How to Finance a Medical Emergency

opploans

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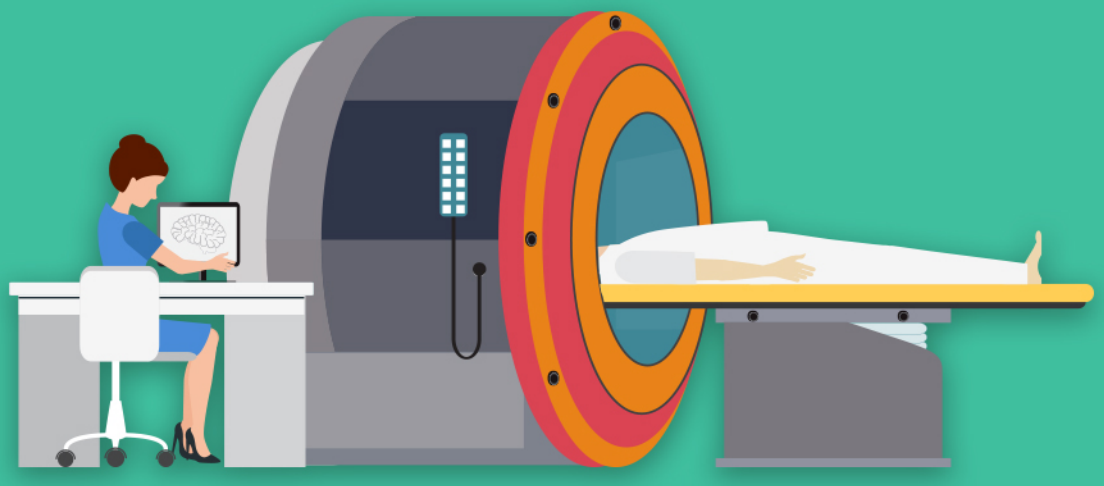


INTRODUCTION

We've all been there. Even when you're budgeting carefully and spending responsibly, life can throw you some ugly financial curve balls. Maybe your kid falls off his bike and breaks his arm, or that cough you've been ignoring turns out to be more serious than just a seasonal cold.

Sadly, most of us will someday experience an illness or injury that requires medical attention, and even if you have health insurance, medical bills can pile up fast. Depending on what your plan covers, you could still be forced to pay out of pocket for more than you have in savings. If you're uninsured, something as seemingly mundane as a few hours in the emergency room can turn into an expense that haunts you for years.

Medical debt can cause serious stress, but if you're in the midst of a crisis, take a deep breath. There are many safe and responsible ways to handle a financial emergency. No matter your credit score or financial situation, you have options, and we're here to help you explore those options.

HOW TO BE READY WHEN DISASTER STRIKES

If you've been lucky enough to avoid a serious medical emergency so far, now is the time to start preparing for the worst. Here are some things you can do right now to help soften the blow when disaster strikes.

Start an emergency fund.

Unfortunately, many of us don't have enough wiggle room in our bank accounts to absorb the impact of even the most routine medical expenses — in fact, a 2016 survey from the Federal Reserve found that 46 percent of Americans don't have enough money saved to cover a $400 emergency expense.[1]

An emergency fund is a savings account you can use in case of illness, job loss, or any other unexpected life event. If you don't already have an emergency fund, start saving right now. Most experts agree you should have a three-to-six-month financial cushion in savings, but even if you have to start at zero, a small amount of savings is better than nothing.

Expert Advice: Emergency Funds

Katie Ross - *Education and Development Manager for American Consumer Credit Counseling*

The sole purpose of an emergency fund is to help you financially when you are hit with the unexpected. An emergency fund should be used only for urgent situations; those times when you need to keep the lights on and food on the table.

At minimum, you should keep three months' worth of expenses in your emergency fund, although six to nine months is ideal.

The best way to start saving for an emergency is to direct deposit a percentage or set dollar amount into a savings account every single week. This is the fastest and most efficient way to start saving right now. During tax season, if you get a return, you can put away some of that return into savings. If you work more than one job for extra cash, save the money from job #2. In fact, any income you have that you don't need for your living expenses should be allocated to building your emergency fund.

You can and should start a savings account even if you are in debt. The whole concept of an emergency fund is to help you when you're down, and the sooner you can build your savings, the sooner you can work on paying down your debt. Both are important and you will need to balance and weigh your financial situation out.

Ask yourself: How much debt are you in? Can you pay your debt off in a month or is it going to take years? Once you know the answers to these questions, start building your emergency account bit by bit. As you pay down your debt, you can increase your weekly or monthly contributions to your emergency. Again, you need to evaluate your personal situation, and make adjustments as you go along.

Howard Dvorkin - *CPA and Chairman of Debt.com*

If you don't have an emergency fund already, you're running behind schedule. Everyone who's graduated from high school needs one, because everyone can suffer an accident or an illness.

Listening to experts on the topic of how much to keep in an emergency fund is like owning a Cadillac, a Honda, and a Kia – each car will give you different mileage, even when you're headed to the same destination. Some experts insist you need a year's worth of expenses in an emergency fund. Others say three months or six months. I say even a week is progress. I never want to give a hard number, because that might discourage people from even starting.

Saving is like dieting. If you don't make it part of your lifestyle, you'll eventually cheat and fail. So saving on a regular basis means saving very little all the time, instead of a lot every paycheck. We're talking one more brown-bag lunch, and those few bucks you would have spent on takeout going into a savings account.

Saving when you're in debt might seem like drinking bottled water on a sinking ship. But if you save small amounts constantly, it might also help you focus on paying down your debts.

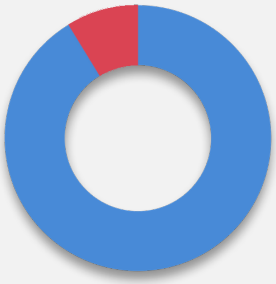
Keep credit card balances low.

