

The Truth About Collection Agencies

Free Mortgage Blog

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The truth about collection agencies

Eleven years ago, I had a death in the family. The medical bills were staggering, and I ended up getting a crash course on how demonic collection agencies are. It wasn't bad enough that I had to deal with the debt itself; I also had to deal with the aggressive collection tactics too. However, what I learned ended up to be quite valuable, and it's now instrumental in helping my clients get prepared for a home loan.

Collection agents use scare tactics to try to satisfy your delinquent debt. Unfortunately, what happens is people get so scared by the threats that they end up using their rent money to pay the bill. This situation is a lousy one to be in, especially when it's completely avoidable.

You do need to address your collection accounts because just one of them can quickly drop your credit score by 50-100 points. If you're interested in buying a home soon, these accounts could prevent you from doing so.

I will write another article on the proper way to get rid of the collections appearing on your credit report. In the meantime, so that you do not feel scared or threatened anymore, here's the truth about collection agencies:

False Threats

Thinking that the general public doesn't know any better, collection agencies will use multiple scare tactics in an attempt to collect funds from you. They'll tell you that they're going to serve legal documents at work. They'll threaten to garnish your wages. They'll imply that they're going to freeze your bank account.

Collection agencies can't do any of these things to you. Only a court order, which is signed by a Judge, will allow access to your income or assets.

Work is Off Limits

Collection agents are not allowed to call you at work. They will call you at least once, but if you advise them that they are not authorized to contact you at work, they cannot call again.

When you do get the call, write down the date, time, company name, and full name of the person who called. You can use this information to file a complaint with the FTC if they continue to bother you at work.

Low-Cost Debts

Collection agencies purchase debts from creditors for pennies on the dollar. They are, of course, going to try to get as much from you as possible, but the reality is they'll almost always settle your account for less than the original total.

As long as you approach them the proper way, it is not uncommon for collection accounts to settle for 75% or less than the original amount. When it's time to address the debt, we will use this fact to our advantage.

The Clock Is Ticking

The laws are a bit different from state to state on different types of debt, and how long they are considered active. In general, there is a 10-year statute of limitations on debt collection. Once the 10-year mark has passed, a collection agency is not allowed to come after you or attempt to collect funds from you. That practice is called zombie debt collection. If you get a call out of the left field for an account you have no clue about, it's very likely a zombie collector trying to stiff you for an expired account.

It's important to note that the older an account gets, the more likely the agency will agree to take a settlement for payment in full. When the time comes, we'll also use this to your advantage.

Call Spoofing

You will never see the name of the collection company on your caller ID. Never. All collection companies spoof their phone numbers, and they'll do so every time, without fail. If you start seeing unknown phone numbers appear on your caller ID, it's them. Until it's time to begin addressing your collection accounts, use technology to your advantage.

The best practice to deal with this is if it's not blatantly obvious who's calling you, don't answer the phone and, let it go to voicemail. It's a complete waste of time to spend time on the phone talking about something you're not yet prepared to handle.

Paper Trails are Required

Collection agencies are not allowed to collect accounts arbitrarily. These companies are heavily regulated, and they must prove to you which debt they are trying to recoup. And, they must provide you the documentation showing who the original creditor is.

When it's time to start addressing your collections, if you find an account you're convinced is not yours, make them prove to you what it is. You have that right.

If it's your debt, you need to pay it!

Even though collection agencies are demons, the reality is, they're only doing their job, which is to collect funds owed to their corporate clients. Are their tactics questionable? Yes absolutely. But, if you indeed owe the money, you need to work on getting it paid off.

Once you've recovered and healed from the circumstance that created the collection in the first place, it's time to buckle down and work on getting rid of these accounts one by one. Now is when the seven facts above come in. Knowledge is power, and now that you know the facts, you have total control.

Important Final Tip

Don't start calling collection companies unless you have a clear idea of what you owe and who you owe it too. Calling these companies without this knowledge will make things much more complicated than they need to be.

In the coming weeks, I'll add an article about how to get rid of your collections one by one. It'll be a step by step plan to help you get rid of these accounts as quickly as possible. Keep an eye on our Blog for it!

If you need help with information on collection payoffs before the article posts, just let us know, we can help!

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