

HOW TO PRIORITIZE PAYING YOUR BILLS IN A FINANCIAL CRISIS

FINANCIAL COACHING CORPS CONSUMER FACT SHEET #1

In emergency situations, it is advisable to prioritize paying bills to prevent a serious crisis such as hunger, homelessness, or job loss. Each person's situation is unique, so general guidelines can't be applied to everyone. The following list may help you decide which bills to pay first. Seek the help of a financial coach before you stop paying your credit card bills.

1. **Family necessities.** This means paying for food and urgent medical expenses before paying your other bills. Consider applying for SNAP or visit a food pantry if hunger is a possibility.
2. **Housing related bills.** Keep up with your mortgage or rent payments. Failure to do so can lead to the loss of your home or eviction. Real estate taxes and home insurance are also a priority.
3. **Essential utilities.** At the very least, you should pay the minimum payment to avoid interruption of services for essential utilities: water, electricity, heat. Phone services are also essential.
4. **Car loans or leases.** If you need your car to get to work or for other essential transportation, make these payments a high priority. If not, consider selling the car.
5. **Child support payments.** Child support obligations are court-ordered payments that must be considered high priority, from both a legal and ethical standpoint. Nonpayment can result in serious legal problems including imprisonment in some states.
6. **Income taxes.** Failure to pay income taxes you owe to the federal and state government can result in tax liens. If you cannot immediately pay your taxes, negotiate a payment plan.
7. **Student loan payments.** Student loans enter “default” after 270 days of non-payment—the consequences of default are severe and can result in wage garnishment. If you cannot make payments, inquire about deferments, forbearances, or income-based repayment plans.
8. **Unsecured loans (credit cards).** Most credit card debts, attorney, doctor and hospital bills, and bank loans are low priority and therefore should be paid after the other priorities. However, missed payments will negatively affect your credit.
9. **Note: Court judgments increase the urgency of unsecured debt.** A creditor has the right to take you to court for debts you owe. A court judgment allows a creditor to legally seize your wages and bank accounts unless you have exempt income.