Introduction

Congratulations! You have already separated yourself from the pack and given yourself the unique opportunity to get informed and make the right decision in regards to Debt Settlement. That is because most people know what the right thing to do is, but they never take action and do it. You on the other hand took action. You recognized that the world of Debt Settlement is complex, and one that requires education and guidance. So you took action by purchasing this package and, by doing so, got the help you need to make an informed decision. Debt Settlement is certain a great solution for many consumers, and quite possibly for you, but it is not without its pros and cons. I am going to explain to you those pros and cons so that you can make an informed decision based on your personal circumstances. I am confident that you have done the right thing. You should be confident too.

From this point forward you should consider me your qualified, unbiased Debt Settlement consultant. Rather than relying on a telephone sales rep to honestly answer your questions, you can now educate yourself at your own pace and in the comfort of your own home. My goal is to take the guesswork out of the decision making process by answering all of your questions and giving you the confidence to make an informed decision. In this booklet you will learn the following and more:

- Whether or not Debt Settlement is the right option for you
- What the real pros and cons are of Debt Settlement, including the potential pitfalls no one tells you about
- How to understand Debt Settlement fees and how those fees impact your ultimate savings
- What the real impact of Debt Settlement is likely to be on your credit score (and have access to a tool to do something about it)
- The Top Ten questions you must have answers to when speaking with a Debt Settlement company
- What the ideal Debt Settlement service option is (I'll give you a hint – hire a lawyer).

In addition, by purchasing this booklet you also have access to the online Members Only Blog where you can ask an unlimited number of questions about Debt Settlement during your decision making process. Not only that, but within the Blog you now have access to all of the questions asked by all of the other members and therefore have access overall to one of the most comprehensive Debt Settlement information resources available. All too often consumers make a decision about Debt Settlement when they are stressed and uncertain. That does not have to be you. You can now stay calm by knowing that you now have the help you will need. By taking action and purchasing this information, you now have all of the resources available to you to make a confident, informed decision. Login information for the Members Only Blog is located at the end of this package.

Let me tell you a little bit about myself and why you should feel confident about the accuracy of the information I am going to share with you. I have worked in the Debt Settlement industry for over two years both as a telephone sales rep, then as a

Compliance Officer responsible for resolving client complaints. As a telephone sales rep I had the opportunity to speak directly to hundreds of consumers like you who were considering Debt Settlement. I needed to be totally educated on all aspects of Debt Settlement in order to be able to answer the thousands of questions those consumers asked me. I was also exposed to the how other telephone sales reps would twist the truth a bit, or leave an important detail out in order to sign a consumer up so that the sales rep could make a commission. I had direct access to both the good and the bad.

Then I moved out of the sales role and took a job as Compliance Officer for a Debt Settlement company that signed up in excess of 2,000 new consumers into Debt Settlement programs every month. One of my primary responsibilities as Compliance Officer was to resolve client complaints, including complaints filed with regulatory bodies. In this role I personally resolved hundreds of client complaints filed with organizations like the Better Business Bureau, State Attorney General Office and many other State and Federal regulatory bodies. Trust me when I say I became very familiar with all of the problems clients were having with Debt Settlement. With over 2,000 new consumers signing up every month, I have seen it all first hand. Both the Debt Settlement success stories, as well as all of the things that can and sometimes do go wrong. It is my goal to share with you all of my unique knowledge and experience so you don't run into the same problems so many other consumers have.

Your responsibility is to follow up on the action you have taken when you purchased this information. Use your momentum and read this package in full. In addition, give yourself an additional advantage by using the Members Only Blog to ask questions. I have done my best to put as much information into this package as I could, but I know you are going to have questions I did not address. That is why I created the Members Only Blog, so that you can ask as many questions as you like that may be specific to your own individual circumstances. Then, when you are fully educated and feeling confident, the last step is to make an informed decision about whether Debt Settlement is right for you. So let's get started.

General Overview

Let's start out by giving you a general understanding of what Debt Settlement is. Debt Settlement is a process whereby a creditor agrees to accept payment on a debt that is less than the actual dollar amount owed (i.e. the creditor "settles" for something less). This process is also known as debt negotiation or debt arbitration and is similar to a service knows as debt validation. Debt Settlement IS NOT the same as credit counseling (or Debt Management). Credit Counseling is a process whereby payments are made to your creditors each month at a reduced interest rate, and often a reduced dollar amount. As you will see, using Debt Settlement payments are often not made to your creditors for sometimes years. For purposes of this discussion an assumption is being made that you are going to hire a typical Debt Settlement company to do the work on your behalf, as opposed to you doing it yourself. However, I will comment later about the option of settling your debts on your own.

While there are many opinions about the validity and effectiveness of Debt Settlement, it definitely can be one of the best ways to pay off your debt relatively quickly and at a lower amount than you owe. On the flip side, it can also be one of the worst decisions you make. Whether or not it turns out to be a good thing or a bad thing is often determined a number of factors, like: the quality of the Debt Settlement service provider you work with, your own ability to “stay the course” throughout the duration of the service, and the sometimes unpredictable actions taken by creditors. But don’t worry, by the time you finish reading this booklet, you will be well aware of the risks and potential pitfalls of Debt Settlement, as well as be exposed to the possible best case scenario for which all Debt Settlement clients are looking.

The Key Players

I want to make sure you are clear on all of the key players that are typically involved in a Debt Settlement process as I will use these terms throughout:

1) The “debtor” – that is you, or the person who technically owes the debt.

2) The “creditor” – that is the bank or original entity that actually loaned money to the debtor.

3) The “third-party debt collector” – that is an organization that purchased your debt from the original creditor, and therefore purchased the opportunity to attempt to collect on the debt from you.

4) The “Debt Settlement service provider” – that is the organization that you hire to negotiate with your creditors on your behalf. This service provider may be a law firm, an attorney, a non-attorney for-profit professional negotiation service, or some combination of these entities.

The Benefits of Debt Settlement

A successful negotiation is often described as one where all relevant parties benefit equally, one that produces a win/win result with all parties benefiting from the negotiation. In most cases at least three parties benefit from Debt Settlement: 1) the consumer or “debtor”, which is you, 2) the Debt Settlement service provider, and 3) the creditor or third-party debt collector to which the debt is owed. For the consumer, the sought after benefit is to pay off their debt for something significantly less than the full amount, and in less time than it would take using most alternative options. For the Debt Settlement service provider the benefit is the fees they collect to provide the service. For the creditor or third-party debt collector, the primary benefit is to receive some money in an instance where it is possible they would receive none. While it is possible in some situations that all parties receive an equal benefit, in most cases the perceived benefits and the actual benefits can be quite different. It is in this area of perceived versus actual benefits that you must be most informed. So, let’s take a closer look at the perceived versus actual benefits for each party.

Benefit to the Debtor/Consumer

From the consumer’s point of view the main benefits of Debt Settlement are simple: to get out of debt for something less than the full amount owed, to do so more quickly as compared to most other options, and to have someone else deal with the creditors and do the work for them. You have probably already been intrigued by statements you have seen on the internet or on TV about getting out of debt for pennies on the dollar. It is not unusual for claims to be made by companies to be able to reduce your debt by 50% or more, and have you out of debt in less than five years. In the ideal situation that we will take a look at later in this package, such savings both possible and a benefit of great value. However, while in many instances this is the perceived outcome the consumer believes that they are likely to obtain (even guaranteed to obtain by some service providers), in reality, the outcome can be quite different.

Lets take a look at some of the statements made by a typical Debt Settlement service provider, and discuss the perceived versus actual benefit of each.

