

Debt Collectors and Debt Collection

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Creditor – The original company, person or service that loaned you money or extended you credit.



In house – Refers to the original creditors attempt to collect unpaid accounts.



Charged off - The account has been determined, by the original organization, as uncollectible.



Collection agency – Third party organization that purchases or contracts with the original creditor to collect debts that creditor has deemed uncollectible.

Collection Terms

NEW

Medical Debt & Credit Reports

Effective July 27, 2025

- Medical debt will not be reported on credit reports in WA (though medical debt credit cards like Care Credit can be reported)



Charity Care Guidelines for Washington (for services provided on or after 7/1/22)

- Tier 1 hospitals include hospitals owned or operated by a health system that owns or operates 3 or more acute care hospitals (also including Seattle Children's Hospital, Overlake Medical Center, Evergreen Health Kirkland, and Legacy Salmon Creek):
 - Free care up to 300% FPL;
 - 75% discount between 301-350% FPL;
 - 50% discount between 351- 400% FPL.
- Tier 2 includes all other hospitals (independent and small hospitals and behavioral health not owed by system):
 - Free care up to 200% FPL;
 - 75% discount between 201-250% FPL;
 - 50% discount between 251-300% FPL.

Collections and Credit Reports

- Collection accounts remain on a credit report for seven and a half years from the date the account became delinquent (late) **with the original creditor**.
- Under the Fair Credit Reporting Act this time **cannot** be extended by:
 - Making a payment on the account, or
 - Acknowledging that you owe the debt.



When Can a Creditor Sue to Collect a Debt?

- In Washington State there are three statutes of limitations that apply to when a creditor may sue to collect a debt.
 - Written contracts – six years.
 - Oral contracts – three years.
 - Promissory notes – six years.
- This time can be extended by:
 - Making a payment on the account (but no “zombie” debt allowed in WA),
 - Acknowledging that you owe the debt, or
 - Agreeing to make payments on the account when it is near the Statute of Limitations.

Court Proceedings

A creditor may sue to get a judgment against you if you do not pay.

Timeline of a lawsuit

A judgment is a formal decision by the court stating whether or not you owe a debt.

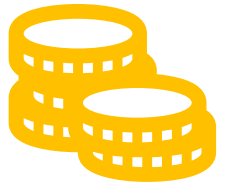
Judgments provide the creditor with other options for enforcing repayment. These include:

- Garnishing wages (taking money from your paycheck),
- Garnishing a bank account, or
- Placing a lien against real property.



Collections and Repayment

1. Create a list of **all** outstanding debt and be sure to note the date of the first delinquency with the ORIGINAL creditor.
2. Prioritize all debts – list the dates items will come off the credit report.
3. Save and prepare to repay the debt, if you are able to. Save up to offer a settlement if that is the most realistic option.
4. Contact the creditor – negotiate the payoff – focus on the end amount paid, **not making payments**. Start negotiations at 25% of the debt and work UP from there.
5. Request written receipts for payment and follow up to make sure information reflects accurately on the credit report.
6. Other considerations when prioritizing what to pay, what not to pay
7. Bankruptcy considerations



Paying Collections

- Avoid paying if:
 - They fail to provide verification of the debt.
 - The demand payment by Western Union.
 - They demand payment by check over the phone, particularly if they called you – it could be a scam!
 - You do not owe the debt.
 - If you are not sure you owe the debt.

Credit Repair & Disputing Collections

Credit repair companies try to improve credit report by disputing negative items or negotiating with creditors on your behalf, often for a fee.

Costly and Risky

- Under the Credit Repair Organizations Act (CROA) and the Telemarketing Sales Rule, CROAs cannot legally collect payment before completing promised services.

No Magic Fix

- These companies cannot legally remove accurate negative information from your credit report, regardless of what is claimed.

There Are Better Options

- People can dispute errors for free directly with the credit bureaus — there is no need to pay for this service.

Disputing a Legitimately Owed Debt Can Have Consequences

- **Credit Score Impact**
 - Disputes may lower your score or raise red flags with lenders.
- **Reduced Leniency**
 - Creditors may be less willing to offer help if you dispute a valid debt.
- **Collection Resumes & Legal Risk**
 - Collections can restart and could lead to lawsuits or wage garnishment.
- **Stress & Legal Costs**
 - Disputes can increase emotional strain and may involve legal expenses.

✓ Tip: Dispute only inaccurate items. For valid debts, talk to creditors about repayment options, consider modified repayments like settlements, seek legal advice, or contact a non-profit credit counseling agency..

Why Deleted Items Can Reappear on a Credit Report

Key Points to Know

- Initial Deletion Doesn't Guarantee Permanent Removal
 - Items may be deleted if the furnisher doesn't respond within the 30-day dispute period.
 - However, the Fair Credit Reporting Act (FCRA) **does not require permanent deletion.**

How Reinsertion Can Happen

- A furnisher may verify the information after the 30-day deadline (e.g., on day 35).
- Credit bureaus may then reinsert the item into your credit report.

Ongoing Reporting Triggers Reinsertion

- If the furnisher resumes regular reporting of the account, the item can reappear even after removal.

Your Rights

- Credit bureaus must notify you within 5 business days if a previously deleted item is reinserted.

