

Managing Between Jobs

Talking with Creditors

When your income drops and you realize you can't pay your bills, it is important to face your debts and know how to talk to your creditors.

Your past experiences with creditors are important. If you consistently have paid bills when due, your creditors will be more cooperative than if you often were late or didn't make regular payments. Creditors are in the business of lending money and providing services. They want to keep your business, but they also want to be paid.

Contact your creditors; *don't wait for them to contact you*. Explain your current situation. Tell them unemployment has reduced your income and you can't keep up with your complete payment. Frankly discuss your future income prospects so you and your creditors can figure out solutions to the problem. Most creditors would prefer to receive smaller payments regularly than to begin expensive collection procedures.

Where to Begin

First, determine how much money you have to pay your debts.

Figure out how much income you can count on each month and how much you need for your essential monthly living expenses. You'll need to know how much you owe to whom, as well as how you plan to pay them.

The publication, EC 1393-E, *Deciding Which Bills to Pay First*, can help you review your situation and figure out a plan to pay monthly living expenses and set priorities for paying bills. If a consumer credit counseling service is in your area, call or visit the office (see list on pages 3-4). These services counsel families who have debt problems.

Contacting Your Creditors

If there is no consumer credit counseling service, contact each creditor, explain your situation, and work out a solution.

Be prepared to explain the following:

- The reason you fell behind or expect to fall behind in your payments
- Your current income and prospects for future income
- Other obligations
- Your plans to bring this debt up to date and keep it current, including the amount you will be able to pay each month

Visit local creditors in person. Visit the loan officer at your bank or credit union, the credit manager of local stores, and the budget counselor at the utility company. Don't forget your dentist, physician, clinic, and hospital.

Contact out-of-town creditors by phone or letter. If you phone, write down the name and title of the person with whom you talked. Follow up the conversation with a letter summarizing your understanding of the agreement you and the creditor made. Keep copies of your correspondence and of any replies.

Use the sample letter on the next page as a guide when writing to creditors. You also could use it as an outline of what to say when talking to a creditor.

As you negotiate with each of your creditors, don't agree to any plan simply to get off the hook. Be sure you will be able to follow through on the agreement. Establish a payment rate that is acceptable to *both* you and the creditor.

Here are some alternatives to consider when negotiating with your creditors.

- Refinancing the loan (that is, extending the term of the loan, which can result in smaller monthly payments but also means a higher total cost)
- Deferring a payment for a short time if you expect to be called back to work soon (this is likely to increase your total interest charges)

- Reducing or dropping late charges
- Paying only interest on the loan until you can again make regular monthly payments
- Voluntarily giving back the item purchased on credit
- Selling the item and using the cash to pay all or part of the debt

Not all creditors will accept alternatives. However, they'll be more likely to work with you if you contact them *before* they contact you.

Failing to follow the plan that you and your creditor agreed upon hurts your chances of getting future credit. Tell your creditors right away about any changes that could affect your payment agreement.

If you owe a large amount, and if your creditors won't accept reduced payments, you might have to consider more extreme alternatives such as bankruptcy.

If You Don't Pay Your Bills

If you miss a payment, you will face increasing pressure to pay. First, you will receive a letter reminding you that you missed a payment and asking you to pay promptly. After that, you might get a letter or phone call demanding payment.

If the bills still are not paid, they probably will be turned over to a collection agency. While the agency will try to get you to pay, the law protects you from certain actions. Collection agency representatives can't use abusive language or threaten you with violence. They can't call you at unusual hours or threaten criminal prosecution. And they can't discuss your financial situation with others.

Here's what to do if you receive a call from a creditor or a collection agency.

- Ask the name of the caller and of the creditor and the name, address, and telephone number of the collection agency. Get the account number and the exact amount that is claimed to be due. Write down the date and time of each call.
- Don't get angry. Arguments don't settle anything. If you are angry, you might forget to obtain important information. Remember, creditors accused of being angry or abusive might say it was the customer who was angry and abusive.

Sample Letter to Creditors

Use this example as a guide when writing or talking to creditors. Where underlined text appears in brackets, fill in the specifics related to your situation.

Date
Your Address
Your City, State, ZIP

Company Name
Street Address
City, State, ZIP

Attention: Delinquent Account Representative

Subject: Your Name, Your Account Number

This letter is to inform you that I am having some budgeting and debt problems. I am having trouble making my minimum monthly payment as a result of [state your reason(s)]. I hope we will be able to agree upon an acceptable debt payment plan.

I have taken a careful look at my financial situation. I have set up a realistic minimum budget for my living expenses and have developed a debt payment program. I hope you will accept a reduced payment. I will increase amounts as soon as possible until I have totally paid the debt.

I owe [number of creditors and total amount owed]. My monthly net income is [amount]. After basic living expenses, I have [amount] for debt payment. I would like you to accept a partial payment of [amount] per month to repay my obligation. You can expect the first payment on [date]. I hope to be able to return to my original payment schedule on [date].