1) **"<u>Stop creditor phone calls</u>".**

<u>Perception</u>: Most Debt Settlement service providers will claim that by hiring them to settle your debt the debt collection calls will stop. From your perspective, this perceived benefit is likely to be of great value because you may be under significant stress as a result of harassing debt collection calls. <u>Reality</u>: It is unlikely that debt collection calls will stop as a result of hiring a Debt Settlement service provider.

Debt collection activity is governed by the Fair Debt Collection Practices Act ("FDCPA"). This Federal Act identifies the rights of debt collectors and consumers in regards to debt collection activity. A debt collector has the legal right to contact a debtor in an attempt to collect on the debt. Therefore, for someone to claim that they can stop debt collection calls is misleading. That person is essentially saying that they can prevent a debt collector from exercising their legal right to collect on the debt, which is highly unlikely. Again, this is not likely. The only legal way to stop a debt collector from contacting a consumer in an attempt to collect on the debt is to trigger the consumer's Federal right to redirect debt collection efforts from the debtor to an attorney hired by the debtor to represent the debtor in the resolution of the debt. Specifically, the FDCPA states that if a consumer hires an attorney to represent them in regards to a specific debt, that the debt collector must contact the attorney, not the debtor, in an attempt to collect on that debt.

Therefore, if you hire a non-attorney Debt Settlement service provider, then that service provider has no legal means of preventing a debt collector from continuing to call you. The only way a non-attorney Debt Settlement service provider is going to prevent collection calls is by paying the creditor a settlement payment on your behalf. That means you have to have already accumulated enough money to pay the settlement, and the creditor has to be aware of it. So, until you have enough money set aside in an escrow account to actually pay the settlement negotiated on your behalf, you should anticipate continuing to receive debt collection calls when using a non-attorney Debt Settlement service provider.

If you do hire an attorney to assist you in settling your debts, and that has proven to be the most effective strategy, then there is a good chance that debt collection activity will be redirected from you to your attorney as is legally required by the FDCPA. However, even though the FDCPA requires a creditor to only contact your attorney in an attempt to collect on the debt, the debt collection industry is aggressive and known to consistently violate the provisions of the FDCPA, mostly because very few people ever do anything about it. So, even if you hire an attorney to help you settle your debts, you can anticipate receiving some harassing debt collection calls. But more likely less overall calls than you would receive if you hired a non-attorney Debt Settlement service provider.

What I recommend in regards to debt collection calls are two things: 1) let your phone calls go to your answering machine and be strong enough to ignore them, and/or 2) record/document those calls and work with your attorney to sue the debt collector(s) as it is possible for you to actually receive financial damage rewards because of their violation of the law. This second option is one that I strongly promote.

It is your right to sue a debt collector for violations of the FDCPA. Therefore, it is important for you to familiarize yourself with the FDCPA. If you hire an attorney to represent you in regards to a certain debt, any collection activity directed toward you following notice that you have hired an attorney, is a violation of the FDCPA. However, this is not the only violation for which you can take action against the collectors. Even if you hire a non-attorney Debt Settlement service provider, creditors and debt collectors must still abide by the FDCPA. There are still rules, and more often than not those rules favor the debtor. All you need to do is be aware of your rights as granted by the FDCPA, keep a paper Log of all collection activity that you become subject to, provide that detailed log to an attorney, and work with that attorney to determine if violations have occurred for which you can seek restitution. A sample Log has been included in this package for such purposes. In addition, you may locate a summary copy of the FDCPA off of the Federal Trade Commission's website at http://www.ftc.gov/bcp/conline/pubs/credit/crdright.shtm.

2) "Improve your credit worthiness" or "No impact on your credit score".
Perception: Most consumers are aware that by missing payments to their creditors that their credit score will be negatively impacted. Therefore, it is a significant perceived benefit if they can settle their debt with little to no impact on their credit score. Reality: You should anticipate that your credit score will be significantly impacted by participating in a Debt Settlement program.

An inherent part of a Debt Settlement program is to withhold payment from your creditors and pay that money to the Debt Settlement service provider until such time as enough money has accumulated to obtain and pay a mutually agreeable settlement of your debt. In fact, the primary reason that a creditor will accept a settlement for less than the full amount is because payments have been withheld and the creditor reaches a point where they would rather take something versus nothing. Anytime payments are not made to a creditor, they will report on your credit report that you are 30 days, 60 days, etc. past due. Based on the formula the credit reporting bureaus use to calculate your credit score, each missed payment is an indication that you are a higher credit risk and therefore your credit score drops.

I would not recommend a Debt Settlement program to anyone who is not comfortable with their credit score being significantly impacted. If you are considering participating in a Debt Settlement program then you should anticipate that your credit score will drop. Lets say for example that you were to enter the program with a credit score above 700, then you should anticipate that your score could drop by as much as 200 points. You should also not enter a Debt Settlement program if you anticipate a need for any new loans (i.e. mortgage, car, etc.) within 5 years from the date you start the Debt Settlement program. This is because the impact on your credit report and drop in your credit score will likely prevent you from qualifying for a good loan all, especially not at a reasonable rate. Any Debt Settlement service provider that is telling you that your credit score will not be impacted, or only impacted slightly, is likely being dishonest and is likely not the best Debt Settlement service provider with which to work.

Now, after considering these possible negative issues, does it even make sense for you to participate in a Debt Settlement program? Well, that is up to you and your unique circumstances. In my opinion the old adage “you can’t get something for nothing” applies. In this instance, you can’t get out of debt for less than the full amount without having to give up something. Having your credit score negatively impacted is the primary tradeoff for getting out of debt for less than the full amount. So, the question becomes, which is more important to you? Being in debt but having a good credit score, or, getting out of debt relatively quickly and getting a fresh start, but letting your credit score take a hit. That is a question that only you can answer.

Personally speaking, if I was not in the market for a loan in the next five years, I would trade my credit score for getting the fresh start. Bear in mind a couple of things. First, if you keep paying the minimums on your debts you may never really pay them off and you will make the banks rich through your interest payments. I’d rather make myself rich by settling the debts and beginning to invest my money for my own future. Second, many consumers considering Debt Settlement are likely to soon fall behind on their payments, or, already have fallen behind on their payments, which means their credit score is likely to be negatively impacted anyway. Finally, and this is the key, there are many steps a consumer can take before, during and after participation in a Debt Settlement program to improve their credit score. It’s the people who chose the Debt Settlement solution who do nothing to improve their credit score that suffer the most. Those that take action to improve their credit score get the benefits of Debt Settlement while minimizing the long term impact on their credit. I have organized for your benefit the best actions you can take on your own to improve your credit score. Go to back to my website at www.YourDebtDecision.com and click on the Credit Improvement tab for more information.

Understanding Debt Settlement Fees

The single most important goal for most consumers considering Debt Settlement is getting out of debt for something less than the full amount. Most consumers considering Debt Settlement are overwhelmed by mounting debt and feel as though they stand no chance of paying it all off and having any extra money to simply enjoy life. If this is you, then you are not alone. When such a consumer comes across an advertisement for Debt Settlement, they are intrigued and tempted by statements like: “Settle your debt for pennies on the dollar” and “Save up to 60% of your current debt”. Certainly such claims are attractive, almost magical, to a desperate consumer. But in reality, like most sales pitches, such claims are overstated and misleading. Now, it is very possible for you to settle a debt at significant savings, and thousands of consumers gain that benefit every day. However, it is also very common for consumers to have a negative experience with Debt Settlement because they thought that the savings and the fees would total one amount when, and in reality they turned out to be something else.

How much you save on a particular debt through a Debt Settlement program is dependent on a number of factors, most of which are outside of your control. Examples of such factors are: the financial position of the creditor and therefore their willingness to settle, and the negotiating expertise of the Debt Settlement service provider (which is why it is always best to hire an attorney). The single most influential factor that you do have control over is the fees that you agree to pay for the service. The more you pays in fees, the potentially less you save of your overall debt.

