

Financial problems can begin in any number of ways. For example: divorce, separation, job loss and catastrophic health problems can all lead to financial difficulties. While most people want to pay all their creditors sometimes unavoidable reasons like these do happen. If you cannot pay all your bills on your current income, you might first try to get help from Consumer Credit Counseling at 800-599-6489. Consumer Credit Counseling will evaluate your income and expenses and, depending on your financial situation, attempt to negotiate lower, more manageable, monthly payments with your creditors or settlement of your debts for less than the face amount owed. If Credit Counseling cannot help, follow the general guidelines set out in the rest of this brochure for paying your debts and dealing with creditors and debt collectors.

### **Pay Priority Creditors First**

Always use the money you do have to first pay for what is most necessary for you and your family: food, clothing, shelter, transportation and continued utility service. Because debt collectors can do little to you, other than harass you over the telephone or through the mail, do not decide which debts to pay based on harassment from debt collectors. Use the following guidelines in deciding which bills to pay if you do not have enough money to pay on all your debts.

→ Rent or Mortgage, property taxes and food purchases should always come first.

→ Then, make whatever payments are necessary to insure continued utility service. Most utility companies may not require payment in full even if you are behind. Apply for energy assistance when applications are available, enroll in the utility's customer assistance program if you qualify and any other source of help with your utility bills. Contact the Public Utility Commission and file an informal complaint if the utility will not make a reasonable payment agreement with you. Call Northwestern Legal Services if you face termination of utility service and cannot find another way to stop it.

→ You should pay a car loan after critical items (food, rent, clothing, utility bills), but before most other debts for nonessentials.

→ Tax liabilities and student loans should be paid after critical items and transportation expenses are taken care of. Note: Federal student loans have income based

repayment and other options available. Use one of these options which will keep the loan from going into default.

→ Generally, loans with household goods as collateral should be paid only after shelter, clothing, food, utility, taxes, student loans and necessary transportation costs are satisfied.

→ Debts without property pledged as collateral, such as credit cards, doctor and hospital bills and accounts with merchants, should only be paid after all necessary bills are taken care of. **Do not pay on a debt, even if a creditor or debt collector threatens to sue you, if payment on that debt would keep you from paying priority creditors.**

→ Only pay those debts that you have a good legal reason to pay. If you dispute a debt, such as when the car you borrowed the money for is a lemon, refuse to pay. Instead, seek legal advice about how to best fight for your rights.

→ Call Northwestern Legal Services for help if a creditor gets a judgment against you from the Magisterial District Judge or Common Pleas Court.

### **Debt Collectors**

Most debt collectors for credit card debt are actually companies that bought the debt from the bank that issued the card for pennies on the dollar. They make money if they can get you to pay more than when they paid to buy the debt. They will send collection letters and may try calling you on the phone, although that is increasingly ineffective as most people now have caller ID/blocking and answering machines. Of course, there is no law that says you have to talk to them, so always feel free to ignore their calls. What these debt buyers frequently do, because they cannot harass debtors effectively by phone, is file suit in court to get the debtor's attention.

### **What can a debt collector or creditor really do?**

A creditor, debt collector or debt buyer can do little more than demand payment. If the creditor has not taken your house, car, or other property as collateral on a loan then, legally they can only do three things:

1. Stop doing business with you.
2. Report your default to the credit reporting agencies (which will be unavoidable when you cannot pay most of your debts on time).
3. Sue you in court. Although the threat to sue you may be very upsetting, it is not nearly as serious as you might

think. Many creditors do not follow through on their threats, especially if they know or believe you own little property. Even if a creditor gets a court judgment against you, the judgment itself does not force you to pay the debt. It only gives the creditor the right to try to take some of your property. If you do not own very much, the creditor cannot take any of your property, even though they might get a judgment against you. **There is no such thing as debtors prison.** In Pennsylvania, the first \$300 of the property you own is exempt from sale (\$600 if you are married). Also, a creditor may not sell someone else's property to satisfy your debt. Wage garnishment is not allowed in Pennsylvania, except for back child support, student loan debt, and, in some limited cases, a legal judgment for damages obtained by a landlord. Bank account garnishment is allowed in Pennsylvania to collect a judgment, but money in a bank account from government sources, such as Social Security, SSI, unemployment and VA benefits and tax deferred accounts, including IRA's and 401K's cannot be garnished.

### **How can I stop being harassed if I am being called by a creditor or debt collector?**

Federal law prohibits unreasonable harassment by collection agencies or attorneys. For example, they may not contact you before 8:00 a.m. or after 9:00 p.m., unless you give your permission. They also may not use obscene or profane language, call you constantly to annoy you or, in most cases, call third parties, such as relatives, neighbors or employers. Pennsylvania has similar laws. Of course, feel free to use caller ID/blocking and voice mail to avoid their calls.

