

Published based on [Is Debt Settlement A Good Option?](#)

Is Debt Settlement A Good Option?

If you are just afforded to make the minimum monthly payment on your credit card balances, you are creating debt and soon or later it will become debt problem when you can't afford to even make the minimum payments. Or, the monthly payment is too high, exceeding your income capability. Debt problem is going to hit you. Don't ignore it because it won't be eliminated without a solution to fix it. And, you should find the best solution to get rid of it as quickly as possible. There are always a few options to resolve debt problem if you tackle it as earlier as possible. You may hear about debt settlement, it is just one of the solutions. However, you may not qualify to be offered with a debt settlement or you may have a better alternative if you explore all options available to get rid of debt. If you do qualify and being offer by creditors for a debt settlement, review the do's and don'ts of debt settlement explained below to decide whether it is the best option for you.

1. Don't wait, debt will just go worse, be proactive and find a solution to fix it

You will find debt become harder and harder to be handled when it goes more and more serious. Moreover, you will have fewer and fewer options to overcome it when it goes worse. When it reaches the worst stage, the only option left for you to get a debt relief is by filing a bankruptcy. On the other hand, if you get help as earlier as possible when you see warning signs of debt problem, there will be many ways to get rid of it. So, don't wait until your debt goes worse to get helps, find a debt relief solution as early as possible. You will have better chances to settle your debt with the cheapest cost and smallest impact on your credit score. Moreover, if you face your debt earlier, you may not need to go for debt settlement option as this solution will hurt your credit rating, you will have a better debt relief solution to get rid of the amount your owed as quickly as possible.

2. Don't overlook the consequences

Debt settlement will affect your FICO score. Generally, the settlement amount is less than the total balances your owed. Although your debt is considered settled, but remarks will be recorded in your credit report that the debt is settled without a full payment. These remarks are bad indication about your credit worthiness. The remarks indicate to future creditors that you have bad history of unaffordable payments and have to go for a debt settlement with reduced amount to resolve the debt. Therefore, your credit applications may not get approved.

3. Be prepare to disclose your financial information and prove you are eligible for this solution

You may not qualify for debt settlement if you still have capability to make full payment on your debt. Generally, creditors just offer debt settlement for consumers who are really in deep financial problem and they might go for bankruptcy filing as the way to get out of debt if there is not alternative to resolve it. So, creditors will normally ask you to disclose your financial information including your income streams, charge card statement, assets and the total debts owed to other creditors. The reason creditors want your financial information is they need you to prove to them that you are really in financial hardship and can't afford to pay the debt owed to them before they can offer you a settlement option.

4. Do commit the installment amount you are afforded to pay for

Normally, creditors will offer one settlement amount that is much lower than the amount you owed them. Most probably you will be offered with one-time settlement if you are qualified for debt settlement option. But, if you can't afford the payment, try to negotiate with creditor to settle the amount in a few installments. The creditors may insist you to take up their one-time settlement offer to erase your debt with a great discount. However, you should not promise the repayment amount if you can't afford to pay. You may get a great discount if you accept creditor's debt settlement plan, but the debt can't be erased if you can't afford to pay what you have committed. It is important you are able to keep up to the payment schedule if you accept the debt settlement offer. So, it is important that you just commit the plan with payments you are afforded to make and keep up to schedule.

5. Do make sure the information in your credit report is correct

Normally, debt settlement is one time offer by creditors to debtors who can afford to settle their debt in full payment. Once you have accepted the offer, you need to make sure you make the payment on schedule until the agreed amount is paid off. Once you have settled the debt, the next step is to clean up your credit report. You

need to request the credit bureau to correct on any error found because the error may affect your FICO rating.

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