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## Applying for Extra Loans vs. Filing for Bankruptcy

With the recession showing no signs of abating very soon, many people continue to tighten their belts and grit their teeth to try to endure these tough times. Are you one of them? In my business as a lawyer, I make it a point to fight for justice and it pains me to see hardworking folks like you having to struggle for a living just because interest rates have skyrocketed. And worse still, it disturbs me to see you being hounded by debt collectors and creditors who are only thinking of their cash flow and couldn't care less about you and your family.

That's why I set up this blog. It is to give you information to fight back and take control of your finances. One of the things most people do to overcome their debt problems is to borrow more money. After all, they are already working multiple jobs and yet it is insufficient to cover their loan repayments. But is this the best move to make?

To help you decide whether you should sign on the dotted line on another loan agreement, consider these factors:

1. Is there room to negotiate on your existing loans? Instead of borrowing a fresh loan, you should firstly look into negotiating better terms for your existing loans. You could negotiate an extension to the repayment term or ask for lower interest rates in exchange for collateral etc. Talk to the officer from your financial institution. They would much rather recoup a lesser repayment from you than have to sue you for the money if you cannot repay at all.
2. Do not apply for the maximum amount of loan Suppose you feel you need another loan. The very least you should do to safeguard yourself is to apply only for only the amount you need and not max out the loan limit. This would protect you in the event that interest rates are raised in future. If a conservative amount of loan is still not enough for your needs, then you should file for bankruptcy instead.

3. Make sure your loan repayments do not exceed 25% of your gross income. Suppose you are able to get a loan from a friend or relative for which you do not need to pay interest. Still, you should not bite off more than you can chew. You owe it to your friend or relative to repay your loan within the agreed time frame. To give you the best chance of doing so, you should ensure your total loan repayments (including your existing loans) do not exceed 25% of your gross income. That is the general rule for all financial institutions and you should apply it to yourself also. If your total repayments already exceed 25% of your gross income, then you should not apply for another loan and instead, you should seriously consider filing for bankruptcy.

If it is not wise to apply for another loan, what are the benefits of filing for bankruptcy, then? There are many but let me briefly put forth a few:

1. Bankruptcy enables you to repay your debts over a scheduled payment plan
2. You can have certain unsecured debts forgiven after repaying all you are able to repay
3. Your creditors are prohibited from contacting you the moment your bankruptcy filing goes through
4. Bankruptcy protects certain assets that the bankruptcy court declares cannot be liquidated

If you wish to file for bankruptcy, call us for a free consultation at (813) 200 4133 and we will help you plan a strategy for you to overcome your debts, whether they are individual or corporate ones.