### **If you are being harassed, follow these steps:**

1. Head off harassment before it starts. When financial setbacks prevent you from paying all of your bills, contact Consumer Credit Counseling for help. If they cannot help, contact the creditor and explain your situation. For example, say that you have to pay the landlord and utilities first, and that you will pay your other bills when you can. Don't over promise: it's better to be realistic about your prospects for paying. By contacting the creditor first, you may avoid having the debt turned over to a collection agency or debt buyer, which will usually be less flexible than the creditor in working out a payment plan. If you decide to work out a payment plan, you should only agree to a realistic plan, preferably one that significantly reduces the debt--otherwise your payments may not even cover monthly interest charges and will

never pay down the principal. Also, don't promise payments that would prevent you from paying your monthly household expenses. Make sure that you get the new payment agreement in writing in case the creditor withdraws from your verbal agreement.

2. Write a cease letter. If explaining the situation doesn't stop collection efforts, the simplest way to stop contacts is to write the collector a cease collection letter. All the letter has to say is the following:

***"Effective today, Please cease and desist all collection efforts and contact regarding the above account. Please note that the Fair Debt Collection Practices Act and Pennsylvania Consumer Protection Law requires you to honor this request to stop communicating with me."***

Federal and Pennsylvania Law requires collection agencies to stop contacts with you after they receive a written request to stop. *Be sure to keep a copy of the letter for your records. Northwestern Legal Services has a form cease letter that you may use if you are eligible for legal help.*

3. Complain about billing errors. Collection letters are sometimes wrong. If a letter contains a mistake, you should write and request a correction (and keep a copy of your request). If you dispute the debt in writing within 30 days of your receiving notice of the right to dispute, the collection agency must stop collection efforts while it investigates. If the account is an open end account, like a credit card, you can dispute a charge within 60 days of receiving the bill.

4. Complain to a government agency. For creditor harassment, or if a debt collector keeps harassing you, or calls third parties after you send a cease letter, file a complaint with the Pennsylvania Attorney General's Office of Consumer Protection at 800-441-2555; or at [www.attorneygeneral.gov/submit-a-complaint/](http://www.attorneygeneral.gov/submit-a-complaint/)

Consumer Protection will enforce Pennsylvania law against debt collectors or creditors who harass you after you tell them in writing to stop. Sometimes, Consumer Protection cannot help, especially if the debt collector is from out of state. In that case, mail any complaint you have about a collector's conduct to the Federal Trade Commission, Bureau of Consumer Protection, Division of Credit Practices, Washington, D.C. 20580. You may also call the FTC at 1-877-382-4357 or get a complaint form

from their website: [www.ftc.gov](http://www.ftc.gov). You might also file a complaint with the Consumer Financial Protection Bureau at [www.attorneygeneral.gov/submit-a-complaint/](http://www.attorneygeneral.gov/submit-a-complaint/) See the next page for an example of a complaint letter you could send to the Federal Trade Commission.

Example of Consumer's Letter Complaining of Debt Collection Abuses to Federal Trade Commission:

Connie Consumer  
106 Cherry Street  
Debt City, PA 16106  
January 1, 2019

Federal Trade Commission  
Bureau of Consumer Protection  
Division of Credit Practices  
Washington, DC 20580

Dear Sir or Madam:

I am writing to complain of abusive debt collection tactics used by BAD Collection Agency, 222 Harris Terrace, Pittsburgh, PA 15106, and to request that you investigate this matter.

I was laid off by my employer two months ago and could not maintain all payments on all my bills. BAD began contacting me in December about my account with Bill's Hardware Store in Debt City. BAD's abusive collection tactics included:

1. Telephoning my elderly mother asking her to lend me the balance owed when she has nothing to do with this account.
2. Calling me at 6:30 a.m. at home and using bad language.
3. Writing they would sue me if they did not receive payment in 10 days--this was a month ago--and all they have done is call and write since then.

4. Continued to contact me after I wrote them and told them to stop. (Copy of letter enclosed.)

5. Billing me for \$500 when I owe no more than \$300 on my account.

My family and I are doing our best to get back on our feet, and this abuse is very distressing and not helpful at all. Your assistance will be appreciated.

Very truly yours,

Connie Consumer

cc: PA Office of Consumer Protection  
Better Business Bureau  
BAD Collection Agency  
Bill's Hardware Store

## Northwestern Legal Services



## Creditor Harassment

Dealing with debt collectors

To apply for services call:  
1-800-665-6957 or 814-452-6957  
9:00 a.m. - 4:00 p.m. M-F  
Or apply online at [nwls.org](http://nwls.org)

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