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Beware of 'Painless Debt Relief' Claims

Credit card debt has become a huge problem for many Americans. Some estimates say that American consumers racked up \$745 billion dollars in credit card debt by the end of 2006. Most people would love to get themselves out of that debt, and for those looking for good rates and terms on a home loan, reducing that debt is essential.

Plenty of companies have sprung up to help consumers manage and eliminate this debt. Unfortunately this new industry has not been carefully regulated from the beginning and plenty of scammers have taken advantage of the situation. They claim they can eliminate debts in a matter of days or erase your credit history.

The truth is that there is no "miracle cure" for heavy debt. It is a financial responsibility that consumers have committed themselves to and the process of eliminating it often takes plenty of time and effort.

"Anyone who's saying there's a painless way out of being in credit trouble should raise eyebrows," said Nick Jacobs, spokesman for regulatory agency The National Foundation for Credit Counseling. "Getting out of debt is going to be a tough process, but it's also incredibly worthwhile. Anyone who promises overnight results is selling snake oil."

If you have found yourself over your head in credit card debt, be sure to avoid those companies out to cheat you out of your money. Make sure the company has a good track record with the Better Business Bureau and that they have the proper state licensing.

Once you find a company, make sure they offer you plenty of debt resolution options. Debt consolidation may be the best way to go — if you are willing to change your spending habits and start paying down your debts. Consolidating debt means combining all of your debts into one large debt, with one monthly payment rather than many smaller ones. This is often accomplished with the help of refinance or home equity loan if you are a home owner. Or the debt counseling company may simply have you write them a check every month for one lump sum and they will distribute the payments to your creditors.

Another option debt counselors sometimes offer is to work with your creditors to lower decrease the amount you owe. This is most effective if you are very close to bankruptcy. Most companies will be willing to take a reduced payment, rather than risk getting nothing at all from you after bankruptcy.

You may also simply be offered debt management plans by debt counselors. They may try to teach you how to better manage your finances and stick to a financial budget. They may monitor and guide you as you pay off one debt after another until you have a manageable amount of debt again.

No matter what option you choose, you need to give up hopes that anyone can magically bail you out of the debt that you have created. Getting out of debt will take time and sacrifice but it the financial security and peace of mind that it produces will be well worth the effort!