If you have access to a credit card, keeping your balances low can help you avoid a financial disaster. For example, if you have a credit card with a $5,000 limit and you keep the balance below $500, you'll always have easy, fast access to at least $4,500 in case of emergency, be it medical or otherwise.

Get covered.

Health insurance is a kind of individual insurance that's used to help pay for your medical and surgical expenses. If you're currently uninsured, the best way to be prepared for a medical emergency is to get covered ASAP. That way, when something happens, your health insurance provider will cover some or all of your medical bills, and save you a literal boatload of money.

There are a number of ways to get insurance if you don't already have any.



According to the CDC, 8.8 percent of Americans – or 28.2 million people – don't have any kind of health insurance.

Employer Coverage:

Many employers offer health coverage at a discounted rate for full or part-time employees. If your employer offers health care coverage, talk to your superior or HR department to see if you can get covered through work.

Affordable Care Act Coverage:

If you don't qualify for coverage through your job, depending on your income, you may be able to get subsidized coverage through the health insurance marketplace.[2] While the open enrollment period for 2017 ended on January 31, if you've recently lost coverage or experienced some major life events like getting married or having a baby, you might qualify to sign up for insurance through a "Special Enrollment Period" right now. Head over to healthcare.gov to see if you qualify to enroll today.

Coverage through Medicare, Medicaid and CHIP:

Medicare and Medicaid are two government-sponsored programs that can help cover health care costs for people without insurance. Medicare and Medicaid are separate programs that have different eligibility requirements and coverage levels. CHIP is a subset of Medicaid, which helps children up to age 19 get covered, even if their families earn too much to qualify for Medicaid.

Medicare is a federal, four-part health insurance program associated with Social Security. This program is available to people 65 years of age or older and regardless of income. Medicare also affords health insurance to people with certain disabilities. According to a Medicare.gov publication, this insurance program is comprised of four core parts:

> ***Part A:*** *Hospitalization coverage.*
> ***Part B:*** *Medical insurance.*
> ***Part C:*** *Privately purchased supplemental insurance that provides additional services (and through which all Medicare services offered by Part A and Part B can be accessed).*
> ***Part D:*** *Prescription drug coverage*

For more information about Medicare and its programs, call 1-800-MEDICARE (1-800-633-4227) or visit medicare.gov. [3]

Medicaid, on the other hand, is a joint state and federal program that helps American families and individual on the poverty line pay for medical coverage. Unlike Medicare, which is available to everyone, Medicaid has strict eligibility requirements that differ by state. While this program was established to aid individuals lacking financial means, poverty alone may not immediately qualify you for Medicaid. To learn more about Medicaid and check your eligibility for the social health care program, call 877-267-2323 or visit medicaid.gov.

CHIP, which stands for **Children's Health Insurance Program**, is a joint effort on the part of both the federal government and individual states, which provides health coverage for children through Medicaid. CHIP's primary goal is to serve uninsured children (up to age 19) in families with incomes too high to qualify them for Medicaid. According to medicaid.gov, most states cover children up to or above 200 percent of the Federal Poverty Line (FPL) through CHIP, and some will cover children in families up to 300 percent of the FPL. To learn more about CHIP and check your eligibility for the program, call 877-267-2323 or visit medicaid.gov/chip. [4]

Understanding your insurance.

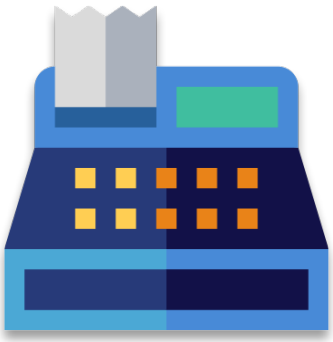
If you have insurance, your provider will likely cover all or most of your medical expenses in case of emergency, but exactly how much you will have to pay out of pocket varies greatly from plan to plan. In general, you should make sure you know the basics of your individual plan, and take time to understand these three important insurance keywords:

A **deductible** is the amount of money you're obligated to personally pay out of pocket every year for your medical expenses before your health insurance kicks in. for the health care services that you received. Once you meet your deductible, a deductible is met, your insurance carrier will begin repaying paying the remaining balance of a claim its share of your remaining balance. For example, if your insurance plan has a $2,000 deductible, in the case of an accident or medical emergency, you will need to pay for $2,000 worth of services out of pocket before your insurance company will cover the rest. If you get a hospital bill of $12,000, you will pay for $2,000 of that, and your insurance company will pay the remaining $10,000. After that, any other medical expenses you rack up throughout the year will (probably) be covered by your insurance company.

Depending on what kind of insurance you have, your deductible can range from $0 to many thousands.

A **copayment**, which is often referred to as a "copay," is a – typically small – fixed amount of money that you're required to pay your insurance company whenever you go to the doctor. If your health care plan has a $20 copayment, you will pay $20 upfront before being examined or treated by a medical professional. Depending on your plan, your copayment amount will often vary for different services. Seeing your primary care doctor might be $20, but if you have to see a specialist, you might pay $40, and a trip to the emergency room might cost $100. It all depends on what kind of insurance coverage you have.

Coinsurance is a co-sharing agreement between you and your insurer, which is typically based on a set percentage and used in conjunction with a deductible. Essentially, it works like this: your insurance company might agree to cover 80 percent of your medical costs, provided you pay the remaining 20 percent of the balance. Basically, coinsurance is designed to split or spread the cost of your medical treatment among multiple parties. [5]



Can you purchase health insurance after an emergency?

