

Debt Counseling Services

Do you have debt collectors on your back? Most people try to hide from debt collectors. This, however, is not a good solution. A better idea is to seek the aid of debt counseling services, and bring some sanity to your financial affairs.

These services negotiate with your get discounts, creditors, obtain late-fee waivers etc. They also consolidate all your debt into a single lump-sum, so that you make one payment a month instead of several. Also, this payment is made to the debt reduction company, which then pays the money to the creditors.

The debt counseling company also gets the debt collectors off your back. You no longer have to get threatening calls or nasty mail. The only disadvantage is that, the moment you acquire the services of such a company, you lose several credit points. The creditors realize that it is not completely safe to lend money to you.

This, however, is preferable to having a record of continual late or missed payments. In fact with time, most creditors are willing to overlook the renegotiated interest rates in your records since it shows that you are honest, and trying to clear all your debts. This is what the creditors want. They certainly don't want you to declare bankruptcy.

Basically, the debt counseling company acts as a middleman, taking a percentage of your monthly payment and possibly the benefit of additional rebate from your creditor. It is typical for these firms to charge up to 10% of your monthly payment as their fee. Sometimes, they get you to pay larger monthly installments and then get a kickback from your creditors for giving them a larger EMI! You should therefore make sure that you sign up with a firm that has a reputation for keeping your interests a priority.

You need to know what happens if you miss an installment. After all, the habit of missing payments is what got you to their door in the first place. Also, choose one of the accredited firms from the Association of Independent Consumer Credit Counseling Agencies or the National Foundation for Credit Counseling. These firms will be more ethical and honest in their workings.

Finally, you need to bring some financial discipline in your life. Otherwise, the efforts of reducing your debt will go waste, because you will soon accumulate more.