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## **DEALING WITH DEBT COLLECTORS**

**BRENTWOOD, Tenn.** – It's not uncommon to fall behind on debt payments, particularly in a troubled economy. If you have missed payments on your mortgage, credit card or other outstanding debt, you may hear from a debt collector some time in the near future, if you haven't already. The Tennessee Society of CPAs provides some advice on how to deal with collection agencies if you find yourself in this situation.

## **CONTACT YOUR CREDITOR**

If you do owe money and have missed past payments, it's best to face up to the fact and try to deal realistically with your creditors. Remember that you may be able to avoid hearing from a collection agency if you contact your creditor, explain your situation and try to work out an alternative plan. Banks and other lenders may be willing to allow you to stretch out your payments - and pay a little less each month - or they may grant you a brief moratorium on your loan in which you don't have to make payments. You'll never know until you ask. And in the current economy, creditors are more willing to accept compromises if they believe you sincerely intend to pay the debt.

## **KNOW YOUR RIGHTS**

If you do end up hearing from a collection agency, you should be aware that there are laws that govern how they can treat you. Under the federal Fair Debt Collection Practices Act, collection agencies are not allowed to use abusive or harassing language in their dealings with you, threaten you or add arbitrary fees to your outstanding debt. They also are not allowed to call you before 8 a.m. or after 9 p.m., and you have the right to ask in writing that the agency stop

contacting you. The act does not apply to all debt collection efforts, but state or local laws may offer added protection. Contact your state consumer protection agency for more details.

### **BE HONEST**

If you lie to a creditor or debt collector, it will only make the situation worse. That means you should not say that you have sent a payment if you have not or mail a check if you don't have enough in your account to cover it.

### **DON'T BE INTIMIDATED**

There's no need to allow the collection agency representative to scare you or to bully you into making payments you don't owe. If you believe the agency is wrong about what your balance, send them a claim disputing their information. Be sure to keep a copy of all your correspondence in case your dispute continues.

### **GET IT IN WRITING**

If you negotiate an agreement that allows you to pay only a percentage of your outstanding amount or establishes some other accommodation, ask the agency representative to send you a letter documenting that agreement. If you pay off your debt, ask the collection agency or creditor for a letter confirming that your account is paid in full. After you've received the letter, check your credit report to see that the outstanding amount has been removed from your report. A large unpaid debt can lower your credit rating, which likely means you'll pay higher interest on new loans or have trouble borrowing at all.

### ***About Money Management***

*Money Management* is a weekly column on personal finance prepared and distributed by the Tennessee Society of Certified Public Accountants (TSCPA) as a part of its financial literacy initiative.

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