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Return of the Living Debt

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When you were young and stupid, did you stiff any bill collectors? You might want to start sleeping with the lights on. Those ghosts of unpaid bills past -- the last phone bill from your first apartment, the J.C. Penney charge card that slipped your mind -- are coming back to haunt you.

Lately lenders have been clearing the cobwebs off charged-off accounts and selling old, unpaid debts to collection companies. These so-called "zombie debts" are the subject of the latest press releases making the finance writer rounds. (Cue the Fleshtones' "I was a teenage zombie.") It seems that deadbeat bill payers are increasingly getting calls from collection companies that want them to cough up the cash from bills they flaked on paying, some even more than a decade old. Last year more than \$75 billion in old debts were sold to collections outfits for pennies on the dollar.

The problem with these ghosts of bills past is that many of them should still be flatlining. Lenders can keep after you to pay them back for as long as they want. But once they sell the debt to another company, that company must adhere to a statute of limitations and cease hounding consumers after a certain period of time. The amount of time depends on federal and state laws, but eventually, these debts, if sold to a collection entity, do die.

What should you do if you start getting calls from the debt demon dimension? Don't say anything. Get whatever information you can from the caller (the amount of the original debt, the original lender), and check it against your credit file. (Here's how long the reporting bureaus [keep track of your bad deeds](#).) Don't admit anything: The smallest slipup on the phone can revive that debt and refresh your marred credit record. And don't fall for any frightful tactics collectors use, such as illegally "re-aging" debts, promising to wipe away a red checkmark on a credit report, or bait-and-switch credit card offers.

The lecture isn't over just yet. Don't think of these zombie debt laws as an excuse to run up debt and lay low for a few years. Delinquent payments have a [profound affect on your credit score](#). According to a just-released Experian study, the average credit score for consumers with one delinquent payment is 598 (on a scale of 300 to 850). The average Experian score for consumers without any late payments is 759. (The results are based on a sampling of 3 million credit reports.) More than half of U.S. consumer credit files have at least one delinquency -- 34% within the past year.

Once a delinquency (or "past-due" status) is more than 180 days old, a lender will usually mark the account as "charged off" and send it to collections. According to Cardweb.com, about 6% of credit card debt is charged off each year. A collection action can turn up on your credit report, marring your ability to get a loan for a mortgage, car, or credit card, and possibly permission to check out the DVD of "Buffy the Vampire Slayer" from your local library for the next seven years.

Don't let late payments turn into a living nightmare: Pay your bills on time, and [rectify your youthful blunders](#) right away.

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