



## **Charge-Offs**

### **Understanding what happens when your account is classified as a "charge - off"**

As federal government regulations tighten, many delinquent accounts are determined as no longer an asset, and they are termed "charged-off." The lending institution must then classify the account as "uncollectible" and transfer the account out of the company's account receivables and take it as a loss.

You or your credit counselor may have a pre-set agreement with you financial institution, however, they still may have to "charge-off" your account to be in compliance with the law.

If you are notified by mail or a phone call that your account will be "charged-off," write down the name and title of the person to whom you spoke. In addition, write down the date and financial requirements to prevent the "charge-off." If you are a GreenPath client, contact your counselor immediately. They will attempt to negotiate an arrangement to avoid the "charge-off."

### **What Happens to your account?**

Your account is usually still handled by a collection department or may be turned over to a collection agency if that is the creditor's policy. You will continue to receive phone calls and letters from your creditor.

Payment arrangements may be set up.

You will no longer be charged monthly interest on your account in most cases. Check your contact to determine how your creditor handles "charge-offs."

### **What happens to your credit history?**

The "charge-off" status is reported on your credit bureau report along with your previous slow payment history. It may on your credit report for seven years. These accounts can only appear on credit files for seven and a half years after the payment should have been made.

Eventually, paying off your "charge-off" account does help your credit history. Your credit bureau report will still indicate the account was a charge-off," but has been paid in full.