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Why to Avoid Debt-Settlement Firms

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Do not listen to debt-settlement firms. They want your money and often do not care about the alternatives that work better for you. In fact, here are some reasons as to why we should proactively avoid debt-settlement firms.

1. STILL YOU PAY LOTS MONEY TO DEBT SETTLEMENT FIRMS

Debt-settlements firms tell you, your debt will be cut by 40 to 60%. However, they do not tell you you will have to pay a lot of money like thousands of dollars to them for fees. In fact debt-settlement firms:

- Charge 13% to 20% of the hapless consumer's debt as their fees. You pay this hefty fee one way or another to Debt-Settlement firms over 12 to 15 months.
- Other companies charge up to 35% of a projected settlement amount.
- **Example:** This means a consumer with $60,000 in debt, must first pay debt settlement firms about $10,000 before the consumer starts paying off the debt.

2. THE PROCESS COULD BE VERY CONTENTIOUS

Most banks extremely dislike working with debt-settlement firms for the following reasons:

- **Relatively Better Deals:** Banks say they could offer relatively better deals to consumers without charging them hefty fees. Although one could reasonably argue credit card companies with their unreasonable very high interests rates were the cause of this whole mess, in reality banks might be willing to drastically reduce rates and work with some consumers, more on this later.
- **Hate Stop Payment Instructions:** Banks want to get paid. So, when debt-settlement firms instruct their consumers not to pay, the banks hate it.

3. DEBT-SETTLEMENT MAY NOT BE RIGHT FOR YOU

What debt-settlement firms do not tell you is that debt-settlement given its costs and stress may not be the right course of action. This is because debt-settlement representatives earn commissions by bringing in more people.

In fact, the following could be a better option than debt-settlement:

- **Debt-Management Plan:** Under the plan you pay off your debt at substantially lower interest rates over some period of time. Banks often are willing to earn less profits than potentially get nothing. However, banks are very picky. You should show them with other obligations you have, you can make the lower monthly payments.

- **Bankruptcy:** May be if you have too much debt, bankruptcy would be the better option for you. Of course, bankruptcy is not for everyone. You should carefully weigh your options before filing for bankruptcy.

4. STILL CREDITORS COULD SUE YOU

Unfortunately, debt-settlement firms instruct their clients to stop paying their bills while they are saving for settlement. However, the consumer's credit would drastically plummet since the settlement process is protracted and contentious. In the meantime, the banks would sue the consumer. Now, the consumer not only has the outstanding debt and the plummeting credit to be worried about, the consumer needs to be worried about the consequences of being sued.

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