

The Importance Of Communicating With Creditors

In an article discussing debt and creditors, the late financial analyst Larry Burkett made the following statement: “If you're having difficulty paying those you owe, keep in mind that it's always better to run toward your creditors than away from them. Creditors who've been ignored don't like to negotiate. However, most creditors will respond positively to a written plan that includes how much you owe and a copy of your budget.”¹

They will be very impressed with the fact that you have made out a plan. They will be even more impressed as you send them the regular monthly payments you have promised. Also, tell them that if something happens to delay one of your payments, you will contact them ahead of the date when the payment is due.

Now that you have worked out a plan, make sure to minimize the use of your credit cards! Do not take out any more loans except in extreme emergencies and contact each creditor and explain your plan.

Creditors will generally be more responsive to your proposal if you take the initiative to contact them first and express a sincere desire to pay your obligations. If you cannot visit your creditor, call or write a letter. In your letter, be sure to include the following:

“Nothing positive will happen with your financial problems until you start taking charge of your debts.”

- Why you fell behind in your payments (such as loss of job, illness, divorce, death in the family or poor money-management skills)
- Your other obligations
- Your current income
- How you plan to bring this debt up-to-date and keep it current
- The exact amount you will be able to pay back each month

Once the creditor has agreed to your repayment plan, make every effort to uphold your end of the bargain. If you fail to follow the plan you and your creditors have agreed upon, you harm your chances of getting future credit. Tell your creditor about any changes that may affect your payment agreement.

Learn about debt-collection laws.

If debt collectors are hounding you, you can do something about it. The Fair Debt Collection Practices Act, passed by Congress in 1977, prohibits certain methods of debt collection. Also, you could report your problem to your state attorney general's office. Many states have their own debt collection laws and the attorney general can help define your rights.

Remember that nothing positive will happen with your financial problems until you start taking charge of your debts.

¹ Larry Burkett, "Becoming Debt-free is Just That—Freedom," BP News, October 17, 2001 (<http://www.bpnews.net/printcolumn.asp?ID=350>), Retrieved August, 2005.