



**LEGAL  
SERVICES**

INCORPORATED

# **DEBT COLLECTION BASICS**

## **How Do I Negotiate a Settlement in a Debt Case?**

### **I AM BEING SUED. IS IT TOO LATE TO WORK OUT A SETTLEMENT AGREEMENT?**

No. The parties can agree to settle a case at anytime before the judge enters a final ruling.

### **WHAT ARE THE ADVANTAGES OF SETTLING A CASE?**

- The settlement amount is generally less than the amount being sought or the amount being claimed in the complaint.
- It saves you time: you often have to return to court numerous times before a case is resolved by the court.
- You can negotiate a payment arrangement over time.
- You can avoid having a judgment entered, which often shows up on your credit report, and can put you at risk of having your bank account frozen.

### **WHAT ARE THE DISADVANTAGES OF SETTLING A CASE?**

- It is possible that you will end up with an unfavorable settlement because of pressure and deceptive tactics by certain creditors and their attorneys.
- In some situations, you may not have a legal obligation to pay the debt, and if you proceed with the case, you may be absolved of the debt. For example, if you receive public assistance, supplemental security income, social security disability, or other government benefits, it is likely that the creditors cannot enforce a money judgment against you; therefore, it would be better to proceed with the case, rather than to settle.

### **WHAT ARE SOME THINGS I NEED TO BE AWARE OF WHEN NEGOTIATING A SETTLEMENT?**

- Make a budget and determine your **BOTTOM LINE** before going into a settlement conference. Do **NOT** go over that amount. It is preferable for you to take your chances at trial if the creditor or collection agency's attorney will not agree to your bottom line.
- Be aware that sometimes creditors will accept a settlement agreement of less money if you can give them the sum in one lump payment.
- **NEVER** make the first offer. Do **NOT** share your bottom line right away.
- Only agree to terms that you feel are reasonable or that you can comply with.
- Never agree to a settlement out of fear or pressure. You are under no obligation to settle a case. If the settlement discussions become uncomfortable, stop the discussion, and resume the court proceedings.
- Make sure you understand who the different people are in the court. The attorney who represents the creditor or debt collection agency is your legal adversary, but the court attorney works for the judge, and is an officer of the court.
- You should only agree to a settlement with a court attorney present. **NEVER** settle the case in the hallway or outside of court.
- Make sure that you understand **EVERY TERM** in the settlement. If you don't understand something, ask the judge or court attorney to explain it before you agree to it.
- Do not be afraid of appearing before or talking to a court attorney or a judge -- they have an obligation to act fairly and reasonably.
- Obtain any agreement in writing, and make sure that it is submitted to the Court for review.