

Transcript

Negotiating with creditors

Sometimes a lost job, a medical emergency, or one big unexpected expense can suddenly make it hard to make ends meet.

If you're in a situation where you can not make payments on debts or bills you owe or your creditors are beginning to call, you need to take action now. And fortunately, there *are* solutions that can help you get on the right track.

In fact, you may be able to negotiate with your creditors—the companies or organizations you owe.

It may seem intimidating, but remember that creditors may be open to work with you to find a solution that will work for both of you.

Here are a few tips on how to negotiate with your creditors. This process may take multiple phone calls and some paperwork, but if you put it off, it could get worse before it gets better. Taking action now could save you money and stress in the long run.

The first step is to get organized. Before you contact or respond to your creditors, take some time to gather and go over all of the paperwork you have related to your current debts—things like your original loan agreement, payment history, and any late payment notices.

If you're missing some of your documents, you can usually get copies from your creditor—either from your online account or directly from a representative.

Negotiating with creditors can be an overwhelming, time consuming and sometimes frustrating process. It's going to take patience and persistence. Having all the information you need at hand can help you stay focused and be prepared for your conversation.

Before you call your creditor, take some time to figure out just how much you can afford to pay each month. Look at all of your necessary expenses and bills and if there's been a major change in your expenses, factor that into the equation as well. Look at your expenses alongside your net income –or take home pay - to determine what you can actually afford to pay. Once you have it figured out- write it down and hold on to it for later.

It's important to be realistic about what you can actually afford to pay each month towards your debts. While you may want to agree to pay off a difficult debt as quickly as possible, doing so could get you in more trouble if your debt payments come at the expense of your necessities.

Now if you have multiple debts that you are unable to pay, you have more planning to do. Figuring out how you plan to tackle your debts can be complicated and will depend a lot on your individual situation. What's most important for you could be renegotiating the payment terms of the debt with the largest monthly payment so you can free up money for other expenses. Or it could be paying down a debt that's gone to a collections agency. Making sure you can cover your payments on an auto loan or mortgage may be most important if it helps you avoid losing your car or home. Finally, understanding how your choices impact your credit history will also be a factor.

Once you have all your paperwork and have figured out what you can afford to pay, you're ready to speak to your creditor.

On the phone, creditors may tell you that you must pay the full amount you owe, but know that this might not be the case. Explain that you cannot afford your regular payment and briefly describe the reasons you are unable to pay—simply being honest about your situation may work in your favor.

Once you've explained your situation, ask the representative if it's possible to change the terms of your repayment to the amount you can actually afford.

They might be able to offer you a longer repayment period, which will reduce your monthly payment to an amount that is more manageable for you.

Or they may be able to offer you a lower interest rate.

And depending on the circumstances, your creditor might be willing to accept less than the total amount you owe. But make sure you fully understand the repercussions if they settle for a lower balance. It could show up on your credit report and it may impact your ability to apply for new lines of credit in the future.

If you've accrued any late fees from missed payments, ask if they'll be forgiven. Some creditors might forgive fees if it means you'll agree to make

your monthly payments.

Take notes during your conversation—including the date and time of the call and the name of who you spoke to. And be sure *not* to agree to a loan payment that is higher than you can afford to pay.

[Visual: Get it in Writing]

When you come to an agreement, be sure to get it in writing. Ask the representative to send a letter that outlines the new terms of your payment. When it arrives, review the document closely to make sure that the agreement is correct and that no terms have been added or left out that you haven't agreed to. If everything is correct, you can begin to make your new payments. If there's an error, make sure to call your creditor back to discuss your agreement again and make sure you get a copy of the new agreement before proceeding with your payments.

[Chapter 3: Additional help]

It may be best to try to negotiate with your creditors on your own first, but if you are feeling overwhelmed, have many creditors to repay or are having difficulty making progress on your own, there are a few other options.

Non-profit credit counseling services can provide you with assistance. They offer free information, a full financial review that is unique to you, as well as workshops on how to manage your debts and what actions you can take to negotiate with creditors.

The Federal Trade Commission has tips on how to find qualified credit counselors and avoid scams and the National Foundation for Credit Counseling lists reputable non-profit credit counseling agencies on their website.

Additionally, the Consumer Financial Protection Bureau has many resources online that offer tips on how to respond to your creditors and information about your rights.

There are also some for-profit agencies and organizations that advertise that they can negotiate with your creditors for you to significantly reduce what you owe; or they say they can consolidate your debts so you have only one payment.

But **be skeptical**: some of these organizations might not have your best

interests in mind. They may charge high fees or lock you into repayment plans that could cost you more in the long run. It's best to make sure you're communicating with a non-profit or government run organization and that you ask about any fees or costs for their services up front before you begin working with them.

After a few months have passed, check your credit report. As you get back on track with your payments, your creditors are required to report that your debt is being paid according to your agreement. It's a good idea to check your credit report to ensure that your account has been updated as being repaid or settled.

Getting behind on your payments can be overwhelming, but speaking with creditors as soon as possible to find a payment solution that works for you can help you get back on your way to a stronger financial future.