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# TIPS FOR NEGOTIATING WITH DEBT COLLECTORS

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- **Try To negotiate a Lump-Sum Payment.** Collection agencies want to get your payments as quickly as possible. Therefore, if you offer to pay a lump-sum amount immediately, you may be able to settle your debt for less than you actually owe. Be careful not offer a payment that you know you cannot make, and *do not* let the collector pressure you into any agreement that you know you cannot keep. When you do reach an agreement with a debt collector, get a signed release saying that your partial payment excuses you from paying any more.
- **Save Your Best Offer.** When you are working out a deal with a debt collector, start the negotiations by offering to pay a very low amount to settle a debt. In fact, you may want to let the debt collector throw out the first number. Try to feel out how much the debt collector is willing to bargain. If you start by offering a high amount, you will have little wiggle room. If you start low, you likely won't get your initial offer, but you may be able to secure a settlement below your best offer, the highest settlement you could reasonably afford to pay.
- **Don't Let Collectors Scare You.** When you are on the phone with them, remain confident, yet polite. Remember, you have every right to negotiate.
- **Clean Up Your Credit.** Ask the collector to remove any negative history from your credit report when you work out a payment plan. The collector may try to say that he cannot do so "by law," but this is not true. A collector can remove negative information from your credit report. Be sure to get him to sign a pay-for-delete (PAD) letter.
- **Keep Everything.** Make sure to keep copies of all the letters you write and receive from collection agencies. Keeping a log of phone conversations including date, time, who you spoke to, and the main points is also a good idea.
- **Know Your Rights.** There is a federal law that says exactly what debt collectors can and cannot do. Check out [Know Your Rights When Debt Collectors Call](#) for all the details.

Debt collectors are not always completely heartless. Sometimes a simple phone call and more aggressive negotiation techniques can help you save a lot of money. You really have nothing to lose! Try out these tips keeping the two following general rules in mind:

- If your request rejected, ask to speak with a supervisor.
- If that doesn't work, call again another day. Be persistent!

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# PROTECT YOUR ASSETS FROM JUDGMENTS

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When a debt collector or creditor takes you to court and wins, they obtain something called a “judgment.” Having a judgment gives the debt collector or creditor a number of special powers, such as the ability to freeze your bank account, seize your non-exempt assets, and garnish your wages. It is important to know that creditors do not have this right prior to obtaining a judgment. SO you should do everything you can to avoid having judgments entered against you. Here are some tips on how to avoid judgments and how to protect your assets if you have a judgment.

## ➤ **Avoid Judgments**

*Show up, show up, show up.* If you receive court papers that tell you that you are being sued, it is essential that you appear to defend yourself. If you cannot afford an attorney, you should call your local bar association or legal aid office to see if you can obtain legal assistance. Even if you cannot get anyone to help you, you should still appear in court. Many defendants in debt collection cases are unrepresented. Don’t be afraid to face the judge and tell your side of the story.

## ➤ **Know What Is Considered Exempted From Collection**

*Review your assets and income.* State and federal exemption laws provide basic protections for some of your income and assets. When something is exempt from debt collection, the creditor is forbidden, by law, from taking the income or asset away from you. Every state has a general exemption law that protects a variety of income and assets from judgment creditors. Many federal and state benefits, such as Social Security benefits or state employee’s pensions, are automatically exempt.

### ***Assets exempt under federal law***

Public Assistance benefits  
Student loan proceeds  
Social Security and SSI Benefits  
EITC tax refunds  
Veteran benefits

### ***Assets often exempt under state law***

Equity in your home (up to a limit, varies by state)  
Pensions and Retirement benefits  
Household goods (TV, furniture, etc.)  
Insurance benefits  
Tools of the trade  
Unemployment compensation  
Alimony and child support  
Worker’s compensation

## ➤ **Protect Your Bank Account**

*Creditor power.* A creditor that has a judgment against you can freeze your bank account and take non-exempt money out of your account to pay the judgment.

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## CONT'D...PROTECT YOUR ASSETS FROM JUDGMENTS

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*Navigate frozen accounts.* If a bank account only has exempt funds, such as SSI benefits, a creditor should not be able to seize this money. However, most banks do not inspect accounts to determine whether they have only exempt funds. Once an account is frozen, the funds typically get turned over to the collector, unless you are able to convince your bank that the money is exempt. Procedures to “unfreeze” bank accounts to get your money back vary by state. But most states place the burden on the consumer.

*Don't co-mingle funds.* If you are receiving exempt funds, keep this exempt money in a separate bank account and put your bank on notice that your account only contains exempt funds. Also, let your creditors know that your income is exempt from collections.

*Check state laws.* Some states such as New York, California, Oregon, and Wisconsin, have protections in place that automatically protect some of the money in your bank account.

*Consider alternatives.* Many federal and state agencies give you the option of receiving benefits on a Direct Express debit card. Funds on these cards will generally not be subject to garnishment or freezing.

### ➤ **Make Sure Wage Garnishments Are Within Legal Limits**

If I make...	How much can my paycheck be garnished?
Less than \$217.50 weekly*	\$0
Up to \$290 weekly	Up to \$72.50
More than \$290 weekly	Up to 25%

\*weekly federal minimum wage

*Do The Math.* If a creditor has a value judgment against you, it likely will be able to take money out of your paycheck to pay off the judgment. There are protections under federal law that limit how much creditors can garnish.

*Consult a professional.* Many states provide additional protections, so consult a local attorney.

### ➤ **Feel Secure About Your Property**

*Know what is exempt.* A judgment creditor may be able to seize your property to pay a judgment, but only if your property is not exempt. Each state has its own exemption laws, so you should consult an attorney or financial advisor to find out which assets are protected. See the list of exemptions on the front of this Tip Sheet for an idea of the items that are likely to be exempt.

*Don't let debt collectors stress you out.* Debt collectors often exaggerate their ability to seize your property, so be skeptical of any claims they make.