In general, the answer is "no." But NPR reports that "there is one important exception." As previously mentioned, Medicaid has strict eligibility requirements that differ among each one of the 50 states in America, and "if someone lives in a state that has expanded Medicaid coverage to people with incomes up to 138 percent of the poverty level (currently $16,105 for an individual), enrollment would generally be retroactive to the first day of the month that the person applied for coverage. In addition, if someone was eligible for Medicaid during the three months preceding the application, medical care received during that time could be covered as well." [5]

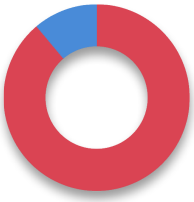
If you recently lost insurance you had through a workplace, you could also be eligible for COBRA, a government provision that allows you to stay on your employer's insurance, so long as you pay the entire premium yourself. [6] Even if you waive COBRA coverage initially, in the event of an emergency, you can elect to retroactively enroll in this coverage up to six months after leaving your previous employer. You'll have to pay upfront for all the missed monthly premiums, but this might less expensive than having to pay out of pocket for all your medical bills.

HOW TO FINANCE A MEDICAL EMERGENCY WITHOUT GOING BROKE.

No matter how much time you've spent imagining doomsday scenarios, few people are ever completely prepared to deal with a medical emergency. Maybe it's a car accident, a bad diagnosis, or a slip on an icy road – no matter the reason, if you're suddenly faced with a hefty medical bill, you need to know your options.

Always double check your medical bills for errors.

Your insurance status notwithstanding, you have choices when it comes to paying off your medical expenses. Before you make any decisions about payment, however, you should thoroughly review your bill and ensure its accuracy.



Some experts assert that nearly 80 percent of medical bills contain clerical errors that cause overcharges.

Expert Advice

Kevin Gallegos - *VP of Operations for Freedom Financial Network*

"Common medical bill errors include being billed twice for a service, paying for something that should be covered by your insurance, and finding a charge for a service you did not receive. If you find any errors on your medical bills, call the provider's billing department or your insurance company promptly!"

Claire Freeman, the lead counselor of Compass Co-Pay, a division of Quality First Medical Billing, Inc., said it's the patient's responsibility to check for errors on their bill. If you find a mistake, you can personally oversee a medical bill audit or request for a medical billing advocate to review your claim.

"Most patients are intimidated when I first mention auditing a bill, but patients are ultimately responsible to make sure the billing is correct," said Freeman in a U.S. News and World Report article. [7]

Try and negotiate.

In addition to requesting an audit, you can also try to negotiate the amount you owe. Maureen Lamb, medical billing advocate and president of Medical Bill Support, LLC., says the first step in this process is determining the right person to talk to, and remaining persistent until you get them on the line. Generally, you'll want to discuss your claim with a medical billing manager.

"If you are talking to someone who is sympathetic but unable to fix your errors or negotiate a discount, you are wasting your time," said Lamb, noting that you can negotiate a medical bill with an insurer, hospital and/or doctor's office. "[It] may require unique approaches to break through the resistance. When phone calls, faxes and emails don't work, it's time to write a letter documenting your request for a discounted bill, and request help from the management team of an organization."

Before starting negotiations, do your research. Look online to find other medical facilities that charge a lower price for the same procedure you underwent. If you were billed more than the average price, you have some leeway in securing a discount. At a minimum, you'll likely be able to remove a few fees that will bring down the total cost of your bill. Provided a settlement is met, you will need to request proper documentation and retain all paperwork for your records.

"When you do finalize a settlement offer from your provider or hospital, make sure you get a copy of the agreement in writing," Lamb advises.

Pay in cash.

Strange as it may seem, the experts we spoke with said that many hospitals and doctors will offer discounts to patients who offer to pay in cash, often at rates far below the market rate for their services. Paying in cash is completely legal and valid way to lessen the cost of a medical emergency, and it's more common than you might think.

Expert Advice

John Barnes - *Certified Financial Planner and owner of My Family Life Insurance, a full-service, independent insurance agency.*

OppLoans: How does medical debt affect your credit?

Barnes: It can lead to poor credit rating and even bankruptcy. I recommend families saving enough to cover their deductible and even their plan's out-of-pocket annual limits.

Is it possible to negotiate a medical bill?

Yes, it is absolutely possible to negotiate a medical bill. I generally don't recommend negotiating small bills such as copays, but when your out-of-pocket costs start in the hundreds, then it may make sense.

Remember, these hospitals and doctor offices are businesses. They want their money fast so they can pay for bills, renovations and pay their staff. I have never done a formal poll on this subject, but if I did, I'm willing to bet 99 out of 100 hospitals would accept a discount from a patient if the patient offered paid his or her bill early or in cash.

What are the first steps the average patient should take in order to do this?

It is as simple as asking the hospital or doctor's office if they have a cash payment policy. This can be a starting point. You can also propose a discount to them as well. Let's say the bill is $500. You can say, "All I can pay is $300. Is that acceptable to you?" While some may push back, most won't.

So hospitals really offer discounts for paying in cash? Why?

Yes. Remember that the hospital has been paid by a portion of insurance already. Now, they are collecting your part. They want that money fast so they will certainly agree to a discount, and hospitals usually have a cash discount policy. They may be hard to negotiate, but it is definitely worth the discussion with a hospital financial counselor. They may have leeway to offer you a higher discount.

Use funds from a 401k.

According to Jim Stone, a Chartered Financial Consultant and an instructor at the College for Financial Planning, you are lawfully allowed to use funds from a 401k to cover emergency medical expenses. However, Stone cautioned that, "the financial hardship provision allows withdrawals only for immediate, pressing need." [8]

Look for charitable funding organizations in your community.

Even if you get the hospital to lower your costs, you're still going to have to find a way to pay them. Some people turn to crowdfunding campaigns, using sites like GoFundMe or YouCaring to solicit donations from friends, family and strangers on social media. Crowdfunding is great when it works, but if you can't rally up enough support for your cause, there are other places to look for help.

Check out nearby church congregations, local Elks or Lions Clubs chapters, social service agencies or eldercare locators.

Additionally, many hospital and medical facilities offer financial hardship assistance services of their own. Visit the customer help desk at the facility where you received treatment to see if you qualify for medical bill assistance.

