

Zombie Debt: Don't Let it Bury You



MONEY
SPROUTS

The horrors of zombie debt continue to plague Americans, but there are a growing number of strategies borrowers can use to fight back. The Consumer Financial Protection Bureau (CFPB) and many state Attorneys General continue to take action against organizations who sell zombie debt accounts to third-party debt collectors that are “inaccurate, settled, discharged in bankruptcy, not owed, or otherwise not collectible.”

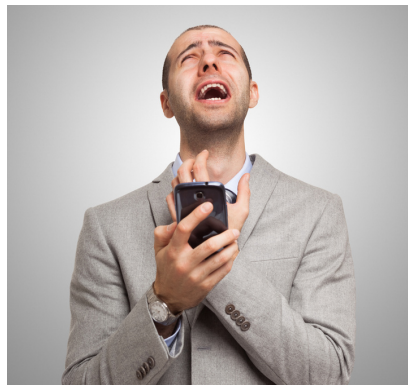
While this is helpful, they're only catching the big offenders. There are thousands of debt collectors using similar tactics to harass unaware consumers into paying thousands of dollars for old debts they may or may not actually owe. If you're on their hit list, use these critical strategies and resources to avoid being buried by zombie debt.



First: Know what it is — Zombie debt is old debt you thought was dead, or that you may not even owe. It's generally sold at a significant discount to debt collection companies — often referred to as debt scavengers — and may be sold and resold four or five times over the course of several years. Debt predators will try to intimidate, overwhelm, or confuse those who aren't aware of the facts, add thousands of additional fees, and bury their prey with harassing phone calls or illegal robo-signed court documents.

Verify you owe the debt — Ask the collector to prove the debt is owed. The Fair Debt Collection Practices Act (FDCPA) gives us the right to require them to verify you owe the debt. By not disputing their claims within 30 days of the initial contact, the assumption is that the debt is valid. To avoid this trap, take action immediately! Before answering any questions, send a certified letter (one verifying the date of your inquiry) requesting the collector prove the debt is actually owed. The CFPB offers a variety of tips and sample letters.

Absolutely do not make a small payment to stop the harassing phone calls —



Any acknowledgement of the debt, agreement to pay, or sometimes even admitting the debt is owed after the statute of limitations expires could potentially restart the clock. This is often referred to as re-aging, or awakening a debt that was essentially dead. Creditors have the right to sue for payment from the date any payment or acknowledgement was made. Caution: Don't sign anything, even if it's simply a letter stating you can't make a payment. This sneaky trick can also restart the clock.

Don't fall for phantom debts — Many scam artists are using the zombie trend to collect phantom debts — debts they make up but that don't actually exist...and never did. Since these debts have been sold and resold sometimes for years, there may no longer be any supporting documentation proving the debts are owed. Asking for validation typically stops the menacing phone calls or threatening letters, and the scammer moves on to other unsuspecting victims. If the collector can't produce documentation to prove you owe the debt, they must drop the claim. If the harassment continues, send them a cease and desist letter.

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