

## **If debt collectors call, don't panic**

Sally Jones learned about debt collection the hard way. After struggling with credit card debt for years, the Los Angeles nurse answered an advertisement from a debt-settlement firm last December. She followed its instructions to stop making minimum payments and to let the firm's representatives handle everything. That's when she started getting calls.

Debt collectors were calling her every day, and threatening to sue her and take her wages.

Sally, 40, made a classic mistake. Instead of dealing with her creditors directly or through a nonprofit credit counseling service she paid precious money to a settlement firm that gave her bad advice and managed to get her into more hot water.

Unfortunately, Sally's experience is more the rule than the exception. Consumers commonly make costly mistakes when dealing with debt collectors. Anyone could find themselves on the wrong end of a collection call and that is why it is important to remember that you do have rights and you don't need to panic.

Here are some things to do and things to avoid when confronted by debt collectors.

**Don't hide:** It's tempting to avoid creditor calls when you don't have enough money to pay, but that's a big mistake. When you duck the calls, the situation will get worse and you can put yourself in the driver's seat by telling the collection person what's happening. If you don't answer the phone or return calls, creditors will call more often and may call your friends and relatives to find you.

It's best to contact your creditors before you start making late payments. But if it's too late for that, just explain what's happening and what you're trying to do about it. A little honesty goes a long way and significantly enhances the chance of a good outcome.

**Don't pay dormant debt:** If you're being contacted about an old debt, the first thing to do is consider whether you actually owe the money. Every state has a statute of limitations that

specifies how long you can be hounded about an unpaid debt. Once that limit, typically three to 10 years has been reached, you no longer need to pay.

That doesn't mean the debt collector can't sue you. But the statute of limitations is a perfect defense. Don't let the collector intimidate you into making a payment on a debt that is past its expiration date that can make things worse. If you agree to make a token payment just to get the collector off your back, that action can extend the statute of limitations, giving them more time to collect from you.

**Dispute inflated debt:** In many cases, an old debt will be inflated by late fees and debt collection costs. You may be liable for those charges, but sometimes the amounts can exceed limits imposed by state law. If the debt seems inflated, you have the right to dispute the amount, which gives you more time to investigate whether you owe as much as the collector says you do.

**Stop abusive calls:** Federal law bars debt collectors from calling repeatedly "with the intent to annoy, harass or intimidate" you. But exactly what qualifies as annoyance or harassment isn't clear. You don't have to listen to abusive calls where the collector swears or insults or threatens you. Also, you have the right to bar collectors entirely from calling you at work. If the collector is impolite or overly demanding ask to talk to a supervisor or hang up.

If that doesn't work, contact the Federal Trade Commission or state attorney general.

**Don't cut off communication:** One reason to talk to debt collectors is to keep them from suing you. If you lose in court, the judge may allow the collector to garnish your wages taking a piece of every paycheck and may hold you accountable for court fees, significantly in creasing the amount your owe. If you are cooperating and communicating, your case typically won't end up in court. That saves everybody time and money.