How to Dig Out of Credit Card Debt

The number one reason for personal bankruptcies is an over-extension of credit card debt. Daily we meet with individuals that are living paycheck to paycheck, trying to pay their bills, but monthly finding themselves behind.

Below are some steps to help yourself dig out of from under credit card debt.

The Starting Point

First, start with making a list of all your creditors. The list should contain: name of creditor - current balance - current interest rate - minimum payment. Include everyone, insurance, mortgage, utilities, etc.

Second, cut up some cards. If you have more than three credit cards on the list - then you have too many. Evaluate your ability to cut up those credit cards that carry the highest interest - so that you're not tempted to use them again. DO NOT CLOSE THEM - that will lower your score, just cut them up.

Third, organized the list. At the top of the list should be your charge cards organized from highest to lowest interest rate. List anyone here that charges you interest! Below that list your "fixed monthly payments", like rent, utilities and insurance - the bills you must pay every month. Now list "additional expenses" like gas, food, and entertainment.

The Plan

Look at the top of the list. Those are the creditors that are eating away at your money. Those are the ones to pay-off first. It's as simple as that. Find every nickle and dime and quarters that you can to get that creditor who is charging 29% interest paid off.

What Not to Do

Due to high fees and charges, these situations will result in more debt. Many of these fees equal anwhere from 400% to 1,500% APR interest.

DO NOT go to payday loans.
DO NOT get cash advances from another charge card.
DO NOT transfer the balance to another charge card.

What to Do

Finding money anywhere you can.

Retirement Contributions - consider decreasing or stopping them for a period of time. With the stock market as it is, most have seen their value decrease. By taking this and paying off your debt, you will have more money to invest at a later date.

Cash Value in Life Insurance Policy - consider withdrawing this out for a few years. Many policies charge less than 6% interest for doing this. Always pay the interest annually. Also place this on your list of creditors so that you will pay yourself back.

Cars, Boats, and other Big Toys - consider getting a conventional loan from the bank for these items. They will use them for a secured loan, which usually carries a lower interest rate. You can only use these items if you have the title.

Stocks - again these can be used as "collateral" for a low interest secured loan from the bank.

Savings Accounts - take the money and pay down the bad boys charging 15% or more. You will never get ahead by saving money at 2% interest while stretching payments out at 30% interest.

Borrow from your folks. Paying them 12% interest is better than paying a stranger 30%.

Consider working a second job. Some times a few extra hundred dollars over 6 months can make a big difference. But watch carefully. Sometimes the extra gas, eating out and other additional expenses doesn't help in the long run.

Cutting expenses where ever you can.

Cable. Can it be cancelled or can you find a lower cost service?

Phone. Are you paying for features that you can do without? Do you really need more than one phone? Have you looked at going to a cell phone? Watch out on cell phones, getting into the wrong plan can cost you more than you anticipate.

Utilities. Most have a level payment plan that allows you to pay a fixed amount every month. It's great for budgetting.

Eating Out. Do you eat out regularly? Do you take your lunch to work? Taking lunch to work can save you almost $100 a month.

Rent-to-Own. Using these services can result in annual interest rates as high as 400 percent. No one can afford that for a sofa.

Payday loans. Using these services can result in annual interest rates as high as 1,500 percent. Stay away from them!

ATM Charges. ATM charges can be a significant cost over a year. If an ATM charges you $1.50 to get $50. That's 3% for just getting your own money. If you incur that charge 3 or 4 times in a month, that's 144% interest over the year.

Lottery tickets. These might seem like insignificant costs, a dollar here or there, but over a years time they can add up dramatically. One individual we counseled bought 3 tickets a week, costing $750 a year - that's $65 a month which could be applied to credit card debt.

Checks. Have you bounced a check? This can resulting in $30 or more in bank fees and service charges? By signing up with an overdraft protection at your bank you maybe able to save hundreds of dollars a year. (See our article on "It Pays to Balance")

Charge card statements. This maybe a strange area to cut expenses, but you might be amazed. Frequently we find double charges on accounts. These charges may come through a year later. We've also found errors on the amounts. Keep your receipts and balance it. It really doesn't take but a few minutes to match them up. Watch how your payment is applied. Did you do a cash advance? Those carry higher interest rates and unless specified by you, these balances are paid last.

