Money Pit

If your bills are outpacing your CD4 count, Becky Minnich has the answer to the health-wealth equation.

April 1, 2001 By Rebecca Minnich

So what's your excuse, big spender? Feeling financially overcommitted -- in debt so deep you can barely breathe? Perhaps you're a Lazarus newly restored to the working world after a long hospitalization that left you in debt hell. Or maybe you're still recovering from that Paris vacation in '94 when you threw down those credit cards like there was literally no tomorrow. If you're neck-deep in bills, Spenderella, you're not the only HIVer. Your financial future may not be as bleak as you fear. In fact, the punchline is, debt is one crisis for which having HIV may work in your favor.

Let's begin with disability. If you've been declared disabled and have a doctor's letter to prove it, you're eligible for a timely debt-postponement perk. If you're collecting SSI (Supplementary Security Income) or SSDI (Social Security Disability Insurance), have no assets or investment income and are unemployed, your debts can be legally declared "uncollectible" for as long as you're disabled -- whether they're consumer-spending, medical bills, federal loans or a seemingly unshakable IRS debt. But there's a catch: You have to let your creditors know, in writing, that you've been declared disabled. Of course, the special status doesn't -- presto! -- make the debt disappear; it simply denies your creditors any legal recourse to force payment. Once you return to the pro tour, though, you lose your payment-proof powers, and your wages can be immediately garnisheed -- and that's no sprig of parsley. Don't panic. You might need to go directly to Plan B: consolidation.

The advantage of consolidation is that a single company buys your debt and combines all of your bills into one affordable monthly payment. Consolidation gets creditors off your case and can offer attractive interest rates. If you're cruising the Internet for information and you call up a search for "debt relief," you'll be bombarded by dozens of debt consolidation agencies promising an easy way to financial control. Beware: The consolidation deals offered sometimes mean that all of your debts are charged at a single rate of interest, which might be higher than the rate you're already paying. Most hospitals, for example, don't charge interest on fees for services. So why pay unnecessary interest? Also, many private debt-management companies make a profit by retaining fees for their services and taking a cut of every payment you make. Add these fees to the interest, and you could end up paying more over the long term. Nonprofit consumer-credit organizations can consolidate your debts, offer financial advice, legal assistance and debt assessment, generally at a sliding-scale rate. If none are accessible in your neck of the woods, call the National Foundation for Credit Counseling (800.388.2227, www.nfcc.org). Often, similar services are only as

far away as your local AIDS service organization, which likely has a personal-finance counselor on staff who can provide referrals.

Another debt strategy that many credit counselors recommend is settlement, whereby you agree to pay creditors a figure that's less than the full amount owed. Depending on several factors, including how long the debt has been outstanding, whether it's currently in collections and your annual income, a settlement could result in your paying as little as a quarter of the amount originally owed. But before you decide, find out how it affects your overall credit rating.

"A reduced settlement is still a form of default," says Joey Alarcon, a staff attorney with the HIV and AIDS Legal Services Alliance in Los Angeles. "Paying on the terms originally agreed upon looks better on a credit rating than a settlement, which may cause you problems getting credit in the future."

Alarcon often counsels HIVers in dire financial straits (you be the judge!) to stop making payments and wait until the statute of limitations runs out on their debt collection, which varies by state and can take as long eight years. The statute states that creditors can't pursue legal action against you or garnish your wages if they fail to negotiate payments toward a debt before the statute expires. "I often tell people to wait it out in cases where the financial situation looks like it won't get better in the long run," Alarcon says, adding, "especially if it looks like it will get worse."

As a last resort, some HIVers are forced to bow to the B-word: *bankruptcy*. "Frankly," Alarcon says, "it's the worst mark you can have on your credit record," and lasts from seven to 10 years. Most people consider bankruptcy either because they fear wage garnishment or have investments or assets, such as a home, to protect from seizure. What they don't realize is that bankruptcy doesn't discharge all debts, only consumer-related ones. Federal student loans, for example, can't be discharged through bankruptcy. (If you are disabled, student-loan debt can be deferred, or completely discharged in permanent disability cases, by simply filling out a disability deferral form provided by your student-loan company.)

Whichever thread you follow through the maze of debt, getting advice from a credit counselor can help lower not only your debt but your stress level. A counselor can negotiate the best payment terms with your creditors on your behalf. It's also a big plus to have someone on your side who understands both your credit and debt history and your health issues, too. In other words, don't go it alone -- get on the phone!

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