

How to Communicate Effectively with your Creditors

Sometimes, despite our best intentions, we aren't able to make payments to our creditors as we had originally planned. This may be due to a variety of reasons, possibly a decrease in income, an increase in housing costs, an unexpected life event, such as a change in family circumstances, or an illness. Whatever the reason for your inability to make your payments as agreed, or to even make any payments at all, you have rights and responsibilities as a consumer who has borrowed money.



If you fall behind on your payments and fail to contact your creditors, they will start to send you letters asking for, or even demanding payment. They may also contact you by phone. While no one wants to receive these calls and letters, creditors are allowed to contact you to ask for payment and will pursue all avenues to recover any money that you borrowed.



Generally speaking, collectors *can not* call you at all hours of the day and night. They can not keep calling your place of employment to confirm your employment status. Each Province has exact rules governing what collectors can and can not do. If you would like to know what applies to your Province, please contact us directly by phone or email and we'd be happy to provide you with this information. If you ask them *in writing* to communicate with you in writing only, they must do so. Asking your creditors to communicate with you in writing will stop the majority of collection phone calls temporarily.

Putting an end to collection calls requires some planning on your part. Here are the steps to help you communicate effectively with your creditors and collection agents:

1. Start by considering what income you do have. Include all of your current sources of income including wages, disability assistance, social assistance, a family member's or partner's income, gifts, child tax credits / benefits, pensions, old age security, H/GST refunds, etc.
2. Consider all of your expenses; weekly, monthly, and seasonal. Include *all* of your spending – personal, living and household. Our Money Management Basics booklet (*budget worksheets pages 4 - 5*) may be of valuable assistance to you in this process. The booklet is available on our website, www.NoMoreDebts.org, or feel free to contact us for assistance with determining your budget.
3. Next, consider what assets you have that may be at risk. Do you have a bank account at a financial institution that you owe money to? If you get behind with your payments at that financial institution, they may offset money from your bank account or



investment product to pay towards your debt. Do you own a home, car or truck, recreational vehicle, vacation property, antiques and collectibles, or stocks / bonds / investments? Some of these may be in jeopardy if you are unable to keep your debt payments up to date.

You also need to consider the nature of your debts. Are they joint with anyone? Are they cosigned or guaranteed by a family member or friend? Are they secured by real estate or property? Depending on the nature of your debts, your inability to pay may affect a family member or friend or a creditor may want to collect on their security. Each Province has laws around seizure of property – please feel free to contact us if you would like to know whom to contact in your area for clarification about these laws.

4. Once you've completed the 4 steps outlined above, you are now ready to communicate with your creditors in writing. You need to provide enough information so that your creditors understand your financial difficulty, and that while you would like to pay them, currently you are not able to do so. It is also important to include information outlining what you intend to do going forward.



In order to do this, you need to outline your household income and provide proof of your situation. For example:

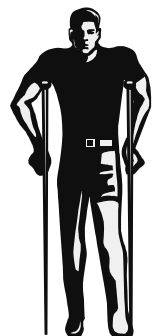
- a letter from your doctor if you have a health situation or disability that is affecting your income
- proof explaining changes in your employment status, e.g. reduced hours, termination or Employment Insurance benefits
- confirmation that your family or marital status has changed



Also prepare a summary of your budget stating how many people reside in your household and how many dependants you have. Include your total income, your housing and transportation expenses, debt obligations, medical expenses, grocery and personal expenses, as well as taxes that you need to pay. Don't forget to include a monthly estimate of your necessary seasonal expenses.

5. Now it's time to prepare a letter (see sample letters). Make a list of the address, phone and fax number for each creditor or collection agency. Be sure to obtain the name of the person / supervisor you have been dealing with at each company. Confirm which debt they are trying to collect on to make sure that two agencies aren't trying to collect on the same debt.