Before I get into some specific examples of how fees can impact the overall savings of a Debt Settlement program I’d like to put the fees in context. First, you need to understand that the total cost of a Debt Settlement program consists of both fees and the actual amounts used to pay your creditors. Second, you should recognize that the savings being quoted by a Debt Settlement service provider are based on the total balance of the debt at the time of the quote. Let me give you an example. Let’s assume you have $10,000 in credit card debt. If you are told that, including both fees and the actual amounts paid to your creditors, that you will only pay $6,000 of your $10,000 current debt, then you would save 40% (i.e. $4,000/$10,000 = 40%).

Now, you have to understand this in the context of your primary alternative, which is to simply continue to make payments on the $10,000 debt, and in most cases only the minimum payments. Under the minimum payment option, by the time you pay off that $10,000 debt, you will likely have paid something closer to $16,000 in total when you add in the interest charges. So, when you consider the savings being offered under the proceeding Debt Settlement example (i.e. $4,000 in savings) in comparison to what you would likely end up paying otherwise (i.e. $16,000), then by paying back only $6,000 instead of $16,000 you are actually saving closer to 63% (i.e. $10,000/$16,000 = 63%). So, always bear in mind that one of the benefits of a Debt Settlement program is that your payments and fees are based off of the total debt at the time you sign up. So, even though late fees and interest may accrue during your participation in the program, your payments, including fees and the actual settlements paid, will always be based on the original total debt. I know that this can be confusion so please contact me in the Members Only Blog if you need additional clarification.

Now, let’s go through a few examples that illustrate how fees and the number of monthly program payments interact and ultimately affect your end savings. Bear in mind that the fees I am using in the examples below are common fees, but not the only fee structures used in the Debt Settlement industry. Therefore, you must be very aware of all of the fees you are quoted by a Debt Settlement service provider and run your own calculations to determine their affect on the end savings. In addition, while the examples below will illustrate different savings outcomes, and, of course, one always wants to save as much as possible, none of the outcomes below are bad. All represent savings on the current debt, and would represent significantly more savings as compared to what it would cost if you keep making the minimum payments. What is most important for you to get from these examples is not how to save the most you can, but rather, that you become aware of the impact that minor changes to fees and monthly payments can have on the ultimate savings, so that you can accurately calculate the ultimate savings you would receive if you choose to participate in a Debt Settlement program. Again, it is about you making an informed decision.

The following examples each contain certain identified assumptions that you need to pay attention to. There are typically three components to each payment that you make to the Debt Settlement company: the primary Debt Settlement company fee, the monthly service fee and the amount set aside to actually pay the settlement with your creditors. Before we jump into the examples take a look at the following terminology so that you understand the examples below.

- Total Debt Enrolled – that is the total amount of credit card or other debt that you enroll, at the time that you enroll it. Whatever your current balance is at the time you start the Debt Settlement Program.
- Quote of Total Amount Settlement Company Needs to Settle with Creditor – this is that actual amount that will be used to pay your creditors. To pay the agreed upon settlement amounts.
- Primary Settlement Company Fee – this is the main fee you will pay the Debt Settlement company. It will in most cases be part of your monthly payment to the Debt Settlement company, along with the amount needed to pay the settlement. This fee is usually a percentage of the Total Debt Enrolled.
- Monthly Service Fee – this is another common fee charged by the Debt Settlement company and is included in each of your monthly payments.

First, let’s take a look at the importance of having a complete understanding of all fees. In Example 1 the typical consumer is under the impression that with both fees and creditor payments combined, that they will only pay back 55% of their debt, and therefore the total savings will be 45% of their debt. However, what most consumers fail to account for is the commonly used monthly service fee.

Example 1:

Assumptions
$20,000 - Total Debt Enrolled
45% - Quote of Total Amount Settlement Company Needs to Settle with Creditor
10% - Primary Fee Paid to Settlement Company
$39 – Monthly Service Fee
36 – Number of monthly payments
$344.56 – Monthly Payment

a). Total Debt	$20,000
b). Amount set aside for settlement (45% of $20,000):	$9,000
c) Primary Settlement Company Fee (10% of $20,000):	$2,000
d) Total Monthly Service Fee ($39 x 36 months):	$1,404
e) Actual Total Amount Paid by Consumer (b+c+d):	$12,404
f) Actual Percentage of Total Debt Paid by Consumer (e/a):	62%

g) **Actual Percentage of Total Debt Saved by Consumer (100% - f): 38%**

As you can see, the Primary Settlement Company Fee is 10% of the Total Debt, and the Amount set aside for settlement is 45% of the Total Debt, which combined equal 55% of the Total Debt. That would imply a savings of 45% of the Total Debt. However, when you factor in all of the monthly service fees, which in this example total $1,404, the actual savings drops from 45% to 38% of the Total Debt.

Let's take a look at a couple of additional examples whereby a change to the number of monthly payments ultimately impacts the end savings.

Example 2: (24 monthly payments vs. 36 in prior example)
Assumptions
$20,000 - Total Debt Enrolled
45% - Quote of Total Amount Settlement Company Needs to Settle with Creditor
10% - Primary Fee Paid to Settlement Company
$39 – Monthly Service Fee
24 – Number of monthly payments
$497.33 – Monthly Payment

a). Total Debt	$20,000
b). Amount set aside for settlement (45% of $20,000):	$9,000
c) Primary Settlement Company Fee (10% of $20,000):	$2,000
d) Total Monthly Service Fee ($39 x **24 months**):	**$936**
e) Actual Total Amount Paid by Consumer (b+c+d):	$11,936
f) Actual Percentage of Total Debt Paid by Consumer (e/a):	60%

g) Actual Percentage of Total Debt Saved by Consumer (100% - f): 40%

In this example, by setting the number of monthly payments at 24, the monthly payment amount is $497.33. By choosing a 24 month payment plan, as opposed to 36 months used in the prior example, the consumer reduces the number of months in which the monthly service fee is charged from 36 months to 24 months. As a result, to total monthly service fee over the life of the program is now $936, and therefore the end savings is 40% of the original Total Debt (as opposed to 38% in Example 1).

Let's take a look at what happens if we increase the number of monthly payments under the program to 48 in an effort to reduce the monthly payment amount to something more affordable for the consumer. As you will see, even though the actual total monthly payment amount was reduced, making it more affordable on a monthly basis, the total of the monthly service fees has increased since the fee is now being paid over 48 months. Let's see how that impacts the actual end savings.

Example 3: (48 monthly payments vs. 24 and 36 in prior examples)
Assumptions
$20,000 - Total Debt Enrolled
45% - Quote of Total Amount Settlement Company Needs to Settle with Creditor
10% - Primary Fee Paid to Settlement Company
$39 – Monthly Service Fee
48 – Number of monthly payments
$258.41 – Monthly Payment

a). Total Debt	$20,000
b). Amount set aside for settlement (45% of $20,000):	$9,000
c) Primary Settlement Company Fee (10% of $20,000):	$2,000
d) Total Monthly Service Fee ($39 x **48 months**):	$1,872
e) Actual Total Amount Paid by Consumer (b+c+d):	$12,872
f) Actual Percentage of Total Debt Paid by Consumer (e/a):	64%
g) **Actual Percentage of Total Debt Saved by Consumer (100% - f): 36%**	

As you can see in this example, even though the monthly service fee amount has remained at $39, since the consumer is now making 48 monthly payments instead of 24 or 36 in the prior examples, the total amount of the monthly service fee paid over the life of the program goes from $936 in Example 2, to $1,872 in this example. As the number of monthly payments doubles from 24 to 48, the monthly service fee doubles as well. As a result, the total savings goes from 40% saved in Example 2 to 36% saved in this example. If we were to stretch the monthly payments out even further to 60 months, the total savings would drop to 33%.

