

What if you can't pay your debts?

If you feel you're over your head with debt, seek help from a non-profit credit counselling organization. They'll help you figure out your next steps.

Step 1. Create a new budget.

- You'll need to cut down your expenses /seek additional income and figure out how much money you can afford for the monthly debt payments.

Step 2. Put together a monthly repayment plan for all your loans.

IF YOU DON'T MANAGE TO FIND ENOUGH MONEY IN YOUR NEW BUDGET...

Step 3. Consolidate your debts into one affordable loan.

- Consolidating means replacing all your debts with one cheaper loan.
- You may need help from a credit counsellor to get a consolidation loan, especially if your credit history is poor and you've already been turned down by banks.

Possible outcomes		
You manage to stay on track	You need some debt relief but eventually repay in full	You need debt forgiveness
<p>You've regrouped, reorganized your finances, caught up with your payments, and paid down your debt.</p>	<p>Step 4. Organize a debt management program.</p> <ul style="list-style-type: none"> • This is a way of consolidating your debts without borrowing more money. • You'll need to negotiate with your lenders to lower or waive your loans' interest rate. • You may need help communicating with your lenders - in writing. 	<p>Step 5. 'Settle your debt'</p> <ul style="list-style-type: none"> • This means offering your lenders a one-time sum payment to pay off part of what you owe them. • In return, they will write off what you aren't able to pay back. • Debt settlement has long-term negative consequences for your credit history. <p>Step 6. File a 'consumer proposal'</p> <ul style="list-style-type: none"> • It's a legal type of debt consolidation. • It requires that a Bankruptcy Trustee send out a 'proposal' to your lenders asking that they accept payment of less than the full amount of your debt (a majority have to accept your proposal and you have 5 years to repay the agreed upon amount).
<p>Repayment assistance for federal / some provincial student loans</p> <ul style="list-style-type: none"> • Apply for Repayment Assistance Plan (RAP). • Your loan will be gradually paid off through a combination of the contributions you are able to make and contributions from the governments. • Depending on your income, you may be exempt from making payments at all. <p>There are special programs for family doctors and nurses who choose to work in under-served remote communities, and for Canadian Forces reservists serving in designated operations.</p>		
		<p>Step 7. Declare bankruptcy</p> <ul style="list-style-type: none"> • File paperwork through a trustee. • Your possessions are sold, you may have to make surplus payments from your income and attend counselling sessions. Your filing becomes public record. • It can take months before you receive discharge (are free from bankruptcy) and can start rebuilding your credit history. You may have to go to court.