Debit Cards. Just like charge cards, problems can occur here too. Some businesses actually place a fixed reserve on your card until the transaction is completed. Automatic gas pumps are probably the worst, with reserving $50 each time you use them. If you should use one when the money is tight, you can end up bouncing checks. While debit cards are a nice convenience, they can lead to added expenses.

Negotiate arrangments with creditors

Call the creditors with the highest interest rate. Tell them that you've been a loyal customer and you'd like to know what can be done to lower your current interest rate (APR). You can also try this on your mortgage.

If you don't get an adjustment try again in a couple of days, you may get a representative that will be more helpful. FYI - Long time customers have a better chance of getting their rates lowered.

Look at the creditors at the bottom. Will they adjust your payments down? Will some of them take 1/2 payments? Are there fees for this? If there are - don't do it.

Don't Neglect Yourself

No plan will work if you don't budget for yourself and some savings. Remember to plan for those things you need and begin setting a little aside for emergencies. Even if you pack your lunch for work and pocket what you would of spent (avg $6 per day) - that would mean a $120 per month could go into your savings. Use those savings when something comes up - like new tires to replace a flat, etc.

Working the Plan

Now, look at the creditor on top. By scraping what is the maximum amount you can pay. Use this Loan Calculator determine how long it will take you to pay it off. When possible, try to pay-off the one with the highest interest within 6 months or less.

Every month, review this list. Did anyone increase your interest rate? Did balance go down? Do you have a new unexpected expense that needs to be added?

It's important to pay minimum balance every month, but always try to double minimum payment on the one with the highest interest rate. Have some extra money this month? Give it to the one at the top.

Once you have the top creditor paid off, go to the next in line. Take the money you had been paying to the top creditor, add it to the next creditors minimum payment. Let's say you were paying the top creditor $300 a month, and the second creditor $50. Now, the second creditor will get $350 a month.

It's just like dominos. You just keep taking the money and paying them down.

Hope for a Brighter Future

Most individuals that are $15,000 in debt can get back in control, by modifying their stardard of living and following this plan, in about two to three years.

It may seem like a long time, but those who work hard to repay their debts - come out with a re-newed sense of freedom and control.

---- January 2005 Update ----

We just heard from one of our members that by following this simple plan after only one year she now has $3,000 less debt. With money for emergencies and the two credit cards with the highest balance paid off, she was able to negotiate better rates on many of her remaining cards.

She said, "While things are still tight, I can now sleep at night. And when we do especially well that month, we take a few dollars and treat ourselves to a night out - but only if we have the cash!"

Thanks Heather for sharing that with us here.

Please share your success stories with us.

Working with Creditors
Written by Guest on 2005-01-15 I am not in financial trouble, however I have had a Bank One card since it was Wacovia. I have never been late, always sent double the required payment and never been ove limit until October in the amount of $125.00.

I spoke with a gentleman on October 14th concerning this and did a bank transfer of $500.00 on the very next day. At this time the apr was 4.99%.

I was charged a $30.00 overlimit fee which was fair, however in November my statement was charged 25.99% and I called and was told it was because I went overlimit.

I sat down a wrote a long letter to customer service asking them to look at my payment history etc. I received a sorry,

letter and in December my apr was26.99%

So what do I do now?

Predatory tactics of Bank One
Written by cat101 on 2005-01-17 I would find a small local bank within your area. See about opening a credit card there. Find out what their fees are & get away from Bank One.

Or call Bank One & ask when will the APR go back down. Is it 3 months, 6 months, never?

P.S. I believe that a $30 overdraft fee is ABUSIVE. Did they also charge for the bank transfer?

See our articles on Credit - Abuses - Games Creditors Play.

credit card
Written by Guest on 2005-01-29 what happens if you stop paying your credit cards, what will the creditors do to you

Re: Credit Card
Written by jmalmberg on 2005-02-11 Besides negatively impacting your credit report and credit scores, you may find your interest rate being increase by others - including your insurance rates.

Credit card companies are some of the most agressive collectors, they do not have to follow any laws. They can call you at work or home, day or night, at any time. They can bring legal suit against you and replevin (get back) what you purchased.

To just quit paying your credit cards is not a good idea. If you have financial problems, you should try to work something out with your creditors directly.

Debt Collectors
Written by Guest on 2005-02-10 I purchased a computer in 2000 for 1000.00 appx and now my account has been sold to a debt collector and after months of me not paying or not knowing who to pay my debt is not 3000.00. It reads charged off on my credit report, is it a possibility that I can negotiate payment without paying the intrest?

