

Beware your credit union when filing bankruptcy!

Have you dealt with your local credit union for a long time and think they're your friend? If you're thinking about filing bankruptcy, you may be in for a surprise.

Why do I say this? Let me count the reasons...

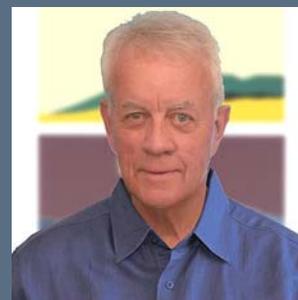
1. **If you owe the credit union money on their credit card, they can probably take that money from money you have on deposit with them.** It's called a "set off" and it is probably written into the credit card contract. Note that banks usually operate the same way, so the rule is, if you find you're not able to keep up with credit card payments, "don't have any money where you owe money" whether it's credit unions or banks.
2. **If you have a car loan with a credit union and also have a credit card account with them,** your credit card agreement may contain a "cross-collateralization" clause, a clause that says that if you don't pay the credit card account, they have a security interest (a lien) on your car just like the car loan. **So if you file bankruptcy, you would have to pay the credit card account to keep your car in spite of your bankruptcy.** Big (and bad) surprise.
3. **If the credit union finds out that you're going to file bankruptcy, they may have a clause in their agreements that allows them to freeze your accounts and/or to repossess your car (even if not behind in payments) if they are "worried" about your financial status.**

Is that enough to convince you that if you get behind in payments to a credit union, they may become your enemy instead of your friend?

So, how should you to deal with a credit union?

- Do not have deposit accounts and credit accounts at the same credit union.
- Do not have a car loan and other credit accounts at the same credit union.
- If you have a car loan at a credit union, do not let them know ahead of time that you'll be filing bankruptcy. If you retain a bankruptcy attorney and he/she sends out letters of representation, make sure your attorney doesn't send the letter to that credit union.

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