

How to Handle Debt Collectors

Debt Collection Basics

Debt collection can occur on any legitimate debt in default. Default means not paying or paying less than the contract requires. For example, if your contract calls for a payment of \$150 each month, that's what you must pay, or else you are breaking the contract. Once your account goes into default, a creditor or collector can demand any amount up to full payment of the debt.

Only the creditor, not a third-party collection agency, has the authority to decide whether legal action should be taken. A collection agency cannot initiate legal action on its own, but can recommend legal action to the creditor. The statute of limitations for debt collection is 6-10 years from the date of the last payment. It is 20 years for judgments.

What should I do if a collector calls me?

The most important thing to do is to remain calm; arguments do not solve anything. In responding to complaints that collectors were abusive, it's often discovered it was the consumer who was abusive.

If you are contacted by a creditor or collection agency:

- Find out the name, address, and phone number of the company calling you.
- Find out the name of the business you owe money to, if different from the caller.
- Get the exact amount they claim you owe.
- Don't admit to owing the debt while you're on the phone.

How do I dispute a debt?

- If a collection agency is involved, write them within 30 days of receiving the initial notice and inform them you are disputing the debt. You must write within 30 days after receiving notice about a debt or else you lose your option to dispute the debt.
- Ask the collector to "verify" the debt. This requires the bill collector to get confirmation from the original creditor that you owe the debt and how much is owed.
- The collection agency must then stop collection activity until a copy of the "verification" is sent to you. After the agency verifies the debt, they can then resume collection efforts.
- If the debt cannot be verified, the collection agency must stop activity on your account.
- During this time you are disputing the debt, the collector may not disclose any information about the debt, without also stating that it is being disputed.

If it turns out that the debt belongs to you, there may be several reasons why you didn't recognize the debt. The amount owed may be a lot higher because of all the penalty fees and interest charges added on the balance. Or the debt may have been sold or resold so you don't recognize the name of the company trying to collect.

What is considered harassment?

Harassment is hard to describe in exact terms, but it usually means that a collector used obscene or threatening language with you. This includes calling you names, insulting you, or questioning the decisions that lead to your account being placed with a collection agency. It's also considered harassment to contact you at unusual hours (usually defined as before 8:00 a.m. or after 9:00 p.m.), or to call so often that it becomes harassing. Remember, it's not against the law for the collector to be rude, and there is a difference between rudeness and harassment.