Again, in each of the examples a significant amount is being saved as a percentage of the Total Debt, so each example is an attractive option. Even more so when the savings are compared to what you would pay if you simply kept paying your minimums. However, the point of the examples is to demonstrate how much fees can impact the actual savings. More importantly, the point is to educate you so that you can run your own detailed calculations based on the program terms you are being quoted so that you can make an informed decision when the time comes. Many consumers fail while participating in Debt Settlement programs not because the program was not progressing in a normal manner, but rather, the consumer got surprised by fees they were not clear about, or some other misunderstanding. My goal is to make sure that does not happen to you, and, using the examples above and the overall material in this booklet; I trust it won't happen to you.

If you are speaking with a Debt Settlement sales rep and you are not confident that you understand all of the fees they are quoting you, then please take advantage of the Members Only Blog. You can contact me through the Members Only Blog, provide me with the fees that you have been quoted, and I can work with you to determine what the actual total fees will be over the life of the program, and provide with you a solid estimate as to how much of your current total debt you will save.

Additional Fee Considerations: Other than simply the amount of the fees being charged, how and when the fees are assessed is another important thing for you to understand. As previously mentioned the Debt Settlement process generally works because payments are withheld from your creditors to essentially starve the creditors to the point that they are willing to negotiate. For reasons discussed later the creditors will often allow at least 6 months to pass from the date of last payment before they get serious about a settlement. Plus, most consumers need 12-24 months to accumulate enough funds to actually pay the settlement once it is agreed upon. Considering those facts, many Debt Settlement companies often take the majority of their fees in the first 6 months of the program, knowing that it will likely take at least 24 months for a settlement to be reached and paid.

Many consumers actually get caught off guard when after making payments for say 6 months into the program they come to realize that the majority of those payments have gone to fees, and the consumer in fact has very little set aside to actually pay a settlement. This realization often occurs because after being in the program for 6 months most consumers get antsy, either because their creditors are ignoring the settlement company and trying to collect directly from the consumer, or the consumer is simply anxious about the program's overall progress. Naturally the consumer calls the Debt Settlement service provider to ask about the status of any settlements, at which point they are told that they do not have enough money set aside yet to pay a settlement. Having paid $400 on average for the last 6 months the consumer gets confused as to why $2,400 is not enough to settle one or more of their debts. At that point the Debt Settlement service provider informs the consumer that they have only $400 in their escrow account, and that the other $2,000 been taken as fees for the initial negotiation services. Most consumers are caught totally off guard because again, they did not make an informed decision, and they often cancel the service at this point and find themselves even worse off then when they started.

Now, there is nothing wrong with the Debt Settlement service provider taking the majority of their fees upfront. In fact, one common practice is for the entire first payment to go towards fees to cover the cost of enrolling a new client and initiating the negotiation process. The Debt Settlement service provider is entitled to be paid for their services, and like any business they do have business expenses they must cover. From your perspective, as long as both you and the Debt Settlement service provider understand the amount of fees, how they are assessed, and how long the service will take, it really makes no difference when the fees are taken. You should know what fees you are going to pay, and you should understand that the average program length is 36 months. Therefore, whether the fees are taken in the first 6 months or the last 6 months should be of little consequence to you. As long as the actual settlement service is provided, that only the agreed upon fees are charged, and the service provider obtains for the client the original quoted savings, then how and when fees are charged is not a big deal. Regardless, you want to understand how and when fees are charged to that you don't get caught off guard.

Now not all Debt Settlement service providers charge most or all of their fees in the early stages of the program. Some take a portion of each payment over the life of the program and apply it towards fees. Others will assess their fee only once the settlement is agreed upon and paid. These service providers will simply take their fee out of the savings they were able to achieve for you through the successful settlement negotiation. Still others don't charge a monthly service fee at all, while others charge an additional "one-time setup fee" in addition to the first monthly payment. The long and the short of all of this is that there are a number of different ways in which Debt Settlement service providers assess their fees to make their money, and understanding the fees of the service provider you ultimately choose is critical to ensure that you are absolutely clear on the actual costs and benefits of the service. Ask the sales rep not only what the fees are, but how they are assessed throughout the life of the program. If you make an informed decision, you have a great opportunity to achieve significant savings through Debt Settlement. Allow yourself to make an uninformed decision, and the likely end result is that you get surprised by some component of the service that you did not fully understand, and you ultimately cancel the service and leave yourself worse off than when you started.

Benefit To The Debt Settlement Service Provider

The Debt Settlement service provider is in the business of providing a service by playing the middle man between consumers and their creditors. Their role is to take over the negotiation responsibilities from the consumer so that the consumer can have as little interaction with their creditors as possible. Ideally the Debt Settlement service provider has significant negotiating experience as well as existing relationships with most creditors to ensure an amicable negotiation progress and ultimately achievement of a successful settlement. The service provider also handles all of the payment processing and ongoing customer services until the overall program is complete. For all of this they rightly deserve to earn a fee.

The average consumer participating in a Debt Settlement program has $20,000 in debt and pays around $4,000 in fees to the Debt Settlement service provider. The more clients the service provider has, the more fees they make. Imagine a Debt Settlement service provider that takes on 1,000 new consumers every month. If that service provider is averaging $4,000 per client in fees, then each month the service provider is signing up clients that are ultimately worth a total of $4,000,000 in fees. That's correct, $4 million dollars! Helping consumers save money by providing Debt Settlement service is clearly a very lucrative business. Now, the Debt Settlement service provider has many expenses to cover, including employee salaries, marketing costs, office space, etc. But, even taking into account all of their expenses, being a Debt Settlement service provider can be a great business to be in. Of course, with such lucrative profits to be made, the industry draws the attention of many unscrupulous individuals whose only goal is to profit from the opportunity. And trust me, there are many unscrupulous individuals in this industry. That is why you have made the right decision in reading this booklet before making a decision about a specific Debt Settlement service provider.

Benefits to the Bank/Creditor/Debt Collector

Many consumers have a hard time understanding why a bank or debt collector would accept a settlement for something less than the full amount. Before I address that, let me again distinguish between a bank or "original creditor", and a third-party debt collector. A bank/original creditor is the entity that initially lent the money to a consumer, or extended them a line of credit (i.e. gave the consumer the credit card). A third-party debt collector is an entity that purchases a debt from the bank/original creditor, and attempts to collect on the debt for their own benefit. Most consumers participating in a Debt Settlement program will ultimately interact with both banks/original creditors and third-party debt collectors.

In most instances when a consumer enrolls a debt with a Debt Settlement service provider that debt is at that time still with the bank/original creditor. Simply put, creditors feel that Debt Settlement is a good idea in some situations for one main reason: it is better to receive some money than none at all. For instance, if a consumer goes bankrupt, a credit card company is probably not going to see any of the money that is owed to them. But if they agree on a settlement, they may be able to receive a large percentage of the debt. No, this is not as good as being paid in full, but they see it as better than nothing. A bank is a business like any other. Its primary goal is to make money and balance cash flows. From the bank's perspective, they understand that a certain amount of their debtors will not pay in full. Their profit models already take this into account. So, by agreeing to settle certain debts with certain consumers, the bank is essentially cutting their losses, and ensuring some positive cash flow. It is simply an expense of doing business.

However, in many instances when a settlement is actually paid, it is not paid to the bank/original creditor. More often the settlements take place with the third-party debt collector. In reality what happens is the bank charges the debt off and moves on to the next debtor. A "charge off" is an accounting term that means the bank takes the charged off amount as a loss and sells the debt. Wait you say. If a settlement payment is not made to the bank, but rather the bank charges the debt off, how is the bank making any money? Why would they charge the debt off when they can just settle and at least collect 50%?

