

Seven Things You Must Know Before Hiring a Debt Repair Company

Introduction

Debt. It's an ugly word. It's a word loaded with negative connotations. It's a word many of us fear and try to avoid. We do this, because to be in debt is considered shameful. It is commonly thought of as a sign of weakness. Society tends to treat people who are in debt badly. There are those who see being in debt as evidence of some kind of personal flaw, as if owing a debt somehow lessened a person's worth. While we will discuss some of the causes of these attitudes, you may rest assured that they are nonsense. In the end, debt is simply a word describing a common human condition. In and of itself, it has no power.

Despite its perceived negative connotations, debt is an extremely interesting concept. It's more important to humanity than many people realize. The idea of debt is the foundation of our economy. It is also extremely doubtful that any of the early agricultural societies, that gave rise to the first great human empires, could have thrived without the concept of debt.

When people think of the basic, or earliest, form of an economy, they naturally think of bartering. That's because it's an easy concept to grasp. I have a chicken. You have berries. I trade you the chicken for the berries. What could be simpler? The problem is that early man actually didn't do very much bartering. There wasn't enough variety of things to exchange. Instead, very early economies were based on gift giving and debt. This is a similar concept to barter, but with a twist. I happen to presently have a lot of chickens. I am giving you a chicken. Now, you are obligated to me. When you happen to have a lot of berries, you will have to give me some. Socially, the debts incurred from gift giving were sacred. If you owed a debt, you had to pay it when you could. People who ignored this responsibility were, eventually, shunned.

This ancient shunning is probably where our modern attitudes toward legitimate debt arise. You see early man didn't have money. He couldn't purchase the things he needed at a store or online. He needed a way to provide for everyone in his group. Social debt meant everyone would share what they had, when they had it, for the benefit of all. The dynamics of our modern economy are completely different. The use of credit as an incentive to purchase items priced beyond the average budget, the lowering of wages and benefits and a material culture that places value on things above all else, has contributed to a growing web of debt that is still unfortunately tied to an ancient social standard that no longer applies.

However, if you are currently in debt, there is a solution to both the debt and the stigma it brings. A debt repair company can show you the way to end the headache and heartache brought about by ever mounting bills, phone calls from creditors and the inability to obtain the credit you need. They can plan a step by step program, based on your particular circumstances, that is designed to eliminate your

obligations and let you see the financial light of day again. In short, they can give you the debt relief you need so that you can start living worry free once more.

Given the importance of being debt free and reestablishing good credit, it's key to choose a debt relief company that is the right fit for your needs. Here are seven things that you must know before hiring any debt relief company. Keep these things in mind when selecting a company and you will go a long way towards establishing a future that is brighter and a bottom line that is in the black.

1. How Do Debt Repair Companies Work?

Essentially, most debt repair companies work in three distinct ways. They can consolidate your debts, they can manage your debts or they can attempt to settle your debts. Each approach is different, so we will take a closer look at each one in turn.

Debt consolidation is just what the name suggests. Your debts are bought from your creditors and then are consolidated into one lump sum. You then make one payment each month on this single debt, instead of making multiple payments every month on numerous debts. Your debts may be purchased and consolidated by the debt relief company itself or the company may choose, with your approval, a third party to act as the debt consolidator. Either way, you may find that it is easier, both mentally and financially, to make a single monthly payment which satisfies your obligation.

When a debt relief company uses debt management, it contacts your creditors and attempts to negotiate lower monthly payments on all your debts. The company is able to successfully conduct these negotiations, because many creditors realize that a smaller monthly payment is preferable to no payment at all. Debt management allows you to "manage" your outstanding debts by bring those debts more in line with your ability to pay.

Debt settlement occurs when a debt relief company attempts to negotiate with your creditor in order to get them to accept a payment amount that is lower than the amount you owe. Again, these negotiations are successful because creditors are often willing to write off a debt for less than its true value, as long as a certain percentage of the debt is paid. Debt settlement may be appropriate if you have a number of smaller debts, or currently have the capital to pay larger debts, if the amount of those debts were reduced.

2. How To Choose The Right Debt Repair Company For Your Situation

How do you choose the debt repair company that's right for your situation? Well, one of the best ways is to take a realistic look at your situation prior to hiring any company. Sit down and figure out how much you actually owe, on a monthly basis and in total. Figure out who your current creditors are. Where are they located? Take a look at your monthly income and determine how much you can afford to pay to each creditor every month. Determine if there are any debts that you can pay off immediately, or would be able to pay off if the amount owed was lowered slightly. Once you have all this information, you're ready to select a debt repair company.

