

# ISLAND BUSINESS NEWS

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## CREDIT CRUNCH • September 2008

### Drowning In Debt?

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**Drowning in Debt?** In today's world most people have every intention of paying for goods and/or services that have been received on credit. Sometimes poor budgeting, inadequate financial management skills, and even bad luck can place in people in uncharted waters. When submerged under this sea of debt, bankruptcy is not always the only solution. If this is just a temporary undertow that has affected your finances, there are some life rafts out there to assist in recovering financially while maintaining a good credit rating.

#### Send Out a Flare



Open the lines of communication and contact your creditor or the third party agency. If they are aware that you are presently experiencing difficulties with your finances, they are more likely to throw you a life preserver and work with you to resolve the debt. Many people in a financial crisis end up ignoring it in hope that it will just wash away. This neglect ultimately makes the situation worse leading to tarnished credit ratings and in some cases legal action.

#### Don't be Held Captive

Use your equity to look at alternative places to apply for a loan. There are mortgage services companies who will approve a new loan based on a person's equity and not their credit rating. Some times even when your own financial institution will not grant you the extra cash to stay afloat, these companies may be able to help you tread water for an extremely reasonable rate.



#### Radio the Coast Guard

Request the assistance of professional credit counseling services. Certified not-for-profit agencies have the expertise to throw you a line with careful management and budgeting of your finances. Usually these companies will contact your creditor to try to have your interest fees waived while mapping out a suitable re-payment plan.



#### Start Bailing



If you are extremely in debt then liquidation may be your only option. Start selling off assets and personal belongings to keep your finances and credit buoyant. Cashing in on assets such as houses, property, RRSPs, or life insurance may alleviate your money problems and reduce the likely hood of bankruptcy.

Your personal credit report is one of your most precious assets. Taking the necessary steps in order to maintain and protect yourself from bad credit will result in smooth sailing in the future.