

Understanding Negotiations with a Creditor

When we think of the term creditor, most of us shrink at the thought of owing someone money. Used in the financial world, the term "credit" originated with a chance percentage of whether or not someone would pay back their loans or not. In the early days, a person's dependability or personal reputation had a lot to do with their ability to pay their bills on time or repay their loans. If these were not paid, the "shooster" was considered undependable and shiftless, and then ran out of town on a rail.

Creditor would be always desiring for a successful settlement negotiation so as to have the account permanently closed. Such creditor could be typically a company, an individual or a bank to whom a person owes money from a past bill or a loan that was not paid.

With the recent home mortgage most of us obtain mortgage loans from the banks who actually owns the homes that are mortgaged. In this case the creditor would be the bank and the debtor is the one not being able to pay for the home mortgage loan.

The creditors always wanting to negotiate with a debtor for settlement so that they can close the account permanently by any possible means. All it depends on what type of creditor is involved, what kind of debt it is, for how long the debt is kept unpaid and the credit rate of the debtor.

In the case of mortgaged homes the creditor bank ends up taking the possession of the house back from the debtor so that they can recover the money owed to them which is not being paid and is kept as over due outstanding. Typically the homeowner either by choice walks away or by forced eviction.

In such a condition a repayment plan is to be negotiated with the creditor to bring back the credit on track. It is a preferable solution to both parties. In such a case the payment plan usually will be shorter than the scheduled original period. Bankruptcy may occur following unresolved problem, when the creditor is unable to workout the payment plan with the debtor.

Most debtors or individuals who owe money know very little about bankruptcy, with the majority knowing little about finances. Additionally, bankruptcy has changed a lot in the past year or so, in comparison to filing in the past. But over the years, money issues have compounded to the point that most relationships are in serious trouble because of them mainly due to lack of communication, as money represents different things to different people.

Another thing to remember is this, the creditor may have a list of outstanding bills that a person owes but some of the creditor's documentation may not be correct due to human or system error. The bureau can be notified in order to remove the errors, which is why it is important occasionally to obtain a free credit report to keep check on its status.

About the Author

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