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NF91-19 Cutting Installment Payments, Credit Cards and Other CREDIT PAYMENTS

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Cutting Installment Payments, Credit Cards and Other CREDIT PAYMENTS

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How to Talk to Creditors

Don't wait for creditors to contact you. Call them before bills are due. They will be more likely to believe you. Your first reaction when you discover you can't pay all of your bills is probably to panic and hide. The experts say that's the worst thing you can do. It is better to face your creditors.

Before you call, write or visit your creditors, know the amount of take-home income you can count on, and your fixed expenses (housing, car payment, and other debit payments).

Show the creditor what you think is a reasonable plan for paying the debt. Explain your situation and ask about delayed payments or partial payments.

- Work out smaller payments for a short period.
- Refinance loan(s), that is, make another contract for smaller payments over a longer period of time. New payments will be smaller size but the overall costs for the loan will be larger.
- If all else fails, a consolidation loan may be considered. You take out one loan, pay off all bills at once, and then have one debt to pay off to just one creditor (usually extending over a longer period of time). Again, each payment will be smaller, but you will commit yourself for a longer period of time, usually at a higher total cost.

Revise Your Plan

Work out an agreement with your creditor that both of you can accept and put your agreement in writing. Follow the agreement. If you do not, future chances of getting credit may be influenced by the creditor's view of you and your promise to pay. Always keep creditors informed of changes that might affect your payment agreement.

Vehicle Payments

If you cannot make payments and if the vehicle (car, van, motorcycle, boat or camper) is collateral for the loan, the vehicle might be **repossessed**.

When a repossession occurs, the vehicle is sold at a public or private auction. If the vehicle is sold for less than the amount still owed on it (often the case), you will still have to pay the rest that is owed.

To avoid repossession, check with the creditor to see if the loan can be rewritten for lower monthly payments. (Remember that this will increase the total finance charges for the loan.) If you don't need the vehicle (if it is a second car, a recreation vehicle or a vehicle more expensive than you need), ask the creditor if you could sell the vehicle and pay the creditor off with what you receive.

Credit Cards

No More "Charge It Please!"

If you are late in payments, the company will threaten to cancel the credit card or account. The creditor will use this as a threat, but may not act upon it until several months of late payments. Additional charges are made on the past due balance or what is still owed.

Credit might be canceled when you have a higher amount charged than your credit limit or when you are late in making payments. You might also lose credit when you cannot be located by mail or phone.

If you are past due in credit card payments avoid any more charges on the accounts, call the creditor with an explanation and, pay the minimum charge per month.

If charging is necessary, avoid charging a large amount on any one card or account especially if you are to pay in full at the end of the month or if you are near your credit limit.

If your account is past due because of a billing error, never ignore a billing error. Tell the company immediately so incorrect information can't hurt your credit rating.

Remember, most creditors want to keep a good image with consumers and may accept reduced payments readily and a poor credit rating is likely if credit accounts are canceled by your creditors.

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