

*Surviving Debt* is available to all for free during the COVID-19 emergency. Navigate using the Table of Contents on the left sidebar to access the text. To purchase *Surviving Debt* (available in print or as an ebook) visit the [NCLC bookstore](#) [1].

Non-payment of certain debts have sudden and dire consequences for your family. Deal with these debts immediately—either pay these debts first or otherwise follow advice in this book on how to manage these debts.

Never pay smaller, low priority debts just because you cannot keep up with high priority debts—“If I can’t pay my mortgage, at least I will keep up with my credit cards.” This is a bad idea. If you don’t have enough money to make full payments on high priority debts, try to negotiate with the creditor to accept lower payments or save the money to be used later to get caught up, to cover the initial costs of moving to a new residence, or to pay for another car if your car is repossessed.

### High Priority Debts Include:

- ? *Court judgment debt*. You have been sued on a debt and a court has ruled for the creditor. The creditor has rights to seize part of your wages, bank accounts, and even your home or other property. [Chapter 21](#) [2] explains your rights to protect your income and assets from the seizure and steps you should take to deal with court judgment debt.
- ? *Criminal justice debt*. Non-payment of debt arising from a criminal proceeding (such as fines, fees, and costs) can lead to immediate loss of your driver’s license, loss of income or assets, or even incarceration. [Chapter 22](#) [3] explains how to deal with criminal justice debt.
- ? *Automobile loans or leases* can result in a creditor repossessing your car after you miss only a few payments. This is high priority debt, particularly if you need your car to get to work or for other essential transportation. Your rights to respond to a threatened or actual repossession are examined at [Chapter 14](#) [4].
- ? *Rent payments for your residence* (or for the lot on which your manufactured home sits). Swift eviction can result if you do not keep up these payments. Steps to deal with an eviction threat are set out at [Chapter 20](#) [5].
- ? *Utility bills*. Non-payment of utility bills can lead to termination of gas, electric, water, and other utility service. [Chapter 15](#) [6] explains how to stop a utility disconnection, reconnect service, and otherwise deal with utility bills. In some states, programs to help people avoid disconnection may make utility bills a somewhat more flexible priority in the short term.
- ? *Child support debts* will not go away and can result in very serious problems, including prison, for non-payment.

**Debts That Quickly Become High Priority.** Other debts can be put off for a few months, but at some point soon, they become just as high priority debts as those detailed above, and then must be addressed immediately. Most notable are:

- ? *Home mortgage delinquencies* (including non-payment of a debt to buy a manufactured home). Miss a month or two and you are unlikely to face foreclosure, but if you get behind by enough months, you face loss of your home. In some states this can happen without a court hearing. [Chapters 17](#) [7] and [18](#) [8] provide advice on delaying and fighting a foreclosure, and even modifying your mortgage payments to make them affordable. Use these strategies months before a threatened foreclosure.
- ? *Real estate taxes*. If you do not have an escrow account with your mortgage lender you are responsible for paying your own property taxes. While non-payment of property taxes will not result in the immediate loss of your home, at some point your home will be subject to a tax sale. You should learn your rights in this area before it is too late, as set out in [Chapter 19](#) [9].
- ? *Federal student loans* are not in default until you are nine months behind on payments, but then you risk seizure of your tax refund and your Social Security or other federal benefits, wage garnishment without a court order, and denial of new student loans and grants. [Chapter 13](#) [10] examines how to eliminate, delay, or reduce your student loan payments. These strategies work best when you are not in default, so focus on your student loans as soon as practical.
- ? *Taxes owed to the IRS*. Even if you do not pay your federal income taxes when due, always file your tax return on time, or file it by the deadline set by any requested extension. Then you can delay for a time paying taxes owed without serious adverse consequences. But at some point it will be critical to work out an arrangement with the IRS, because the IRS can seize your bank account, part of your paycheck and federal benefits, and even your home.

**Lower Priority Debts.** Lower priority debts should not be paid ahead of higher priority debts if this prevents you from appropriately dealing with high priority debts. Low priority debts become higher priority once you are sued in court on the debt. Some low priority debts include:

- ? *Medical debt*, such as payments due hospitals, doctors, other medical professionals, dentists, and ambulance companies.

This debt does not affect your credit rating for six months, is unlikely to involve high interest rates or late charges, and it could take a year or two before you are sued, if you are ever be sued at all. Medical debt does not result in immediate loss of your property or income, unless you are successfully sued on the debt. More on medical debt is found in [Chapter 11](#) [11].

- ? *Credit card debt.* You will not be subject to seizure of bank accounts, income, or property unless you are successfully sued on the debt *or* there is a default judgment taken against you. Debt collection contacts can easily be stopped. This is discussed in [Chapter 2](#) [12]. Interest and late charges may even stop after you are six months delinquent. Credit card debt is explored in [Chapter 12](#) [13].
- ? *Debt owed friends and relatives.* Non-payment is not going to harm your credit rating or result in lost property or wages, and you may not even be charged interest. Of course, you want to repay these debts, but your friends or relatives who lent you money are unlikely to want you to lose your home or car just to pay them back sooner.
- ? *Private student loans.* These loans typically do not involve collateral, and special remedies available to the government to collect federal student loans do *not* apply to private student loans. However, private student loans are difficult to discharge in bankruptcy. Student loans are discussed in [Chapter 13](#) [10].
- ? *Debts you owe as a co-signer.* If you co-signed for someone else's debt and put up *your* home or car as collateral for the other person's loan, the loan is high priority. Other loans for which you are a co-signer but have put up no collateral are low priority. If others have cosigned for you, tell them about your financial problems so that they can make plans.
- ? *Deficiency actions after your car is repossessed.* If a creditor repossesses your car and sells it for less than the amount owed on the car loan, it may seek the difference from you, called "a deficiency." This is a low priority debt because you have already lost the car, your credit rating has already been damaged, and the creditor can do little other than sue you. If you are sued, you often have solid defenses that prevent the creditor from recovering any deficiency, as described in [Chapter 14](#) [4]. If the creditor prevails in the lawsuit, the debt becomes high priority.
- ? *Charge accounts or other debts owed to merchants,* particularly if the merchant has not taken as collateral the goods sold.
- ? *Small loans even when they take household goods as collateral.* Non-payment is unlikely to cause you to lose household goods collateral because creditors rarely seize them. They have little market value, a court order is usually needed to seize them. It is time-consuming and expensive to obtain that court order.

**Source:** National Consumer Law Center, *Surviving Debt* [50th NCLC Anniversary Edition], updated at [www.nclc.org/library](http://www.nclc.org/library)

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