



## Talking with Creditors

When income drops and you realize you cannot pay all your bills, don't bury your head in the sand and hope it changes soon. Now is the time to face your debts and talk to your creditors.

The success of negotiating with creditors will depend on your past experience with creditors. If you have consistently paid bills on time, your creditors will be more cooperative than if you have not made regular payments.

It is important to act now and not wait until they contact you. Explain to each creditor how unemployment has reduced your income, and you cannot keep making complete payments. Frankly discuss your income prospects so you and your creditors can figure out payment solutions. Most creditors would prefer to receive smaller payments regularly, rather than begin expensive collection procedures.

Before you and your creditors agree on reduced payments or other solutions, determine how much money you can pay toward the monthly debts you owe. To accurately assess your situation, first, figure out how much income you can count on each month and how much you need to pay for essential living expenses.

Next, know to whom you owe money, how much money you owe, how much you can afford to pay each creditor, and when you can make payments. Write down your plan for paying your monthly living expenses, and set priorities for paying bills. Now you will have the information you need to talk with your creditors.

Consider these options you might request when negotiating with your creditors:

- Reduce the monthly payment.
- Reduce or drop charges for late payments.
- Refinance the loan at a lower interest rate.
- Pay interest only until you can resume making monthly payments.
- Defer payment for a short period of time.

If at all possible, personally visit local creditors in person. If they are located out of town, contact them by phone or letter. Be prepared to explain the reasons why you cannot make your regular payments, your current reduced monthly income and prospects for future income, other debt payment obligations, and your plans to bring debt payments up to date and to keep current. You should also be prepared for creditors to try to get you to commit to a payment to them and avoid your other debts. Plan a possible response such as, "As I told you I wish I could make full payments, but I cannot do that at this time."

Before hanging up take the name and title of the person with whom you talked. Follow up the conversation with a letter summarizing the agreement you made and keep copies of all correspondence.

Not all creditors will accept alternative payment plans. However, they will be more likely to work with you if you contact them before they contact you. By arranging an alternative plan with your creditors you will have a plan for your immediate financial future, avoid costly penalties and late fees, and stay a way from negative reports on your credit report.

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