You want to communicate in writing with your creditors so that you can explain your situation to them and ask them to only communicate with you in writing as well. This will stop the collection phone calls, providing you



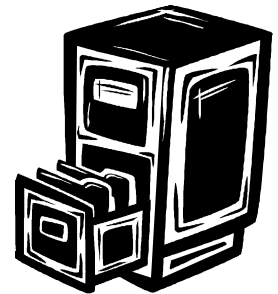
follow through with whatever you have proposed in your letter. You will also need to respond to their letters.

For example, you stated in your letter that your family income has suddenly decreased because your partner is off work due to injury. You also explained that there is an insurance payment expected in 3 weeks and that you will make your debt payment then. Make sure you follow through with your payment. If it takes longer to receive the insurance payment, write them and tell them so. Your goal is to gain your creditors' co-operation during your difficult time.

Communicating honestly and updating your creditors about your situation is very important in this process.



6. Once you've written a short letter to outline your situation, attach any relevant documentation and the summary of your budget. Then fax or mail it to your creditors or collection agents by registered mail. You want proof that they received it. Get proof every time you mail or fax anything to them and keep your receipts organized.



If you speak with someone to give them an update about your situation, jot down their name, number, time of call and what was discussed. You may need to provide these documents and receipts again in the future. Follow up oral communication with something in writing if possible. If the person you were talking to proposed a payment arrangement or special circumstances, ask them to send it to you in writing. Verbal agreements are difficult to prove. You can take the time to consider a written offer more carefully than if you are on the phone with someone. It's important to only agree to what you are reasonably able to do – don't get caught up in the heat of the moment.

7. Lastly, remember that we are always happy to answer your questions and provide assistance or more information. Our Counsellors can guide you through the process outlined above as well as explore other options to resolve your debt problems. Get help and put an end to the collection calls.

Creditor Communication Check List

- 1. Make a list of all of your current sources of income.
- 2. List all of your weekly and monthly expenses – include all of your spending. Don't forget to include a monthly estimate of your necessary seasonal expenses.
- 3. Consider your assets – what may be at risk if you are not able to pay.
- 4. Find out if any of your debts are co-signed, joint or guaranteed. If you are not able to pay, the other person(s) may have to.
- 5. Gather your supporting information. Prepare a brief summary of your expenses. Be prepared to show proof regarding your income, if requested.
- 6. Write a short letter to your creditors to briefly outline your situation.
- 7. Fax or mail your letter and supporting information to your creditors. Keep proof that they received it.
- 8. Follow through with all commitments you outlined to your creditors in a timely manner. Make a note on your calendar if you need to send a payment or when you need to provide an update as to your situation.

Remember, we are always happy to answer your questions and provide assistance or more information. Get help and stop the collection calls.

**SAMPLE LETTER TO YOUR CREDITORS –
REDUCED PAYMENT ABILITY**

<Today's Date>

<Creditor Name>

<1 Downtown Street>

<City, Province A0A 0A0>

ATTENTION: CREDIT DEPARTMENT
RE: ACCOUNT #123456789 SMITH, JOHN

Dear <Creditor>:

Due to a lay-off, I am temporarily out of work and am experiencing financial difficulty. Please find enclosed a monthly expense sheet.

Due to my financial hardship, and in order to meet necessary household expenses plus credit payments, I am asking each creditor to accept a reduced payment for the next 3 months. By that time I hope to be back to work.

I would appreciate your consideration in this matter as I am not able to meet the regular payment of <\$>. I will pay you <\$> per month during this emergency.

I request that my account not be placed with a collection agency as I wish to deal with you directly. Over the next 90 days, I ask that you also please consider withholding interest on my account , as I am anxiously awaiting employment and do not wish to go further into debt.

You can be sure that I will resume regular payments as I am able; I will notify you as soon as my situation improves. If I follow through with what I've stated in this letter, please only contact me in writing at the address below.

Sincerely,

<your name>

<complete mailing address>

<phone number>

<account number>

**SAMPLE LETTER TO YOUR CREDITORS –
NO ABILITY TO MAKE ANY PAYMENTS NOW**

<Today's Date>

<Creditor Name>

<1 Downtown Street>

<City, Province A0A 0A0>

ATTENTION: CREDIT DEPARTMENT
RE: ACCOUNT #123456789 SMITH, JOHN

Dear <Creditor>:

My current income from <CPP, OAS, Disability Pension, Government Assistance, etc.> is not enough for me to be able to make any payments towards my debt at this time. Please find enclosed a monthly expense sheet.

