

Options and Strategies to Reduce Debt

If you're in debt and having difficulty keeping up with your monthly bills, apparently you're not alone. The issuers of credit cards recently reported their 2006 profits – and those profits are staggering. Take a look at the following reported earnings from credit card companies:

- Profits from interest charged to credit card holders: \$90.1 Billion
- Profits from fees charged to credit card holders: \$55.2 Billion

Wow – profits earned from issuers of credit cards far exceeded even those earned by oil companies, yet the entire country seems to be taking issue with oil executives, and haven't blinked an eye over the outrageous costs associated with purchasing items on credit. Nor are there laws to protect consumers from credit card gouging. If you make a late payment, you'll be penalized. So, let's get this straight; if you can't afford to pay your monthly bills, credit card companies are going to charge you even more. Makes no sense, but for some reason this practice is legal.

Since the delinquency rates on credit cards is at an all-time high, there's a good chance you may find yourself looking at options to put your credit card debt and money concerns behind you. Here are some of the choices available to consumers who are struggling to pay their bills:

- **Consumer Credit Counseling** – This option may be the right choice for you if your job is secure and you can commit to a long-term payment schedule. Consumer Credit Counseling agencies will work with your creditors to negotiate reduced interest rates on your credit card accounts. Unlike bankruptcy or debt settlement, you'll still be liable for paying the entire balance owed over a number of years, but as stated, if you can realistically commit to a long term payment arrangement, and don't mind waiting a few extra years to become debt-free, consumer credit counseling may be right for you.
- **Bankruptcy** – Most people resort to bankruptcy only in the severest of cases. For instance, if your debt and credit card payments are unmanageable, and you're certain you won't be able to maintain payments to a consumer credit counseling agency, or even the ability to borrow sufficient funds to attempt to settle your accounts for less than the full balance, you may simply have no choice, and bankruptcy will be the only option available to you.
- **Debt Settlement** – Debt settlement is the route best used when individuals can simply no longer afford their monthly bills, and are reluctant to commit to a long term repayment schedule due to potential unforeseen circumstances. Debt settlement has helped many families become debt-free by negotiating with your creditors to pay your account off for less than the full balance, usually 50% or less. To qualify for debt settlement, you must have sufficient funds available when a settlement is reached with your creditor to avoid defaulting on the settlement agreement. So, if you are unable to rely on personal savings, a loan from relatives or a friend, funds from your 401k, or perhaps a home equity line of credit, unfortunately, debt settlement is not an option you can seriously look consider.
- **Debt Consolidation** – Hmmm. This is an option I'm not entirely fond of. Reason being, 85% of people who pay off credit cards through debt consolidation end up charging the majority of their cards back up to near their credit limits. So, instead of owing the amount they originally were obligated to pay, they now owe at least double. Be very careful if you find yourself saying "I would never do that." Most of the 85% of individuals who have consolidated their debt have uttered those exact words.

I encourage you to consider all of your options closely, and hold off on your final decision until you're well educated and comfortable with the consequences of that decision. While I don't necessarily agree with those who are concerned with their credit score, I do understand that it may be difficult to trade in a good credit rating – even if it means you'll have peace of mind through freedom from debt. Just be certain to weigh your options and have all the facts.

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