

What is a debt collector and why are they contacting me?

Under the federal Fair Debt Collection Practices Act, in general, a debt collector is a person or a company that regularly collects debts owed to others, usually when those debts are past-due.

Debt collectors include collection agencies or lawyers who collect debts as part of their business. There are also companies that buy past-due debts from creditors or other businesses and then try to collect them. These debt collectors are also called debt collection agencies, debt collection companies, or debt buyers.



A debt collector may be trying to contact you because:

- A creditor believes you are past due on a debt. Creditors may use their own in-house debt collectors or may refer or sell your debt to an outside debt collector.
- A debt collector also may be calling you to locate someone you know, if the collector does not reveal that they are collecting a debt.
- A debt buyer has bought the debt and is now collecting that debt or is hiring collectors.

If the debt collector is contacting you for payment on a debt and you have concerns about the debt, the amount they are claiming, or the company contacting you, you might want to speak to an attorney or a credit counseling organization. Before speaking with a debt collector, consider working up a plan. You might be able to set up a payment plan or negotiate with them to resolve the debt.

Warning: You can ask a debt collector to stop contacting you. You should do so in writing. Asking them to stop contacting you will not prevent them from suing you or reporting the debt to a credit reporting company. If you do not owe the debt or have already paid the debt, it is important to take action to contest the attempt to collect the debt.

Tip: The CFPB has prepared sample letters that you can use to respond to a debt collector who is trying to collect a debt. The letters include tips on how to use them. The sample letters may help you to get information, set limits or stop any further communication, or exercise some of your rights.

The creditor or the debt collector also may make a negative report to a consumer reporting company, affecting your credit report and credit scores. In some cases, the debt may be too old to affect your credit report or credit scores. If you don't believe you owe the debt, you can dispute it with the debt collector and the credit reporting company. If you dispute the debt in writing within 30 days of receiving information about the debt from the collector, then the debt collector must send you verification of the debt. You can also ask the debt collector for additional information.

Because all scams are different, you might have to reach out to a few other local, state, and federal agencies depending on your situation.

What should I do when a debt collector contacts me?

There are different ways to respond appropriately to debt collectors. Depending on your situation, we have sample letters you can use if you're experiencing common problems.

When contacted, find out the following:

- Identity of the debt collector, including name, address, and phone number
- The amount of the debt, including any fees like interest or collection costs
- What the debt is for and when the debt was incurred
- The name of the original creditor
- Information about whether you or someone else may owe the debt

When a debt collector contacts you in writing regarding a debt, it must provide you a written notice that has certain, legally required information. If the collection agency first contacts you by phone, insist that they contact you in writing. **Do not give personal or financial information to the caller until you have confirmed it is a legitimate debt collector.**

In certain situations, you **only have 30 days** after you're contacted to ask for certain information, but even if more than 30 days pass, it's still a good idea to ask for what you need.

Tip: If you're being sued or think you'll be sued, contact a lawyer.



What may happen if I ignore or avoid a debt collector?

Ignoring or avoiding a debt collector is unlikely to make the debt collector stop contacting you.

If you believe you do not owe the debt, you should tell the debt collector. If the debt is yours and you can't afford to pay it, you may be able to decide with the debt collector. You can also ask the debt collector in writing to stop contacting you, which will stop the communications.

We have prepared sample letters that a consumer could use to respond to a debt collector who is trying to collect a debt along with tips on how to use them. The sample letters may help you to get information, stop or limit any further communication, or protect some of your rights.

You might also consider consulting a credit counselor. Credit counselors are organizations that can advise you on managing your money and debts, help you develop a budget, and usually offer free educational materials and workshops. Credit counselors are usually non-profit organizations. To get started, you can try the Financial Counseling Association of America, on their website or by phone at (800) 450-1794, or the National Foundation for Credit Counseling, on their website or by phone at (800) 388-2227.

Ignoring or avoiding the debt collector may cause the debt collector to use other methods to try to collect the debt, including a lawsuit against you. If you are unable to come to an agreement with a debt collector, you may want to contact an attorney who can provide you with legal advice about your situation. Your local legal aid office may have information for you in their office or on their website. You also may qualify for free legal services through legal aid or legal clinics, depending on your income and where you live.



What is the best way to negotiate a settlement with a debt collector?

How to negotiate a settlement with a debt collector

To get ready to negotiate a settlement or repayment agreement with a debt collector, consider this three-step approach:

1. Learn about the debt

Any debt collector who contacts you to collect a debt must give you certain information when it first contacts you, or in writing within 5 days after contacting you, including:

- The name of the creditor
- The amount owed
- That you can dispute the debt or request the name and address of the original creditor, if different from the current creditor.

You can dispute the debt or ask for more information from the debt collector. **If you are unsure who you owe money to, or how much you owe, it's usually a good idea to learn more.** If you dispute a debt or part of a debt with the debt collector, in writing, within 30 days of receiving the validation notice, the debt collector is not allowed to contact you again until it sends you written verification of the debt.

If you don't recognize the name of the creditor, you can ask what the original debt was for (credit card, mortgage foreclosure deficiency, etc.) and request the name of the original creditor. After you receive the debt collector's response, compare it to your own records.

2. Plan for making a realistic repayment or settlement proposal

If you want to make a proposal to repay this debt, here are some considerations:

- Be honest with yourself about how much you can pay each month. Review your debt priorities first, as falling behind on other bills because you are paying off this debt could cause you more problems.

