

Bankruptcy can help or harm debtors

Filing for bankruptcy is one option for those in debt, but debt reduction services are also available for consumers

Jody Burruss
Environment/Science/Technology Reporter

Faced with student loans, living expenses and credit cards, students often feel their debt is too overwhelming to handle. Bankruptcy may seem like a way out of this mess, but is not always the right choice for everyone.

"I'm hesitant to recommend

(bankruptcy) to a student, because until they get out into the work force, we can't tell if they're going to make it," attorney Edward Hill said.

Hill, a University School of Law graduate, said when students are considering bankruptcy, it is important to look at a credit report to determine if the student's credit is already ruined or if there is just too much debt. This helps determine if bankruptcy should be regarded as an alternative.

But attorney John Henderson says bankruptcy can help students get a fresh start.

If a student goes bankrupt, this will show on their credit. But, Henderson said, this can actually be better than doing nothing.

"It's the first step in resurrecting their credit," he said. "Bankruptcy is there to offer a fresh start."

Paying bills late — not going bankrupt — is what gives destroys people's credit, he added.

Henderson said that a different option to bankruptcy is consumer credit counseling. This involves bargaining with creditors to attempt to reduce debts owed.

Debt Reduction Services branch manager Timothy Carson said debt reduction is a great alternative to bankruptcy because once the debtor has paid on all outstanding accounts, his or her credit rating will be restored. With bankruptcy, it can take seven to 10 years to restore one's rating.

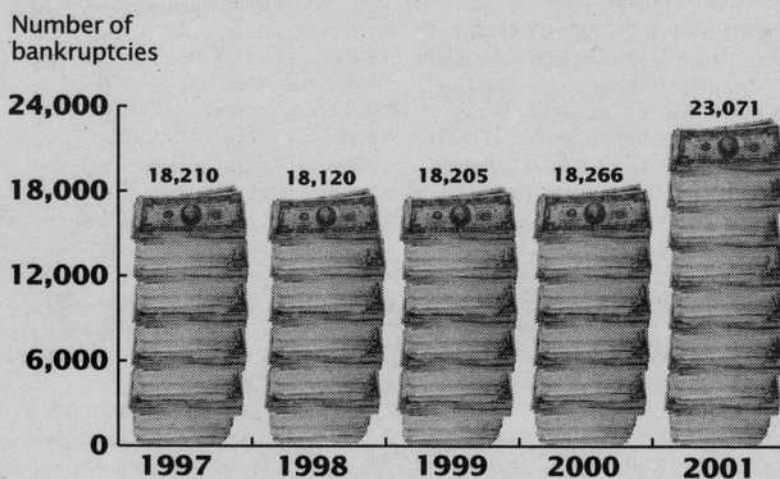
Carson said DRS doesn't barter

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attorney

with creditors for the amount owed; it works with those companies to reduce interest rates and stop over-limit and late fees.

Bankruptcies in Oregon



"We start with (the debtors') budget and go from there," Carson said.

Many clients come in with tunnel vision, thinking it's the end of the world because they are so far in debt, Carson said. But often someone else can look at their budget and find a way to better manage their money, and the client leaves happy, Carson said.

As long as the debtor has the ability to make payments, debt reduction will likely work as an alternative to bankruptcy, Carson added.

If a student does go bankrupt, it does not mean that student loans will be forgiven. There are three types of debt — priority, unsecured and secured. Student loans are priority debt; secured is debt that is connected to property. The only kind of liability that is discharged in a bankruptcy is unsecured.

Hill said it is just as common to see parents who have co-signed student loans for their children to have financial trouble because their children are in default. He said creditors will usually look to the student first, but in the end they don't care who repays the loan.

Hill added that many creditors practice illegal debt collection by threatening debtors with jail.

ASUO Legal Services Attorney Ilona Koleszar said they do not offer bankruptcy services for students because it is very labor-intensive and time-consuming. They do, however, have a book of local contacts available for more information on bankruptcy, she said.

For more on debt reduction, visit www.debtredutionservices.com.

Contact the reporter at jodyburruss@dailyemerald.com.

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Cox

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aren't being filled.

As one example of a way to cut spending, Cox said he'd stop the OLCC from running liquor warehouses.

"Seagrams is more than happy to deliver a case of liquor directly to a bar instead of an Oregon City warehouse," he said. "You can't tell me we need a tax increase if there's that much waste that even I, a third-party candidate without a huge staff, without millions of dollars, without full-time accountants and lawyers on staff to pour over these issues, I can still find these things."

As a Libertarian, Cox said as Governor he'd stimulate Oregon's economy by issuing tax cuts, money that would be free to use once

Read more

The full transcript of the interview with Tom Cox is available online.

www.dailyemerald.com

government to tell us how to live our lives or what values to have."

The Libertarian, who mentions Thomas Jefferson, John Adams and George Washington as his role models, said by fixing the state's budget and instigating reforms, he can conquer issues problems with higher education spending.

"We absolutely have to get state spending under control," he said. "I am the right guy with the right plan at the right time."

Contact the news editor at brookreinhard@dailyemerald.com.



Cox

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