



10 Basic Tips for dealing with Debt Collectors .

It's something most consumers dread -- a debt collector calling to ask about an unpaid credit card debt, past due student loan or medical debt. Consumer credit counselors, debt collectors and state regulators all agree that ignoring debt collectors' letters and phone calls is a bad idea. Deal with it, they say, otherwise matters can only get worse. Experts offer the following 10 tips for dealing with debt collection:

- 1. Avoid debt collection altogether.** Try to negotiate with the original creditor and work out a reasonable payment arrangement *before* the account is sold to a third-party debt collector.
- 2. Educate yourself about your rights.** The U.S. Federal Trade Commission (FTC) has several publications designed to educate consumers about their rights under the Fair Debt Collection Practices Act. Harassing and nuisance phone calls, threats and abusive language are illegal and should be reported to the FTC and your state attorney general's office. Find your state attorney general through the National Association of Attorneys General.
- 3. Take your head out of the sand.** Don't ignore letters or phone calls about debts or court notices about debt lawsuits. The law allows consumers to send written requests for verification of debt within 30 days of being contacted by a debt collector. Don't dawdle if the debt isn't yours: Debt collectors can place negative information on your credit report that can remain there for seven years, which can affect your ability to get a mortgage or other loans, cheaper car insurance rates or even jobs.
- 4. Find a consumer lawyer.** If you are served with a notice of a lawsuit, find an attorney who specializes in consumer law to represent you in court. Consumers who lose court judgments may have their wages garnished. Some suits are filed by debt collectors who have little or no proof of the original debt owed. Depending on the state, the statute of limitations may have expired on the debt. "Without a party appearing in court to challenge the sufficiency of the evidence, the creditor wins -- often based on scanty information," she says. Chances of having the lawsuit dismissed in court may be greater if you show up in court and have representation.
- 5. Keep copies and records.** There is no consensus on how long documents should be kept. Some experts say keep them as long as you would keep tax documents; some believe they should be kept for as long as the statute of limitations for the state where the original purchase was made or your home state, whichever is longer. Still, others say keep documents -- especially proof of settlement or resolution of debts -- forever. If a question ever arises about the debt, you will have documentation. "I still have proof where I paid off my student loans," says Kurt Johnson, president of the North American Collection Agency Regulatory Association, a group of collection industry regulators from 20 states. "I've seen cases where they came after someone after 18 years for a student loan."
- 6. Safeguard bank accounts.** Debt collectors can file suit against consumers for nonpayment of debts. Freezing savings or checking accounts is one of the court-ordered options for collecting debts. This can

be extremely problematic for family budgets and cash flow, and experts advise having separate bank accounts for funds such as Social Security or disability checks, which are exempt and cannot be used as a source of court-ordered debt payments. "I would urge people not to co-mingle other funds into the bank account to which the Social Security and disability payments are going. That would help a lot of people," says Rozanne Andersen, executive vice president of ACA International, the largest credit and debt collection industry trade group. "It would be a lot easier for the consumer to clarify to the debt collector that the only funds in this account are my Social Security payments." Andersen also advises consumers to tell debt collectors if they have filed for bankruptcy, which triggers an immediate end to debt collection efforts.

7. Don't make it too easy. Some experts say consumers should avoid giving debt collectors their bank account and routing numbers. Make payments with money orders or some other third-party payment service so that you have proof of payment but avoid paying with a personal check. They also advise against allowing collectors to make direct electronic withdrawals from bank accounts.

8. Record conversations | If abusive language or threats are used, recording the conversation will document it. In a dozen states, you need the other party's permission to record the conversation. "I just feel that that's a prudent thing to do if you're really in a pickle and you're getting lots of collection calls," says Gail Cunningham, spokeswoman for the National Foundation for Credit Counseling. "I doubt that anyone would cross any of those lines if they know the call is being taped."

9. Get it in writing. Any agreements for making debt collection payments should be confirmed in writing and signed by a representative of the debt collector *before* sending in any payments. This avoids misunderstandings about the amounts to be paid or time period to make payments.

10. Certify that mail. Letters can be lost in the mail. Most experts advise sending all correspondence with debt collectors via certified mail; some suggest getting a return receipt as proof that your letter was received.

- To file a complaint about a debt collector or creditor's in-house collection agency, call the U.S. Federal Trade Commission's toll-free hotline at (877) FTC-HELP or the FTC Web site.
- It's also a good idea to file a complaint with your state consumer protection agency. State laws governing debt collection vary. Find your state attorney general through the National Association of Attorneys General.
- Find an accredited counseling agency to help you sort through the bills and draft a payment plan that works for your family budget. The two major accrediting agencies for credit counselors are the National Foundation for Credit Counseling and the Association of Independent Consumer Credit Counseling Agencies. Each has an online referral service to certified local counselors. .
- The National Consumer Law Center has resource materials to help consumers navigate the debt collection process.

