When a credit card account is more than 180 days past due, it must generally be charged-off. 252 This means that the debt is no longer carried as an asset of value on the company’s books, giving investors and lenders a more accurate picture of a company’s net worth. Charge-offs accounts are treated as an expense or a loss 253 to the creditor, but the charged-off debt is not canceled. 254 Any payment on the charged-off debt is then treated as income—a recovery on a bad debt—on the creditor’s books.

Footnotes


253 Credit card issuers may also declare accounts as losses for other reasons.

254 See, e.g., Kelly v. Wolpoff & Abramson, L.L.P., 634 F. Supp. 2d 1202 (D. Colo. 2008) (fact that bank had “charged off” credit card debt after 180 days after delinquency was an accounting device required by federal regulations and did not “extinguish” debt, as plaintiff alleged, or alter right of defendant to collect it).

255 See 5000—FDIC Statements of Policy, Uniform Retail Credit Classification And Account Management Policy [1], available at www.fdic.gov.


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