

# Lowering your debt

This tool will help you think of strategies to help you manage your debt.

Before you select strategies to help you manage your debt, you need to think about which debts are the most important to pay down right now. Some debts, especially those that are criminal justice-related, have worse consequences than others when payments are missed or delayed. Prioritize your debts using the Reentry debt log tool before completing this tool.

## What to do

- **Show your checklist to the counselor you are working** with and ask that person which strategies might be helpful
- **Work with the counselor to check off the strategies that can help you**

## A step further

Start putting these strategies to use. Pick one strategy and try to see if you can use it to help you manage one or more of your criminal justice debts.

To access a dynamic and fillable version of this tool, visit <https://www.consumerfinance.gov/consumer-tools/educator-tools/your-money-your-goals/companion-guides/>



# Strategies for Lowering your debt

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1. Review and list all your debts, including any criminal justice debt.
  2. Prioritize your debt based on the consequences of not paying.
  3. Review the strategies and check the ones that seem possible for you to pursue.
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## Debt prioritization

List your debts starting from those with the most serious consequences first. Use Tool: Reentry debt log and toolkit Module 6: Dealing with debt to prioritize your debts based on the consequences of not paying.

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## Negotiate a payment plan or a reduction of your debt

Contact the governmental organizations, courts, and businesses where you owe money. See if they are willing to set up a payment plan or reduce the amount you owe. Before beginning to negotiate, figure out what you can afford to pay each month. Don't agree to a repayment plan that you cannot afford.

If you owe money on a debt that is in collections, you may want to contact an attorney through a legal aid organization before contacting the creditor or debt collection company. See last box below for your rights in debt collection. To find a legal aid organization, see <https://www.consumerfinance.gov/ask-cfpb/how-do-i-find-an-attorney-in-my-state-en-1549/>

Be sure you are not settling a debt without understanding the potential impact. If you settle a debt, any savings you get from paying less than the full amount owed may be considered income and taxable. If you make a small payment on an old debt, one that is past the statute of limitations, it may restart the clock for suing you on that debt.

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## Watch out for businesses that say they can eliminate your debts

Watch out for debt settlement or consolidation businesses that:

- Charge any fees before they settle your debts.
  - Tout that there is a "new government program" to bail out personal credit card debt.
  - Guarantee to make your debt go away or that unsecured debts can be paid off for pennies on the dollar.
  - Tell you to stop communicating with the creditors.
  - Tell you they can stop all debt collection calls and lawsuits.
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## Visit a nonprofit Consumer Credit Counseling Service agency

They can often give you advice or create a Debt Management Plan (DMP) for you. They may

also negotiate with your creditors on your behalf. There may be fees for these services. To find a Consumer Credit Counseling Service (CCCS) agency in your community, visit <https://www.nfcc.org/agency-locator>

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## For court-related debts, explore payment plans, reductions, and waivers

Payment plans involve creating an installment plan of the amount owed where an individual will make regular payments on the debt. Reductions are a lessening of the amount owed. Waivers are a setting aside of the fee or fine. Check with your state or locality to see if there are any programs or protections in place related to criminal debt.

Court-ordered debt related to your involvement in the criminal justice system may affect the terms of your supervision/probation and failure to pay this debt may lead to reincarceration. If you do not know whether you owe fees, fines, or restitution, contact the court(s) and/or ask your lawyer or probation officer.

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## Know your rights in debt collection

The Fair Debt Collection Practices Act says people collecting debts can't harass, oppress, abuse, or deceive you or anyone else they contact. For example, debt collectors can't:

- Call you before 8 a.m. or after 9 p.m., in general
- Make repeated phone calls that are intended to annoy, abuse, or harass you or any person answering the phone
- Use obscene or profane language
- Make threats of violence or harm
- Lie about the amount you owe
- Deceive you to collect money, for example by falsely claiming to be law enforcement officers or saying you'll be arrested if you don't pay your debt
- Publish lists of people who refuse to pay their debts (this does not include reporting information to a credit reporting company)
- Talk to you without telling you they are a debt collector, or use a fake company name

If debt collectors harass or deceive you, they may be breaking the law. It's a good idea to keep a file of all letters or documents a debt collector sends you and anything you send to a debt collector. Record the dates and times of your conversations and take notes about what you discussed. These records can help you if you have a dispute with a debt collector, meet with a lawyer, or go to court. For updates and more information, visit <https://www.consumerfinance.gov/consumer-tools/debt-collection>

Need to submit a complaint? Visit <https://www.consumerfinance.gov/complaint> or call 855-411-CFPB(2372).

Note: If debt collection efforts seek to recover criminal-justice debt, these protections may not apply.