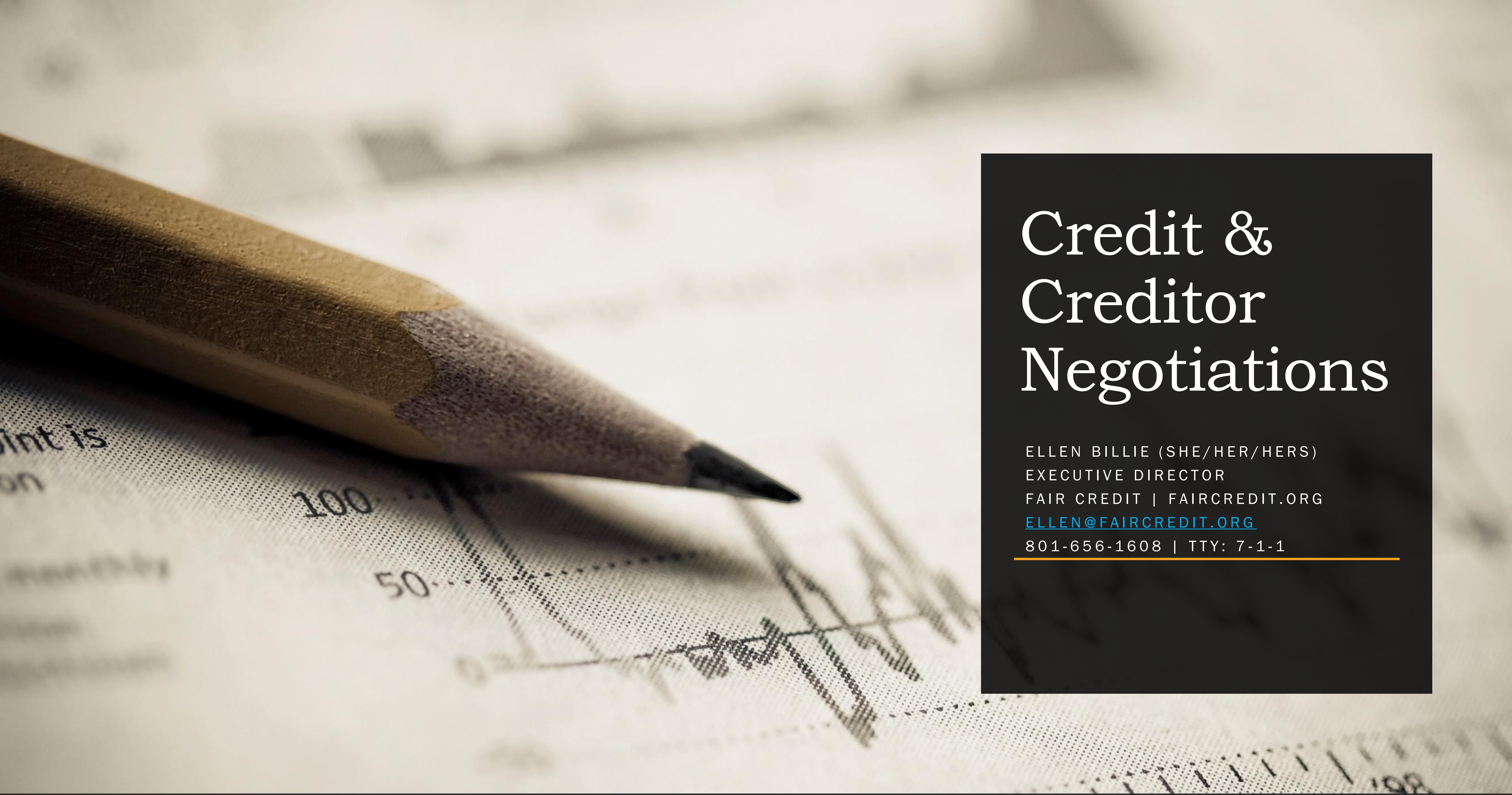

Credit & Creditor Negotiations

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Agenda

Creditor Negotiations

- The basics

Demystifying Debt:

- Collections
- Medical Debt
- Student Loans
- Credit Cards
- Reverse Mortgages

General Creditor Negotiation Strategies

1. Get Organized

1. Complete a budget
2. Define your hardship
3. Start a file
4. Prioritize your debts

2. Communicate with your creditor

Try to remain calm and unemotional

Define your hardship to the creditor in concise and specific terms

Avoid sharing too much information

Document your communication efforts

- Date and time
- Name of representative
- Outcome of call/email/etc.

Ask for payment plan

Ask for decisions in writing

Collections

Collections

An account can go to collection after it goes unpaid for a period, usually starting 30 days after the due date.

