

How to Protect Your Finances while Dealing with a Long Term Illness

These are stressful times, and your health is your priority. At the same time, you may be experiencing significant economic stress, which can be overwhelming. Take these steps to protect the financial health of you and your family.

Designate one trusted friend or family member to look after your mail and pay your bills if it becomes necessary. You may want to consider authorizing this person to be your agent to do this. This will require that you give them power of attorney. Information about powers of attorney is available on the legal services website washingtonlawhelp.org or <http://tinyurl.com/gogzuyq>. Everyone over the age of 18 should also have financial and health powers of attorney whether ill or not. It is important to have someone able to make decisions for you when you are not able

Always open your mail. Yes, it may be challenging news about your increasing debt. But it will only get worse if you delay action.

Communicate with your creditors. They want to hear from you. For them no news is bad news. You may be able to negotiate a forbearance (where the debt is suspended for a certain period of time but not forgiven). You may be able to negotiate a payment plan.

If you cannot pay all your bills on time, pay these first:

Income taxes: Taxes generally are not dischargeable in bankruptcy so you will owe this debt eventually. The IRS has more significant collection power than most creditors. They can put a lien on your property and take your tax refunds which you may be counting on. Interest and penalties on tax debt is significant and hard to pay back.

Utilities: Your utilities can be shut off and reinstating them can be more costly. You will have to bring the account(s) current and may have to pay a re-connection fee.

Mortgage or rent: If you don't pay your rent, you can be evicted. Once you have been evicted, it is extremely difficult to find someone who will rent to you. If you don't pay your mortgage, you risk losing your home (see page 3). And, the costs associated with foreclosure could eat up all your equity so you may not be entitled to anything after the foreclosure.

Medical bills for providers from whom you still need care. If you don't pay your bills, providers can refuse you service. So, if you are able, pay those first. If not, talk to each of them and set up a payment plan to avoid interruption in care.

If you have to choose which debts to pay, unsecured debt comes last. This is debt for which you have not given an asset for the lender to hold as security for repayment. This includes credit card and medical debt. Unsecured debts are usually dischargeable in bankruptcy (see page 4).



DOs:

Contact Hospital billing departments. State law gives you the right to apply for and receive charity care if you are eligible. Apply early to avoid having the debt sent to collection. Collection action is one headache you don't need. If you are not eligible, ask the hospital for a forbearance or a payment plan. You can find some excellent information on charity care at washingtonlawhelp.org. Try this link:

<http://tinyurl.com/gsp9u4j>

Contact other health care providers to ask for forbearance or payment plans. Ask if they will forgive your medical debt if the hospital agrees to do so first. Medical providers other than hospitals have no legal obligation to provide charity care. But, they may be willing to make other accommodations.

Talk to a Financial Advisor. If you cannot afford one in private practice several non-profit organizations provide this service. In Washington State check the website for the Financial Empowerment Network | Seattle-King County at <http://www.everyoneiswelcome.org/>

Talk to an attorney early on who is an expert on consumer financial issues. Often an initial consultation will be offered at no cost.

You can get more information about your rights as a medical care consumer at the Washington State Department of Health website: <http://tinyurl.com/z9u6ch7> and <http://www.washingtonlawhelp.org/>

DON'Ts:

Incur one debt to pay another. For instance try to avoid using credit cards or cash advances to pay your bills unless your situation is dire and the funds will be used to pay taxes, utilities or rent, or mortgage for the reasons mentioned above.

Rely on Pay Day or other short term loans. Interest rates are often 300% or more making it difficult to ever pay them back and you may get stuck in a vicious cycle of borrowing more to pay off the old loan.



BEWARE OF SCAMS!



Unfortunately con artists seek out people in a vulnerable position. Some typical scams are:

Mortgage Rescue Scams

A common example is an out of state attorney or company telling you to send them a large fee or your mortgage payment and they will get you a loan modification or otherwise make everything right. You may end up losing the money as well as your home. Consult a HUD approved housing counseling agency or consumer attorney in Washington State to help save your home. Start with the Washington Homeownership Resource Center: <http://www.homeownership-wa.org/>

Credit Repair Scams

If your credit report shows a debt you do not owe, you do not need to pay anyone to correct it. But you will need to dispute it in writing with the credit reporting agency to have it corrected. If you have a valid debt listed on your credit report, no one can legally remove that from your credit report until 7 years have passed from the last payment or charge. **Do not pay any person or organization who promises to repair your credit.** You can find more information on the website for the Federal Trade Commission: <https://www.consumer.ftc.gov/articles/0058-credit-repair-how-help-yourself>.