I hope you find this plan acceptable. I look forward to your letter of acknowledgment. Thank you.

Sincerely,
[Your signature]
Your Name

- If you believe you do not owe the amount claimed or you disagree with other facts, state your reasons promptly in writing to both the creditor and the collection agency. Request a written statement of your account. Always keep copies of your correspondence for future reference.
- Ask in writing that creditors write rather than phone you.

Creditors' Options

Creditors can take several kinds of legal action against you. These often were written into the sales contract or loan agreement you signed. If you fail to make payments, you will receive letters from a creditor's attorney or a collection company warning you of the intended action. Here are some actions a creditor might take.

- *Acceleration*—the entire debt is payable at once as soon as you miss a payment. The courts can force you to pay by seizing your property and selling it.
- *Repossession*—the creditor can seize the item you bought or the property you used as collateral. If the sale of the property brings less than the amount you owe, usually you must pay the difference.
- *Wage garnishment*—a court order requiring your employer to withhold part of your wages and give it to your creditor.
- *Foreclosure*—if you do not make your mortgage payments for at least 3 months, your lender takes legal possession of your home and sells it to pay off the loan. You are responsible for the legal fees and difference between the selling price and the amount owed.

All these actions are very serious and could jeopardize your ability to get credit in the future. You can reduce your chances of being harassed by creditors or collection agencies by working out solutions early.

Oregon Consumer Credit Counseling Services

The agencies listed below are nonprofit and provide advice (without charge) about credit problems. They do not lend money. Similar counseling may be available through other nonprofit organizations such as churches or family counseling agencies.

You might see advertisements for credit counseling, but the purpose is to get your business: either to loan you money or to file a bankruptcy. Be suspicious of a credit counselor who is trying to loan you money or file bankruptcy.

Solutions (formerly Consumer Credit Counseling Service of Oregon, Inc.)

9955 SE Washington Street, Suite 301
Portland, OR 97216
Phone: 503-253-5115
(toll free) 1-800-634-2227
Website: www.seattlesolutions.org

Consumer Credit Counseling Service of the Mid-Willamette Valley, Inc.

1564 Commercial Street SE
PO Box 5727
Salem, OR 97304
Phone: 503-581-7301
(toll free) 1-888-254-8449
Website: www.cccssalemoregon.com

Consumer Credit Counseling Service of Mid-Oregon

149 West 12th Street, Suite 100
Eugene, OR 97402
Phone: 541-342-4459
(toll free) 1-800-588-6449
Website: www.cccslane.org

Consumer Credit Counseling Service of Southern Oregon

820 Crater Lake Avenue, Room 202
Medford, OR 97504
Phone: 541-779-2273
Website: www.cccsofsouthernoregon.com

Satellite offices:

Inside US Bank on Main
PO Box 5115
Klamath Falls, OR 97601
Phone: 541-883-8118

999 Main Street, #D
PO Box 36
Yreka, CA 96097
Phone: 530-841-1516

**Consumer Credit Counseling Service
of Linn-Benton Counties**

214 NW Hickory Street
Albany, OR 97321
Phone: 541-926-5843
Website: www.cccs-lb.org

**Consumer Credit Counseling Service
of Mid-Oregon**

20350 Empire Avenue, Suite A3
PO Box 5578
Bend, OR 97708
Phone: 541-389-6181
(toll free) 1-800-285-4605

**Consumer Credit Counseling Service
of Coos-Curry, Inc.**

375 South 4th Street, Suite 100
Coos Bay, OR 97420
Phone: 541-267-7040
(toll free) 1-800-248-7040
Website: www.cccscoos.org

**Consumer Credit Counseling Service
of Douglas County**

839 SE Mosher
Roseburg, OR 97470
Phone: 541-673-3104
(toll free) 1-800-417-3104
Website: www.cccsdouglas.org

**Consumer Credit Counseling Service
of Umatilla County, Inc.**

251 SW Third Street, Suite B
PO Box 582
Pendleton, OR 97801
Phone: 541-276-3856

For More Information

This publication is one of several in the *Managing Between Jobs* set available from the OSU Extension Service. Other titles:

EC 1391-E, *Setting Spending Priorities*
EC 1392-E, *Strategies for Spending Less*
EC 1393-E, *Deciding Which Bills to Pay First*
EC 1395-E, *Keeping a Roof Overhead*
EC 1396-E, *Bartering*
EC 1397-E, *Making the Most of What You Have*
EC 1398-E, *Accepting Your Feelings*
EC 1399-E, *Living Better with Stress*
EC 1400-E, *Identifying Sources of Support and Friendship*
EC 1401-E, *How You Can Help When Your Mom or Dad Is Unemployed*
EC 1402-E, *Deciding If Teens Should Work*
EC 1403-E, *Helping Children Cope*

You can view these by searching on the topic, series number, title, or keyword from the Extension Publications & Videos website at eesc.oregonstate.edu.

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