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<http://www.nolo.com/legal-encyclopedia/what-expect-when-your-debt-goes-collection.html>

What to Expect When Your Debt Goes to Collection

Learn how debt collection agencies operate.

If your debt or account is sent to a collection agency, it pays to learn how collection agencies operate so you know what to expect.

When Will Your Debt Go to Collection?

If you ignore the creditor's letters and phone calls, you are unable to work out an agreement to repay or settle the debt, or you set up a repayment schedule but fail to make the payments, your bill will most likely be turned over to a collection agency or sold to a debt buyer, and your delinquency reported to a credit bureau. This will probably take place within three to six months after you default. The types of debts most likely to be sent to a collection agency are credit card and telephone service debts, followed by other utilities, car, government, and medical debts.

What to Expect When Your Debt Goes to Collection

By taking some time to understand how collection agencies operate, you'll know how to respond when they contact you so that you can negotiate a payment plan or get the agency off your back. So keep these basic points in mind.

Debts May Be Assigned or Sold

The creditor may continue to own the debt, but turn it over to a debt collection agency with a contract to collect (this is assigned debt). Or, the creditor may sell the debt outright to a collection agency (this is purchased debt).

If the Debt is Assigned, Collection Agencies Take Their Cues From the Creditor

If the debt is assigned to a collection agency, but still owned by the creditor, generally, the collection agency can't sue you without the original creditor's authorization. If the original creditor insists that the agency collect 100% of the debt, the agency cannot accept less from you without getting the original creditor's okay.

Agencies Move Quickly

You can expect to hear from a collection agency as soon as the original creditor passes on your debt. Professional debt collectors know that the earlier they strike, the higher their chance of collecting. Agencies have many ways of locating your whereabouts.

Bill Collecting Is a Lucrative Business

Collection agents get paid for results. Some earn high salaries. Other companies pay their collectors meager wages plus commissions, which means you may be called by a stressed-out, rude collector who doesn't much care what the law allows.

Agencies With Assigned Debts Usually Keep Between 25% and 60% of What They Collect

The older the account, the higher the agency's fee. Sometimes, the agency charges per letter it writes or phone call it places—usually about 50¢ per letter or \$1 per call. That gives it an incentive to contact you repeatedly.

Collection Agencies Are Choosy

Before an agency tries to collect, it evaluates its likelihood of success. It may carry thousands—or even tens of thousands—of delinquent accounts and must prioritize which ones to go after. If success looks likely, the agency will move full speed ahead. If the chances of finding you are low, the odds of collecting money from you are somewhere between slim and nil. If your credit file shows that you've defaulted on 20 other accounts, the agency may give your debt low priority.

Collection Agencies That Purchase Debt May Not Have Good Information

Buying debts has become a huge business for collection agencies. Especially if your debt is old, you are likely to find yourself dealing with someone who has bought a bundle of debts for pennies on the dollar. Because the collector may not have any of the original credit documents and only a computer printout of the debt, the information it has may very well be incorrect. It may even have bought the debt from a previous debt collector, not the original creditor, which increases the likelihood that the collector doesn't have accurate (or any) information about the debt.

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