**21 Tips Debt Management**

**Know Your Collections Agency:** There are three kinds of collection agencies and it can be difficult to tell them apart without bluntly asking. A creditor has an in-house collections department that operates under a different name but is still part of the creditor’s company. A creditor will send the account to an independent outside agency for collection, but the account is still owned by the original creditor. The original creditor has to agree to any negotiations made by the agency. The other kind of agency is one that buys the account or debt from the original creditor for pennies on the dollar. The agency then pursues collection for themselves.

**Offer a Lump Sum Payment:** If you really want to cut to the chase and resolve the matter, when negotiating with a collection agency, offer them a lump sum payment. Many times, if the account is delinquent, the collection agency will be "desperate" in recovering the money. They know that the more time that elapses, the less likely they'll get any money from you. They may be willing to take half, if not less, than what you actually owe them. Plus, making a lump sum payment is much better than making monthly payments, because with a payment plan, you end up paying more money in the end.

**Who Do You Really Owe?** You don't know if the collection agency actually owns the loan. So while you may want to negotiate to get the loan paid off so you don't have to deal with the collection agency, refer to the debt as alleged debt. After all, if a complete stranger came up to you and said I'm Jesse James and you owe me $10,000 would you accept that without documentation? Probably not. Don't accept the collection agency's word that they bought your account. Some creditors have their own in house collection agency under a different name.

**Negotiate a Better Deal:** Before you come to any agreement, try to negotiate a better deal than they give you. Begin with an amount that is 20 percent less than what the agency offers. They may sputter and say it's totally unacceptable. Debt buyers pay only pennies on the dollar for the loans they buy from the original creditor. The documentation for those loans are poor. Often closed accounts and accounts under bankruptcy are sold as valid live accounts. Keep in mind the agency has paid maybe $300 for a $5,000 account. Anything above that is profit to them. Agencies that are working with the original creditor work on a commission basis.

**Don’t Give Them Lengthy Details:** Debt collectors don't want to waste time listening to consumers tell them their life story. Honestly, debt collectors do not have a lot of pity and sympathy, because this is their job and you owe them money. Instead of giving them lengthy details, tell them that you are going through a financial hardship at the moment and are trying to recover from it (that is all they really need to hear). Give them as little detail as possible because what you tell them will be used against you. For example, if you say your work has been cut back, they may sympathetically ask where you work. And then start calling you at work to collect.

**Avoid Foreclosure Tip:** Don't ignore the problem. If paying your mortgage is becoming increasingly difficult, or worse, impossible, you might be tempted to ignore the problem. Don't be an ostrich with your head in the sand, somehow believing that the problem will just go away. Talk with your lender about your situation. You will most likely be presented with a series of options that will help you save your home. You may not believe it, but it's in the best interest of the lender, as well as yours, that you keep your home and pay back your debt. Your mortgage company is in the business of lending money not selling real estate. They don't want to foreclose on your mortgage.

**Avoid Foreclosure Tip:** Make sure that in the efforts to save your home, you don't fall into the traps of scammers trying to make a profit out of your misfortune. They may promise to save you but instead bury you deeper in debt. If it sounds too good to be true, it usually is. Some scammers promise to pay the mortgage company to catch you up. You pay them a monthly payment that includes your regular mortgage payment plus an additional amount. The catch is the scam company just keeps your money and doesn't pay the mortgage company. So not only do you lose your house, you lose those payments. Keep your cool, because that's important when making big decisions.

**Tips to Negotiate With Collection Agencies:** Keep your cool. Getting angry brings your emotions to the surface and you might blurt out something that can (and will) be used against you. The creditor is bound and determined to extract money from you. Some collection agencies want you to get angry so they can then bully you into submission. Most agencies say that the phone call is being recorded for training purposes. Go ahead and record the call on your end as well. You then have proof of what each of you said. Check your state laws. Some states say both parties have to acknowledge the call is being recorded. Other states only require one party to know.

**Tips to Negotiate With Collection Agencies:** Do not admit a loan or debt is yours, even if you think it is. Collection agencies buy thousands of debts at once from the original creditors such as credit card companies and banks. You could have paid off the debt several years ago and just not remember. That goes for the amount too. What the collection agency says you owe may not be accurate. Usually the agency just has a printout of names and amounts. There may be no definite proof that they bought the loan or that it is yours.

**Tips to Negotiate With Collection Agencies:** Some collection agencies try to get you to pay a nominal sum on a debt as a gesture of good faith. Don’t do it. If the debt is beyond the statute of limitations to collect – which varies by state and type of debt – paying anything restarts the clock and makes you liable for the debt all over again. The agency may dangle the possibility of settling the debt for less than 10% if you only pay a few hundred dollars immediately. When negotiating state the "alleged debt," "if I owed the debt," or even "if this was my debt."

**Tips to Negotiate With Collection Agencies:** Negotiating with a collection agency is different than admitting you owe the debt. It’s okay to see if you can pay perhaps 10% of the entire amount just to get rid of the nuisance factor. Make it clear that you are disputing the debt when negotiating. Do NOT authorize an electronic payment from your bank account. Some agencies have been known to take the entire amount due and wipe out your balance. It's not ethical and borderline legal, but it's much harder to get them to return the funds then limit their access to the funds in the first place.