Re:Debt Collectors
Written by cat101 on 2005-02-11 It sound like there is much more than just interest here - like late fees too. You can always try to negotiate these away. But regretfully, it is not easy. But be aware 1)this bill may be past statutes of limitations - meaning they have no way to force payment. 2) The trade line should fall off your credit report in two years. Check this site for "settlement" -- there are precautions you should take to protect yourself if you do negotiate down the interest.

summons from creditors attorneys
Written by byoungs on 2005-03-31 I know i owe the debt, card has been cut from use. I offered them $20 a month. I work 17-18hrs a week. they said they can not accept that kind of payment. why didn't you offer the creditor this before, well i did. what can I do. they are putting it into lidigation.

summons from creditors attorneys
Written by byoungs on 2005-03-31 what can i do about this. what are my legal rights

Re: Summons

Written by jmalmberg on 2005-04-04 If they are filing suit against you, you really need to speak with an attorney. The sooner you do, the better off you will be.

There are a variety of pre-paid legal services that will allow you to talk with good attorneys, for very little money. Many attorneys will allso give you an initial consultation for free.

Summons from creditor attorneys
Written by cat101 on 2005-04-19 Regretfully, if you have received a summons, then you have been sued. There is little you can do now, but try to contest the interest rates on the judgment - that means you have to show up for court. With working so little, your payment amount might be fair, however, if they garnish your wages, you can end up paying additional court costs for the garnishment - thereby making it hard to ever get the judgment paid off.

Best thing is continued dialogue with the agency. Looking for options - like a wage assignment (there are no court cost with that.)

Also, look closer at the above article on places where you can get money to get the judgment paid off.

settlement with credit cards
Written by Guest on 2005-05-15 I heard that I could offer my credit card company a "settlement" and not have to pay the full balance. Is this true and how do I go about it?

RE: Settlement with Credit Cards
Written by cat101 on 2005-05-16 Settlements are a sticky situation. Many times these are used as last resort prior to filing Bankruptcy. Or they may be asked by a credit counseling company for the purposes of consolidating debt. Or they can occur on debts that are past statute. Or a settlement may be offered by the creditor.

Normally, what you do is first go to a bank & line up a consolidated loan. Then call the creditor, offering to pay the "balance in full" if they will negotiate down the amount due.

Confirm the arrangement in writing, get an agreed-upon settlement date, get the new loan and then pay them.

Remember, a creditor does not have to take your offer.

See our related article FAQ's on Settlements

My husband went crazy!!
Written by Guest on 2005-06-10 Just learned that my husband ran up our credit cards without my knowledge. I have contacted the credit card companies to "relinquish" the cards over to my husband. Will I still be responsible for his debts? Supposedly, this takes my name off the jointly-owned cards. Also, will I be protected in the future if he should continue running up these cards? I live in California - a community property state. I'm guessing that I'll share all that he's done, right?

RE:My husband went crazy!!
Written by cat101 on 2005-06-10 I'm not sure what "relinquish" did, because unless the creditor acknowledged you as no longer being responsible -- it did NOTHING. The major statement you made is "supposedly." However, if the accounts weren't past due & your credit is good, it's possible that the creditor moved the account to only your husband...maybe. It would of been nice to know which creditor you are referring too.

Normally, removing an authorized or joint user requires more than a phone call. You may want to have your husband write them & request that you are removed from the account. Then wait about 120 days & check your credit report to see how the tradeline is being reported. Since you were BOTH jointly liable at the time of the purchases, I can't imagine a creditor merely saying "ok, you don't have to pay." Normally, you have to close the joint account & have him open a new account in his name only. Then pay off the joint account or transfer the debt to the new account. Just like in a divorce.

As for the future, one can only guess. Many of these creditors are protected by securing the debt with the items purchased. Meaning they can come and repossess them (never a good situation.) As for legal action, it is always possible that the creditors may attempt to sue both you and your husband. Whether you have any liability is really a question for an attorney.

Re: Crazy Husband
Written by jmalmberg on 2005-06-10 As a fellow Californian, I can tell you that you are responsible for the debt. My ex-wife did something similar and I wound up stuck with the bill. I had two different attorney's tell me that there was very little I could do, other than pay, since I had signed the original agreements.

statute of limitations
Written by Guest on 2005-07-07 Can a credit collection agency collect through payroll ten years after the charge off in NJ?

