



When income decreases but the bills keep coming...

Don't ignore the situation...contact creditors **NOW**.

Explain your circumstances before you become delinquent. Creditors are much more willing to work with you if they are forewarned that there are problems. If you're already 90 days late, they'll probably turn the account over to their collections department.

Contacting creditors early can help minimize the damage:

- The creditor may eliminate late charges
- They may not report your delinquency to credit reporting agencies
- You may have to pay only interest charges for a short period of time
- You may be able to prevent utilities being cut off
- They may not turn your account over to a collection agency
- They may forego current payments if you agree to add payments to the end of your loan (e.g. auto loans)

While the initial contact can be by telephone, it may be best to contact your creditors in writing. A letter is recommended because:

- You have a chance to think things through without the creditor interrupting or redirecting you.
- Both you and your creditor will have a written record of your proposal.
- You may avoid being intimidated by the creditor.

When writing your letter, determine:

(see sample letter on back)

- How much take-home income can you count on?
- Your current fixed expenses? (housing, car payment, etc)
- Your current variable expenses? (food, clothing, recreation, contributions, etc.)
- How long will your income be reduced?
- Suggest to the creditor what you think is a reasonable amount - DON'T promise more than you can pay!

All debts are important, but some impact your family more than others. Make sure you contact higher priority creditors first. Utility bills are more critical than department store charge accounts, for example.

Priority List:

1. Mortgage/rent
2. Auto loan
3. Insurance (auto, medical)
4. Utilities
5. Loans (banks, finance companies, student loans)
6. Credit cards (bank cards, retail cards)
7. Miscellaneous bills

Sample letter to creditors:

Your Address

Date letter written

Creditor Name & Address

Re: Account Number

Dear (Creditor):

I am writing to request a temporary change in the repayment terms of my account. I have become unemployed and have had to make some financial adjustments.

I do have some income from (unemployment, spouse's employment, severance, etc.) However, when I carefully examined my financial situation and made a strict budget for my basic expenses, it also became necessary to ask each of my creditors to accept a reduced payment for ____ months.

I would appreciate your cooperation in making this payment plan work. In place of my regular monthly payment of \$ ____ due on the ____, I am requesting that you accept payments of \$ ____ due on the _____. I assure you that I will add no further debt until my financial situation improves.

I will begin making normal payments again as soon as possible. I regret that I have to ask for this consideration and hope that you will understand. I will notify you immediately when there is a change in my situation, and in any event, I will re-contact you in 60 days.

Your understanding during this difficult time is most appreciated.

Sincerely,

(Signature)

Name Printed

After you've written, make sure you have a file copy of each letter and indicate the date you mailed it.

Keep a copy of your overall plan near the phone. If creditors call, refer to your other obligations and stick to your proposal if at all possible. Be honest and courteous but don't promise to increase any payments if it means reducing what you promised to another creditor.

*For free assistance, in person, by mail, phone, or Internet
please contact CCCS of CNY at 1-800-479-6026 (toll free in NY) or online at www.cccsny.org.*

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