

GUIDE ON DEALING WITH A COLLECTION AGENCY

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Collection agencies can be intimidating. They come across very pushy, sometimes even crossing the line. Collection agents use all sorts of tactics, from almost harrasing phone calls (sometimes it is harrassment) to making you feel like you have no real options. However, you are in more control than you think! The first thing you need to understand when you're dealing with a collection agency is that you have what they want.... Money!

Once you understand this one basic, simple fact, you're back in the driver seat. Never let a collection agent get under your skin. They're more or less trained to do this. Always remember, they're calling you or sending you letters because they want something from you - money! Realizing that all they want is the money owed, you have the power to negotiate favorable terms. We would strongly suggest never paying a collection account unless a few terms are agreed upon (in writing - never take their word) that works in your favor. After all, since you're paying them, ultimately making them money. In return, it's not too much to ask for something in return for your money.

The key part of your negotiating is to get a pay for delete letter signed and agreed upon. A pay for delete deal means that you are willing to pay, either the full amount owed or a settled amount and in return for your payment, the collection agency agrees to delete your collection account completely from all reporting agencies.

Why is this so important? A collection account on your credit file(s), whether paid or unpaid, will have a negative impact on your credit score. Simply having a collection account posted in your credit file will lower your credit score. We've heard many people state it's illegal to remove a negative account from your credit file, so let's clear this misconception up... In short, it's perfectly legal for a collection agency to delete your negative account. A lender, creditor or collection agency has the absolute right to report information provided the information being reported is accurate. They also have the absolute right to not report information at all. It's very common to have a credit card company not report your good payment history to all 3 of the major credit bureaus. Why? Because they do not have to report any information. They can report information (provided it is accurate) to 1 credit reporting agency or a couple of credit reporting agencies or all of them - it's completely up to them as the source reporting it. So what if the collection account is accurate and you do really owe the money claimed?

Even if the collection account is accurate, since the source reporting this information has the right to delete the information or update the current status (for example paid in full or settled), it's perfectly legal for them to delete the information. Think about it this way, If you paid a collection account off in full or settled the account for less than owed, the current information is already inaccurate. You do not owe this money anymore, it's been paid in full or settled. So, the collection agency has to go in to update/change/delete this outdated information anyways. They could update the status to paid in full or settled, but they could also delete the information entirely, which is what we recommend!

If the collection agency says they do not offer pay for delete deals or will not accept a pay for deletion deal, explain to them it's the only viable option for you. Explain to them that simply having a collection account, whether paid or unpaid will have a negative impact on your score. If they still do not want to accept your deal, tell them you'll try back in 6 months. Add to that, the offer 6 months later will be less than the current offer! Now it's up to them to make the decision not to collect and make money. Very few collection agencies will turn down a pay for delete deal, but there are a few hard ball collection agencies out there who are less than cooperative. Simply wait it out and offer another deal 6 months or so later, this is when your patience and determination can speak for itself that you're serious. They'll soon realize you aren't kidding and will be more likely to accept your next offer. If not, explain to them you're more than comfortable having this collection account age off your credit file, which is 7 years from the date the account went to collections.

The key is, remember collection agencies are only after your money and use this to your advantage. Get any agreement signed before paying a dime. Pay using a money order or cashier's check; do not give them your bank account or credit card info. If they do not accept, stay patient, sooner or later they will, and even if they do not, eventually the account is coming off your credit file one way or the other.



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