

# Debt Management

## Warning Signs of Debt

There are a number of warning signs that tell you when you are too far in debt and need to make changes in order to avoid bankruptcy. You are too far in debt if you:

- frequently pay bills after their due date;
- regularly bounce cheques;
- use an advance from one credit card to pay the minimum amount on another card;
- receive calls from a collection agency;
- regularly ask friends or family members for loans;
- have your utilities cut off (telephone, hydro, water);
- have cut back on regular budget expenses such as clothing and recreation, or necessities such as food; and
- are considering taking a second job in order to help pay your bills.

Depending on your personal circumstances and the extent of the problem, several options are available to help you reduce your debt.

## Ways to Reduce your Debt

### Make a budget and get budget counseling

A basic first step for debt reduction is to prepare a budget and plan your spending. Once you have a budget, you must stick to it. When you follow a budget, you can take any extra money you have each month and put it toward your debts. This will lower your total debt and save you money on interest fees.

Don't spend money on items that are not in your budget. Eventually, if nothing else changes, you will be able to pay off your debts. If you find this hard to do, see a professional budget counselor for advice on planning a budget.

- [Your Budget and Budget Counseling](#)

You can also download a Budgeting Tool as a Microsoft Excel file and save it on your computer. Saving the Budget Calculator to your computer allows you to review and update your budget later. [Download the Budget Calculator Excel file here.](#) 

### Combine your debts

A debt consolidation loan is a loan (usually from a bank) that lets you repay your debts to all your creditors at once. This means that you only have one monthly payment, often at a lower interest rate than you are paying now. This saves you money on interest fees and lets you pay off your loan faster.

- [Debt Consolidation](#)

## Contact your creditors

One way to lower your debt is make new arrangements with your creditors. Make a list of your creditors and contact each one with a proposal for one or more of the following:

- Lower monthly payments
- Longer time period to make your payments
- Lower rate of interest

You can also ask a debt management advisor, such as a credit counsellor, to do this for you.

- [Contacting your Creditors](#)

## Work with your mortgage lender

The Canada Mortgage and Housing Corporation (CMHC) suggests contact your mortgage lender right away when you run into mortgage problems. You can then work with your lender to find a solution.

- [CMHC - How To Deal With Mortgage Payment Difficulties](#)

## Sell a possession

A personal possession is something that you own and do not owe money on. Selling a personal possession can get rid of some of your debt. If you cannot earn more money or cut down your expenses, selling a personal possession can be a good idea.

- [Selling One of Your Possessions](#)

## Last Resort Options – Ontario

If you have tried the options described above, other options may apply to you (see below).

### Consumer Proposal

A consumer proposal is an offer made by a debtor (through a trustee in bankruptcy or a person appointed by the Office of the Superintendent of Bankruptcy to administer consumer proposals) to his or her creditors to modify his or her payments. To learn more about consumer proposals visit the Office of the Superintendent of Bankruptcy [website](#).

### Bankruptcy

Bankruptcy is a legal process performed under the *Bankruptcy and Insolvency Act*. Because of your inability to pay your debts, you assign all of your assets, except those exempt by provincial law, to a licensed trustee in bankruptcy. This process relieves you of most debts, and legal proceedings against you by creditors should stop. To learn more about bankruptcy visit the Office of the Superintendent of Bankruptcy [website](#).

**Do you have a [student loan debt](#) or a [tax debt](#)?**

# Collection Agencies

## Information on collection agencies

A collection agency is a company that intervenes to recover money owed by people in debt. Your creditors — the people to whom you owe money — pay these agencies to recover the amounts you owe them. If you owe money to a company or a supplier and have not recently sent in your payment, that company or supplier can turn your file over to a collection agency. Here are some useful tips:

- You must be notified in writing that your file has been given to a collection agency. Don't panic. The agency is trying to recover the money you owe its client.
- If possible, pay the amount you owe.
- If you are unable to pay it all at once, contact the agency and explain.
- If you reach an agreement with the agency, get it in writing.
- Never send cash. Make sure that you obtain a receipt for your payment from the agency.

Do you feel you have been treated unfairly by a collection agency? Although the regulations differ slightly across Canada, a collection agency is usually only allowed to do certain things. Find out more so that you will be able to protect yourself from aggressive debt collectors. The complete list of what debt collectors can and cannot do, as well as contact information, are available in the [Canadian Consumer Handbook](#).

For example, a representative of a collection agency must not make telephone calls of such a nature or frequency as to constitute harassment of you or your family. There are certain times when a representative must not call you at all (which vary from one province or territory to another).

## Specific rules for Ontario

You can view the specific rules that apply to collection agencies where you live. Click on the following link for rules that pertain the appropriate government agency regarding collection agencies' practices in Ontario. [Ontario Collection Agencies](#)