Expert Advice

Kevin Gallegos - *VP of Operations for Freedom Financial Network*

"Don't be afraid to ask for guidance. Hospitals and insurance companies typically have case workers on staff who can help interpret bills, estimate costs and resolve payment issues. There are also charitable foundations, churches, community groups and government agencies that can provide short- or long-term financial relief. Additionally, some hospitals are required by state law to provide free or reduced services (called "charity care") to low-income patients. Ask to talk with the hospital, provider and/or insurance company case worker and determine what's available to you and what you are eligible for."

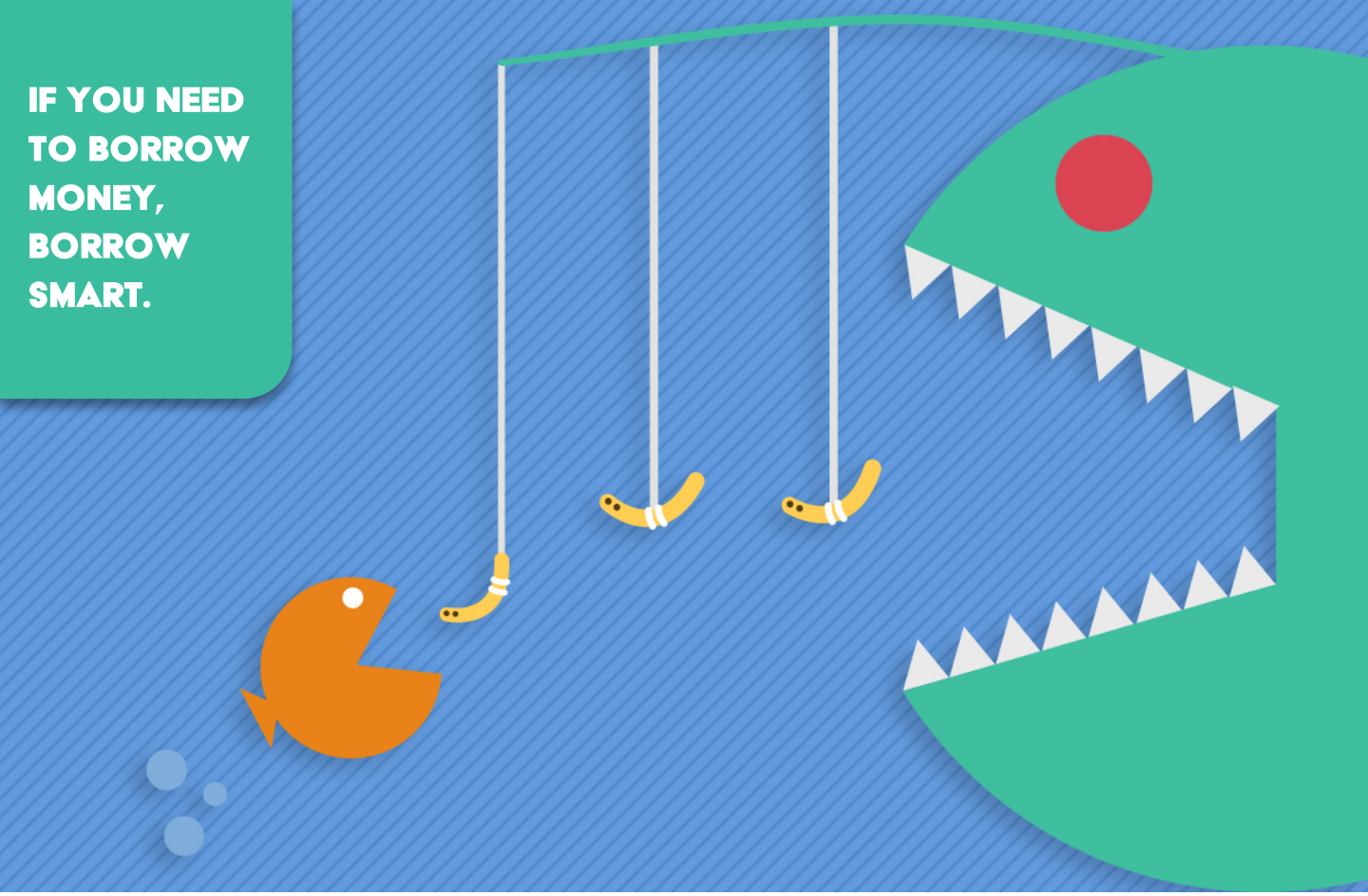
Know when your bill is set to go into collections.

If you're uninsured and experience a medical emergency that leaves you hospitalized, know that the hospital is legally not allowed to send you to collections or sue you until five months (or 150 days) after you first receive your bill. If this rule is violated, you can submit a formal complaint against your health care facility or provider by visiting:
https://hfcis.cdph.ca.gov/LongTermCare/ConsumerComplaint.aspx. [9]

Top 10 Must-Know Facts About Medical Debt

- One in four Americans are currently struggling with medical debt.[33]
- 8.8 percent of Americans, or 28.2 million people, don't have any medical insurance.[34]
- On average, the United States spends more than $10,000 per person on health care costs every year, the most of any country in the world with a similar average life expectancy.[35]
- 63 percent of insured Americans with mounting medical bills still report using up all or most of their savings paying off their medical debt.[36]
- Medical debt has driven 7% of the Americans who carry it to file for bankruptcy.[37]
- The Affordable Care Act (sometimes called Obamacare) rollout actually decreased the amount of medical bankruptcies in the United States.
- Getting your medical debt sent to collections can result in a 50-100 point drop in your credit score.[38]
- 43 million Americans with medical debt say it's hurting their credit.[39]
- The average monthly insurance premium for individuals is $321. For families it's $833 per month.[40]
- More than 74 million Americans are currently enrolled in Medicaid and CHIP.[41]

IF YOU NEED TO BORROW MONEY, BORROW SMART.



