

Credit Card Debt Negotiation

Although credit card debt is frustrating, there are several steps you can take to deal with a credit card company. First, it is important to realize that credit card debt will never go away, so hiding your 'head in the sand' will not help. You have the power to take control of this process by negotiating with the credit card company. Compared to other types of debtors, credit card companies can be MUCH easier to negotiate with. They are publicly traded; therefore, they are mandated to collect something from you, even if it is only pennies on the dollar. Also, you should be aware that forgiven debt may be considered taxable income.

Here are practical steps as well as additional resources to help you:

Step 1: Understand How Much You Owe

Assess how much you owe. If it is with multiple credit cards gather the contact information for each credit company that you have debts. Because your debt is frequently sold from one collection agency to another, they have a hard time keeping track of exactly how much you owe. In fact, the company may have erroneous information about how much you owe, and they have the burden to prove what you owe. So the more statements, canceled checks, letters, etc, you have, may help your case.



Step 3: Call Your Credit Card Company

Formulate a general script outlining your financial situational and request. Be clear and polite when calling, let them know that you want to work with them to quickly resolve it in a way that satisfies both your interests.

Document every phone call, who you spoke to, and what their position is.

Be persistent. Representatives for the credit card companies handle tens of thousands of cases, so you need to be "the squeaky wheel". You may not initially get "yes" but multiple calls and asking to speak to a supervisor can increase your chances.

Step 2: Explore Your Options

There are basic strategies for negotiating your credit card debt. For each one, try to negotiate down and have the company waive the interest on the debt plus any late charges.

Explain your circumstances. In these economically stressful times, ascertain your ability to pay - have you lost your job, are you working part-time, unexpected emergency bills, etc. Explain to the collector why you are unable to pay the amount now, and then offer these options:

- 1) Lump-sum: Offer a lump-sum payment of 10% to 25% of the amount owed or whatever you can afford. This is your **best option** as it is a one-time payment that is not the full amount of the debt but clears the debt. Your best strategy is to start low and let the credit card company make a counteroffer. You will always get a better deal by making a lump sum payment, so it may be in your best interest to borrow money from friends or family to get a lump sum deal.
- 2) Workout Agreement for Monthly Payments: If you cannot pay a lump-sum, negotiate monthly payments. Your best strategy is to start with a much lower monthly payment than you can make and allow the company to negotiate from there.
- 3) Hardship Agreement: Lower the interest rate, suspend late fees, or reduce the minimum payment on a *temporary* basis. Explain the nature of your hardship and present a plan when you will be able to make monthly payments or a lump sum payment in the future.



Step 4: Get everything in Writing

Once any terms are negotiated, make sure that you get the agreement in writing. The agreement is not set unless it is in writing.



If You Find Yourself in Court:

- 1) Many courts have volunteer mediators whose services are called on by the judge on a case by case basis. Seek out these mediators when you first arrive in court by asking the court staff who the mediators are.
- 2) If you need to appear in front of the judge, request mediation. Most judges are happy to get the case off their plates and hand it over to a mediator.

The information above does not, and it is not intended to, constitute legal advice.

Other Resources

- For-profit debt settlement companies can negotiate on your behalf.
- Credit Counseling agencies (most of which are non-profits) can help create debt and financial management plans.

More Information

- [Steps to Negotiating with Credit Card Companies](#)
- [Negotiating Debt with Credit Card Companies](#)
- [Coronavirus federal, state and local relief measures](#)
- [Working with a Debt Settlement Company](#)
- [Guide to Credit Counseling](#)