Well, what most consumers fail to understand is that by charging a debt off, the bank gains value in many ways. In reality, the only financial loss that an original creditor incurs when a debt is charged off are the future late fees and interest charges the debtor would have incurred during the seemingly endless repayment of the debt. In fact, when an original creditor "charges off" the debt, they are not only able to take a dollar for dollar tax deduction for the amount of the debt, including interest and late fees, but they also receive a tax free insurance benefit equal to 3 to 4 times the amount of the actual charge off. In addition, the original creditor will be compensated when they sell the debt to a third-party debt collector. This means that the original creditor receives more value when a debt is charged off than the value they would have received had the debt been paid in full at the time of the charge off. So, whether the bank/original creditor settles the debt, or charges it off and sells it to a third-party debt collector, they gain value.

Now that we have taken a look at the benefits of the bank/original creditor, let's take a look at how a third-party debt collector benefits from Debt Settlement. A third-party debt collector is in the business of purchasing unpaid debts and attempting to collect on them. They make money on any profit they obtain over and above what they paid for the debt in the first place. What most consumers don't know is that a third-party debt collector often pays somewhere around $0.10 on the dollar to purchase an unpaid debt. For example, a third-party debt collector will pay on average $100 for the acquisition of a debt with a $1,000 balance. In this example, if the debt collector can obtain payment in full from the debtor, the debt collector can earn as much as $900 on the $1,000 debt that they paid $100 to acquire. What is also important to note is that debt collectors purchase debts in massive bundles. Meaning, they are not simply purchasing one consumer debt at a time. Rather, they are purchasing bundles of debt that can total millions of dollars in outstanding debt.

Since the debt collector only pays $0.10 on the dollar for the debt, they can even make significant profits through accepting a settlement on the debt for something less than the full amount. It is not uncommon for a Debt Settlement service provider to state that they can settle a debt for 50% of its total value. Considering this, let's take another look at the prior example where the debt collector purchased a $1,000 debt for $100. If the Debt Settlement service provider negotiates a successful settlement of that debt with the debt collector for 50% of the debt's total value, then the debt collector is paid $500 (i.e. $1,000 x 50% = $500) for a debt they purchased for $100, making them a $400 gross profit! Now imagine a debt collector who purchases $10 million dollars in debt for $1 million dollars. If that same debt collector obtained settlement payments on all of that debt at 50% of the total debt value, the debt collector collects $5 million dollars for a bundle of debt that they only paid $1 million dollars for. That means they make a $4 million profit. A 500% return on their investment! So, don't shed any tears for the debt collectors who benefit from the massive profit potential of the Debt Settlement industry.

Do You Qualify?

Now that we have discussed the benefits of Debt Settlement for all parties involved, let's take a look at what it takes for you to qualify to be accepted into a Debt Settlement program. Although you may want to move forward with the Debt Settlement process, there are several qualifying details that you must first consider. Debt Settlement is intended for consumers that can no longer make the minimum payments on their unsecured debts and afford their necessary monthly living expenses. It's not really intended for people who can afford their payments, but are just looking to pay less than the total amount they owe (although many consumers with this goal participate in Debt Settlement programs).

The first thing to consider is the type(s) of debt that you owe. Most Debt Settlement companies today only provide services in regards to "unsecured debt". Unsecured debts are debts that are not secured by an asset. The most common types of unsecured debts serviced by the Debt Settlement industry are credit cards, store cards, medical bills and other debts that are currently in collections. Conversely, examples of debts that are not typically serviced by the Debt Settlement industry, most of which are considered "secured debts" (i.e. debts secured by an asset), are: home loans, automobile loans, furniture loans, student loans and unpaid Federal and State taxes.

With secured debt, a creditor has no reason to engage in the settlement process because they can simply repossess the asset (i.e. your home, car, etc.). Meaning they can simply take your car from you rather than allow you to pay less for it. But with unsecured debt, like a credit card, you did not put up any collateral in order to obtain the loan. For this reason, the creditor may want to settle with you to ensure that they receive some money. If you declare bankruptcy, they are well aware that they will not receive a dime.

The second thing you technically need to qualify is to satisfy any specific standards set by the Debt Settlement service provider. The most common standards is meeting their minimum debt requirement. Many Debt Settlement service providers will only work with consumers who have at least $5,000 in debt. This number can and will change, and it is certainly possible to find a service provider if your debt is less than $5,000. But, in general, Debt Settlement is not for people with a very small amount of debt.

The third thing you need to do to qualify is have the financial ability to meet the payment plan as designed by the Debt Settlement company. Some companies provide Household Budget Analysis Worksheets to help consumers get a handle on what their monthly income and expenses look like. This can be a useful tool to determine how much you can afford to pay each month into a Debt Settlement program. You will likely be able to extend the program length to lower the monthly payment amount if needed. It is not uncommon for programs to be set for payment periods of up to 60 months. Of course, as identified in the examples earlier, if a Debt Settlement service provider has a monthly fee, the more monthly program payments you have, the higher the total fee you will ultimately pay and therefore the lower the eventual savings. In addition, the longer the payment plan, the longer it takes to accumulate enough funds to complete the Debt

Settlement service. The more you can pay each month into the program, the less overall fees you are likely to pay, the quicker your account balance accumulates, and, therefore, the sooner you can pay off your debt once the settlement amount has been negotiated.

Finally, and in my opinion the most important thing you must demonstrate to qualify to participate in a Debt Settlement program is the patience, tolerance and resolve to endure throughout the entire Debt Settlement process. Patience - because the repayment process takes an average of 36 months to complete. Certainly a much shorter period of time than it would take you to pay off the debt by paying the minimums, and likely a much shorter period of time than it took for you to acquire the debt in the first place. Still, 36 months is three years and a lot can change during that length of time. Tolerance - because Debt Settlement is not an exact science, not a sure thing, and it is not uncommon for debt collection calls to be persistent and abusive. Resolve - because you may be presented with ample opportunities and reasons to terminate the service before the end benefits are achieved. Consumers quit because their budget fluctuates and it can be difficult to keep making payments under the program. Consumers quit because they can't stand the debt collection activity, which is exactly what the debt collectors want. Consumers quit because their creditors take legal action against them and the consumer gets scared that the situation is out of control. Clearly there are many reasons why Debt Settlement is not an easy process, but with patience, tolerance and resolve it can be a very effective way to quickly pay off your debts.

A word of caution - Don't let the telephone sales representative talk you into believing that you have to rush into the decision to enroll with a particular Debt Settlement service provider. Just because you qualify does not mean Debt Settlement is the right option for you. A telephone sales rep is likely to be a commission for signing up consumers into the program. In and of itself there is nothing wrong with an employee earning a commission for signing up a consumer, as long as that employee has the consumer's best interests in mind. Any sales rep that tells you that you have to sign up "Now!" is likely to be more interested in their own financial situation than yours. Debt Settlement service providers do not change their services or fees often, so, the only urgency for you in regards to signing up for the service is your own circumstances. Your best course of action, as with all major decisions, is to speak with 3 or 4 different service providers to obtain a variety of options, and to not make any decisions without hanging up the phone and sleeping on it, however anxious you are to get started.

There is no denying that hundreds of thousands of consumers qualify for Debt Settlement assistance. In today's debt ridden society thousands of consumers are enrolling in Debt Settlement programs every day. But of course, there are many who would be much better off moving in another direction. If you are unsure if this is a process that would benefit you, your best bet is to touch base with a professional Debt Settlement company. They can collect the proper information from you, and then make a decision on your eligibility based on your current debt. Many consumers think that being accepted into a Debt Settlement program is a sure-thing. While this can be the case, depending on your situation, this does not always hold true.

