

DECIDING WHICH BILLS TO PAY FIRST

You are legally obligated to pay all your creditors, but if there is not enough money to pay all of them, follow these general rules to come up with a plan of who you are going to pay and how much.

1. **First, pay housing-related bills.** Keep up rent or mortgage payments if at all possible. Failure to pay these bills can lead to loss of your residence.
2. **Pay basic living expenses next.** This includes groceries and medical insurance if you can afford the premiums. Your reduced income may qualify you for Food Share assistance or Badger Care medical assistance. Check out www.access.wisconsin.gov to see if you qualify.
3. **Pay the minimum required to keep essential utility service.** Full and immediate payment of the entire amount of the bill may not be required, so check with your utility provider to see about payment arrangements. You may also qualify for energy assistance. Contact Energy Services at (608) 267-8601 or www.homeenergyplus.wi.gov/
4. **Pay car loans or leases next if you need to keep your car.** If a car is needed to get to work, you will usually make this bill the next priority after housing, food, and utilities. Your creditor can repossess your car without going through the courts first. If you keep the car, stay current on insurance payments as well to avoid additional fees, legal problems, or a big expense if an accident happens.
5. **Make tax debts a high priority.** You must pay any income taxes owed that are not automatically deducted from your wages and any property taxes if they are not included in your monthly mortgage payment. You must file your federal income tax return, even if you cannot afford to pay any balance due. The government has many collection rights that other creditors do not have.
6. **Make student loans a medium priority.** In general, pay them ahead of low priority debts but after top priority debts. Most student loans are subject to special collection remedies, such as wage garnishments, seizure of tax refunds, and denial of new student loans and grants.
7. **Make loans without collateral a low priority.** These include credit card debts, doctor or hospital bills, other debts to professionals and similar obligations. Since you have not pledged collateral for these loans, there is rarely anything these creditors can do to hurt you in the short term. Be aware, however, that non-payment will negatively affect your credit score and may cause cancellation of services.
8. **Make loans with only household goods as collateral a low priority.** Creditors rarely seize the goods due to their low market value and the difficulty in retrieval without involving the courts. If the creditors do start actions to repossess household items, you will be notified by letter.
9. **Don't pay when you have a good legal reason not to pay.** Examples include defective merchandise or the creditor is asking for money that it is not entitled to. If you believe you have a legal defense, contact a lawyer. Visit [Legal Action of Wisconsin](#) for free legal representation for low-income families.
10. **Don't move up a debt's priority based on threats to ruin your credit report.** In most cases, the creditor has already reported the delinquency to a credit bureau.
11. **Don't move up a debt's priority because of debt collection efforts or threat of a lawsuit.** Be polite to a collector, but make your own choices about which debts to pay based on what's best for you. Many threats are not carried out, and the procedure itself is long and complicated for the creditors.
12. **Be cautious about consolidating debts or refinancing your home.** Depending on your situation, this may or may not be the right option for you. It can be expensive and give creditors more opportunities to seize your important assets. A short-term fix can lead to long-term problems.