



Debt Settlement and Credit Repair: The Perfect Combo?

With consumer debt at an all time high and the sub-prime marketing completely collapsing, people are desperate for an effective debt relief solution.

The two most common are credit repair and debt settlement. Both have their advantages and both certainly have their drawbacks. Before you choose either, you have to understand how each works and which program fits your personal needs.

Debt settlement works well for some and can reduce larger debts to as much as 60 percent. Two of the major drawbacks are the fees charged by debt settlement companies and the damage it does to your credit score.

The average fee is 15 to 20 percent of the total debt and many debt settlement companies charge an additional fee based on the amount of money they save you. The net result is under this model is not nearly as significant as it may appear on the surface. The second problem is complete destruction of your credit score.

Debt settlement programs once negotiated with your creditors require you to save money until the agreed upon amount is saved and then you pay them off. What most debt settlement, or negotiation companies don't tell you is that your accounts are being marked late each month while you save.

Then there is credit repair. If you're lucky enough to find a legitimate credit repair company, the fees will be much lower than that of a debt settlement company. Credit repair can be effective for removing some of the negative trade lines. The problem is that

it is most effective for older, smaller items e.g. smaller collection and charged off credit cards.

For the larger debts, chances are credit repair won't do much because creditors want their money and will eventually get it and usually through lawsuits and judgments.

Is either a perfect solution? Probably not, but each has its advantages depending on your personal situation. Perhaps the most effective solution is a combination of both. While most companies don't offer a credit repair/settlement program there are a few that do.

The advantage of combining the two is that debt settlement can reduce your payments giving you the immediate relief you need, while credit repair can help mitigate the damage to your credit score.

For those of you who are new to the debt settlement concept, let's dig in a little bit deeper. Does debt settlement really work?

Without a doubt yes, settlement or debt negotiation does work. The bigger question should be, is it right for you? Before we get into evaluating whether or not it's right for you, let's make sure you understand the process.

Debt settlement is the process in which a company will negotiate on your behalf an amount less than the balance owed to your creditors. Typically a good settlement company can get the total balance you owe down to about 50 percent, sometimes even less. For most people facing financial crises, that is exactly the break they need.

For example; if you're \$30,000 in debt and making payments of about \$1500.00 per month, that may be reduced to about \$15,000 and 700.00 per month. Furthermore, if you're currently behind on your debts, no doubt you're getting pounded with creditor phone calls. Debt settlement companies will also deflect most of that as well by dealing with your creditors on your behalf.

So, let's take a look at the downside of debt settlement and see if it's right for you. We already know it will relieve you of a major portion of your debt but it has its drawbacks.

Two of the major drawbacks are costs of the program and damage to your credit report. The average debt settlement company will charge 15 percent of the total debt in fees. Personally, I think that is about double what it should be. Their services are invaluable to most people and worth a fee, just not that much.

The second drawback to debt settlement is the damage to your credit report. While you are in debt settlement, your credit is going to take a beating and don't let anybody tell you otherwise. Chances are if you're considering debt settlement or bankruptcy, your credit is already taking that beating, but if you've managed to keep your credit intact to this point and know you may want to buy a home in the next year, then debt settlement may not be the right choice for you.

Once you're done with settlement with a focused plan you can be good as new in 6 to 12 months. While there is no replacement for good judgment and making your payments on time, debt settlement has helped hundreds of thousands of people get back on their feet. You just have to know it's the right solution for you.

~~~~~

**About the author:**

Marc Chase is a credit repair expert for <http://www.MyCreditGroup.com>, a personalized [credit report repair](#) company offering the industry's only "no questions asked" return policy. Let MyCreditGroup [settle your debt](#). Tell us your situation Toll Free: 1-800-430-7494 or <http://www.MyCreditGroup.com/contact-us.html>

Your reading an article from Vasrue.com, INC – see more at <http://articles.vasrue.com>, education through reading. Build your business, advance your career and find hassle free travel adventures through the Articles of Vasrue. Visit today!

~~~~~