Debts That Do And Don't Qualify

As noted above, there are some debts that qualify for Debt Settlement, and other debts that don't. I'd like to elaborate on this a little further as it is important that you know what type of debt can be settled before you decide to move forward. Much to the surprise of consumers, there are certain types of debt that creditors will never agree to settle.

Generally speaking, unsecured debt is the type of debt that is going to qualify for the settlement process. Some of the most common unsecured debt includes:

1. Major credit cards. Examples include American Express, MasterCard, and Visa among many others.
2. Department store credit cards. Examples include cards provided by Sears, Macy's, Home Depot and Best Buy among many others.
3. Medical and hospital bills that are in collections. Remember, if the debt is in collections (i.e. with a third-party debt collector) there is more negotiation room and therefore a greater likelihood to achieve a successful settlement. Medical and hospital bills that are not in collections are not typically acceptable debts.
4. Unsecured, revolving personal loans. This is typically a loan from a bank or credit union that is not secured by an asset. Since the loan is not secured by an asset, there is nothing for the bank to repossess if you stop making payments, which puts pressure on the bank to settle for something less than the full amount rather than receive nothing. In addition, the loan is revolving, which means that the loan amount may be withdrawn, repaid, and redrawn again in any manner and any number of times until the arrangement expires.
5. Unsecured closed-end loans – but only if it is in collections. This type of debt is very similar to the previous one, except that the loan is closed-end, which means that the borrower cannot change the number and amount of installments, the maturity date of when the loan is due, and/or the credit terms.
6. Auto Loans – where the car has already been repossessed. Any auto loan originates as a secured debt, as the bank can repossess the vehicle in the event you do not pay. However, even after repossessing the vehicle the bank will likely still try to collect on all or some of the debt to offset their costs. If the vehicle has already been repossessed, then there is no additional asset the bank can come after than the outstanding balance can typically be included in a Debt Settlement program.
7. Most accounts in collections. Such accounts in collections must be with a third-party debt collector, not the collections department of the original creditor.

On the other hand there are many types of debt, some of them secured debt, that you will not be able to settle through a typical Debt Settlement service provider. The primary reason that secured debts can't be settled this way is that the creditor can simply repossess the asset if you do not pay. Since they can legally repossess the asset, there is no reason for them to have to accept a lower payment from you. The other debts that are not consider secured debts, but also can not be settled, are ones that have specific government regulations that apply, or some other restriction that makes it not worth the Debt Settlement service provider's time to work on. Here is a list of debts that are not typically accepted into a settlement program.

1. Mortgages and Home Equity Loans. Secured debt.

2. Auto loans – where the vehicle has not been repossessed (see #6 above). Secured debt.
3. Loans that have been co-signed – unless both parties have agreed to participate in the Debt Settlement program, and the loan is an acceptable debt based on #s 1-7 above.
4. Federal, state and local taxes. Simply not acceptable.
5. Payday loans/Cash Call loans. These are high interest rate, short term loans that are given in anticipation of an upcoming paycheck that will be used to pay off the loan.
6. Student loans. Both government issued and private student loans are not typically accepted.
7. Utility bills. If the utility bill is still with the original creditor (i.e. utility service provider), then if you stop paying it they can stop the utility service. If the bills are with a third-party debt collector they can often be included.
8. Any debt that has been subject to prior litigation, court judgments, is represented by an attorney or for which a summons to appear in court has been issued in regards to it. Essentially it is often too late to do anything about a debt that is in this stage of collections so the Debt Settlement service provider does not want to inherit any unnecessary problems.

As you can see, there are many debts that will be accepted by most Debt Settlement service providers, as well as many debts that won't. Take caution if a sales representative tells you they can accept a debt that I have identified above as not typically acceptable. While it is possible that they do accept such debts, it is unlikely, and the last thing you want to do is include a debt that is ultimately not accepted, and fall behind in payments on that debt. Why would a sales rep tell you a debt could be included when it can't? I can think of at least two reasons. One, the sales rep didn't know any better, which would raise a caution flag about everything they told you. Two, they are paid on commission and the more debt that gets included in the program the higher their likely commission, so perhaps they don't have your best intentions in mind.

Risks of Debt Settlement

Anyone that tells you that there are not risks associated with participating in a Debt Settlement program simply is not being honest with you. It is important that you do not get caught thinking that everything associated with Debt Settlement is "all good." Even though Debt Settlement is a great way to help many people who are struggling with debt, there are some large risks involved with this process as well. Ignoring them or thinking that they cannot affect you may end up causing you more harm than good in the long run.

The primary risk of participating in a Debt Settlement program is that one or more of your creditors may take legal action against you in an attempt to settle on the debt. Most consumers sign up with a Debt Settlement program to avoid this very risk, but in most cases it can not be avoided. If legal action is taken against you by a creditor it typically falls into one of two categories: 1) you receive a summons to appear in an

Arbitration Forum, or 2) you receive a summons to appear in court as part of a law suit filed against you.

While the thought of legal action being taken against you can be nerve wracking, it is really not the end of the world. You are not at risk of going to jail by participating in a Debt Settlement program. If legal action is taken against you it is often possible for the Debt Settlement service provider to prioritize the debt subject to the legal action and attempt to settle that debt to avoid the legal action moving forward. That will often depend on whether or not you have accumulated enough funds to make an attractive settlement offer. Before we look at each of these risks in greater detail I want to make sure you are aware that most consumers never have any legal action taken against them as a result of participating in a Debt Settlement program. So, it is very possible it would not happen to you. There is simply no way of knowing that on the way in, so all you can do is be aware of the potential for to happen. Now let's take a look at each of these possible legal actions in greater details.

All credit card contracts contain language that allows for disputes to be settled through arbitration. Arbitration is simply a process where an unbiased third-party (the "arbitrator") reviews all of the information in regards to the issue brought before them (in this case the claim by the creditor that you owe a debt), and, after reviewing the information the arbitrator issues a decision in favor of one of the parties that all of the parties are bound to. Arbitration is simply a less costly means of resolving the dispute than filing a lawsuit, and even the creditor wants to save money where possible.

Your role would simply be to participate in the arbitration hearing, likely in person, and do your best to demonstrate your current financial situation, which will ideally reflect a hardship, and explain why you can not afford to pay the debt in full. The creditor will make their argument as to why you should pay the debt in full. The outcome of the arbitration could be that you end up paying the debt in full, or a settlement is reached. In either case it is likely to result in a payment plan that is affordable for you. So, while this is not exactly what you hoped for, in reality it is not that big of a deal and the end result is some sort of payment plan that is likely better than what you were paying before joining the Debt Settlement program in the first place. So, progress was made, just not exactly how you thought it would be.

As an alternative to arbitration, the creditor may file a law suit against you. If this occurs you will receive a summons to appear in court, and essentially have the same opportunity to explain your current financial condition and potential hardship. The outcomes of a law suit are for the most part the same as the outcomes of arbitration, meaning some sort of payment plan will be agreed upon. However, as a result of the law suit the court will issue a judgment that legally requires you to pay back the agreed upon sum. In addition, where allowed by state law and actually possible considering the consumer's circumstances, the court may garnish your wages to satisfy the repayment plan. This means that a certain amount of your wages will be automatically deducted right out of your paycheck without you having access to it. Such action will require that your employer be notified, which may be a source of embarrassment to you. In addition, the judgment will be reflected on your credit report and the law suit will become a part of your record in the event someone needs to perform a background check on you. Again, this is not the end result you hoped for but it is possible. The best thing you can do is be prepared financially to either offer a settlement or be able to agree to a payment plan.

