Mail the letter by certified mail with return receipt requested. If you don’t, the collector may ignore it. Ask a postal worker how to do this.

A sample letter follows:

January 1, 2008
ABC Collection Agency
1 Main Street
Flint, MI 48801

Dear Sir/Madam:

I am writing to request that you stop communicating with me about my account number 07723 with Amy’s Department Store as required by the Fair Debt Collection Practices Act 15 U.S.C.A. 1692c(c).

Very truly yours,

John Consumer
10 Cherry Lane
Flint, MI 48807
cc: Better Business Bureau
10 Elm Street
Flint, MI 48801

5. Complain about billing errors. Collection letters are sometimes in error. If a letter contains a mistake, you should write and request a correction (and keep a copy of your request). If you dispute a debt within 30 days of your receiving notice of the right to dispute, the collection agency must stop collection efforts while it investigates. If the account is an open-end account, like a credit card, you can dispute a charge within 60 days of receiving the bill.

6. Complain to a government agency. Mail any complaint you have about a collector’s conduct to:

Federal Trade Commission
Bureau of Consumer Protection
Washington, D.C. 20580

You should also mail a copy to the consumer protection division within your state attorney general’s office, and to any local office of consumer protection. You should be able to obtain these addresses from the Better Business Bureau or Office of Consumer Affairs. Send a copy of the complaint letter to the collector.

For More Information

More information on your legal rights and debt strategies is provided in Surviving Debt: Counseling Families in Financial Trouble. The handbook is available from:

http://shop.consumerlaw.org

or

National Consumer Law Center
11 Beacon St.
Boston, MA 02108
(617) 542-8010

What You Should Know About Debt Collection

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What you should know about debt collection...

If consumers do not have the money to pay all of their debts, they must make difficult choices about which debts to pay first. Constant harassing calls and letters from collection agencies can cause consumers to pay the wrong debts first, resulting in serious consequences. Just as dangerous to consumers is feeling overwhelmed, and then ignoring all the bills in the unrealistic hope that they will simply go away.

This brochure provides a summary of your rights when dealing with creditors, and some guidelines for determining what debts should be given priority in a financial crisis. Even when you do not have the money to pay your bills, you do not have to be subjected to collector pressure tactics.

Which debts do I pay first?

You should use your money to pay for what is most necessary for your family – food, clothing, shelter, and continued utility service. Because there is very little a debt collector can actually do to you, debt collection efforts should have no effect on your decision about which debts to pay first. Threats to bring suit, to seize household goods, or to garnish wages should be given little weight unless a lawsuit has actually been filed and you’ve received court papers.

Some general rules for settling payment priorities are:

• Mortgage and rent payments should always come first.

• Make whatever payments are necessary to ensure an essential utility service is not disconnected. The utility service may not require payment in full even if you are behind.

• A car loan should be paid after critical items (e.g., food, rent, clothing), but before most other debts for non-essentials.

• Generally, loans with only household goods as collateral should be paid after more pressing debts.

• Debts without property pledged as collateral, such as credit cards, doctor / hospital bills, and accounts with merchants, should have low priority.

• The threat of a lawsuit should not raise the priority of a debt above your mortgage, rent, utility payments, or car loan.

• Do not pay those debts for which you have a good legal reason not to pay, such as if the car for which you borrowed money is a lemon. Instead, seek legal advice as to how to best fight for your rights.

• When a creditor wins a lawsuit, a consumer’s home and other assets may be at risk depending on state law and the amount of equity in the property. If the property is truly at risk, make this a high priority debt.

• Tax liabilities and student loans should be paid ahead of low priority – but after top priority – debts.

Dealing with debt collectors

Once you have decided which debts you’re able to pay and which ones will have to wait, the next step is to deal with the collectors that aren’t being paid first.

How should I deal with debt collectors?

Don’t let collectors pressure you into making the wrong choices about what to pay first. For example, explain to the debt collector, “I have to pay my rent and utility bills first. I have been recently laid-off; when I get a new job I will do my best to meet my credit card debt. I will pay you when I can.”

What can a debt collector really do?

If the creditor has not taken your house, car, or other property as collateral on a loan, then legally the creditor can do only three things:

1. Stop doing business with you.

2. Report your default to a credit bureau (which will be unavoidable when you cannot pay most of your debts on time).

3. Sue you in court. Although the threat to sue you may be very upsetting, it is not nearly as serious as you might think.

Many creditors do not follow through on their threats. If they do sue you, you can represent yourself and explain why you cannot or should not pay. After a period of time, the creditor may obtain a court judgment, but this judgment still does not force you to pay the debt. It only gives the creditor the right to try and seize part of your wages or particular property. If you do not own very much or if you do not earn very much, creditors will not be able to seize any of your property or wages even though they have a court judgment against you. Creditors can never seize wages or property before a judgment occurs, nor can they send a consumer to jail or send their children to foster care.

How can I stop being harassed?

Federal law prohibits harassment by debt collectors. For example, they may not contact you at unreasonable hours – not before 8am or after 9pm – unless you give your permission. They also may not use obscene or profane language or call you constantly to annoy you.

Consumers being harassed by debt collectors should follow these six steps:

1. Head off harassment before it starts. When financial setbacks prevent you from paying all of your bills, call the creditor and explain your situation. Explain that you have to pay the landlord and utilities first, and that you will pay your other bills when you can. Don’t overpromise – it’s better to be realistic about your prospects of paying. By contacting the creditor first, you may avoid having the debt turned over to a collection agency, which will usually be less flexible than the creditor in working out a payment plan.

2. Write a cease contact letter. If explaining the situation doesn’t stop collection efforts, the simplest way to stop contact is to write the creditor a cease contact letter. Federal law requires collection agencies to stop contact after the first corresponds in the request to stop. It’s a good idea to include in the letter why you cannot pay right now and what your expectations are for the future, though this is not necessary. You should also note in the letter any billing errors and/or abusive tactics debt collectors have used in their contacts with you. Be sure to keep a copy of the letter.