Re: Statute of Limitations
Written by jmalmberg on 2005-07-07 Garnishing payroll requires a court order.

Sold to collection agency
Written by Guest on 2005-12-19 I have a credit card account that has been sold to a collection agency who has called my landlord as well as my housemate (has a private phone line of his own). I would like to pay $200 per month but I am just plain old scared to deal with this company. What advice can you giver me. I am in the process of trying to find a loan for $3,500 so I can pay off this collection agency and then make monthly payments I can afford. Any suggestions?

Re: Sold to collection agency
Written by jmalmberg on 2005-12-19 First, please register with our site as it allows us to respond to your questions with more information.

The FCRA gives you a way to stop these callse. Specifically, you can send a letter to them, via certified mail with a return receipt required, and tell them that they are to stop contacting you. They have 30 days to comply.

This does not absolve you of the debt, and will not stop collection procedures or credit reporting. It won't stop you from being sued either. But it should stop the phone calls.

You should also know that the FCRA is very specific about what can be said to third parties. Collectors are pretty well limited to saying that they need to get in contact with you. If they are calling your employer, then you can stop this by letting them know that your employer objects to this type of call. But, and it is a big BUT, you are going to have to be in contact with the collection agency if you want to relay this message. If the collection agency is just trying to track you down through your landlord, room mate or employer, then they have a right to do that. To stop these calls, you are going to have to communicate with the collection agent.

On a $3,500 bill, I would think that $200 per month would be fine as a payment. You may want to work out the payment arrangements directly with the collection agency as this may avoid the need for you to take out another loan.

RE: Sold to a Collection Agency
Written by cat101 on 2005-12-19 Jim's comments would be correct if this was a debt "assigned" to a third party agency...but that is not the case.

You are dealing with a new creditor & they have evey right as the original creditor...they can call & harrass you. They can call your employer..they are NOT governed by the FDCPA (Fair Debt Collection Practices Act.) They can even sit outside of your home waiting for you...but I doubt that they would do that.

This is not a good situation to be in. I doubt if they will stop these actions.

Go to your bank, look at your savings, ask relatives for money, etc. I'd pay these people off, assuming the debt is valid, and build good credit with a payment you can afford. We usually recommend credit unions for loans.

Sold to a Collection Agency
Written by Guest on 2005-12-28 What do you mean a collection agency is not governed by FDCPA and that they can sit outside your home? I don't know where you're getting that information but I just don't believe it. If what you say is true, please provide the laws that back up your statement.

RE: Sold to a Collection Agency
Written by cat101 on 2006-01-03 First - if a debt is sold, then they are FIRST party collectors NOT third party collectors. Only third party collectors are governed by the FDCPA.

Second - The FDCPA says who they govern...and debt collector is defined as:

"The term "debt collector" means any person who uses any instrumentality of interstate commerce or the mails in any business the principal purpose of which is the collection of any debts, or who regularly collects or attempts to collect, directly or indirectly, debts owed or due or asserted to be owed or due another. "....

Key word "due to another." That is a third party collection Agency!

If the debt is due to them, then this (FDCPA) doesn't apply.

This come directly out of the Fair Debt Collection Practices Act, which is public law 104-208.

minimums doubled and interest 30%
Written by Guest on 2006-01-18

Written by Guest on 2006-01-18 My son-n-law and daughter have always paid their credit cards until 2 months ago when 1 credit was paid 2 weeks late for 2 months and my daughter called and asked to have the due date moved. And then in Jan. they doubled the minimum payment and their minimum went from 300.00 to 600.00 on 1 card. My son-n-law called the credit card company and asked if the 4% could be reduced to even 3% and they said the gov't would not allow that. The other problem is that the rate was now at a default rate of 30%. and if asked if they would consider reducing the rate because up until 2 months ago they had not been late. Their response was they will consider it after a Year. So now he is considering Bankrupcy because at $650.00 a month on this one card only 60.00 will go to principle. With the increase on utilities going up 60% in Michigan and gas prices ave. $2.30 per gallon Why would the gov't want to destroy the young couples that were able to pay in Dec 05 and now their income just can't handle the Minimums. What Agency came up with this suggestion and if it is the Republicans perhaps I will change my party. Can they close the account and stop the interest from accruing and pay the balance?

Re: Minimums doubled and interest of 30%
Written by jmalmberg on 2006-01-18 First, please register with our site. It helps us when responding.