Another risk associated with Debt Settlement is having access to the excess money that was previously being used to meet the minimums on the debt payments. Meaning, under most Debt Settlement programs your monthly payment is often less than what it was when paying the minimums to your creditors. So, on a monthly basis you are paying less, so you now have some excess money. The risk is that you spend this excess money in a wasteful manner rather than use it to your advantage.

There are two ways that you can deal with this extra money each month: you can either use it to your advantage by saving it for future settlement payments, or you can risk all the improvements that you are making to your financial life and get in more debt. As you can imagine, the latter option is one that you do not want to toy with. If you do, you will find out soon enough that while you settled some debt, you have more new debt developing close behind. What is recommended is that you invest any of the excess money in one of two ways: 1) invest it in a risk free account like a checking account or money market to create an emergency fund that will allow you to not incur additional debt in the event of an emergency, or 2) invest it in paying off your debt by making a larger than required payment to the Debt Settlement service provider so that you accrue funds more quickly and therefore are able to settle your debts more quickly. If you choose to do this, just check with your Debt Settlement service provider to ensure that any excess payments go towards your escrow balance and not towards their fees.

Is Debt Settlement Legal?

I am often surprised by how often I get this question. Yes, Debt Settlement is perfectly legal. It is simply an agreement by a creditor to accept less than the full amount on a debt (their legal right to do so) and an agreement by the debtor to pay the reduced debt amount. The reason that some people feel that Debt Settlement may be an illegal practice is simple: the settlement process allows consumers to get out of having to pay for some of the debt that they have actually incurred. With a Debt Settlement program, the consumer has the ability to wipe out a large portion of debt without any obligation to repay it in the future.

All in all, Debt Settlement is a legal process if done correctly. Hundreds of thousands of consumers have enrolled in these programs in the past, and this is not going to stop anytime in the near future. With that being said, you need to be entirely sure of what you are doing as to avoid any potential negative issues. After all, Debt Settlement is not as simply calling a creditor on the phone and telling them that you will not be sending them entire amount due.

If you smartly hired an attorney-based debt Settlement service, anytime that one of these parties contacts you, you can point them towards the company that you have hired. I only recommend working with an attorney or law firm that specializes in Debt Settlement as they give you the best chance for success in all facets of the Debt Settlement process (see discussion below.)

There will always be the debate of whether or not Debt Settlement is legal. At this time, there is no reason that you should believe that this is an illegal practice. Creditors openly and willingly participate in these programs on a regular basis because it offers them benefits much like it does the consumer as I explained above.

Working with a Debt Settlement Attorney

Whenever possible it is best that you work with an attorney or law firm that specializes in Debt Settlement. Attorneys are experienced in negotiating with creditors, as well as dealing with any potential legal issues. Most Debt Settlement attorneys are experts in the laws that protect consumers, and govern the banks and debt collectors. In addition, attorneys are held to a higher moral and ethical standard than a non-attorney Debt Settlement service provider. Attorneys also have their reputations and ultimately their license to practice law at risk so they are highly motivated to have your best interests in mind. In addition, it is very likely that you can get the benefits of using an attorney at the same cost as if you hired a non-attorney Debt Settlement service provider, so it only makes sense to do it.

Non-attorney Debt Settlement companies are simply entrepreneurial businesses that operate in a very lucrative industry. Many of these businesses are reputable, but just as many are only out to take advantage of the situation and profit. Deciphering between the good ones and the bad ones is really a shot in the dark and simply not necessary for you to do. Even if you did become associated with a good one, you have essentially hired a layperson to negotiate on your behalf. That person may or may not have any negotiating experience, but certainly does not have the professional expertise or as much at risk as an attorney. These operations often claim to have existing relationships with creditors which they claim will get you better results. The reality is this is not likely to be true, and they are not really providing any service that you could not provide for yourself. So hiring an attorney will get you not only all of the same benefits that a non-attorney Debt Settlement company can provide, but also the added legal benefits that an attorney can bring to the table.

There are a couple of things to consider if you do work with an attorney that specializes in Debt Settlement. First, some attorneys only offer to attempt to negotiate on your behalf, and the contract you sign and the related fees do not cover legal services outside of the negotiation. Meaning, if you are sued, or summoned to an arbitration forum, they either don’t help you with that piece of the service, or it would cost extra for them to do so. In some instances the attorney will be part of or have access to a national network of attorneys that can provide the necessary legal services. If this is the case your “file/debt” will be provided to one of the network attorney members who will work with you to resolve the legal issue. This is often the case when the attorney you hired is not registered with the state Bar Association in the state the consumer resides. There is nothing wrong with such an arrangement as long as your needs are met and you understand how it works. Just be sure to understand how any attorney you hire would handle any legal issues that could arise during your participation in the program.

Second, many attorneys are not in the business of providing Customer Service for all of their clients. They simply specialize in the legal issues. As such, it is not uncommon for the attorney or law firm to partner with a third-party customer service organization. There is absolutely nothing wrong with this. That third-party organization will likely handle services like payment processing, statement generation and serve as the main source for clients to call with questions. They will be in regular communication with the attorneys so the two organizations act as one in servicing the clients. Don’t be surprised if you call in to speak to your attorney and all you get is a customer service representative. That is find and in fact common. If the attorney took the calls directly from all of their clients they would not have any time to actually service their clients. Just work with the customer service representative who can in almost all instances help you with whatever questions or challenges you have.

Should I Attempt To Settle My Debts On My Own?

Many consumers contemplate settling their debts on their own. I simply don't recommend it. While it is certainly possible to settle your debts on your own, the odds are you will get better results working through a Debt Settlement attorney. Settling your debts on your own requires that you deal directly with the creditor and/or third-party debt collector, which is often a very stressful experience. It's like anything else, you can do it on your own, or you can hire someone to do the work for you. In this case, I think it is better to outsource the stress and responsibility to a professional that is in the business, and in particular to an attorney.

If you do plan to settle your debts on your own, be prepared that it will likely take some time, and require many phone calls. Be prepared to provide documentation of a financial hardship as that will be your best negotiating leverage. In many cases the best thing to do may be to simply stop making payments and let time pass. Yes, your credit report will be negatively impacted if you stop making payments, but, many consumers have a lot of success by simply stalling until the creditor or debt collector offers them a settlement.

However, unless you specifically negotiate a payment plan, the creditor will likely expect you to pay whatever settlement they offer you in full. All in all you are simply rolling the dice hoping things work out. Plus, you still have to manage the risks identified above so it may be necessary for you to obtain legal counsel if a creditor takes legal action against you.

Debt Settlement Life Cycle

The typical consumer that enters a Debt Settlement program falls into one of two general categories: 1. The consumer is current on their payments, but is willing to go past due and have their credit score negatively impacted in exchange for the overall savings of the program; or 2. The consumer is already behind on their payments, their credit score has already been negatively impacted, they are receiving collection calls, and credit counseling is not an option.

In either case, if a Debt Settlement program is of interest to you, it is important for you to be aware of what you are getting into before starting. Below I outline month by month the typical lifecycle of someone participating in a Debt Settlement program so you can get a general sense of the various stages of the process.

Month One

1. The consumer locates a Debt Settlement company, and enrolls in the appropriate program.

2. The average consumer enrolls 5 unsecured debts into the program with a combined average total balance of $20,000.

3. It is commonplace for the first payment to be used to cover fees. For this reason, this amount is not placed in escrow to be used for final settlement.

4. Consumers fall past due on their payments, and this in turn has a negative impact on their credit score.

5. Creditors proceed with the collection process, or continue if this has already begun.

6. Letters of representation and power of attorney are sent to the consumer’s creditors informing the creditors that the consumer has obtained assistance in helping them to settle their debts.

Months Two through Four

1. Depending on the program, some money paid during this time may go towards fees and not into an escrow account.

2. In most programs, it is during this time frame that payments begin to be deposited into an escrow account for future debt payoff.