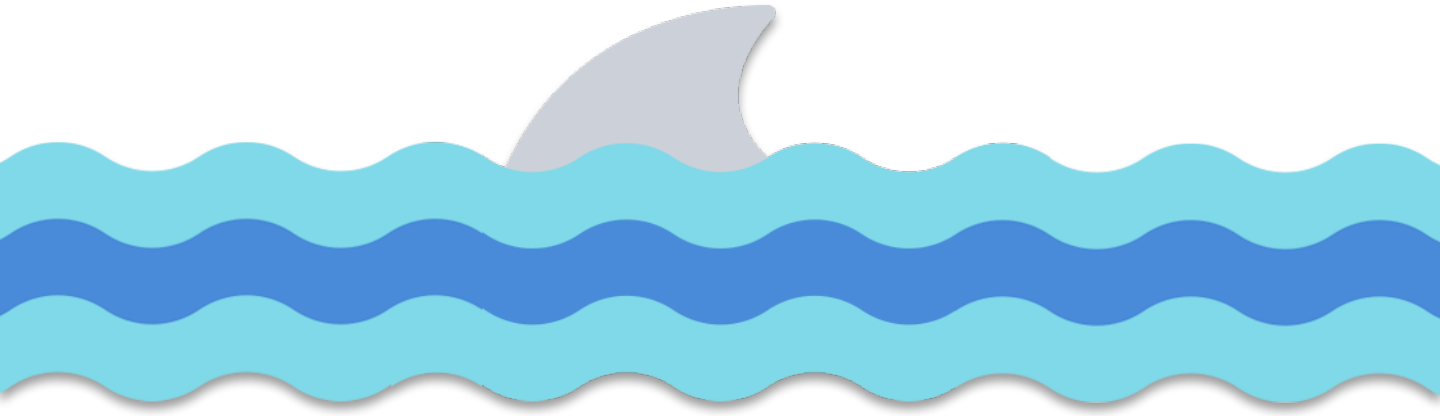
When faced with a medical emergency, some people can turn to family or friends to help out. Some cover unexpected expenses with a credit card. Others look to personal and installment loans to help them out. Unlike mortgages or auto loans, which are earmarked for specific types of purchases, personal loans can be used for almost anything that isn't a business-related expense. If you've exhausted all other options and need to borrow money to cover a medical expense, it's important that you borrow it from the right kind of lender.

Spotting a predatory lender.

If you're working with the right lender under the right circumstances, a personal loan can be a lifesaver, but not all loans lead to a happy outcome. Whether you have a positive or negative experience depends largely on the kind of lender you're working with. Some lenders are downright disastrous to borrow from — they're called predatory lenders, and they are the financial equivalent of Scar from "The Lion King": they're sneaky, they're dangerous, and they won't think twice about throwing you headfirst into a wildebeest stampede.

Remember, a responsible lender wants you to succeed. Generally speaking, if a bank lends you money, they want you to pay them back on time. For that reason, they're not going to lend you more than they think you can really afford.

A predatory lender is rooting for you to fail. In fact, their entire business model relies on borrowers paying late, or not paying at all. How? It's all in the fees. A predatory lender might purposefully deceive you by pretending a loan is a better deal than it really is, or convince you to take out a bigger loan than they know you can afford. Once you fall behind on payments, they'll encourage you to take out another loan to pay off the first, and charge you crazy-high fees for the privilege . This is what's sometimes called a **debt trap** — a hard-to-escape pattern of borrowing more and more in order to cover past debts. This would be a good place for an example/personal experience. Someone who took out a $300 loan for Christmas presents and ended up owing $1,500 after all was said and done.



Spotting a predatory lender isn't as easy as checking for a telltale facial scar. Even the Federal Deposit Insurance Corporation admits that "[t]here is no simple checklist for determining whether a particular loan or loan program is predatory." But that doesn't mean there aren't warning signs. [10]

Here are a few ways to tell you might be dealing with a predatory lender:

