

How to avoid a repo when you can't make a car payment

Local News

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Consumer: "I cannot make my car payment. If I pay the interest and a little towards the principal, can I keep the car until I get back on my feet?"

Attorney General Rob McKenna: Unfortunately, if you don't make your payments, your lender may repossess your vehicle — and your blemished credit history can make it difficult for you to obtain another loan in the future. Plus, you will still owe the remaining balance on the vehicle you no longer have. Here are some options that may help you avoid a repo:

- Contact your lender as soon as possible. Be honest about the situation and why you aren't able to make the payment. If you've been a good customer and made your payments on time in the past, your lender may be willing to defer a payment and allow you to keep the car. If you can reach an agreement to change your original contract, get those new terms in writing. Don't wait until your loan has been turned over to a debt collector. By then, your lender has given up on you and it's too late to negotiate.
- Refinance. You may be able to negotiate a lower interest or spread out the payments over a longer period of time, resulting in lower payments. The downside to a longer-term loan is that you'll pay more interest. Compare loans from your current lender and others.
- Sell the car to pay off the loan. Determine how much you owe on the vehicle then check its market value on a site such as [Edmund's](#) or [Kelley Blue Book](#). If you owe less than the car is worth, sell it and use the cash to clear your debt. Before selling, review your financing agreement to see if the lender charges prepayment penalties for paying off your loan early.
- Look for ways to save more money. Are you positive you can't make your payment? You may be able to cut household expenses by eliminating other services you don't need. You might qualify for assistance programs to help cover groceries, utilities or prescription drugs. Check out our Recession Survival Guide for resources at www.atg.wa.gov/economy.aspx.

You may also benefit from credit counseling. A legitimate credit counselor can help you regain control of your finances by designing a realistic budget that allows you to pay off your existing debts, cover your everyday expenses and save for the future. For a referral to a local credit counselor, call 211 or visit the [National Foundation for Credit Counseling Web site](#) at <http://www.debtadvice.org>.

Be aware that your lender does not have to notify you before your car is repossessed. Even if you return the car voluntarily, you still are responsible for paying any outstanding debt on the loan, as well as the lender's cost of the repo, and your creditor still may enter the late payments or repossession on your credit report. For more information about what happens during a repo and your consumer rights, see our Web site at <http://atg.wa.gov/repossession.aspx>.

Consumers can reduce repo risk by carefully considering how much car they can afford prior to making a purchase. You can find tips to help with your car purchase decision on our Web site at

http://atg.wa.gov/car_buying.aspx.

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