

Dealing With Repossession

Dealing with repossession can be embarrassing and challenging to get through emotionally, let alone what it does to your credit report. Legally speaking, if you are unable to make your car payments, the lender who ensured that you would be able to drive off the car lot in the first place does have the right to demand the car. The misconception among consumers is the notion that once the car is handed over to the repossession agent, commonly known as the repo man, your liability ends and you may wash your hands of the debt.

When you apply for another loan a while later you are denied, or in the alternative offered high interest rates which are usually associated with consumers who fall into the sub prime market. The reason for this action is the notation on your credit report which reflects the fact that you creditor annotated your car loan with verbiage that speaks of the repossession, the amount of the loan, and perhaps also the amount of money that was outstanding as well as the amount of time which passed until the creditor finally decided to close your account. You might have thought the loan was gone, but instead the liability is still there.

For this reason it is not a wise choice to let your car loan get so far behind that your vehicle will be in danger of repossession. Of course, when it comes to having a roof over your head, food on the table, or a sweet ride, you will most certainly choose the former two. Yet did you know that you can avoid the repossession of your car? First and foremost, contact your lender and see if they are willing to work with you. Some will allow you to skip one or even two car payments per calendar year, which will then be added to the end of the loan. Other creditors will permit you to refinance your car loan to span a longer period of time and thus drive down your payments.

If neither of these are options for you, go ahead and sell the car for the amount of money that is outstanding on it. Then, turn around and pay the lender. This will keep you from taking the hit on the credit report that is sure to come if you let the repossession continue. Keep in mind that in addition to the outstanding amount of the note, the lender will also charge you a host of fees simply for the repossession. Of course, if you find you are upside down on the car loan, this is not going to be a viable option for you. Sometimes you can go to a car dealership and attempt to trade in your ride for a beater that the dealership will then finance in addition paying off your first car. Granted, this is a bit like robbing Peter to pay Paul, but it buys you time – time which you might be able to use to find that great job that will help you to pay off the note.

About the Author

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