

MAINE VOLUNTEER LAWYERS PROJECT
Setting Priorities for Paying Your Debts When You Can't Pay All Your Bills

If you are considering bankruptcy, you are probably behind on many of your bills. You should think carefully about what bills to pay with your limited resources. It may be more important to save money this month to pay next month's high priority bills (or to save the court fees for filing for bankruptcy) than to pay all your bills. Here are some tips on which bills to pay first:

HIGH PRIORITIES

- Pay for your family necessities including food and essential medical expenses.
- Pay your mortgage or rent. If you own your home, pay real estate taxes, insurance, condo fees and mobile home lot payments. Failure to pay these bills may lead to a loss of your home.
- Pay the minimum required to keep essential utility service including heat, electricity and water. You may not need to pay the full bill in order to stay connected.
- Pay car loans or leases if you really need your car for work or for medical reasons. Pay insurance on any cars with loans or leases.
- Pay your child support. Child support debts do not go away with bankruptcy and non-payment may result in criminal penalties.
- Pay your income tax debts. Even if you cannot pay your entire debt, you must file your tax returns to avoid further penalties.

MEDIUM PRIORITIES

- Debts on which the creditor obtains a court judgment against you.*
- Student loans – the federal government has collection remedies above and beyond those of private creditors

LOW PRIORITIES

- Loans that are not backed by property such as credit card debts, doctor, hospital and attorney and other professional bills. These debts are difficult for creditors to collect and you do not risk losing any property if you do not pay.
- Loans for household goods (e.g. appliances or furniture) are also less likely to be collected because used goods are not worth the time and expense of collection. However, it is possible you will lose this property if you do not pay on the debt.
- Do not pay on loans for which you have a good legal defense to repayment* (for example, the item you bought was defective or the creditor is asking for more money than the item's price). This does not apply to rent or mortgage payments – if your housing is defective, you should seek other legal help.*

Use these priorities to decide how to budget your money. Don't let debt collection efforts, threats to ruin your credit record, or threats to sue you change your priorities – the consequences of not paying a bill and the likelihood that you will lose property are not changed by a creditor's threats.

* If you have debts that fit these categories, you may need other legal advice. Call the **Volunteer Lawyers Project at 1-800-442-4293** and ask for advice on how to handle these situations.