PURDUE UNIVERSITY | Extension - Health and Human Sciences

When Your Income Drops

Plan to Pay Creditors

If your income has dropped, you and your family should openly discuss the situation and make a plan. Working together will help everyone realize that changes and sacrifices must be made, at least for the immediate future.

If you cannot make your payments to creditors, you will need to contact them and talk to them about your new situation. Before you talk to creditors you will need to determine how much money you owe and how much money you will have to pay your bills.

You are legally obligated to pay all of your creditors. However, if you cannot make all of your payments you should strategize the best way to handle the payments. If you don't have enough money, bills should be paid back based on what will happen if you don't pay your bills. Things to consider include: Is the loan secured with property, car, or other assets? How much interest are you paying? What will happen if you don't pay on time? Is there a grace period, penalty, does the full loan become due, will utilities be cut off?

Here are some examples of **debts you want to pay back first**:

- Housing, and any loan for which your home has been used as collateral
- Utilities
- Car loan
- Other secured loans
- Credit cards and other unsecured debt
- Student loans
- Installment loans on household goods
- Loans without collateral, such as attorney fees, doctor, and hospital bills

If you cannot make your credit payments, contact your creditors before they contact you. Tell them why you cannot make the payment and ask if they will work with you to create a plan to pay the bill.

Questions for consideration:

- Will the creditor accept a reduced payment? How long will a lower payment be accepted?
- Will the creditor reduce or eliminate the finance charge? If so, for how long?
- What is the reconnection fee if this service is discontinued and restarted later?

****NOTE:** If the Coronavirus pandemic has impacted your ability to pay your creditors, contact them as soon as possible for peace of mind and to avoid damaging your credit history. Most creditors have a Coronavirus relief plan to help consumers get back on their feet. Relief for mortgages, student loans, utilities, and credit cards have been announced.**

Experiencing a loss of income can be devastating. There are a variety of community resources that can help you. Taking control and mapping out a plan will help you weather the storm.