HOW TO ENSURE YOU KEEP YOUR HOME

Do you own a home? Are you falling behind on your mortgage payments? You may be eligible for a loan modification. It's advisable to contact a HUD approved housing counseling agency or an attorney early in the process so they can tell you the options and best timing for those options. Check the HUD website for approved agencies. <http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>

What is a loan modification?

A loan modification is a change in one or more of the terms of your loan, such as:

- ◆ the interest rate,
- ◆ the monthly payment amount,
- ◆ how long before it's paid off, or
- ◆ the total amount owed.



This is different from a refinance, which is a whole new loan. With a loan modification, you still have the same loan, but it is modified.

To learn more about loan modifications online go to: www.makinghomeaffordable.gov or download our informational brochure at <http://tinyurl.com/zfp7r6y>.

If you fall behind in your mortgage and do not make attempts to get a modification or otherwise bring your mortgage up to date, your mortgage company may foreclose on your home and sell it at auction.

What is “Foreclosure?”

It's a lot like having your car repossessed because you didn't make the payment. Your house can be taken away, or “foreclosed,” if you fail to make payments related to it. This includes direct mortgage payments, Homeowners Association (HOA) or Condo Association dues, and property taxes.

Words to the wise:

Pay attention. Open, read, and keep everything you get from your mortgage company, the HOA or the foreclosure “Trustee.”

Be realistic. If you simply cannot afford a reasonable mortgage payment, you probably cannot keep your home. But you might be able to sell it for a profit or qualify for a reverse mortgage.

Get help! As soon as you fear mortgage troubles, contact us at 206-805-1722.



A last resort for you might be to file for bankruptcy - see the next page.

WHAT IS BANKRUPTCY?

Bankruptcy is a legal process that can give you ways to handle debts you cannot repay or provide you with a longer repayment time than creditors might otherwise be willing to offer you. The one who is filing bankruptcy (the debtor), gets legal protection from the court against those they owe money to (creditors). A Trustee oversees the process to make sure the creditors are treated as fairly as possible.



Depending on the amount of debt, the types of debt, the way you want to handle it, and other factors, there are different bankruptcy laws, called chapters, which govern the process.

Chapter 7 Bankruptcy is commonly used to discharge (make you no longer legally responsible for) debt from credit cards, medical bills, and monetary judgments from some lawsuits. If nothing complicates the case, the court typically gives a discharge to the debtor within 90 days of when they file.

Chapter 13 Bankruptcy can be good for people who have fallen behind on their secured debts (such as a car loan or a home mortgage) but they have enough income to pay the regular payment plus a portion each month of the amount they are behind. The debtor can get a discharge on other debts, just like under Chapter 7, and they also create a plan to pay back the amount they're behind on secured debts over a period of 3 or 5 years. Payments are made to the Trustee according to the plan which gets approved by the court and then the Trustee

distributes the money to the creditors according to the plan.

Timing can be very important when considering filing a bankruptcy. Even if you accumulate a lot of medical (or other) debt, if you are still undergoing treatment, it may be advisable to wait to file until you are done and can include all your bills in the bankruptcy. This is because you have to wait 8 years after filing a Chapter 7 until you can file another Chapter 7 bankruptcy (you may be able to file a Chapter 13 sooner). If you are married and debt collection is a problem, you should talk to an attorney about the possibility of filing only your spouse. Then when your treatment is done, you can file to eliminate the rest of the medical debt.

To access full brochures on these topics, go to www.nwclc.org



The Northwest Consumer Law Center zealously advocates, litigates, and promotes access to justice for low and moderate income clients, and through its education programs, empowers consumers with the knowledge and resources to protect their rights.



Northwest Consumer Law Center
520 East Denny Way
Seattle Washington 98122
(206) 805-0989
admin@nwclc.org