

HOW TO ASK YOUR CREDITORS FOR HELP WHEN YOU ARE LAID OFF

When your income is suddenly reduced or cut off completely, as it has been because you are experiencing job loss, you find yourself faced with a lot of tough decisions. You can reduce some of your spending, but depending on the circumstances there will continue to be bills and expenses that you simply can't ignore. You can lean on credit to cover the gaps, but that's potentially risky, especially if there's no clear path to repaying that new debt in the near future.

In reviewing your finances, you may find that temporarily paying less to your creditors is a potential solution. While you may be tempted to simply skip payments or send less than what's owed each month, those steps could cost you in late fees, and your accounts would quickly become delinquent (which would almost certainly start the collection calls).

A better idea is to reach out to your creditors directly and ask for help. That can be a little intimidating, but the payoff for making that effort can be huge, especially if your creditors are willing to offer you a temporary hardship until things are back to normal.

If you're dealing with a temporary work stoppage or a reduction in hours, consider these steps to approaching your creditors and asking for help.

Bring Numbers and Specific Expectations

Every creditor has a different approach to client hardships. No matter what your creditors' policies, it's extremely helpful to first understand your own situation.

- How much has your income been reduced?
- Is this a temporary situation?
- What are the other crucial expenses you can't reduce?
- What can you reasonably afford?

Strictly speaking, hardship programs tend to be a form of loss management – you pay less rather than pay nothing at all. Not every creditor is going to want all the details, but if you have the ability to paint a full picture and effectively plead your case, you'll stand a much better chance of getting assistance.

Have a Plan and Share It

While it may not matter to every creditor, it's generally helpful to make it clear that asking for a reduction from your creditor is *not* the only thing you're doing to make it through this crisis. You should strive to have a plan in place to bulk up your income (if possible) and make cuts elsewhere in your budget.

In all honesty, you should be doing these things anyway knowing the very real possibility that your creditors won't offer you a reduction. Hopefully, though, if you make it clear that the hardship you're asking for is only part of the plan, that will be a mark in your favor.

Know the Timeframe

Sometimes it's simply not possible to know how long a layoff or furlough will last, but if you can set a timeline for your hardship needs, that could be helpful. Most creditor hardship programs are already time-bound by default (2 months, 6 months, etc.), but knowing up front how long you'll need assistance can help ensure that your hardship doesn't end too soon.

Be Honest, Firm, and Respectful

When you're on the phone with a representative for your creditor, remember that they aren't the bank itself and they don't set the policies that will determine whether you receive a reduction. It's perfectly reasonable to be emotional, especially when you're dealing with financial stress and uncertainty. Just keep in mind the person on the other end of the line is doing what they can to help you, even if that help isn't exactly what you're hoping for.

With that said, you should also be firm when advocating for yourself. Be honest about what you can do and what may happen if you don't receive a hardship. Ideally, both sides will come away with a clear understanding of what comes next.

Document the Plan

If your creditor agrees to grant you a temporary (or permanent) reduction or hardship, be sure to document that agreement. Ask them to send you something in writing that captures the terms and make sure those changes are reflected on your monthly statements.

Follow the Plan

Once you've got a hardship plan in place, you need to stick with it. Again, every creditor is different, but some will take away your hardship benefits for missing one or more payments.

Adjust your budget and any auto-payments you have set up. Keep checking your statements every month and make those agreed upon payments.

Communicate Regularly

Stay in contact with your creditors throughout the crisis for two reasons:

- things may change with you, and
- things may change with them.

If your circumstances change, be sure to reach out immediately to advise creditors of the change and open up the conversation again. More importantly, during a wide-ranging crisis (like the coronavirus outbreak) things are changing constantly. While creditors may not have had hardship programs to offer initially, that can change over time, so check back regularly.

Prioritize, Prioritize, Prioritize

While the hope is that your creditors will give you the reductions you need to make ends meet during a challenging time, that may not be the case. And even if they do offer you a hardship, there's a chance that the hardship just won't be enough.

Ultimately, you need to do what's best for the health and wellbeing of yourself and your family. There will always be consequences for not paying your debts but staying alive and staying safe come first.

Jesse Campbell is a writer and the Content Manager at [Money Management International](#).