Social Security, Veterans benefits or public assistance—or, in some instances, from a pension, alimony or child support—because that income can be protected from creditors.

## Things to Do and Not to Do

**Avoid payday loans that cost you very high interest rates.**

Also stay away from fast cash or instant tax refund loans which also cost too much money.

It is a bad idea to meet your needs with **“rent-to-own” products** because whatever you get—a TV, furniture or an appliance—will end up costing many times more than it would cost to buy.

After taking care of your credit card bills through bankruptcy, a debt repayment plan or by paying them off, you will have to decide whether taking on new credit will simply start you on a new cycle of painful financial problems.

**...rent-to-own...will end up costing many times more than it would cost to buy.**

**If you really do not need what you are thinking of buying, do not buy it. Whether you have been in bankruptcy or you just have too many bills, you must avoid new debt.**

The solution may be to buy—if at all possible—only when you can pay cash, at least until you are back on your feet financially.

If you must have new credit, shop around for the best available credit terms. You may find that you can do much better than the offers from lenders or credit card firms who make offers to you despite a bad credit history. **When you shop around, do not consider just the monthly payment.** Consider the “annual percentage rate” (APR), which reflects the true cost of a loan or a credit card, and should be disclosed to you.

It is always smart to save some money to cover unexpected expenses so you can avoid borrowing or buying on credit.

## Don't Risk Your Home

If you own or are buying your home, some lenders, brokers, investors, and home improvement contractors will offer you a home equity loan or a new mortgage despite a bad credit history and despite the fact that you are not able to make the new payments.

These loans can lead to serious financial problems and even the loss of your home.

**These loans can lead to...loss of your home.**

**Do not sign papers for repairs or a loan until you show them to someone who knows about such things. If you don't know such a person, go to a community agency for help. (See Page 4 for help finding a counselor.)**

**Avoid mortgage lenders or brokers who:**

- charge high interest rates, points, broker's fees, and other closing costs;
- require you to refinance your low or no-interest mortgage to “consolidate” or pay off other debts;
- add on unnecessary and costly products, such as credit insurance or other insurance;
- include a “balloon” payment that requires you to pay all or most of the loan amount in a lump sum as the last payment;
- charge a prepayment penalty if you pay off the loan early;
- pressure you to keep refinancing the loan for no good reason once you get it;
- ask you to sign papers that have blank spaces; or
- ask you to falsify income information.

If you are 62 or older and are considering a reverse mortgage to get cash, talk it over with a counselor before you take that step.

To find a housing counselor in your area, phone the U.S. Department of Housing and Urban Development (HUD) toll free at 800.483.7342 or the department's automated toll free line at 800.569.4287. You also can check its website at [www.hud.gov](http://www.hud.gov).

## Don't Be Misled by New Credit Offers

Because you have a bad credit history does not mean you won't be able to get credit to buy a home or car, take out a loan, or get a credit card.

If you have been through bankruptcy—a fact that stays on your record for 10 years—you probably can get credit even before your bankruptcy is over.

However, a history of bad credit or a bankruptcy means you have to be careful about accepting credit offers that have unfavorable conditions.

**If you are not able to get credit on decent terms, it may be best to wait until you can.**

## “Secured” Card May Not Be Necessary

If you have a bad credit history, you may be offered a “secured” credit card as a way to reestablish credit.

Secured credit cards are cards whose balances are backed by a bank deposit. Your credit limit is the amount you deposit into the account, and there is usually an application fee and an annual fee. Some banks require that you purchase certain products such as insurance.