



COLLECTIONS AND CHARGE-OFFS

COLLECTIONS and CHARGE-OFFS

report as derogatory and adversely affect your scores.

What is a Collection?

Collections can appear from **unsecured** accounts, such as credit cards and personal loans when the account becomes seriously past due. If the Creditor is unsuccessful in collecting the debt from you, the debt may be sold to a collection agency.

What is a Charge-Off?

A **charge-off** occurs when payments fail to be made on a debt and the creditor gives up. The creditor then writes off the debt as a loss. After your debt is charged-off, the balance due will change to zero. Typically, the creditor will sell your debt to a third-party collection agency. *Note that a charge-off or zero balance does not mean your debt is forgiven. You are still legally responsible for repaying the outstanding amount.*

Paying or settling your debt:

Paying your debt is an honorable goal, however, there are definitely best practices to do so.

1. While you should do your best to satisfy all debts you owe, know that **paid charge-offs** are still considered derogatory entries on your credit report.
2. Never take a debt collector's word that they'll remove a negative item from your credit report. If you plan on paying the balance in full, insist that they give you the offer in writing before you send them any money.
3. Ask the creditor to remove the charge-off (or simply to stop reporting it) in exchange for some sort of payment.
4. Known as a *pay-for-delete* letter, you may send a removal request in writing in which you state that you're willing to pay a certain sum of money in exchange for the removal of the charge-off.

Dealing with Debt Collectors...

- * Debt collectors buy debt for pennies on the dollar. Because the debt is purchased for so little, there may be significant room to negotiate a settlement.
- * Debt collectors are NOT allowed to talk about your debts with anyone except you or your attorney.
- * Debt Collectors are allowed to call friends or family members (once) for the purpose of finding out how to get a hold of you.
- * Debt Collectors are NOT allowed to harass you. They can't keep making calls repeatedly nor are they allowed to use foul language when speaking to you.