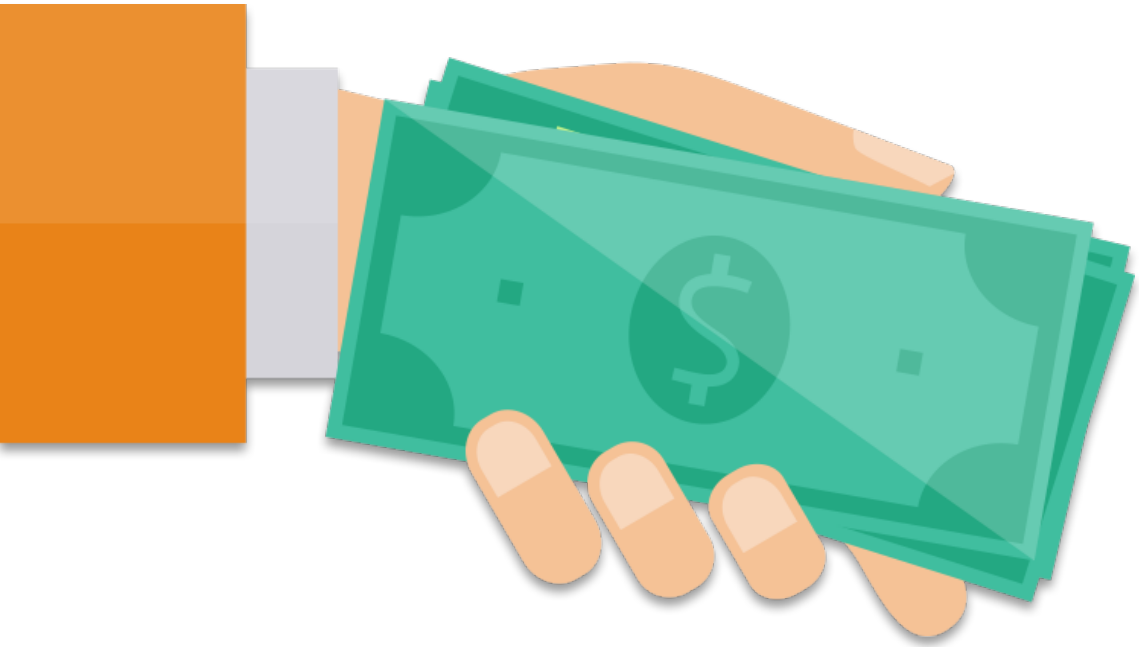
- **They pressure you to make false statements.** A responsible lender will never ask you to lie! If a lender ever encourages you to, say, claim that your income is bigger than it really is, walk away! Asking you to leave items blank or unsigned on your loan documents is also a big red flag. [11]
- **They push you to quickly sign the loan documents – without reading them.** Trustworthy lenders want you to understand the loan you're receiving. Watch out for any lender that rushes you or discourages you from looking carefully at the terms of the loan. [12]
- **They contact you via telephone, direct mail, or show up at your front door.** These aren't common practices for most responsible lenders. [13] Many predatory lenders also run aggressive TV advertisements. [14]
- **They have bad customer reviews.** Check out customer ratings on Google, Facebook and Yelp. You can also look at the Better Business Bureau's (BBB) website to find consumer reviews and see if the lender is accredited. If a company has BBB accreditation, it's a good sign. This means they meet certain standards, like quickly resolving customer complaints, or actually fulfilling the promises they make on their website. [15] Take caution when dealing with a lender without BBB accreditation.
- **They charge you a penalty for paying off your loan early.** This is called a prepayment penalty, and it's a tell-tale sign that your lender's a little suspect. If you're offered a loan with a prepayment penalty – especially if that penalty is above 3 percent – you may want to steer clear of it. [16]
- **They offer you too much money.** Generally speaking, you should try to minimize what's called your **debt-to-income ratio**, which is the measure of how much you're making compared with how much you owe. You can calculate your debt-to-income ratio by adding up your monthly debt payments and dividing that number by your monthly income. Studies show that people with a debt-to-income ratio of more than 43 percent often struggle to make their payments. Don't trust lenders that encourage you to take out loans that will push your number over 43 percent. [17]
- **There are high fees associated with the loan**. For mortgages in particular, fees above 5 percent of the total loan amount are a sign you could be in for trouble. [18] Whether you're looking for a mortgage or a personal loan, make sure you understand all of the fees you're being charged. Don't be afraid to ask questions — a responsible lender can and will answer them for you.
- **The loan's interest rate starts low, but can soar sky-high**. A predatory lender might try to lure you with a low interest rate without telling you that, under certain circumstances, that rate could explode. [19]
- **They promise you can fix any problems with your current loan by refinancing**. If a loan looks questionable to you now, don't trust offers of a better deal in the future.

Payday loans

Here's how payday loans work: a borrower brings a pay stub to a lender to prove they have a job. In exchange for a loan, they write a postdated check for the loan amount (plus fees!) and give it to the lender. If they don't repay the loan on time, the lender cashes the check.

However, it's common for payday borrowers to struggle to pay back the original loan on time. In fact, more than 80 percent of payday loans are "rolled over," [20] meaning borrowers take out a new payday loan to cover the cost of the last one. [21]This vicious cycle goes on and on, because payday lenders count on these repeat customers. In fact, borrowers who take out 11 or more loans a year account for about 75 percent of the fees charged by payday lenders. [22]

According to a study by the Consumer Financial Protection Bureau, payday borrowers take out a median of 10 loans per year. Much of the time, the fees on these loans far outweigh the original amount of the loan (borrowers pay a median of $458 in fees). [23] In contrast to credit cards, which typically have APRs of 12 to 20 percent, payday loans often have APRs of 400 percent, [24] and in some states they're even higher. In Utah, the typical APR for a payday loan of $300 is 658 percent. In Texas, it's a whopping 662 percent. [25]



Cash advances.

Cash advances are very similar to payday loans — often the terms are used interchangeably. Most storefronts or online lenders that offer payday loans also offer cash advances, and these short-term loans generally carry the same sky-high fees and APRs. You can also get cash advances through your credit card issuer, but the rates and fees will probably be higher than you would pay on a regular purchase. [26]

Tax refund anticipation loans (RALs).

Tax refund anticipation loans, or RALs, prey on impatience. They provide you the amount of your federal or state tax refund immediately — no waiting for the IRS required. Of course, there's a catch: high fees and high interest rates. A typical RAL could have an APR of 108 percent, according to Georgetown University's Credit Research Center. [27] In most cases, you're better off sitting tight for your refund check or direct deposit to arrive, as the fees on these loans could cancel out your refund entirely.

About one in five auto title borrowers have their car seized.

Auto title loans

Like payday loans, auto title loans offer high fees and APRs in exchange for a quick hit of cash. Most people who take out car title loans take out a median of $845, according to the Center for Responsible Lending. [28] And like payday loans, these can get you into a world of financial trouble.

To receive a car title loan, a borrower uses a car they own outright as **collateral**. Essentially, collateral is a lender's backup plan. If the borrower doesn't pay back their loan on time, the lender can seize the collateral — in this case, the borrower's car – which may be worth far more than the original loan.

About one in five auto title borrowers have their car seized, and although these loans are intended to be short term, they almost never are. Four out of five title loans are renewed, sparking the same out-of-control debt cycle so often seen with payday loans. [29] The average car-title borrower is in debt for six months, and 16 percent remain in debt for a year. [30]

No-credit-check loans.

No-credit-check loans are just what they sound like: loans issued without the lender checking your credit score or credit report.

