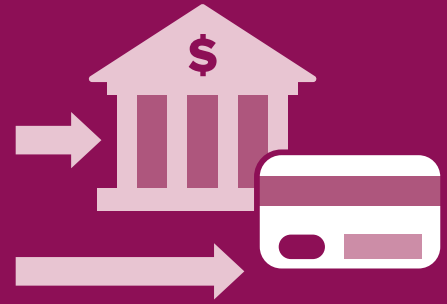


Debt Explained

Debt is when you owe money to someone, like having a loan or a credit card balance. If you can't pay back your debt, there are things you can do to help yourself.



Is debt bad?

Owing money isn't always bad. Paying your bills when they're due can help you build and improve your credit history.

Debt is bad when you owe money you can't pay back. You might have legal problems if you can't pay back the money. Or debt collectors might call you.

Does debt hurt my credit history?

Sometimes, debt can hurt your credit history. For example, it might hurt your credit if you:


- ▶ owe a lot of money on credit cards
- ▶ pay bills late
- ▶ don't pay the minimum amount due
- ▶ skip payments

Read **Your Credit History Explained** at consumer.gov/credit to learn more about your credit history.

How do I get out of debt?

Start by making a budget. You can use the **Budget Worksheet** at consumer.gov/budgetworksheet.





Write down how much money you make every month and how much you spend. You might find ways to spend less money. You can then put the money you save toward paying off your debt.

Read **Making a Budget** at consumer.gov/yourmoney to learn more.

Next, call the companies you owe money to. Call the company before it sends your debt to a debt collector. Explain why you're having trouble paying your bill. Ask for a payment plan. Some companies might let you pay less every month until you've repaid all the money.

Read **Debt Collectors and Your Rights** at consumer.gov/debt to learn what to do if a debt collector calls you.

What if I need help?

If you need help getting out of debt, a credit counselor may be able to help you make a plan.

Read **Getting Help When You're in Debt** at consumer.gov/debt to learn more about credit counselors.