- Write down a summary of your monthly take-home pay and all your monthly expenses (including the amount you want to repay each month and other debt payments). Try to allow some income left over to cover unexpected expenses and emergencies. A credit counselor can help, and they often provide services through nonprofit organizations for free. Be wary of companies that claim they can renegotiate, settle, or change the terms of your debt.
- Decide on the total amount you are willing to pay to settle the entire debt. This could be a lump sum or several payments. Don't pay more than you can afford.

3. Negotiate with the debt collector using your proposed repayment plan

- **Explain your plan.** When you talk to the debt collector, explain your financial situation. You may have more room to negotiate with a debt collector than you did with the original creditor. It can also help to work through a credit counselor or attorney.
- **Record your agreement.** Sometimes, debt collectors and consumers don't remember their conversations the same way. If you agree to a repayment or settlement plan, record the plan and the debt collector's promises. Those promises may include stopping collection efforts and ending or forgiving the debt once you have completed these payments. Get it in writing **before you make a payment.**

Be wary of companies that charge money in advance to settle your debts for you. Dealing with debt settlement companies can be risky. Some debt settlement companies promise more than they deliver. Certain creditors may also refuse to work with the debt settlement company you choose. In many cases, the debt settlement company won't be able to settle the debt for you anyway.

TIP: Don't make a payment on an old debt until you talk to a lawyer. Find out your state's "statute of limitations" on the debt before making a payment.

The statute of limitations is the period when you can be sued. Most statutes of limitations fall in the three to six years range, although in some jurisdictions they may extend for longer. In some states, a partial payment can restart the statute of limitations on a debt. It can also restart the time for how long the negative information continues your credit report. If the statute of limitations is close to expiring, a debt collector may be willing to negotiate with you on more favorable terms. If the statute of limitations has passed, then your defense to the lawsuit could stop the creditor or debt collector from obtaining a judgment. You may want to find an attorney in your state to ask about the statute of limitations on your debt. Low-income consumers may qualify for free legal help.

Know your rights when a debt collector calls

When a debt collector calls, your best response is to confront the situation head-on.

Your first instinct may be to hide or ignore the situation and hope it goes away. But that can make things worse.

1. First, ensure the debt collector and debt are legitimate

Find out:

- Who you're talking to (get the person's name)
- The name of the debt collection company
- The company's address and phone number
- The name of the creditor

Ask the debt collector for:

- The amount owed
- The name of the creditor
- How you can dispute the debt or verify the debt is yours

If the debt collector doesn't tell you this information the first time it contacts you, ask for the information in writing. It is a good idea to get this written notice before you agree to pay the debt collector or try to negotiate.

Harassment is illegal

The Fair Debt Collection Practices Act says debt collectors can't harass, oppress, or abuse you or anyone else they contact.

For example, debt collectors can't:

- Make repeated phone calls that are intended to annoy, abuse, or harass you or any person answering the phone.



Learn more at consumerfinance.gov

- Use obscene or profane language.
- Make threats of violence or harm.
- Publish lists of people who refuse to pay their debts (this does not include reporting information to a credit reporting company).
- Call you without telling you who they are.

If you believe a debt collector is harassing you, you can submit a complaint with the CFPB.

2. Second, identify the debt

If you recognize the debt: You can contact the debt collector and work out a repayment plan that makes sense for you.

If the debt is several years old: Before making a payment or agreeing to a payment plan for a debt that is old, find out what your state's statute of limitations is for filing a lawsuit to collect the debt. You may want to consult an attorney or the applicable law in your state.

If you're not sure the debt is yours: Write and ask for formal written verification of the debt, including:

- The name and address of the original creditor (if different than the current creditor)
- How much you owe
- Proof the debt is yours

If the debt is not yours: Write the debt collector to tell it the debt is not yours and that you do not want to be contacted about it again.

3. Third, keep your letters

Keep the letters you receive and make copies of the letters you send in case you need to dispute the issue later.

What is an "unfair" practice by a debt collector?



A federal law, the Fair Debt Collection Practices Act (FDCPA), says that a debt collector is not allowed to use unfair practices to collect a debt.

For example, a debt collector may not:

- Try to collect charges in addition to the debt unless they are allowed by the contract or state law
- Deposit a post-dated check early
- Communicate with you about a debt by postcard
- Use any language or symbol on an envelope for correspondence with you (other than its address) that indicates it is a debt collector

Tip: Keep good records of your communications with a debt collector.

It is a good idea to keep a file of all letters or documents a debt collector sends you. Keep copies of anything you send to a debt collector. Write down dates and times of conversations along with notes about what you discussed. These records can help you if you have a dispute with a debt collector, meet with a lawyer, or go to court.

This federal law also prohibits debt collectors from using false, deceptive, or misleading practices. This includes:

- Misrepresentations about the debt, including the amount owed
- Falsely claiming that the person contacting you is an attorney
- Threats to have you arrested
- Threats to do things that cannot legally be done, or threats to do things that the debt collector has no intention of doing.

A debt collector is also not allowed to harass you. In addition, there are state and other federal laws that generally prohibit practices that might be considered unfair, deceptive, or abusive acts or practices.

If you believe a debt collector is using an unfair practice while collecting a debt, contact the CFPB, the FTC, or your state's attorney general. You can also sue the debt collector for this or other violations of the Fair Debt Collection Practices Act (FDCPA). If you sue under this federal law and win, the debt collector must generally pay your attorney's fees, and may also have to pay you damages.