Have all the information you've gathered at hand when you visit any debt repair company you may be considering. Let the credit counsellor at the company look over the information. Depending on your particular circumstances, they will be able to use your information to structure a debt relief plan that will work for you.

3. Will A Debt Repair Company Really Be Able To Help You?

The answer to this question is an unequivocal "yes!" The credit counsellors at a reputable debt repair company are trained to get you out from behind the eight ball of debt and back on the road to financial health. They are able to analyze your financial and personal situation and use the information gained from this analysis to come up with a debt relief plan that is as unique as you are. The specifics of the plan depend upon the specifics of your special circumstances. In general, it will involve working with your creditors, and the major credit reporting agencies, to lower your monthly debt and raise your credit score. The end result is a better tomorrow for you.

4. How To Avoid Getting Scammed By Unscrupulous Credit Repair Firms

Seeking help with your debt takes courage. At the same time, it can be a very vulnerable time. After all, you are opening up a very personal part of your life to scrutiny. In addition, it's a part of your life that comes with a certain amount of unwarranted shame and self-loathing. At such a delicate time, the last thing you need to worry about is getting taken to the cleaners by an unscrupulous company. Here are a few ways to avoid that situation.

The first step in avoiding an unscrupulous operator is to check any company you're considering hiring with the office of the attorney general in the state where you live. Any consumer complaints brought against this company will be handled by the attorney general and are a matter of public record. If you inquire with your attorney general about any complaints they will gladly inform you if any exist.

Many states also require debt relief companies to be licensed. Check to see if your state requires licensure. If they do, make sure that any company you visit is properly licensed. Don't be afraid to ask to see their license. If everything is on the up and up, their license should be prominently displayed.

Another step to take to avoid being taken is to ask questions, a lot of questions, when you talk to any counsellor at a firm you are considering. Ask them what services they offer. The more services and plans they have available, the less likely it is that they will try and push you into an option that is not right for you. Ask them if they offer credit education. Ask the counsellor how they are paid. Someone who works on an hourly basis, rather than a percentage or commission basis, is less likely to be tempted to steer you into a debt plan simply to earn money.

5. Can A Debt Repair Company Really Improve Your Credit?

Again, the answer is another unequivocal "yes!" A reputable debt relief company will make improving your credit score one of the main goals of your debt relief plan. As you begin to pay off your debts, either through consolidation, management or settlement, your creditors are required to report this fact to all the major credit reporting services. Your counsellor will independently check each creditor to see if they have taken this step and remind them to do so if they haven't. As your creditors report that you have satisfied your debts, the credit reporting services will begin to raise your credit score. This, in turn, will improve your overall credit.

6. What To Know About Debt Settlement Before Hiring A Debt Repair Company.

As we discussed above, debt settlement is one of the credit repair options available to you as a consumer. With settlement, your debt repair company will negotiate with your creditor in order to get them to accept a payment amount that is lower than the amount you owe. Debt settlement can be a helpful tool in getting your credit back on track, but there are a few things to keep in mind.

First, debt settlement only applies to unsecured debts, like credit card bills. It does not apply to secured debts, like mortgages or auto loans. Also, if your original creditor has sold the debt to a collection agency, you will be negotiating settlement with that agency, not the original entity you owed. This means that if the agency accepts your settlement offer, all they are able to report to a credit bureau is that their collection has been satisfied, This means that the original debt may still be on your credit report despite the fact that the debt has, essentially, been paid. If your primary goal is to raise your credit score, you may be better served by going with another debt relief option.

7. Other Vital Questions To Ask Before Hiring A Debt Relief Company

You trust your future ability to obtain credit to the debt relief company you choose. Could anything be more important? Therefore, when selecting a company, make sure you ask the tough, but necessary, questions that will insure that the debt relief plan they recommend is the right one for you. Any credit counsellor worth their salt will be more than willing to provide forthright answers to these questions.

First off, ask the company for references. A reputable company will be able to provide you with the contact information for previous satisfied clients. Get in touch with these people. Ask them about the company's performance. Ask them whether they would recommend the company to others. If previous clients have good things to say about the credit counsellor and the debt relief company they represent, you can be more confident in choosing that company to improve your credit worthiness.

Also ask the counsellor about their business. How many clients do they help in a year? Are they a full-time credit counsellor? If you need to ask questions, will they be there to assist you? Why and how did they get involved in the debt relief business? Again, the answers to these questions will help you select a debt relief company that is the best fit for your needs.

Conclusion

In conclusion, obtaining the right debt relief plan not only helps to secure your future, it also helps you to enjoy the present. It makes sense, when considering obtaining debt relief, to choose a debt relief company that's right for you, your needs and your budget. The time and money you save by making the right choice will provide you with a brighter future.