



# TAKE CONTROL

*for Your Future*

## Talking with your creditors

If you are having trouble making the minimum payment on your credit cards each month you're not alone. Credit card delinquencies spiked in the last quarter of 2008 as more Americans experience financial difficulties. According to Consumer Action, many creditors are more willing to work with cardholders and take a case-by-case approach in developing a workable plan. Creditors, in general, will be more likely to work with your family if you contact them before they contact you.

### What credit card issuers consider:

- how long you've been a cardholder
- how often you've run into problems paying
- how late your payments are
- how likely it is that you will pay the company back

### What creditors and card issuers want to know:

- the reason you cannot pay (out of work, medical problem, etc.)
- whether the problem is temporary
- your current income and prospects for future income
- other obligations
- your plans to bring this debt up-to-date and keep it current
- the amount you will be able to pay each month

### Where to start:

- Develop a budget for your living expenses — rent/mortgage, food, transportation, utilities and so on.
- Determine the total amount of money you have available for debt payments.
- List all debts, the regular payment and the

amount overdue (if any). Be sure to include overdue utility payments

- Develop a debt payment allocation plan. For example, if a certain debt is 40 percent of all debt owed, allocate 40 percent of repayment funds to that debt
- Re-write the debt list placing the most important creditors first — such as utility companies — to prevent disconnections.

### Negotiating with creditors:

Here is a list of some alternatives to consider when negotiating with your creditors:

- Wipe out missed payments and bring the account current (if you missed two payments and now have a new job).
- Eliminate part of the principal balance owed.
- Reduce the interest rate and the monthly payment. Refinancing the loan. Defer a payment for a short time if you expect your income will increase soon.
- Reduce or drop late charges.
- Pay only interest on the loan until you can resume making monthly payments.
- Voluntarily surrender or giving back an item purchased on credit.

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- Sell the item and use the cash to satisfy, or partially satisfy, the debt (you are still responsible for any remaining balance).

Once you have gathered the information you need, contact each creditor, explain your family's situation, and work out a solution. If you phone, write down the date, time, name and title of the person to whom you talked. Follow the conversation with a letter summarizing the agreement between you and the creditor. Keep copies of your correspondence as well as any replies. Do not agree to a payment plan that you cannot afford. Consider a Debt Management Plan (DMP) when creditors will not accept a reduced payment or work with you directly.

A Debt Management Plan might be more effective if multiple creditors are involved. A non-profit credit counseling agency can help you set up a DMP to include all your credit accounts. A DMP can be:

- a lump sum settlement that reduces your debt by up to 60 percent and must be paid in three to six months, or
- a multi-year repayment plan without any reduction in principal.

For information on selecting a consumer credit counseling agency, see "Consumer Credit Counseling: Factors to Consider and What to Expect," by visiting [www.ces.ncsu.edu/depts/fcs/resource.html](http://www.ces.ncsu.edu/depts/fcs/resource.html).

### *Keys to a successful plan:*

- You will be able to follow through on the agreement.
- The payment rate is acceptable to both you and the creditor.

To find a credit counselor, contact the National Foundation for Credit Counseling. Call 1.800.388.2277 (English) or 1.800.682.9832 (Spanish). Or visit the Web site at: [www.nfcc.org](http://www.nfcc.org) Click on "Find a Counselor Now: Find an NFCC Agency Near You" to search for location by city or state.

Remember, creditors are primarily interested in receiving payment. Seeking a workable plan communicates to creditors that you are willing to meet your obligations with their cooperation.

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*For more information on the Web, go to:*

**[www.nctakecontrol.com](http://www.nctakecontrol.com)**

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