

## Are You Being Haunted By Zombie Debt?

### Dealing With Zombie Debt So It Can Finally Be Laid To Rest: Internet Scambusters™ #268

Today's issue focuses on an important consumer issue you probably have never heard about: zombie debt. We'll explain what it is and how to protect yourself.

Before we begin, you may want to spend a moment looking at this week's most popular articles from our other sites:

**Can Identity Theft Result in an Audit?** Find out how [identity theft](#) can get you into trouble with the IRS and what to do about it.

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**Should You Put that Valentine's Day Gift on Your Credit Card?** If you're putting your [Valentine's Day gift](#) on a credit card, here are some things you need to ask yourself.

Now, here we go...

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### Are You Being Haunted By Zombie Debt?

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Zombie debts are old debts that come back to life. They include old past debts that you did owe but were written off or discharged by bankruptcy, or debts that you never owed, such as debts incurred by identity theft victims.

Ten years ago, few creditors would attempt to collect these old debts, figuring it just wasn't worth the effort. But since that time the debt-buying business has boomed into a multibillion-dollar industry.

Third-party collectors purchase debts for pennies on the dollar that other creditors have written off. Using credit scoring and other technologies to help them identify which consumers are most likely to pay, they then squeeze consumers to cough up the cash.

The result? Collection agencies dealing in zombie debt have seen profits increase by as much as 600% since 2001.

**We need to be clear here: we are NOT suggesting that all debt collection companies use the tactics we're describing in this issue.**

They most certainly do not. However, we felt it was important to let you know about zombie debt because you'll then be better able to protect yourself from the tactics used.

Industry experts say zombie debt collection has helped reduce business losses and allowed consumers to pay their debts back at discounted prices. But critics say overzealous collectors cross the line, using abusive tactics to collect debts discharged through bankruptcy, belonging to someone else, or that were never owed in the first place.

In one example, an identity theft victim had over \$5000 charged on her credit card. For years she endured harassing phone calls from collection agencies and her credit was ruined. After six years she successfully sued one collection agency on federal law violations for pursuing a debt they knew wasn't valid and reporting her account twice to credit bureaus. Three years later she got a call from a new collection agency who tried to get the money again.

In 2005, the Federal Trade Commission received more complaints about zombie debt

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collectors than any other industry.

In 2004, the FTC received a settlement of \$1.5 million from one major zombie debt collector for allegedly reporting inaccurate information to credit bureaus and threatening consumers with lawsuits and jail for purported debts.

According to consumer attorneys, violations of the Fair Credit Reporting Act and the Fair Debt Collection Practices Act are becoming worse.

### Here are some practices zombie debt collectors use:

- Suing over debts even after the statute of limitations has expired.
- "Re-aging" debts on consumer credit reports illegally. The collectors tell credit bureaus that an old debt is a new one. This extends the seven-year limit on reporting bad credit and puts more repayment pressure on the consumer.
- Promising that a payment will remove a black mark from the consumer's credit report. Many times the collector won't make good on the promise and the payment can revive the statute of limitations on the debt.
- Bait and switch credit cards. Some credit card companies have offered borrowers low-rate credit cards and then tacked old debts they have purchased from other lenders onto the balance. Consumers say they were never told the old debt would come with the card.
- Verbally abusing consumers and making repeated phone calls even after they were requested to stop. This violates federal law.

### The best way to protect yourself from unfair zombie debt collection is to know your rights.

Each state places a statute of limitations on old debts. Once the debt passes that limit a company can't take you to court and can't place a mark on your credit report. The dates can be extended, however, if a court judgment is rendered against you.

Refer to the Fair Debt Collection Practices Act (below) if you feel you are being harassed. The Act says you can challenge the debt's validity within 30 days of being notified. You have the right to not be contacted further about the debt, though you may still face legal action.

### Some other tips on managing unfair zombie debt collection are:

- Ignore a phone call on a debt if the statute of limitations has expired. There's little to gain and a lot to lose if you keep talking. You could wind up extending the statute of limitations or be manipulated into making a repayment agreement.
- If the harassment continues, write a letter demanding the agency stop contacting you. Send it certified mail, return receipt requested. Federal law demands they comply. Specifically state in the letter that you do not agree you owe the debt.
- Watch your credit report. If the collection agency tries to re-post an old debt or lie about the applicable dates, dispute the item with the credit bureaus and the collection agency. Demand that the zombie debt collector produce a copy of the original record which created the debt, such as signed credit card agreement and account history. If they don't have proof you owe the money, the zombie debt collector is violating the Fair Debt Collection Practices Act by continuing to report the account.

If you do owe the money and the statute of limitations has not expired, you may wish to negotiate a settlement under the advice of a lawyer.

For more information on your rights regarding zombie debt collection, check out the [Fair Debt Collection Practices Act](#) on the Federal Trade Commission's website.

You can find more about these [debt collection](#) practices on our site.

That's it for today -- we hope you enjoy your week!

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Top 6 Websites For Debt Consolidation  
www.FastestSeeker.com

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...Without having to 'pinch pennies', get a second job or cut back your spending in any way -- and still become debt-free!

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"How To Own Your Paycheck Again!" reveals everything you need to know to pay off those debts in the shortest possible time.

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I know it sounds crazy but the author of this program has been teaching this method for almost 10 years and he's got the feedback from students to back it up. We met him recently at a conference, and he clearly knows his stuff.

He's got a special deal just for ScamBusters.org visitors. Discover the full story now by [Clicking here](#)

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-- Walter G. Aiello, Ph.D., Manager, Network and Information Services, Duke University Medical Center

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"I was a former Finance Manager in the car business and got your book mostly out of curiosity. I was pretty surprised when I read your section on the Finance Department! You certainly didn't hold anything back.

"You exposed every scam in existence plus some I never even knew about. Everyone who reads your book is going to thank you for saving them a lot of money.

-- Jerry Goettig, Former Finance Manager, Southern California

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