Debt Management & Debt Settlement

Debt Management

- A structured plan, through a credit counseling agency, that allows you to fully repay unsecured debt to your creditors, via one monthly payment, with reduced interest rates and waived fees.
 - Typically, three to five years (maximum of 60 months).
 - One-time fee for account set-up plus a nominal, monthly fee for managing the accounts.
 - Accounts are paid in full through the plan.
- Credit score may take a slight initial dip as accounts are closed.
 - However, making **on-time consistent payments** and reducing the debt, typically increases the score over time.

Debt Settlement

- An arrangement in which creditors accept an amount less than the total balance owed and agree to forgive the remaining amount.
 - Time varies, depending upon current account standing and other factors.
- People can settle debts on their own.
 - Debt will reflect as settlement on credit report.
 - Really only appropriate option for accounts that are already several months past due or in collections.
 - Damaging for credit score.
- Forgiven amounts over \$600 may be considered unearned, taxable income.

Debt Consolidation

What is it?

- Combining multiple debts into a single new loan or line of credit.

Benefits

- One monthly payment.
- Possibly a lower interest rate.
- Simplifies budgeting.

Important to Know

- Debt is still owed – it is just moved.
- Can extend repayment time and cost more overall.
- Risk of running up new debt if spending does not change.
- Harder to qualify if someone has accounts in collections or a low credit score.



Bankruptcy

Chapter 7

- Chapter 7 bankruptcy is a legal process that helps individuals or businesses erase most of their debts by liquidating (selling) their non-exempt assets.

Chapter 13

- Chapter 13 bankruptcy is a legal process that lets individuals reorganize their debts and repay them over three to five years through a court-approved payment plan, while keeping their property.

Fair Debt Collection Practices Act

- This law covers actions by third party collections agencies—not by the original creditor.
- The law outlines consumers' rights to dispute overdue bills placed with collection agencies.
- It also stops debt collectors from using unfair, abusive, or deceptive practices to collect overdue bills.

FDCPA Debt Notification

- Notification of a debt **must** include
 - Amount of debt
 - Name of original creditor
 - Disclosure stating that you have 30 days to dispute the debt and
- If you dispute the debt, they must send you verification of the debt's validity.

When a Collector Contacts You

- Under the federal Fair Debt Collection Practices Act you have the right to:
 - Ask for verification that you really owe the debt.
 - Request that collection agency does not contact you. You can send a letter requesting they “cease and desist” all communication with you.
 - While this option will stop the calls, the collector may feel like their only remaining option to get you to pay is filing a lawsuit in court.
 - Ask for payment arrangements. The collector does not have to accept an arrangement.
- WA Collection Agency Act

Anytime you correspond with collection agencies, send mail Certified Mail/Return Receipt Requested!



Handling Collection Calls

DOCUMENT

- Every call and keep every letter. Include:
 - Name of collection agency/attorney,
 - Date of contact,
 - Time of contact,
 - Telephone number the person is calling from (if you can get it),
 - Name of the individual you are talking to, and
 - Summary of the discussion or voicemail.

Avoid

- Admitting that the debt is yours (statutes).
- Arguing with the debt collector.
- Providing the debt collector too much information.



Illegal Collection Practices

- Communicating with a third party to discuss the debt
- Inappropriate communications with the debtor
 - This includes calling outside the hours of 8 a.m. to 9 p.m.
- Harassment or abuse such as threatening bodily harm or using profane language
- Making false or misleading statements such as threatening criminal action when it is not a possibility



How to Handle FDCPA Violations

Report any problems you have with a debt collector to:

- the [Federal Trade Commission](#)
 - the federal [Consumer Financial Protection Bureau](#)
 - the [Washington State Attorney General's Office](#)
 - the [Collection Agency Review Board](#) (part of WA Dept of Licensing)
<https://www.dol.wa.gov/business/collectionagency/colrights.html>
 - get legal assistance
- Provide any proof you have such as papers, mailings.
 - Keep copies of everything you send.



Dealing with Debt Collections

- Understand your own finances.
- Prioritize bills and debt (and don't let an aggressive debt collector persuade you to reprioritize your debts!)
- Review available repayment or payment pausing options.
- Know rights when it comes to debt collection.
- Know who to contact if something goes wrong.

LEGAL RESOURCES & INFORMATION

Northwest Justice Project - <https://nwjustice.org/home>

Debt Collection Defense Clinic – occurring remotely on Tuesdays. **King Co** clients should call 206.464.1519 to be screened for eligibility 9-5 pm Mon-Fri. Eligible clients will then receive a call back between 1-3 pm on Tuesdays for advice and counsel services.

Outside of King Co: CLEAR Intake Line: 1.888.201.1014, Mon-Fri 9:15am-12:15pm

<https://nwjustice.org/get-legal-help>

Washington Law Help

<http://www.washingtonlawhelp.org/>

King County Bar Association's Debt & Bankruptcy Clinic:

<https://www.kcba.org/For-the-Public/Free-Legal-Assistance/Neighborhood-Legal-Clinics>

Northwest Consumer Law Center: <https://nwclc.org/>

ADDITIONAL RESOURCES & INFORMATION

American Financial Solutions, nonprofit financial counseling

- Credit, debt, and budget counseling,
- Prepurchase, Foreclosure, and Reverse Mortgage housing counseling,
- Save to Build credit program, and
- Student Loan counseling.

Monday – Friday, 6 a.m. to 6 p.m.

888.282.5811

www.myfinancialgoals.org

Consumer Financial Protection Bureau

Tools and resources for managing money, debt, and credit consumerfinance.gov

Federal Trade Commission (FTC)

Learn about your rights and how to avoid scams

consumer.ftc.gov



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