Like payday lenders, lenders offering no-credit-check loans don't consider a borrower's ability to repay the loan. They may have bloated APRs and unnecessary fees. As a result, taking out a no-credit-check loan can start borrowers on that same vicious cycle of debt all over again — loans on loans on loans. Another worst-case scenario? The borrower simply defaults: one popular payday installment lender in California reported that about in one three of their loans in 2014 could not be repaid. [31]

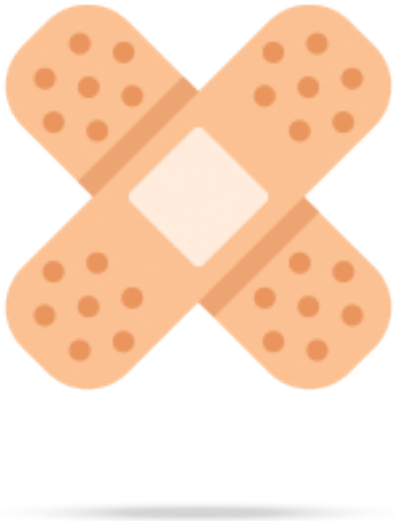
Paying medical debt with a credit card.

In order to avoid taking out a high-interest loan from a predatory lender, you may feel compelled to use a credit card to finance a medical emergency. However, you still need to be careful. While most credit cards offer much lower interest rates than predatory lenders, credit card interest can still accumulate quickly, worsen your financial state, and eventually lower your credit score. Rob Berger, a contributor to Forbes, compared credit card usage to heroin because "they are both extremely dangerous and addictive." [32] Rather than maxing out your credit card, consider applying for a safe installment loan to cover your medical debt.

Using personal installment loans to pay medical debt.

Predatory lenders are bad, that much is clear. But if you find yourself without savings or family to fall back on, what are you supposed to do about that emergency surgery? How are you going to pay to fix your son's broken leg?

Here's the good news: you don't have to fall victim to predatory lenders. No, not even if you have a short-term medical crisis.



If you have good credit, you have you a number of options. You may qualify for personal loan from a bank, or a personal line of credit from a credit union. [33] These will typically have low APRs, which are sometimes even lower than credit cards. [34]

If your credit's not so hot, you might look for a safe personal installment loan from a loan company. Installment loans are paid back in fixed increments, typically monthly, over a set period of time.

This might sound a little like those troublesome no-credit-check loans we mentioned earlier. But most lenders who offer personal installment loans are a lot more careful than the no-credit-check guys. Your credit history will be scrutinized, and you'll need to provide information about your income before you're approved for a loan. Plus, they won't push you to borrow more than you can really afford. APRs for these kinds of loans can vary, so you should shop around to make sure you're getting the best possible rate.

Play your cards right, and taking out an installment loan could actually improve your credit score. If you make payments on time, your lender will report that information to the bureaus that calculate your credit score. Just six months of prompt payments on an installment loan could lead to a 35-point credit score increase. [35]

If you're a member of the military, you can also apply for emergency financial assistance through a service relief organization. Note that if you're an active-duty service member, you are entitled to special protections under the Military Lending Act (MLA). Under this law, lenders can't charge you APRs higher than 36 percent on most loans. The MLA also prohibits prepayment penalties. [36]

Taking Out Medical Loans: A Before-You Borrow Checklist

While taking out an installment loan from a reputable, responsible lender can help ease the stress of a medical emergency, it should not be your first choice Before you take out loans to finance your medical debt, you need to be sure you've exhausted all other available options.

❑ Understand your insurance.

If you have health insurance, you need to know exactly how much of your medical bills will be covered under your plan. If you're confused, call your insurance company and ask to speak to someone who can explain your plan in detail.

❑ Know what you owe.

It can be tempting to throw every medical bill you receive straight into the trash without opening it, but ignoring your debt won't make it go away. Even if you don't have the funds to pay off the full amount, it's important to keep track of what you owe and why. Contact the hospital, clinic or collection agency sending you the bills and work out a payment plan with them. Ignoring your medical debt can lead to poor credit and even wage garnishment.

❑ Check your medical bills for errors.

Remember, nearly 80 percent of medical bills have errors that can cause you to be charged more than you should be. If you spot an overcharge on your bill, or if you suspect something you were charged for should have been covered by your insurance, contact your provider's billing department immediately. Quick action can help get your bill reduced to a more fair and manageable size.