3. Debt collection from creditors intensifies. Consumers can expect to receive more phone calls both at work and at home.

4. Creditors will often times tell the consumer that they have yet to hear from their Debt Settlement company. This is done to break trust, and hopefully trick the consumer into paying the full amount due.

5. Initial debt negotiations may begin to take place between the Debt Settlement company and the creditor; however, there is rarely enough money in the escrow account to settle the debt, so negotiations are not intense at this time.

6. Late fees continue to increase which continues to negatively affect the consumer’s credit score.

Months Five through Eight

1. Most debts that were with an original creditor when the consumer enrolled in the Debt Settlement program are sold to a debt collection agency. By selling the debt to a collection agency, the original creditor has released all legal right to collect on the debt, and the original creditor reports the debt as a “charge-off” on the consumer’s credit report, further negatively impacting the consumer’s credit score.

2. The debt collection agencies that purchased the “charged-off” debt begin to attempt to collect on the debt. Therefore, the consumer starts to receive calls from a debt collection agency from which they had not previously.

3. The consumer notifies the Debt Settlement company of the contact information of the new debt collection agency so that letters of representation and power of attorney can be mailed to the appropriate party.

4. The Debt Settlement company and debt collection agencies begin to negotiate. At this time, negotiations also continue with other creditors.

5. Payments made by the consumer are deposited into an escrow account for future settlements.

6. Late fees and over-limit fees continue to accrue and the consumer’s credit file continues to report the consumer as late on their payments.

7. It is not uncommon for creditors to take legal action during this time frame. If this happens, the consumer may receive a summons.

Months Nine through Thirty-Six

1. Payments made by the consumer are deposited into an escrow account for future settlements.

2. By the three year mark, many consumers have enough money in their account to be used for final settlements.

3. In most cases, the initial debts enrolled by the consumer have been sold to debt collection agencies.

4. Collection agencies continue to call the consumer in an attempt to collect.

5. Settlement negotiations continue.

Months Thirty-Seven through Forty-Eight

1. Remaining payments continue to accrue in an escrow account.

2. Settlements are being negotiated and paid on a regular basis.

3. Under some programs, fees are taken at this point as a portion of the amount saved due to the settlement negotiation.

4. Due to paid settlements, calls from collection agencies begin to slow down.

5. Debts are reported as “Settled” and reflect a $0 balance on the consumer’s credit file.

6. When all debt is settled, the program comes to an end.

The Ten Most Important Questions You Must Fully Understand The Answers To Before Signing Up With A Debt Settlement Service Provider

1. What are the fees that I will pay for your services? Make sure they identify all of the fees, how those fees will be assessed and when they will be assessed. (See page)
2. As a percentage of my total current debt, and considering all fees as well as amounts set aside for settlement, what is the total amount that I will pay (or save) by participating in your Debt Settlement program? (See page)
3. Where is the money invested/held that I set aside to pay a settlement? You need to understand if those funds are in a pooled account with other participants, in a personal account that the service provider controls, or in an account you control. (See page)
4. What services does the organization provide me if I am sued or become subject to some other legal challenge by a creditor? Make sure you understand exactly what help the Debt Settlement service provider provides, whether or not they use other legal service providers to help you, and if there are any additional costs. (See page)
5. How quickly do my funds accumulate in the escrow account? This will give you a sense of how quickly your money will be available to pay a settlement. (See page).
6. What are my exact responsibilities as a client to give the settlement process the best possible chance for success? Some service providers require their clients to maintain a Log of debt collection activity, to forward legal papers within a specified timeframe, etc. You want to make sure you hold up your end of the agreement.
7. What options do I have to cancel the service and am I entitled to a refund?
8. What are the effects of the Debt Settlement program on my credit, and, does the Debt Settlement service provider include or recommend any credit improvement services?
9. How long has the Debt Settlement service provider been in business?
10. What is the reputation of the Debt Settlement service provider with the service providers local Better Business Bureau and state Attorney General? As a consumer you should contact each of these agencies to determine the current reputation of the Debt Settlement Service Provider.

Next Steps

If you are interested in pursuing Debt Settlement than you need to start looking into and speaking with Debt Settlement service providers. The internet is probably the best place to locate a Debt Settlement service provider as the majority have an internet presence. Open up an internet browser like “Google” or “Yahoo” and search the internet using terms like “Legal Debt Help”, “Debt Settlement” and “Attorney Debt Settlement”. Take some time to look at three or four web pages to familiarize yourself with the similarities and differences. I can’t keep up with all of the Debt Settlement companies out there so I just make sure that I am confident in one. I encourage you to visit and speak with one of their telephone representatives. They are honest and offer one of the best Debt Settlement programs in the industry.

In addition, if you have any friends or family that have had success with Debt Settlement then speak with them to get a referral to the Debt Settlement company they worked with. Another alternative is to look in your local Yellow Pages under “Credit and Debt Counseling”. You may be fortunate to have a reputable Debt Settlement company local to you that you can visit in person.

Members Only Blog

As I previously mentioned, by purchasing this package you now have access to my Members Only Blog. This online resource will allow you to ask me any questions that you have as a result of reading this package, or questions that come up during your investigation of a certain Debt Settlement service provider. I am here to help and you will have my ongoing support. In addition, by visiting the Members Only Blog you will have the ability to see all of the questions and answers asked by other Members, many of which may be questions you did not think to ask yourself.

You can visit the Members Only Blog as often as you like and ask as many questions as you need to. I am not only available to you now during your consideration of Debt Settlement, but if you do decide to work with a Debt Settlement service provider, I will be happy to answer any questions you may have that come up during the course of your overall Debt Settlement program. Remember, from this point forward you can consider me you unbiased, qualified Debt Settlement Consultant and I am happy to assist you.

Conclusion

Congratulations. You have made it to the end and are now much more educated than most in regards to Debt Settlement. Now that you have read all of the above information I encourage you to keep it handy, read it a second time, and refer to it as questions come up. Also, I highly recommend that you take advantage of the Members Only Blog and ask as many questions as you need to. My goal is to take the guesswork out of your decision making process by making sure you fully understand the Debt Settlement option. I also recommend that you read this package one last time before you actually decide to move forward in participating in a Debt Settlement program. Simply because I want you to have all of that information in mind when you make that final choice.

Remember, this is all about you making an informed decision about whether or not Debt Settlement is the right option for you, considering your individual circumstances. Debt Settlement is an effective means of getting out of debt that thousands of consumers are taking advantage of every day. Whether or not it is the right path for you is up to you and you alone. But you are not alone in the decision making process. I am available to you every step of the way through the Members Only Blog. So, take a break and allow for all of this to digest. Then get started in the Next Steps outlined above and have faith. Everyone deserves a fresh start.

COLLECTION COMMUNICATIONS LOG

INSTRUCTIONS:

1. **DOCUMENT** immediately every communication you have with any debt collector, whether by letter, by phone or by message. Make detailed notes of any conversations you have with a debt collector during the conversation. Keep this log next to your phone.
2. **SAVE** every single voice mail, answering machine, collection letter, and paper message. Don't throw anything away, including the envelopes that the collection letters come in or anything included with the collection letter.

Date of Call? (MM/DD/ YY)	**Time of Call? (00:00 AM)**	**How Many Minutes Did Call Last? (Approx.)**	**Phone Call, Voice Mail, Letter, Paper Message?**	**Collector's Name?**	**Collection Agency Name and Telephone Number?**	**What Did Collector Say? Amount Demanded? Payment Terms? Threats? Profanity? Harassment? Legal Action? Calls to Friends or Neighbors? Abuse? (Use as many lines or pages as needed)**
1						
2						
3						
4						
5						
6						

7						
8						
9						
10						