This is not a matter the government wanting to ruin anybody's credit. To the contrary, the rule which the credit card company is talking about is really designed to get people out of debt.

To understand what is happening here, you need to know the history of minimum payments.

For many years, credit card companies charged a 5% minimum payment. The 5% figure was based on the balance carried on the card. This allowed people to make a credit card purchase and, even if they only paid minimum amounts, get out of debt in around 5 years.

As the banking industry was deregulated, and banks began to offer more and more services, one of their primary goals was to get more people using credit. They also wanted to get their existing credit customers to use more credit. The only way to accomplish this was to make credit appear to be more affordable.

To accomplish the goal, they began to reduce the amount of money required for minimum payments. At the same time, they began to implement higher fee structures and to increase interest rates for a wide variety of reasons.

The net result was that most credit card minimum payments dropped to 2% of the balance. This increased the amount of time that it took to pay off credit cards by about three times. For high interest rates, the time frame was even greater. And the difference in the amount of interest paid is staggering.

Letâ€™s look at the debt for the credit card that has jumped from $300 to $600. Based on quick calculations, the card has about a $15,000 balance. It is important to note that the minimum payments on the credit card balance are reduced every month, as the balance drops. If you can make a fixed payment amount every month, regardless of what the minimum payment amount is, then you will pay off the card much faster and significantly reduce the interest paid.

If the interest rate on your daughterâ€™s card was 18.99%, starting with a $300 minimum payment it would have taken 915 months (76 years) to pay off the debt and the interest would have been in excess of $55,000. Under the new rules, starting with a $600/month payment it would still take 200 months and the amount of interest paid over the life of the loan would only be $9,700.

But if your daughter was able to pay $600 per month, every month from now on, then the total time to pay off the card would drop to 33 months and the total amount of interest paid would drop to $4,250. Thatâ€™s a huge savings.

One very big problem that your daughter faces is the two late payments. Paying bills late is the worst thing that you can do for your credit report, and for your interest rates. Those late payments will now follow her for the next seven years, and make it much more difficult for her to get reasonable interest rates, and could impact her ability to get a job or a promotion. It will also impact the amount of money she has to pay for insurance. But if she declares bankruptcy, it will be even worse. This will follow her for the next ten years. Neither one is good, but bankruptcy is much worse.

Banks commonly push credit card interest rates up because of late payments. 30% is not unusual. Given the late payment history and the increased interest rates, your daughter would have seen an increase in her minimum payment amount anyway. At a minimum, it would have jumped to $380 per month, and that would have done almost nothing to pay off the principle. In fact, it is doubtful that she could pay off the debt in her lifetime. On the other hand, if she commits to making a $600/month payment, every month from now on, the debt will be gone in 40 months. That is even with the high interest rate.

You should also know that filing for bankruptcy will do more that destroy her credit. It is both expensive, and under the new law, will not necessarily mean that she isnâ€™t required to make the same high payments. If your daughterâ€™s household earns the median income for the area in which she lives, she will not be allowed to file for Chapter 7 bankruptcy. Instead, she will have to file for Chapter 13 and the court will garnish her wages and give her a small allowance to live on. This can go on for up to five years.

And the new bankruptcy law specifically states that the court CAN NOT take into account the petitioners ability to pay when setting payment amounts.

As for your question about how the new minimum payment amounts came to be, they are a result of a 2001 order by the Comptroller of the Currency. The order was issued because the Comptrollerâ€™s office was concerned that too many people were getting into debt that they could never afford to pay back. Most banks, fearing a high default rate, waited to implement the order until the new bankruptcy law went into effect. Unfortunately, that happened on October 17, 2005.

Iâ€™ve actually been wondering when we would start to get questions on this subject. Based on your inquiry, Iâ€™m going to make some slight revisions to this response and then post it as an article on our site.

RE:Minimums Double
Written by cat101 on 2006-01-18 We have been warning our readers about this for about a year. Hopefully some of our comments above may help them.

I would strongly suggest you also read our articles "Point Scores & How They Work." It discusses the importance of a personal banker...that is where I would start. BUT STAY AWAY FROM FINANCING COMPANIES.

Also, they may want to consider debt consolidators.

Another good articles is "The Gotcha's that Can Get Ya."

Definition of DEBT -- Living beyond your mean today, so you can live below your means tomorrow.