Overdue payments may be reported as delinquent/late to credit bureaus.

After some time (usually 180 days) the original debtor will turn the account over to collections.

Collections can be internal, or debts may be sold to a collection agency to recoup the loss.

When a bill is sent to collections, the collection agency or department will contact the debtor to recover the funds.

Once a debt is in collections, it may be difficult or impossible to pay the original creditor.

What to do when you have a debt in collections

1. Verify the debt is yours.
   - Debt validation or debt verification letter
2. Understand your rights:
   - Look up: Fair Debt Collection Practices Act (FTC.GOV)
3. Document Everything
   - Keep a log of phone communications
   - Save notices sent in the mail
   - ***Copy and document all your correspondence such as debt validation/debt verification letters and phone/email correspondence.
4. Devise a plan
   - If the debt is not valid – dispute
   - If the debt is valid – payment options

Dos and Don’ts with collections

DO:

Answer the phone

Ask if they have payment options

Ask for the name and contact information from the debt collector

Be upfront about your desire to repay your debt

Save and document all interactions

Seek help if you need it:

Fcaa.org (Financial Counseling Association of America)

Nfcc.org (National Foundation for Credit Counseling)

DON’T:

Give personal information such as contact information for relatives, identification information, etc.

Answer the phone outside of permissible hours (8AM-9PM)

Plan to wait 7 years for it to “fall off” your credit

Ignore communications/letters

Take threats or abuse from creditors

MEDICAL DEBT

Medical Debt = Any Debt from a Healthcare Service

Hospital Bills

Auxiliary debt such as lab, pathology, radiology, or other charges from medical service

Collection accounts from past due medical bills

Debt to a private doctor’s office

Fair Debt Collection Practices Act

Law enacted in 1977 to protect consumers from unfair debt collection practices.

You have the right to receive a <u>written</u> notice of your medical debt within 5 days after first being contacted by a collection agency. The notice should include:

- Amount owed
- Name of creditor (hospital or medical provider seeking payment)
- What action to take if you believe you do not owe some or all of the bill
- Visit FTC.GOV to learn more

Your Credit & Medical Debt

- Medical bills generally don’t appear on credit reports until they have been unpaid for at least 180 days
- The Latest FICO and VantageScore credit models give less weight to medical collections than other types of collection accounts such as credit cards.
- Remains on your credit report for 7 years if unpaid
- If paid, the three major scoring agencies (Equifax, Experian, and Transunion) will remove it from your credit report when it is paid.

KEEP TRACK OF MEDICAL BILLS	NEGOTIATE WITH YOUR PROVIDER TO REDUCE THE BILLS	IF ALL ELSE FAILS – SEEK HELP
Ask for an itemized bill and compare the dates of service and charges to your records to ensure everything is reported accurately.	Contact your providers office immediately and ask for financial assistance if you cannot pay your bill.	Consumer Credit Counseling Agencies: FCAA.ORG | NFCC.ORG 501(c)3 nonprofits
Document all conversations and correspondence with billing representatives.	Ask for a monthly payment plan and make sure to get the arrangement in writing.	HTTP://211.ORG

Best Practices

Student Loans

Types of Student Loans

FEDERAL

No statue of limitations

FFEL Program (ended 2010)

William D. Ford (Direct Loan) Program – Present

Grace periods 6-9 months

Low interest rates (~4-7%)

Eligible for Federal consolidation and forgiveness programs

PRIVATE

May require payments while in school

Grace periods vary

Variable interest rates

May require a co-signer

Interest rates may depend on credit scores

Consolidation options may be denied

Not eligible for the student loan forgiveness program

Statute of limitations applies, but loan doesn't go away

Types of Federal Loans

SUBSIDIZED

Low interest rate

Interest does not begin accruing until you graduate

Grace period

UNSUBSIDIZED

Low interest rate

Interest begins accruing as soon as the money is disbursed to the school

Grace period

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Repayment Options

STANDARD REPAYMENT PLAN

INCOME BASED REPAYMENT

INCOME CONTINGENT REPAYMENT

GRADUATED REPAYMENT

Standard Repayment Plan

- Payments are at least $50/month
- Fixed payments
- Repayment period is typically 10 years
- Repayment period can be up to 30 years for consolidation loans

Income Based Repayment Plan

- Monthly payments are equal to 15% (10% for new borrowers) of discretionary income divided by 12
- Payments as little as $0/month
- Cannot include Parent PLUS loans or consolidated loans which include Parent PLUS loans

Income Contingent Repayment Plan

- Monthly payments are equal to 20% of discretionary income divided by 12
- 12 year repayment period
- Can include Parent PLUS loans or consolidated loans which include Parent PLUS loans

Graduated Repayment Plan

- Amounts increase every two years
- Ensures loan(s) are paid in full within repayment period
- Subsidized, unsubsidized, PLUS loans – 10 years
- Consolidation loans – depends on total debt, could be 10-30 years

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Public Student Loan Forgiveness Program

- College Cost Reduction and Access Act of 2007
- PSLF allows borrowers who work full-time (30+ hours) for nonprofits and government agencies to have their outstanding debt forgiven tax-free on Federal Direct Loans
- Borrowers must make 120 monthly payments under a qualifying repayment plan.

