

WHAT CAN HAPPEN WHEN YOU DON'T PAY BILLS?

If you have emergency expenses or a sudden drop in income, you may be tempted to ignore bills or credit charges. Here is what may happen if you put off paying bills:

UTILITIES



- **Utility service may be shut off.** Services such as electric, gas, or your cell phone may be turned off if you don't pay bills. Also, you may not qualify for energy assistance if you owe money to the utility company.
- **A large reconnect charge** may be difficult to pay later.
- **Interest and fees** may be charged on overdue amounts.

MORTGAGE



- **Default** - If you miss a mortgage payment, you will receive notice from your lender that foreclosure will begin if you do not pay by a certain date.
- **Late fees** will be added to the amount you owe.
- **Cosigner will be asked to pay** - If a relative or friend cosigned the mortgage, the lender will expect them to make the payments if you do not. Your missed payments could create serious problems for your cosigner as well.
- **Foreclosure** - If you continue to not make payments, the lender will ask the courts to auction your home so the lender can regain the money owed. If this happens, you could lose your home, all of your money invested in it, and still owe more money to your lender. You may want to consider selling your house before court action begins.

OTHER CREDITORS



- **If you miss a payment**, you will receive a letter reminding you that you missed a payment and asking you to pay promptly. After that, you may receive a more direct letter or get a phone call demanding payment.
- **Bills will probably be turned over** to an independent collection agency. At that point, you will no longer be able to negotiate with the person or company you owe money to. Collection agencies can be aggressive, but you do have certain rights. Collection agencies can't use abusive language or threaten you with violence. They can't call you at unusual hours or threaten criminal prosecution. And they can't discuss your financial situation with others.
- **Creditors can take several kinds of legal action** against you. These actions are often written into the sales contract you signed. If you fail to make payments, you will receive letters from a creditor's attorney warning you of the action the creditor plans to take.
- **These actions may include:**
 - **Acceleration** - the entire debt is payable at once if you miss a payment. The courts can force you to pay by seizing your property and selling it.
 - **Repossession** - the creditor can seize the item you bought or the property you used as collateral. If the sale of the property brings less than the amount you owe, you still must pay the difference.
 - **Wage garnishment** - a court order or judgment that requires your employer to withhold part of your wages and pay your creditor. The creditor can also garnish your checking or savings account if you have more than \$1000 in your account.



GOVERNMENT DEBTS

- Debts like property taxes or child support are handled differently than a loan or credit card payment. See "Deciding which debts to pay" for more on these debts.