

March 2010 Newsletter Article

## Know the Statute of Limitations for Your State

Have you ever wondered how long a debt will remain active and on your credit report if you never made another payment on it?

The answer in most cases is seven years from the date of last payment. This is known as a "statute of limitations" and it will vary from state to state. Knowing this information can be very beneficial to you when attempting to deal with delinquent debts.

There are actually several statutes of limitations which vary from state to state, but two important statutes you should know about are the **Collection Statute of Limitations** and the **Fair Credit Reporting Act (FCRA) Statute of Limitations**.

The **Collection Statute of Limitations** seems to be more state specific, whereas the **Fair Credit Reporting Act (FCRA) Statute of Limitations** seems to be more national. The **Collection Statute of Limitations** gives a creditor or collection entity [a certain number of years from the date of last payment to try to collect on a debt](#). Again each state can vary and you should check with your local state department for information.

The **Fair Credit Reporting Act (FCRA) Statute of Limitations** gives a creditor or collection entity [a certain number of years that they can report your debt to the credit bureaus](#). Again this will generally be from the date of your last monetary payment but this can be 7-10 years depending on the type of debt, creditor, and your state. You can find this information by doing a Google search or checking with your local state or federal department. You may also want to visit the Federal Trade **Commission's** website at [www.ftc.gov](http://www.ftc.gov) for more information on this subject matter.

The statute of limitations as referenced above usually begins from the date of your **last monetary payment**. **In order for a payment to be considered a monetary payment, it must at least be "One Dollar"**.

Paying a single dollar on a debt will keep it collectable. It will remain on your credit report for another seven years but again, this period of time is state specific.

Creditors can pursue collections on an old account of yours from the date of your last payment and you wonder what this means to you.

Let's say you had an old debt that all of a sudden came back to haunt you. A bill collector gets you on the phone and advises you that he can work out a great arrangement for you, but they would need approximately \$25 dollars (or maybe less) towards the debt. You think, "Great, I can afford \$25", so you provide the collector with a check over the telephone. After you get off the phone with the collector, you later find out that the debt was almost seven years old and it was about to be [cleared from your credit record and deemed uncollectible](#). Now it's too late, you can't take back the \$25 payment and the debt can be collected on for years to come, as well as being reported to your credit bureaus.

It is very important to periodically check your credit report. If there are items appearing on your credit that are more than seven years old, write to the credit bureaus and make them aware that any information pertaining to that debt should be removed because it has been seven years since last payment.

**\*Statutes noted above are for unsecured debts such as credit cards, personal loans, etc.**

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