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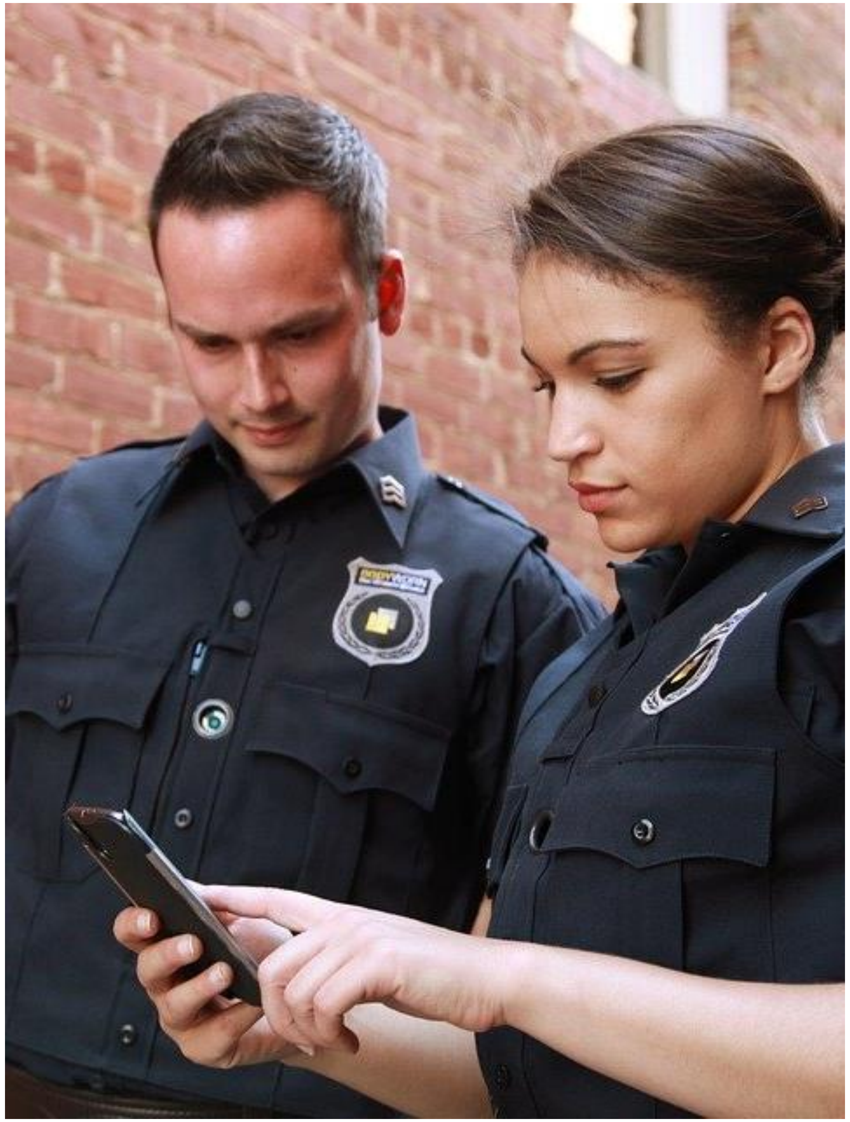
Which Repayment Plans Qualify?

- All income-driven repayment plans
- Standard Repayment Plan
- Income Based Repayment Plan
- Income Contingent Repayment Plan



Which Employers Qualify?

- 501(c)3 non profit organizations
- State Agencies
- Federal Agencies
- Tribal Government Organizations
- Some volunteer organizations (i.e. Peace Corps and AmeriCorps)

How to register?

- Have your employer fill out the form from studentaid.gov
- Upload your form or mail it in

PSLF ECF

EMPLOYMENT CERTIFICATION FORM

William D. Ford Federal Direct Loan (Direct Loan) Program

Form Approved
Exp. Date 5/31/2020
PSECF - XBCR

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form or on any accompanying document is subject to penalties that may include fines, imprisonment, or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

SECTION 1: BORROWER INFORMATION

Please enter or correct the following information.
☐ **Check this box if any of your information has changed.**

SSN ____
Date of Birth ____
Name ____
Address ____
City ____ State ____ Zip Code ____
Telephone - Primary ____
Telephone - Alternate ____
Email (Optional) ____

SECTION 2: BORROWER AUTHORIZATIONS, UNDERSTANDINGS, AND CERTIFICATION

Before signing, carefully read the entire form. For more information on PSLF, visit StudentAid.gov/publicservice.

