

MODULE 6

Dealing with debt

Learn about ways to manage your consumer and criminal debt. The more you know about how debt works, the easier it is to make choices that are right for you.

At a glance

This module helps you get a picture of what you owe, get a handle on your payments, and cut down on stress from growing debt.

 **Reentry debt log**

 **Lowering your debt**

Overview

What is debt? **Debt is money you owe to another person or business.** Whether you took out a loan, used a credit card, or got behind on a bill payment, that's debt. Debt can be hard to face when it feels like a barrier to your goals, but it's important to remember that there are resources you can use to help you take control of your debt. Even small steps toward paying down debt can make a big difference in making it feel more manageable.

Focus on Reentry

Understanding debt, how to manage it, and how to reduce or get rid of it are important components of financial empowerment. Debt, however, is a current reality for many people transitioning from incarceration or facing the challenges of having a criminal record. When transitioning to the community, it is important to determine whether you owe consumer debt and the amount you owe.

But it is also important to determine whether you owe criminal justice debt, or legal financial obligations. Failure to pay criminal justice debt can carry serious consequences such as returning to prison or jail.

You may owe various fees, fines, and restitutions because of your arrest, conviction, and incarceration. These vary from state to state and may be called by different names. Types of debt you may owe as a result of incarceration include:

- Pre-conviction fees, such as jail fees for pretrial incarceration or fees for electronic monitoring devices.
- Sentencing fees, such as restitution to compensate victims and public defender or prosecution reimbursement fees.
- Incarceration fees, such as fees for room and board while in jail or prison, or health care and medication fees.
- Probation and parole supervision fees, such as drug testing or vehicle interlock device fees.
- Mandatory treatment fees
- Other fees

It is important to find out whether you have any outstanding criminal debt from any of your cases. You can find out from the court(s), your attorney or probation officer or other supervision personnel. Find out whether the debt has been sent to collections, and if so, to which collection agencies. Unlike other kinds of debt, criminal justice debt can be subject to extraordinary collection procedures. Criminal justice debts also may not be deemed “debts” by state law, which means that collectors are not subject to the Fair Debt Collection Practices Act (FDCPA).

Using the tools

- Complete the **Reentry debt log** to help you prioritize which debts to pay, including any criminal debt you may owe. Keeping track of your debt while incarcerated may help you manage your money and keep track as you transition.
- Review **Lowering your debt** to help understand your options for reducing debt.

Reentry debt log

This tool gives you a clearer picture of your debt.

If you have been involved with the criminal justice system, you may have criminal justice debt. The consequences of not paying this debt may affect your terms of supervision or create a risk of reincarceration, so it's important to find out which debts would have the worst consequences if you couldn't pay them. Identifying and tracking criminal justice debt, along with other debt, can help you prioritize debt payments.

What to do

- **Write down to whom you owe the debt, how much is owed in total, and how much you can afford to pay.**
- **For each debt list the potential consequences of delaying payment.**
- **You can check your state's law or resources to find out if there are protections you may have regarding the criminal debt.**

A step further

After you've taken stock of what debts you have and the consequences of delaying their payment, complete the tool "Lowering your debt" to explore some strategies to help you manage your debt.

For a state-by-state list of legal aid offices, which may offer resources or assistance with criminal debt issues, visit <https://www.consumerfinance.gov/ask-cfpb/how-do-i-find-an-attorney-in-my-state-en-1549/>

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/>












Track your debts and how much you owe with this **Reentry debt log**

1. This tool will give you a clearer picture of your debt. Write down to whom you owe the debt, how much is owed in total, and how much you can afford to pay.
2. Then list the potential consequences of delaying payment.
3. If you have criminal debts make sure you understand the consequences of not paying them.

Remember, a bill isn't always debt.
 For instance, your phone bill isn't debt, but any past due amount is debt.

Common debt types to help you brainstorm:

								
Auto loan	Back child support	Credit card debt	Friends and family	Medical debt	Mortgage or past-due rent	Justice system debt such as fees and fines	Payday loan	Student loan

To whom do you owe the debt?	Total amount left to pay	Weekly or Monthly payment	Code (A-I)	Consider the consequences of not paying each type of debt
	\$	\$		A. Reincarceration B. Repossession (of something you own) C. Loss of driver's license D. Loss of housing E. Garnishment (a portion of your paycheck or money in an account is taken to pay what you owe) F. Loss of service (utilities cut off or loss of cell phone service) G. Lawsuit or other collection effort from a creditor or debt collector H. Negative report to credit reporting company I. Other
	\$	\$		
	\$	\$		
	\$	\$		
	\$	\$		
	\$	\$		
	\$	\$		
	\$	\$		

Total weekly (or monthly) payment

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

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.
-

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.

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.

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.
-

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>

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.

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.