Keeping Current on Car Payments. Do not pay credit card debts, medical bills, or other low priority debts ahead of car payments. If you skip payments on low priority debts, you will not be in immediate danger of losing your property. Skip one or two car payments and you risk losing your car. If you find it necessary to miss payments on low priority debts, try to get caught up on your back-payments as soon as possible.

Keep Your Car’s Damage Insurance Current. If your damage insurance lapses, the creditor is likely to add replacement insurance to your car payments that is much more expensive and offers much less protection than insurance you could purchase yourself. You will have even more trouble keeping up your now higher cost car payments.

Consider Cancelling Other Insurance and Add-ons. Often, as part of a car sale, the dealer has sold you add-on products—a service contract, credit life insurance, credit accident and health (or disability) insurance, credit unemployment insurance, GAP insurance, theft protection, tire protection, key fob replacement, or an auto club membership. These add-ons are often overpriced or even worth very little. Find out whether you can cancel these add-ons and get a rebate of the unused part of their cost. The rebate may help you make one or more of your payments on the car and may make future payments lower.

Negotiate with the Creditor. Some creditors may be willing to allow you to skip a payment or make a payment late. If you get an agreement, confirm it in writing. Make sure the agreement is one that you can comply with. For example, if the creditor allows you to make a payment ten days late, make sure before you agree to this that you really can make the payment then.

Curing a Default. The following states give consumers a right to cure—a second chance to make up late car payments before repossession: California, Colorado, Connecticut, the District of Columbia, Iowa, Kansas, Maine, Massachusetts, Missouri, Nebraska, New Hampshire, Puerto Rico, Rhode Island, South Carolina, South Dakota, Virginia, West Virginia, and Wisconsin. Pay attention to the notice you will get telling you how many days you have to pay the amount past-due to avoid repossession. Rights to cure auto leases are available in Connecticut, the District of Columbia, Illinois, Iowa, Kansas, Maine, New Hampshire, New Jersey, New York, Rhode Island, West Virginia, and Wisconsin.

Sell the Car. If you cannot afford your car loan payments, insurance, and maintenance costs, you are generally better off selling the car than having it repossessed. Selling the car yourself before it is repossessed will bring in a much higher price than a repossession sale would, you will not have to pay the creditor for the creditor’s repossession, storage, and sales expenses, and you can obtain a larger rebate on any service contract, automobile insurance, or credit insurance that you cancel along with the sale. Your credit rating will also be higher than if the car is repossessed.

Because the creditor has a lien on your car, you can only sell it with clear title if you use the sale proceeds to pay the creditor the full outstanding balance. If you cannot sell the car for as much as is owed on the loan, you will have to pay the creditor the difference, unless you convince the creditor to take less.

Avoid anyone who offers to “broker” a sale or lease of your car to another consumer. In many states car brokerage is illegal. A scammer may take money from both you and the new “purchaser,” but not complete the paperwork for a real transfer in ownership or forward payments to your lessor or creditor. Instead, you will lose the use of your car but still owe the creditor or lessor the full amount.

Return the Car to the Creditor, but Make Sure You Get a Fair Deal. Done incorrectly, voluntarily turning the car in to the creditor will not help you much. You will still owe the creditor if the repossession sales proceeds are less than what you owe and you will have waived your claims and defenses. Voluntarily turning the car in might make sense if you obtain a written agreement from the creditor that you do not owe anything else on the loan. Also try to have the creditor state in the agreement that it will not report the default to a credit reporting bureau.

The situation is similar when you turn in a leased car. It is a common mistake to believe that you will have no further obligation after you turn the car in early. You will have no further obligation (except excess mileage or unusual wear) if you turn the car in at the scheduled termination of the lease. Your liability at early termination may be thousands of dollars. Before turning in a leased car early, negotiate to reduce or eliminate your early termination liability. Make sure to get this agreement in writing.

Thwarting a Self-Help Repossession. Self-help repossession can take place on the street or even in your driveway. But a repossession cannot legally break into a locked garage. Reposessors also cannot seize a car they cannot find, but most states make it a criminal offense to conceal collateral (such as your car) or to move it out of state. It is also becoming more and more difficult to hide a car because of technological advancements in tracking cars.
Most courts say that if you or a family member is present during the repossession and objects, the repossession should not continue. But your objection should not involve force. Politely and firmly tell the repossession not to take the car. Do not be swayed by any legal advice offered by the repossession.

Never resort to force. Never meet force with force. If the repossession uses force or threats, or otherwise breaches the peace, call the police. Do not take matters into your own hands. After the fact, consult an attorney. There are significant legal remedies available to challenge an illegal repossession.

Never resist government officials in the performance of their duties, but make sure the person is not just impersonating a government official. Government officials should only operate pursuant to written court orders and should not assist self-help repossessions. Ask for the official’s identity and the reason why the official is there. Inspect any documents the official waives around claiming to be a court order.

When you are delinquent on a car loan, it is risky to bring your car in for repairs to the dealer or anyone else the creditor would know. Do not drive the car to the creditor’s place of business to discuss a work-out agreement. You may have to walk home if you fail to reach a satisfactory arrangement.

**File for Bankruptcy Protection.** Once you file for either a chapter 7 or 13 bankruptcy, no one can take any action against your property, including repossessors. Although a lender may later ask the bankruptcy court for permission to take the car, there can be no repossession before obtaining that permission. A chapter 13 bankruptcy also can help you keep the car in the long run because you can spread out your payments (both past-due and new payments) over three to five years. Keeping the car will be more difficult if you file under chapter 7, because at some point you will have to pay the creditor either the lesser of the car’s value or the total amount that remains owed on the car loan.

**Minimize the Loss of Personal Property Inside the Car.** Property left in a car has a way of disappearing after the car is seized. If you anticipate a repossession, remove your personal property such as tools, GPS devices, media players, clothes, and sporting equipment from your car. Remove any important records from the glove compartment. There are some items, however, such as children’s car seats and a spare tire, that should be left in the car while you use it. Make a list of these items and photograph them so that you will be in a better position to claim them if the car is repossessed.

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