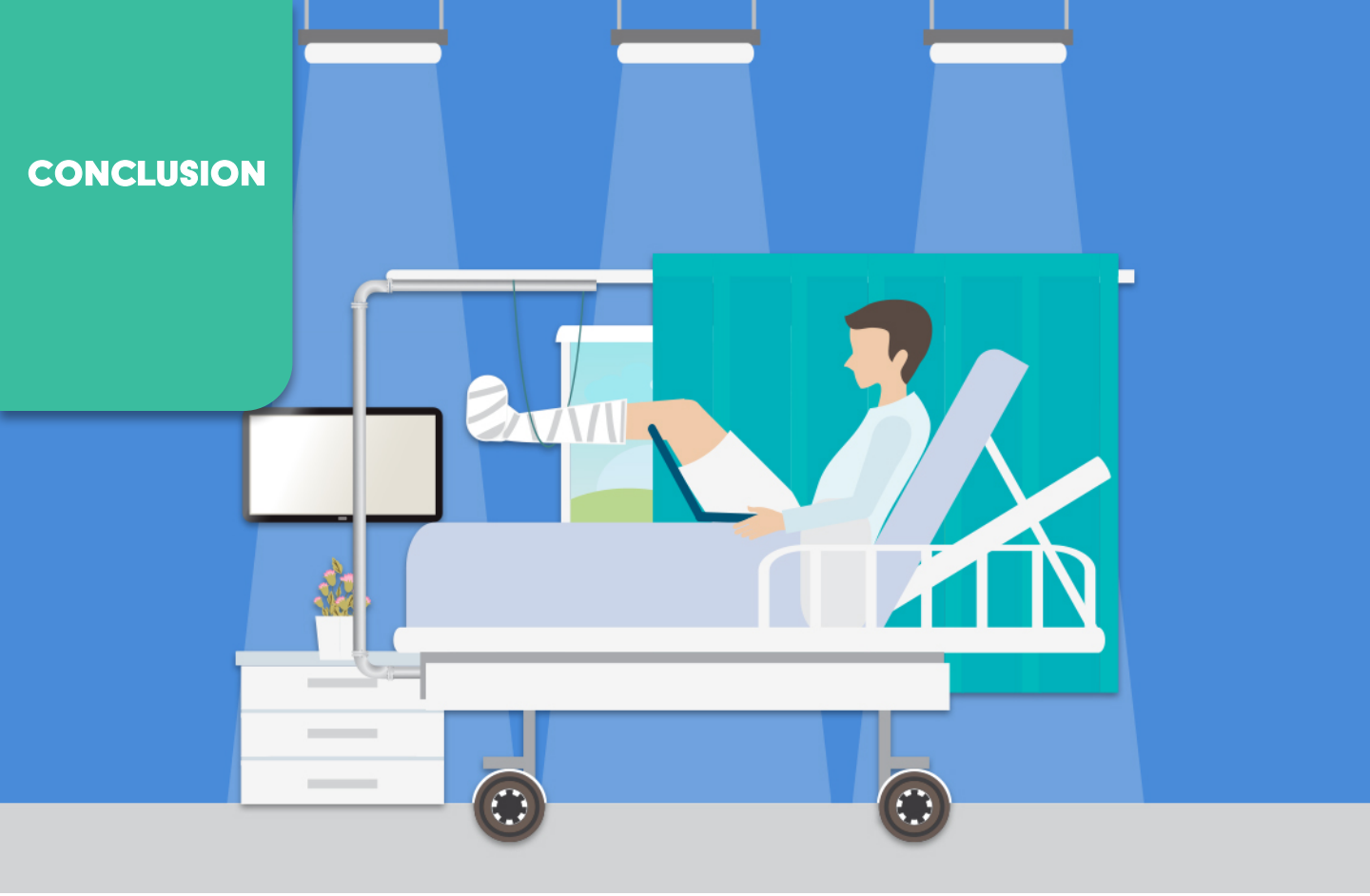
❑ Negotiate a bill reduction.

If you have a $700 bill, but only $500 left in your emergency fund, talk to a hospital financial counselor. They may well accept a $200 discount if they can get paid right away. Remember, a hospital is a business – they need your money to pay their bills, staff and buy medical equipment. If they have a choice between never getting paid and getting slightly less than they're owed, chances are they'll go with the choice where they actually get paid. According to many of the experts we spoke with, offering to pay your bill in cash at a reduced rate can be an effective negotiation tool.

❑ Tap into your 401k or Roth IRA.

This is not ideal, but it's better than taking out a high-interest loan you may or may not be able to pay back. While there are hefty fees for pulling money out of your 401k before the age of 59 and a half, there are exceptions for unreimbursed medical expenses that exceed 10 percent of your adjusted gross income. If you choose this option, do it quickly, because the withdrawal must be made in the same year that your medical bills were issued!

CONCLUSION



Let's recap for a second. If you want to keep medical bills at a minimum, here's what you should do:

- **Start an emergency fund NOW!**
- **Explore your insurance options before disaster strikes.**
- **Always check your medical bills for errors.**
- **Pay in cash or negotiate with your healthcare providers.**
- **If you need to borrow money to cover healthcare costs, use a credit card or take out a safe installment loan from a responsible lender.**
- **Stay FAR away from predatory lenders.**

Ideally, we'd all live our lives in peace, without ever having to deal with the stress of a medical emergency. But that's not going to happen. If you find yourself hurt, sick or injured and don't know where to turn, you have options, and many of those options don't include falling deep into debt.

ABOUT OPPLOANS

While payday loans are more likely to create frightening debt traps for unassuming consumers, there is another solution. Personal installment loans—they're safer, more affordable and can help borrowers build credit instead of damage it. One main difference is that installment loans can be repaid through regular, scheduled payments spread across multiple smaller installments. Payday loans are repaid in a single lump sum that most borrowers can't afford, entrapping them in an endless cycle of debt.

Installment loans eliminate the unpredictable nature of borrowing because they are often amortizing, which means every payment will address a portion of both the principal and the interest. Borrowers know exactly when their loan will be repaid and the amount they pay each month will never change. With longer terms and lower rates, installment loans help to ease the financial distress of having to pay back a loan while also taking care of basic living expenses.

The real difference between payday loans and installment loans? Installment loans are meant to be repaid and payday loans are not.

ABOUT THE EXPERTS

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Howard S. Dvorkin is a two-time author, personal finance expert, community service champion and Chairman of Debt.com. As one of the most highly regarded debt and credit expert in the United States and has played an instrumental role in drafting both State and Federal Legislation. Howard's latest book "Power Up: Taking Charge of Your Financial Destiny" provides consumers with the detailed tools that they need to live debt free and regain their financial freedom. Howard has appeared as a finance expert on CBS Nightly News, ABC World News Tonight, The Early Show, Fox News, and CNN.

Kevin Gallegos is a debt expert, and vice president of Phoenix operations for Freedom Financial Network. Before joining the firm in 2005, he held the position of enrollment sales supervisor for Nationwide Financial Solutions. He also has served as a business analyst and customer service manager for Chela Education Financing, and customer service manager for Southwest Student Services Corporation. At Bank One Corporation, he held management and supervisory positions in customer service and transaction processing.

Katie Ross, joined the American Consumer Credit Counseling (ACCC) management team in 2002 and is currently responsible for organizing and implementing high performance development initiatives designed to increase consumer financial awareness. Ms. Ross's main focus is to conceptualize the creative strategic programming for ACCC's client base and national base to ensure a maximum level of educational programs that support and cultivate ACCC's organization.

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