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A Few Tips With Regards To Charge Card Debt Settlement And Debt Consolidation

Anyone struggling with credit card debt knows that losing sleep, avoiding phone calls, and arguing with your other half over money is typical. How can you manage charge card debt without filing bankruptcy? The answer depends on the size of your debt, how many payments you owe, and how much you can afford to pay your creditors. Debt consolidation through credit counseling services and debt settlement options are two methods for resolving debt problems. Here is how these programs work.

Debt Consolidation through Credit Counseling Programs

Certified credit counseling programs work with consumers and credit card account issuers to facilitate repayment of credit card debt.

Debt consolidation programs usually do not reduce the amount of debt you owe, but can often reduce or waive fees and finance charges.

Legitimate credit counseling agencies don't make promises for "fixing" your credit--they cannot remove credit reporting entries occurring prior to your debt consolidation plan. Payments made during your plan are usually reported as "paid as agreed."

Debt consolidation plans are formulated based on your income and debt owed. The credit counseling agency will also charge a monthly administrative fee. They collect a monthly amount from you, and pay your creditors according to the terms of your plan.

You will likely be required to close all of your credit card accounts as a condition of your debt consolidation plan. Credit counseling agencies cannot guarantee that you'll qualify for new credit after your plan is completed.

If debt consolidation through credit counseling cannot help, a debt settlement program may help you avoid bankruptcy.

Debt Settlement Programs

Debt settlement programs are designed to assist consumers who owe more than \$5000, owe several months worth of payments, and who cannot pay creditors due to reduced income including unemployment, layoff, illness or reduced work hours. Debt settlement is a "last ditch" method for preventing bankruptcy. Here's how it works:

Your debt settlement company designs an affordable budget that includes a savings program.

You may be asked to curtail payments to creditors and place these funds in savings. This creates negative credit reporting, but its effects are not as usually severe as filing bankruptcy.

When you've saved an amount determined in your debt settlement plan, your debt settlement agency negotiates a settlement of less than you owe your creditors.

Debt settlement programs are often provided by attorneys, as it can be difficult for individuals to negotiate debt settlement terms with credit card account issuers.

Avoiding Debt Management Scams

Scammers are always willing to take advantage of those in financial distress. Don't pay any fees before receiving a written documentation of services provided, a detailed debt consolidation or settlement plan with a specific end date, and a schedule of fees and charges. In addition, go with a plan that allows you to keep control over your savings; you don't want to find that the company has absconded with the money you paid them every month. Don't accept unsolicited offers of debt help, and avoid doing business with any firm promising "instant credit repair," or other unrealistic results.

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