



EdFed

Federal Lender Code 834241

America's Top Student Loan Consolidator

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How to Negotiate with Creditors, Part 3

Confirm Serious Negotiations in Writing

For bigger disputes, as may be the case if you signed up for a card at a specific rate and they suddenly say it's another rate, by all means do send a letter to the creditor. If you are attempting to negotiate a settlement of some type, I would definitely say start with the phone call and see whether or not you have a receptive customer service representative or a very responsive supervisor. After you settle on some terms and create an agreement, solidify your agreement in writing.

If you're dealing with old debts, especially, and you're trying to clean up your credit, you may have to do a bit of a dance with your creditors. They know that a lot of times when people pop up offering to settle accounts that are more than one, two, or three years old, those individuals usually have a good reason for wanting to all of a sudden get this matter cleared up and removed from their credit reports.

But what's in it for the creditors is that they are getting some cash upfront and they have already written off your debt. They have already taken a tax deduction on that and basically reported your debt as a loss on their books to the IRS. So the fact that they are getting some money now as supposed to having gotten no money over the last couple of years makes them somewhat flexible and willing to negotiate. On your side of the equation what is in it for you is that in order for you to give up that money – and you certainly want to make a lump sum payment or a few installment payments – you want to see that late notation or any negative marks deleted from your credit file.

Sometimes, it seems that the creditor they negotiated with simply made them a deal and did not hold up their end of the bargain at all. The way that you could get around that is after your make a phone deal where you work out something or negotiate a settlement, put everything in writing. In many cases, it will be more expedient and more advantageous to you if you create the letter of agreement. Basically, all you have to do is summarize the discussion.

Request a Lower Interest Rate and More

What are some other things that you should do when you are in the process of negotiating?

- You can ask for your interest rates to be lowered, especially since the average credit card has about a 15 percent interest rate right now.
- You can ask your credit card company to stop late fees, or to eliminate over-the-limit charges.

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- You can ask them to upgrade your account to current status.
- You can certainly ask them to remove negative marks from your credit file.
- You can ask them to accept the partial payments in lieu of the total amount due.
- Get creative, think about what your particular needs are and do not be afraid to ask for what you need.

A lower interest rate should be something everyone tries to secure. It could be yours for the asking, but you have to get comfortable with getting on the phone and asking for it because they are certainly not going to do that for you. Part of the reason you have leverage to negotiate with your creditors is that credit card companies send out between four and five billion credit card offers each year, according to the Consumer Federation of America. That means you have leverage with credit card companies because they know that there's stiff competition out there. Lots of other credit card companies can and will vie for your business, so your credit card company doesn't want to lose you as a client and miss out on that stream of income you represent in the form of interest payments.