

Collection Process

In a word, getting collection calls can be ‘stressful.’ The information below is a guide to explain the collection process and regaining control of your debt.

<p>Current Status</p> <p>Payments and other loan terms are met by the borrower. The account is in good standing.</p>
<p>30 to 90 Days Past Due Pre-Collections</p> <p>Creditors may begin to make calls to the borrower. Monthly statements show past due status and extra fees.</p>
<p>90 to 120 Days Past Due Internal Collections or Placed with Outside Collector</p> <p>Collection calls continue from the original creditor or the account may be placed with a third party debt collector such as a collection service or an attorney who collects debts. The number of collection calls and letters generally increase the longer the account remains past due. Note: Once the account is sent to a third party debt collector, borrowers have the right to send the collector a cease contact letter requiring them to stop harassing collection calls and letters.</p>
<p>120 to 180 Days Past Due Charge Off May Occur</p> <p>The borrower still owes the money when debt is charged off and reported as uncollectable on the original creditor’s financial records. Debt collection efforts continue. Charge off status can be listed for seven years on credit reports.</p>
<p>180+ Days Past Due Court Action and Judgments Are Possible</p> <p>Debts may remain with a debt collector or may be sent to the court system for a legal judgment. If a judgment is obtained and if you are not eligible for garnishment exemption, depending on the type of debt involved the result may be a levy on wages or bank accounts, tax intercepts, or a lien on property.</p>

Talk with a financial counselor about how a Debt Management Plan (DMP) may be a great option to helping with your unsecured debt. Or, if you’ve determined with your financial counselor that making payment arrangements directly with your creditors would be more beneficial for your situation follow the suggestions below:

- A. **Be in touch.** Make early contact and try to keep communication open.
 - B. **Be honest.** If you’ve overspent, lost your job, had medical problems, etc., say so.
 - C. **Be sincere.** Make an attempt to send small payments. Realistic and affordable monthly payments, even if less than minimum due, are usually credited to the account and not sent back.
- Note:* Funds applied may not prevent creditors or their collectors from doing anything they legally have the right to do, including charging late fees or over limit fees, making collection calls or charging off the account.

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For information about consumer rights and protections consider these resources:

Federal Trade Commission www.ftc.gov or call (877) 382-4357 for a variety of topics including “Debt Collection FAQs: A Guide for Consumers” which answers commonly asked questions about your rights during debt collection.

Legal Services Corporation Law Help www.lawhelp.org or call (202) 295-1500 for referrals to local legal aid and public interest law offices, basic information about legal rights, self-help information, court information and more.

National Association of Attorneys General www.naag.org or call (202) 326-6000 to locate your state’s Attorney General’s Office where you may file a complaint or learn more about many consumer issues.

This is a general overview of the collection process & time line which may vary by creditor or collector.
This information sheet is not intended to be legal advice. Seek legal advice from an attorney if needed.

Repayment Plan Letter

If the collection debt is a number of years old, before you call, write or send money to a collector, it is recommended to find out whether or not the statute of limitations has passed and your consumer rights. "Time Barred Debts" is available from the Federal Trade Commission (877) 382-4357 and the website is www.ftc.gov/bcp/edu/pubs/consumer/alerts/alt144.shtm. Then check with your State Attorney General's Office at www.naag.org to determine when a debt is considered time-barred in your state.

If you have decided to repay the debt but cannot afford to do so all at once, sending a letter and payments show that you are making efforts to repay. Receiving the letter or funds may not prevent creditors or their collectors from doing anything they legally have the right to do, including charging late fees or over limit fees, making collection calls, charging off the account, or taking legal action. These actions are less likely to occur once they receive a letter about your repayment intentions and see you follow through with the amounts promised.

Date

Creditor Company Name
Creditor Company Address

Dear Creditor,

I am writing to you about my account #_____ on which I owe \$_____. I intend to pay the whole debt but cannot pay it all at this time. I can pay \$_____ each month and enclosed a check for this amount. You may contact me at the address below.

Thank you for your understanding.

Sincerely,

Your Name
Your Address
Your Account Number

Instructions:

1. Type the letter or print it very neatly and clearly.
2. Mail your repayment letter to the creditor address listed on the most recent collection notice.
3. Send the repayment letter and funds certified mail (with a return receipt) to make sure it is received.
4. If it is not possible to include a payment with the letter, let them know when funds will be sent.
5. Even if creditors apply the funds to the debt, they have the right to stop accepting payments at any time and take legal action.
6. Keep a copy of the letter and any payments you send to a collector. Collectors may not continue to send monthly statements showing payments or the current balance. And if legal action is taken you will have documentation showing your efforts.
7. Keep opening your mail. If you see a new/different collector has your account, send a new letter and pay accordingly. If you see any court orders for garnishments or judgments, respond quickly. AND if there is a court date, make sure you are present with your payment evidence!

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