

Six Steps for Getting Out of Debt

Step One

Find out to whom you are in debt and what the details are for each loan. Do you owe many businesses or just one or two? Look closely at your credit card invoices and loan agreements. Are you being penalized for not paying the total amount? Find out what happens if you are late or miss a payment. If you're not sure, call your lender and ask.

Step Two

If you are deeply in debt and struggling to make payments or fear that you will soon begin missing payments, take action. If you owe money to just a few businesses, call them and try to negotiate smaller payments—at least for a while. Make this call before you miss a payment. It may be tough to do and embarrassing. Still, it's better than getting calls from creditors demanding payment.

Step Three

If you owe money to many businesses, it may be time for outside help. Consider working with a nonprofit debt counseling service. National Foundation for Credit Counseling (www.nfcc.org, 1-800-388-2227) is one service you can call. Such nonprofit organizations can work with you and your creditors to set up a repayment plan. Be sure, however, that the debt counseling service is legitimate and not a predatory lender.

Step Four

Take a hard look at your spending plan. Try to come up with new ways to cut expenses. Can you use the bus instead of driving? Can you take a brown bag lunch to work? Are there community services you can use for low-cost food or clothing?

Step Five

Look for ways to increase your income. Maybe another family member can contribute financially. Or, you can work extra hours at your job. Have you considered a second, part-time job? If you can increase your income so that it's more than expenses, you CAN get out of debt.

Step Six

As hard as it is, don't ignore bills and past-due notices. A poor credit record follows you for years. It can make it hard for you to buy a house, get a loan, and maybe even get a job.