**What You Should Know About Payday Loan Companies:** The loan is actually an advance rather than a loan. This works if you have a steady job with a reliable paycheck. There's a quick application process, sometimes online. You do have to pay a hefty processing fee up to 15% of the amount you ask for. The money is transferred to your bank account almost immediately. For example, you borrow $250, you only receive a deposit in your account for $225 because the processing fee is subtracted from the loan amount. $25 for a 30 day period on $225 is an outrageous rate.

**What You Should Know About Payday Loan Companies:** The problem with payday loans is that you have to pay the money back in a short amount of time. If you don't have the $250 you borrowed today where are you going to get it in two weeks when it's due? So you pay another processing fee and roll over the loan for another two weeks. The application fee may seem minimal, maybe only 10% of the loan amount, but that's $25 on our example. If you have to keep rolling the loan over for 6 weeks, you've just paid $75 to borrow $250 for 8 weeks. If you don't pay the money back for 6 months you would have paid $300 plus you'd still have to pay the $250 back.

**What You Should Know About Payday Loan Companies:** You're probably telling yourself that you'll just not pay the additional processing fee and pay the loan back whenever you can. Unfortunately the lender will require your bank account number and permission from you to electronically debt your bank account automatically for the processing fee and loan. You have no choice but to pay the loan back or roll it over.

Other lenders require that you write a check for the loan amount, interest and processing fee and post date it to when the loan is due. If you don't have the money in your account and the check is returned for insufficient funds you are liable for returned check fees plus you still owe $250. Payday loans should be a last resort, it's easy to end up owing $1000 for borrowing $250.

**What You Should Know About Payday Loan Companies:** Payday loan companies are very aggressive when collecting. The only option is to close your checking account. At that point the company may accuse you of fraud implying they'll have you arrested. Some go as far as to say the process server or sheriff is on their way to arrest you for nonpayment to coerce you into giving them your new bank account number and authorization to take their payment out. Knowingly writing a check when you have no intention of paying is a crime. However, intent is very hard to prove. The payday loan company knows you don't have the funds when you "borrow" the money, so it would be difficult to prove fraud. That doesn't stop them from threatening you with criminal charges if you don't pay.

**Avoid Foreclosure Tip:** Seek financial counseling from a professional. Don't be embarrassed that you find yourself in a tight credit situation. Your finances have hit a new low and you don't know how to find the balance between your impending expenses and your decreasing income. Instead of despairing, take your problem to someone who knows how to deal with this better than you. With today's unsteady real estate values, the depressed economy, and tight job market, you'll find that yours is not an unusual situation.

**Tips to Negotiate With Collection Agencies:** Know your rights.[**https://www.consumer.ftc.gov/articles/0149-debt-collection**](https://www.consumer.ftc.gov/articles/0149-debt-collection)Collection agencies can not call you late at night or early in the morning, although many do just that. If they know your contact information such as phone and address, they should not call you at your place of work or any relatives. Unscrupulous agencies break the rules all the time, figuring you don’t know your rights. They bank on the fact that you're embarrassed to have relatives, co-workers and your employer know you're having financial problems. Some go as far as to canvass your neighbors.

**A Debt-free Dream Turned into a Nightmare:** It sounds like a dream come true. You hire a company that negotiates with all of your unsecured creditors. You pay the company every month and they pay each creditor. But there is a catch. The settlement service often charges hefty fees for the service. Their fees get paid before any payment to the creditors. It could be 6 months to a year before a creditor sees any money. Creditors are not obligated to agree to any settlements. Creditors can also pursue litigation against you for full payment at any time until the total you've agreed to pay is paid. If you don't make the payments as agreed, the creditor can add on late fees, additional interest and penalties.

**Keep Your Cool**

When you speak with a debt settlement service, the original creditor, or a collection agency, speak to them as if they are a person. Try to keep any hostility out of your voice, even they act angry with you. If the conversation becomes uncomfortable, ask to speak with their supervisor. If that doesn't work, calmly tell the person that you don't appreciate their tone and will not continue the conversation until they become polite. If necessary, hang up. Some collectors will intentionally try to bait you into being angry, so they can belittle you. Don't fall for it.

**Know What the Statue of Limitations Means:** Creditors and collection agencies only have a certain amount of time to pursue legal action against you to collect a debt. The time varies by state and type of debt. This doesn’t mean you no longer owe the debt. The creditor or agency may still try to collect the debt. Some will pursue litigation even though the statute of limitation has expired. Do not ignore any lawsuit. You must respond or the agency may be awarded a summary judgement and then you will owe the money. Be careful any payment, however small, restarts the clock.

**Respond to any Legal Action:** If you receive a summons because a creditor is suing you to collect a debt and you don’t feel you owe the debt, DO NOT ignore the summons. Companies that buy debts – often called junk debt buyers – often sue. That debt could belong to another person with the same name, could already have been paid off, or be beyond the statute of limitations. However, if you don’t respond in the appropriate manner within the time limits of your state, the junk debt buyer will most likely be awarded a judgement by the court. That means you now owe the money and are subject to collection activities such as payroll garnishment, a lien on your bank accounts or your home.