Debt Consolidation vs. Bankruptcy

PRO'S AND CON'S

DEBT CONSOLIDATION

PRO'S

- Combine multiple bills into a single monthly payment.
- Possibly lower your interest rate compared to the sum of the interest on multiple credit cards.
- You can still use your credit cards (unless you owe a substantial amount, are delinquent on payments, or the agreement prohibits it).
- Debt consolidation isn't a matter of public record, so won't impact your reputation.
- Lower payments, so you use less cash each month to keep up with debts.

CON'S

- You need a good credit score for approval and to get a decent interest rate.
- Paying off consolidated debt takes time, requiring several years of controlled spending.
- You could lose your home or vehicle (if you default on payments and use property as collateral).
- You might end up paying more, especially if you extend the repayment period significantly, and don't get a lower interest rate.

BANKRUPTCY

PRO'S

- Can eliminate most unsecured debt, including credit card balances and medical bills.
- Halts debt collection efforts, foreclosures, repossessions, and wage garnishments.
- You get a fresh financial start and can often start rebuilding your credit right away.

CON'S

- You must qualify for Chapter 7 to be approved; the means test requires income to be lower than the median in your home state.
- Bankruptcy won't discharge student loans, child support, alimony, fines, or taxes owed.
- Luxury possessions and nonessential property may need to be given up.
- Bankruptcy appears on your credit report for up to 10 years (Chapter 13 is taken off after seven years).
- Anyone can learn of your bankruptcy by accessing public records, including employers.

If you are weighing debt consolidation vs. bankruptcy, our Los Angeles bankruptcy attorney can work with you to find the best solution. Contact us online or call us at:

888-348-2609

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