

How to Negotiate With Your Creditors

The process of creditors and lenders reporting information on an ongoing monthly basis to the credit reporting agencies is purely voluntary. Any information that a creditor or lender adds to your credit reports can theoretically be removed or modified to be less negative, if you can convince the creditor/lender to take this action.

If you're dealing with a collection agency working on behalf of a creditor, that the agency's job is to collect the debt. Negotiating will be more difficult, but certainly isn't impossible, especially if the account is seriously past due and you're interested in negotiating a full payoff.

When a creditor or lender needs to report negative information about you a credit reporting agency (information that will appear on your credit reports), they have some discretion about how negative that information actually is. So depending on your financial and credit situation, if you take a proactive role in working with your creditors/lenders to pay off your debts, you can sometimes get them to work with you financially, plus get them to show mercy when recording information with the credit reporting agencies that won't have such a negative impact on your credit score. This is something you'll need to negotiate, however. It's never something a creditor, lender, or collection agency will do automatically.

In terms of negotiating your financial obligations to your creditors and lenders, you have a wide range of options. They may be willing to lower your monthly payments, defer one or more payments, waive late fees and penalties, lower your interest rate, or somehow restructure the loan to make paying it off more achievable based on your current financial situation.

As for actually making payments or paying off a debt, you might be able to schedule a long-term payment plan that you can afford, or settle the account for up to 50 percent less than the original debt. This will be based on your situation, how well you're able to negotiate, as well as your ability to pay off your debt(s) in a lump sum or via multiple payments.

Quick Tips to Help Your Negotiations:

When you're negotiating with creditors, remember that their job is to collect the money you owe using tactics that are within the boundaries of the law. They may be overly pushy, obnoxious, or rude. After all, they're accustomed to dealing with deadbeats who don't pay their bills.

It's your job to protect your own interests, while at the same time, living up to your financial and legal obligations. Someone who works for a collection agency, for example, does not have your best interests in mind, despite whatever they say. They don't care about your problems; they just want to collect the money that's due to them or the company they represent.

Tips to help you negotiate with a creditor or collection agency:

- If you make a request that is denied for whatever reason, ask to speak with a supervisor.
- Don't agree to pay more than you can afford when negotiating. Know in advance what your financial situation really is, then work within those confines. The last thing you want to do is negotiate a settlement or payment plan that you can't adhere to.
- During your negotiating process, figure out what the creditor is willing to accept as a settlement. What's their absolute bottom line? If you're looking for a settlement, offering between 50 and 70

percent of what's owed, either as a lump sum payment or through a payment plan, isn't unreasonable. Achieving this settlement might take several rounds of negotiation, however.

- Avoid becoming intimidated by the person you're negotiating with, even if they make threats about lawsuits.
- Most successful negotiations require several rounds going back and forth with offers and counter offers. The process could take days or weeks.
- If you can afford to settle an account by paying one lump sum (as opposed to using a payment plan), you'll have more negotiating leverage.
- The person you're negotiating with does this for a living and is a trained professional when it comes to debt collections. For them to use legal terminology during a conversation or in writing is a common tactic to confuse or intimidate you. Listen carefully to what's being said and make sure you understand exactly what you're committing to. Consult with a lawyer or credit counselor if you have questions.
- Make sure everything you ultimately agree to is put in writing, signed, and dated by both parties.

What to Negotiate for When Dealing with Creditors, Lenders, or Collection Agencies

- a lower interest rate
- the interest accrued to be waived
- the late fees, penalties, and/or legal fees to be waived
- the loan to be extended or restructured, allowing you to skip one or more payments with no penalty
- a payment plan that would allow you to pay off the amount currently owed, but with no added interest or fees added in the future
- a settlement that would include a significantly lower balance due (such as 50 to 75 percent of the total)
- favorable reporting to the credit reporting agencies or the removal of negative information from your credit report pertaining that to that account

By Jason R. Rich, April 24, 2009