Unfair interest rates
Written by Guest on 2006-02-22 The interest on my credit card recently jumped to 30%. I have never been late and always pay more than the amount due and never been over the limit. I do use my credit card for almost everything but never was concerned. I was told that my credit score changed and for that reason my interest rate is now 30%. I didn't think they could raise the percentage unless I was late of missed a payment, or over limt. Is there anything that I can do? I have a large amount on my credit card and this just makes a bad situation worse. It seems to me that if they really want to collect the debt they would work with you and not against you.

Re: Unfair interest rates
Written by jmalmberg on 2006-02-22 First, please register with our site as it assists us in responding. Also, any dontations are greately appreciated and tax deductible.

Unfortunately, a drop in your credit score is probably the only thing that is required to trigger a higher interest rate, and there is probably nothing that you can do to solve the problem immediately.

Do you know why your credit score dropped? You may want to look at your credit report to make sure that the data on it is accurate. If there is a problem, then you should try to get it taken care of.

Just so you know, credit card companies will raise your rates if you are late on your utility bills, have outstanding traffic tickets, or are late on other bills. Its a practice that is known as data sharing - they gain access to information about you that has absolutely nothing to do with them. Our position is that this practice should not be allowed, but it is.

You should also know that a drop in your credit score can occur if the amount of available credit you have is reduced. It could be that you have too high a balance on your card, or on a variety of bills.

Charged off accounts
Written by Guest on 2006-02-24 At what point/dollar amount will companies or collection agencies generally consider it worth going to court over? I only ask because some people have said that in the case of a long ago charged off account that it may be better just to let it be and eventually drop off your credit report, rather than attempting to pay it off and having it suddenly be reported as new delinquent debt.

RE:Charged off accounts
Written by cat101 on 2006-02-27 That varies from company to company and agency to agency. There is no hard & fast rule.

If you pay off a collection item, the delinquency date SHOULD NOT change.

If you pay off a "charged off" account, the status is moved to "paid after charge off."

If you have the ability to payoff an account, it's best to get it taken care of sooner rather than later. Many mortgage lenders or equity lender or others, will require that these be paid off before they make the loan....

Overlimit on Interest
Written by Guest on 2006-06-02 I have a credit card that was nearing its limit of $250 (its a newbie card) and was pushed overlimit by the interest charged to it, in the amount of $8. I now face a $35 overlimit fee, pushing it further overlimit, and it is now set to snowball. Providian, the ard provider, refuse to work with me and say even if the account is frozen, fees will still accrue. How can I stop this blatent act of credit fraud?

RE: Overlimit on Interest
Written by cat101 on 2006-06-05 Regretfully, this is not credit card fraud..unconscionable yes but not fraud.

We know people that have trasfered balances to a new card & forgot about the transfer fees...which threw them over the

limit.

How far over limit is not as big a factor in point scores as being past due...

I wish I could say get a card from your bank, but they have been taking lessons from these predatory lenders and have started doing this too...

Creditor is satisfied with pymt plan but
Written by Guest on 2006-06-15 I make regular payments to AmExBlue by phone every month now, after a brief setback where I missed a few payments The first one was big, then I got back on track. The payments are accepted, my balance goes down and I get a confirmation # to reference the payment. Allied Interstate, Inc was given the account for collection, but it wasn't closed from AmEx, so I deal with AmEx for continuing to pay my debt. Well, Allied gets more angry every time I make a payment and they call to tell me that making those payments is not an option to me and that I "must pay [Allied Interstate, Inc.] the full balance immediately or get sued" I just hang up on him because he never seems to hear a thing I say and his responses make no sense because, clearly, making payments is an option because I'm doing it. I got a letter from Allied saying that my payment (referring to the latest one I made to AmEx directly) "was not the full amount as I had promised." Well, I never promised them the full amount, he, once again, is saying something that doesn't make sense. A few weeks later, and after yet another payment to AmEx by phone, Allied sends me another letter saying that they have tried contacting me for too long and it has cost them a lot of time and trouble to settle my debt with AmEx and that this is my final notice to pay in full or call with a reasonable payment plan. Once again, I will be repetitive by stating that I make monthly payments to AmEx on this account every month according to the minimum amount due on my monthly statement from them. This guy is insane, its like he's living on a different planet. It's creepy. How do I stop this guy "John" from polluting my life with his ignorance and disgusting demeanor. If you suggest writing to the Attorney General, what should the letter say? Thank you. KWCA.

