

UNDERSTANDING CREDITOR REACTIONS

Creditors are in the business of selling goods and services. They want you to purchase goods and services from them. Therefore, they make it easy to do so by extending credit. However, they expect you to honor your agreement to pay for the goods and services you will receive. When the paying arrangements are not met they will implement a planned program to collect.

Many creditor collection policies are forced by consequences to the creditor if not met. For instance, a home mortgage will require the past due payment AND the current payment paid at the same time. In most cases, if the payment is past due sixteen or more days and has rolled into the following month's due date, the past due check will be returned with a request for both payments. The reasoning here eliminates home owners from going over thirty days past due before foreclosure action can legitimately start — a self preservation technique by the mortgage industry. Most creditors have developed policies that work best for their industry. Many are empathetic to a consumer if you:

- are current on your account.
- are a long standing customer.
- have a temporary problem that can be worked through.

Many creditors will work with you even if the above does not exist. The reason is they really have no choice unless they can come and pick up the sold item(s). Most used goods are virtually worthless as "used items". Electronics, large appliances, and autos have a fair "used market" value.

The credit policies that companies use are consistent among most large retailers. Creditors will use a 120 day to 180 day program for a consumer to keep his account. They break this period up into 30 day action plans if consumers do not pay their bills on time. On the following pages are the plans you can expect to encounter and the helpful hints to survive them.

Negotiating with creditors continued...

Child Support

You pay child support or you end up in jail. You may request a reduction in payment if your income changes by requesting a motion with the court. This request does nothing for past due payments, but pay-out arrangements can be made.

Note: This debt cannot be discharged in bankruptcy.

Taxes

There are numerous programs now to pay back income taxes. Call an accountant and discuss the possibilities.

Note: Bankruptcy will not discharge any taxes owed.

Secured Debts

If you have pledged an item for a personal loan or signed a store agreement to purchase an item, this secured creditor has no legal obligation to reduce your payments. Fortunately, for you, most pledged items are of no value to creditors. Most items purchased in this manner are furniture, appliances and electronics, which depreciate very quickly. These items are also financed by companies other than the retail store who have no interest in the item itself. In fact, to a finance company the value of the debt is more important than the purchased item.

If you want to keep this property, then you will want to continue making timely payments. Even though a lender can repossess the property, he cannot do so until he gets a court ordered judgement to pick it up.



SURVIVAL TIP

A creditor cannot pick up property from you without a court order ... unless you let him.

Many collectors will demand property returned when they show up at your door. Do not let them in unless they have legal authorization to do so. If they can not prove it right there, send them on their way.

WHEN TO USE THIS LETTER:

- 1) Your cash flow situation has improved enough to make minimal payments.
- 2) You want to keep a specific account from charging-off.
- 3) Creditor is willing to preserve your credit history.

Reason for problem:

Loss of job, financial hardship, illness, death in the family, auto accident, divorce

You may elaborate on your situation, if you like.

STEP-BY-STEP INSTRUCTIONS ACCOMPANY EACH LETTER THROUGHOUT THE FINANCIAL SURVIVAL GUIDE

EXAMPLE LETTER TO "REDUCE MONTHLY PAYMENTS"

DATE: (Today's date)
TO: Credit Manager
FROM: (Your name and address)
Acct. # _____

RE: (Reason for Problem)

CERTIFIED MAIL RECEIPT NO.#_____.

My family and I have had some unfortunate circumstances occur of late which have caused considerable strain on meeting our financial obligations to your company. After checking our account you should find a good payment history before our unfortunate circumstances.

We sincerely want to do right by your company and responsibly meet our obligation with you. However, because of our temporary circumstances we cannot meet the normal monthly payment as requested on our statement. We feel that within the next 12 months our situation will have improved to resume full payment. However, we want to treat all of our creditors fairly and equally. We are able to pay \$ _____ per month for _____ months, if you will stop all interest and late charges.

Our goal is to voluntarily work through our personal problems in an effort to pay all participating creditors. Your participation is our encouragement to meet our obligation without seeking legal relief.

I look forward to your written response.

Sincerely,

(Your name)

WE CONSENT TO THE DEBT LIQUIDATION PROPOSAL AND AGREE TO THE NEWLY ESTABLISHED MONTHLY PAYMENT PLAN:

Account balance: \$ _____ Beginning : _____
Monthly payment: \$ _____ Due
date: _____

Approved by: _____ Phone: _____
Title: _____ Date: _____

Interest suppressed: Yes No Reduced to: _____ %
Late fees stopped: Yes No Over limit fees stopped: Yes No