

Deciding Which Debts to Pay First

You're legally obligated to pay all debt, but when you don't have enough money to cover your monthly expenses and pay your creditors the minimum amount due, you face some tough decisions. There is no magic list of the order in which debts should be paid since everyone's situation is different.

Here are some general rules about how to set priorities:



1. First, pay housing-related bills

- Keep up rent or mortgage payments if at all possible.
- Failure to pay these debts can lead to eviction or home loss.

2. Pay basic living expenses next

- This includes groceries and medical insurance if you can afford the premiums.
- You may qualify for FoodShare food assistance or BadgerCare medical assistance. (check out access.wisconsin.gov)

3. Pay the minimum required to keep essential utility service

- Make the minimum payment necessary to avoid disconnection if at all possible.

4. Pay car loans or leases next if you need to keep your car

- Your creditor can repossess your car without going through the courts first.
- If you keep the car, stay current on insurance payments as well to avoid additional fees, legal problems, or an overwhelming expense from an accident.

5. Make child support and tax debts a high priority

- Child support debts will not go away and nonpayment can result in serious legal problems, including prison.
- You must file your federal income tax return, even if you cannot afford to pay.

6. Move up court judgments in priority if the creditor has already sued

- With a judgment, the creditor can ask the court to seize your property, wages, and bank accounts.

7. Make student loans a medium priority

- Student loans backed by the government may be subject to wage garnishments, seizure of tax refunds, and denial of new student loans and grants.

8. Make loans without collateral (like credit cards) a low priority

- These include credit card debts, doctor or hospital bills, and other debts for household products or services.
- Since you have not pledged collateral for these loans, there is rarely anything these creditors can do to hurt you in the short term. If the creditors do start actions to repossess household items, you will be notified by letter.



CALL YOUR LENDER, LANDLORD OR OTHER COMPANY YOU OWE AS SOON AS YOU ARE IN TROUBLE – MANY WILL WANT TO WORK OUT A WAY FOR YOU TO PAY.