I authorize:

1. My employer or other entity having records about the employment that is the basis of my request to make information from those records available to the U. S. Department of Education (the Department) or its agents or contractors.
2. The entity to which I submit this request and its agents to contact me regarding my request or my loans at any cellular telephone number that I provide now or in the future using automated telephone dialing equipment or artificial or prerecorded voice or text messages.

I understand that:

1. To qualify for PSLF, I must make 120 qualifying payments on my Direct Loans while employed full-time by a qualifying employer or employers. Neither the 120 qualifying payments nor the employment have to be consecutive.
2. To qualify for PSLF, I must be employed full-time by a qualifying employer when I apply for and receive PSLF.
3. If I qualify for forgiveness, only the remaining balance on my Direct Loans will be forgiven.
4. By submitting this form, my student loan(s) held by the Department may be transferred to FedLoan Servicing.
5. The Department may request supplemental documentation substantiating my employment.
6. The Department will notify me in writing or electronically of the number of qualifying payments I have made while employed full-time by a qualifying employer and how many more I must make before I am eligible to apply for PSLF.
7. I will be notified if the form that I submit is incomplete, or if my employment or payments do not qualify for PSLF, why the determination was made, and the steps I need to take to correct the form or make qualifying payments.

Postponing Payments

DEFERMENT

Eligibility Criteria – need proof

Unemployment

Economic Hardship

In school

Military

Interest does not incur for Federal Loans

FORBEARANCE

Some have eligibility criteria

Time limits

Medical/Dental residency

Student Loan burden

Medical

Other accepted reasons

Unpaid interest capitalizes at end of period except for subsidized loans

Trouble Making Payments?

- Avoid Delinquency and Default
- Delinquency begins the day you miss your first payment
- Default occurs after 270 days of delinquency
- Call your loan servicer if you are experiencing hardship!

Resources for Default & Delinquency

Contact your loan servicer

Consolidate and use an income driven repayment plan (Direct Loans for Federal)

Rehabilitate the loan (9 on time payments in 10 consecutive months)

https://studentaid.gov to review options

https://nslds.ed.gov/ to access your loan data

1-800-4FED-AID (1-800-433-3243)

TTY: 1-800-730-8913

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Additional Resources

www.college.gov – Department of Education website

www.scholarships.com – Scholarship matching website

www.FAFSA.ed.gov – Free application for federal student aid

www.finaid.org/scholarships - Guide to scholarships and financial aid

www.faircredit.org – Help getting student loans in rehabilitation, budgeting assistance, and much more

Credit/Charge Cards

101

Plastic or Metal Card allowing you to access a line of credit offered by a bank

Revolving accounts: charge and pay as you go

Interest is charged on balances from previous month

Pre-approved limit

Interest rates range from 0-29.9% typically

Average rate is 20.35 APR*

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* HTTPS://WWW.THEBALANCE.COM/AVERAGE-CREDIT-CARD-INTEREST-RATE-4772408

If you can’t pay

Call your creditor!

Tell them you are experiencing a hardship and ask if you have any protection for that.

Ask for a one-time courtesy to skip a payment

Ask for a lowered interest rate

Talk with a credit counselor about options including Debt Management Plans

Debt Management Plans (DMPs) can lower your interest rate and monthly payments and get you out of debt in 5 years or less.

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Reverse Mortgages

What is a reverse mortgage?

A loan that allows seniors aged 62 and above to access their home equity.

Money is borrowed using the home as a guarantee (collateral) similar to a traditional mortgage.

Unlike a traditional mortgage, the debt is repaid when the borrowers no longer live in the home.

Other reverse mortgage products, but HECM is the only reverse mortgage insured by the U.S. Federal Government.

HECM is Home Equity Conversion Mortgage

Borrowers must complete HUD certified counseling prior to taking out HECM. The purpose of the counseling is to ensure the borrowers fully understand the details of the loan.

Common reverse mortgage uses:

- Living expenses
- Medical bills
- Home repairs
- Debt repayment

Things to consider:

It is not recommended to use reverse mortgages for financial investments due to the high upfront costs of the reverse mortgage loan.

Borrowers must continue to pay property taxes and homeowners insurance each month.

As interest and fees are added to the loan each month, the balance increases over time and the home equity decreases.

Reverse mortgages can use up the equity in your home which means fewer assets for you and your heirs.

Thank You

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Questions?