By the way, I've been trying to register, but I don't get the e-mail. I tried several times, so I ended up going to "contact us" and explained. I am waiting to hear from them. Thanks

Above comment is by KAW
Written by KAW on 2006-06-19 I wasn't able to get a password for my KWCA user name, so I re-registered KWCA as KAW and was successful. The above comment " Creditor is satisfied with pymt plan but..." is from me. I hope this helps in getting a response. Thank you.

RE: Creditor is satisfied with pymt
Written by cat101 on 2006-06-19 First, all payments made to either the creditor or the collection agency MUST be applied against your balance.

Obviously, AmEx is letting the collection agency know about the payments, so there's no problem there. (I want to mention that there is a real danger of paying the original creditor rather than the collection agency, because some creditor's "forget" to let the agency know because they don't want to pay the agency a commission -- but that's not the problem here.)

First, you need to ask AmEx why the account is with a collection agency..see if they can request it back (It all depends on their arrangements.)

There is nothing illegal or wrong about what Allied is doing.

In fact, there maybe a problem with what AmEx is doing. Technically, once an account is turned to a collection agency, the original creditor is to cease collection efforts and AmEx didn't do that -- you say that they are still sending you bills.

Is this an open account that you are charging on??

You can PM us via the Contact Us area...

Fed Regulation Complaints
Written by TXPioneer on 2006-07-09 I wrote my state congressman about the high interest rates and got back a letter

stating that it was a federal regulation. Where can we write that is more effective? US Senator or Congressman? These close to 30% interest rates are outrageous considering what happened was one payment to a minor bill got caught in snail mail!!!!....Jeri

RE: Fed Regulation Complaints
Written by cat101 on 2006-07-10 What a simple question. Regretfully, the answer is not.

It use to be that interest rates were controlled at the state level. Every state has in it's laws what is considered userous.

Then, in order to promote interstate commerce, our federal goverment implemented some laws that supersede state laws. As a result, the state laws were the company is domiciled are the only laws to be obeyed.

Then came along states that wanted to encourage different industries to relocate there. One such state is South Dakota, they removed all userous laws and bang...national banks relocated there. PBS did a wonderful story on that about 6 months ago.

So who can you write to? Were can we voice our opposition to this abuse? Obviously, the states that encourage this maybe. But, we've seen where new state laws merely resulted in other states changing theirs and the industry them moved there. So much for effecting change.

We merely must become informed consumers and not support or use these "credit cards."

Local banks issue credit cards too. Those that are domiciled within your state are governed by your state laws.

We recently saw a credit card statement that carried 34% interest. There was no way for the $5,000 balance to be paid off. It was an elderly person on a fixed income.
It was absolutedly amoral.

So, the best action is to find a bank that you want to deal with. And toss any offers you receive in the mail -- whatever they offer isn't worth it.

Credit Card Chargeoff
Written by Guest on 2006-07-25 3-1/2 years ago I was laid off and unable to keep up with all my credit card payments along with other monthly bills . 3 of my credit cards have since been charged off and now total approx. $12,000. The largest card which is approx. $7500. has sent me a settlement offer to open a new credit card account for $5000. and it will consider the original debt as paid off. The interest rate on the new credit card would be 19.95%. I am able to pay $400-500/month towards this old debt and then I would attempt to pay off the 2 other cards. Is this something I should consider or do you have any other suggestions how I should be going about the repayment of these very old debts???

RE: Credit Card Chargeoff
Written by cat101 on 2006-07-26 Please register with our site. There are way too many factors to be considered before answering the question.

Like - what state do you live in? What are the statutes of limitations? Are they reported on your credit report? Who is the creditor?...Then answers to these may generate more questions.

Please register with our site.

RE: Credit Card Chargeoff
Written by haleyl on 2006-07-26 Registration successful... The state is NH - the statue of limitations is only 3 years on credit cards so I'm 99% sure that it has passed. The original creditor for this card is Bank of America. The other two cards are through Capital One and Aspire. I'm trying to improve my credit score so when I try to get a mortgage in the next year to 18 months I don't get slammed with crazy interest rates. I currently have one credit card in my name only that has been open for 18 months ($400 credit limit that I pretty much pay off every month) and 1 joint credit card open for 8 years (high credit limit but low balance) - both have been paid on time, every month. And I just opened a $1200. secured loan from my bank which will be paid off in 11 months (purely to help re-establish credit). I'm under the impression that mortgage companies would require me to payoff these credit cards debts before they will approve a loan -

is that not accurate??

COMMENTS CLOSED