

All Law News

What is a Charged-Off Account?

When speaking to individuals who are struggling with debt, we often encounter a confusion about the term “charged-off.” This term may appear on a credit report by an old debt you may not even remember you owe. On the surface, this may sound reassuring, that the debt has been “charged off” almost sounds like the debt has disappeared; but that would be too good to be true. A charged-off account is actually a sign of danger for your credit report and overall financial health. Find out how this affects you, and how, together with an Illinois debt settlement lawyer, you can work to eliminate this red flag.

When Does a Charge-Off Occur?

A charged-off account is one that is perceived to be a loss by the creditor. Like any other companies, creditors have profits and losses each year. Their profit relies purely on their success in collecting payments on loans and collecting interest. Losses are generally the result of borrowers not paying debts back. If you have not paid back a debt for a significant period of time, you may face a charge-off after 120-180 days of not making payments. In addition, even if you made payments on the debt, if each payment made fell below the monthly minimum payment, the creditor may choose to charge off the account. What this means is that the creditor is giving up on collecting from you, and considers your account to be a loss for the company.

Do I Have to Pay it Back?

Although the account has been declared a loss, this does not mean that the debt has vanished. This only occurs if you file for bankruptcy. Creditors retain the right to collect the full amount that you owe and can do so in several ways. These can include passing off the debt to an external collection agency or filing a lawsuit. Generally, creditors file lawsuits on larger debts that have reached the \$2,000 threshold. A charge-off on your credit report can be extremely damaging to your credit score and can heavily impede your ability to use credit at all. With the help of an experienced credit card debt relief attorney like Heather Benveniste, you can negotiate your debt and free your credit report of unwanted scars. Working with an attorney can ensure you receive a fair deal on your debt without the need for running your credit report into the ground.

At Benveniste Law Offices, we are strongly opposed to bankruptcy as we know that there is a better alternative! Get started on resolving your debt and approach a brighter financial future by calling 1-800-497-5358 or [contacting us](#) today.

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