I am currently looking for employment, and am hoping to succeed in this search very soon.

I respectfully request that you contact me *by letter only; please do not contact me by telephone*. I will respond to any letters you send to me in a timely manner, and I will contact you in writing in 2 months to provide you with an update about my financial situation.

If at any time I am in a position to resume payments, I will contact you immediately to make appropriate arrangements.

You can be sure that I will resume regular payments as soon as possible, and I thank you for your patience and understanding during this difficult time.

Sincerely,

<your name>

<complete mailing address>

<phone number>

<account number>

**SAMPLE LETTER TO YOUR CREDITORS –
REQUESTING FORGIVENESS OF DEBT / COMPASSIONATE WRITE-OFF**

<Today's Date>

<Creditor Name>

<1 Downtown Street>

<City, Province A0A 0A0>

ATTENTION: CREDIT DEPARTMENT
RE: ACCOUNT #123456789 SMITH, JOHN

Dear <Creditor>:

My current income from <CPP, OAS, Disability Pension, Government Assistance, etc.> is not enough for me to be able to make any payments towards my debt at this time. Due to my <medical condition/disability/age> I do not foresee any changes to my financial situation or employment status that would put me in a position to make payments any time in the future.

Please find attached <doctor's letter(s), counsellor's letter, case worker's letter of support, description of condition and explanation how this affects your ability to work, any information you feel supports your statement of inability to pay now and in the future>, as well as a copy of my <proof of income> and a monthly expense sheet.

I respectfully request that you forgive my debt, as my condition precludes any employment, and my current and future income does not support any debt repayment.

Please respond to my request in writing to the address below at your earliest convenience. Thank-you in advance for your understanding of my situation.

Sincerely,

<your name>

<complete mailing address>

<phone number>

<account number>

What is a Credit Report?

A credit report is a summary of how you pay your financial obligations. It begins when you first apply to borrow money. It allows potential lenders to evaluate risk so that, based on your past performance, they can decide if you are likely to repay what you borrow or not.

There are 2 credit bureau companies in Canada, Equifax and TransUnion, and each will send you a copy of your own report once a year for free (if you request it by mail or phone). Even if you think you know what is on your credit reports, it is still a good idea to obtain a copy once a year to make sure that it is accurate. Contact them at the numbers below. Along with your credit report, they will mail you a form if you need to make a correction to your file or add a note to explain your circumstances. Requesting your own report is not recorded negatively against you (it is not considered a "hit"). It will, however, update your address on file with them.

EQUIFAX CANADA	TRANSUNION
Consumer Relations: 1-866-828-5961	Consumer Relations: 1-866-525-0262
Touch tone request: 1-800-465-7166	Touch tone request: 1-800-663-9980
www.equifax.ca	www.transunion.ca

Types of Credit Accounts:

- R Revolving account** (has a limit and you can use and pay and use, like a credit card)
- I Installment account** (has a fixed number of payments, like a car loan)
- O Open account** (the full balance owing must be paid each billing cycle, as with a cell phone contract)

Usual Manner of Payment	R	I	O
Too new to rate	0	0	0
Paid as agreed	1	1	1
Paid late but within 30 days	2	2	2
Paid up to 60 days late, but not more than 90; 2 payments past due	3	3	3
Paid up to 90 days late, but not more than 120; 3 payments past due	4	4	4
Account is at least 120 days overdue but not yet rated a 9	5	5	5
Making payments under a consolidation order, debt repayment program or similar arrangement	7	7	7
Repossession (indicates if it was a voluntary return or not)	8	8	8
Bad debt; placed for collections	9	9	9

Everything pertaining to regular consumer debt, good or bad, stays on your credit report for 6–7 years depending on which Province you live in. For more information about credit report details and ratings, consult the web sites for each of the credit bureau companies, or MyMoneyCoach.ca.