

Important Points To Remember When Dealing With Creditors

When you find that you are unable to pay your bills in a timely manner, it's important to talk with the creditors and let them know your situation. Many times, you will find that the creditor is willing to work with you when they know that you are trying to deal with the creditor in a responsible manner. The creditor may be more willing to make payment arrangements than to turn the debt over to a collection agency. Some creditors refer individuals who are having trouble to a non-profit credit-counseling agency for assistance in developing a comprehensive plan for paying their unsecured debts.

If you have a car loan and find that you cannot make a payment, the lender may be willing to extend the loan by moving the payment that will be missed to the end of the loan. If you will be unable to make the payments for an extended period of time, it may be best to sell the car and pay off the loan. If you cannot sell the car quickly, it may be better to offer to voluntarily deliver the car to the lender. This is known as a voluntary repossession.

Failure to make the payments on a car loan can result in repossession, which will incur additional expenses for repossession, towing, storage, and possible sales commissions.

Regardless whether the repossession was voluntary or involuntary, if the lender sells the car for less than the loan balance, you can be held responsible for the deficiency.

If you face a temporary difficulty that prevents you from making a single house payment, contact the lender immediately and explain the situation. The lender may be willing to extend the loan by adding the missed payment to the end of the loan; or, may be willing to accept fractional payments in addition to the regular payments until the missed payment is completed.

If you find that you cannot keep up the payments on your house over a prolonged period of time, it is probably advisable to sell the house and pay off the loan. Failure to make house payments can result in foreclosure; a legal process that "repossesses" the house and can add significantly to the balance owed on the house.

If you cannot sell the house quickly, offer to give the lender a deed in lieu of foreclosure. If the lender accepts a deed in lieu of foreclosure and subsequently sells the house for less than the mortgage balance, you will not be held liable for the deficiency.

If you are having difficulty making payments on your unsecured debts (i.e. credit cards, medical bills, etc.), seek assistance from a non-profit credit-counseling agency. Many times, creditors will make significant concessions to help you pay your debts in full. These concessions, depending on who the creditors are, may include re-aging of the account, waiver of late and/or over-limit fees, reduced monthly payments, and reduced interest rates.

Even though creditors may threaten to sue for non-payment, they usually do not do so if they have a better alternative such as repossession, foreclosure, or alternative payment plans.

Creditors are less likely to sue for debts that are small because the cost of the lawsuit may often exceed the amount that would be “won” in the suit. Creditors located outside your home state are still less likely to sue, as it is more expensive for them to file suit than it is for an “in-state” creditor

Creditors are less likely to sue if you are making a partial payment on the debt than they are if you are making no payment.

If you do not feel that you owe the money; or, if you believe that you have a valid reason for not paying the debt, you may be able to persuade the lender to cancel the amount owed, restructure the payments, or otherwise resolve the debt. If the creditor offers to settle the debt for less than the amount owed, the settlement should be in writing. It is probably a good idea to consult with a lawyer or credit counselor who is experienced in settlement arrangements.

If you are unable to make acceptable arrangements with your creditors on your own, you may wish to consult with a certified credit counselor for assistance with establishing a repayment plan and monthly budget.

Consumer Debt Counselors, Inc. is an accredited, licensed, and bonded non-profit corporation that provides financial literacy programs that promote the prudent stewardship of financial resources. CDC provides financial crisis counseling on a low-cost/no cost basis and serves as a community resource. CDC helps reduce financial stress that individuals and families face by providing the tools needed to resolve the issues creating that stress. These may include low-cost/no-cost Debt Management Programs where appropriate and where the individual/family qualifies for such a program.