OVERCOMING CREDIT CARD DEBT

The average credit card user in the US carries an average balance of $10,000 in debt. Although most people want to get out of debt, they don't always know how. Should they choose debt management or debt settlement to resolve their problem?

	Debt management plans (DMPs) provide a safe way out of debt.	Beware of debt settlement companies.
What is the service?	A debt management plan (DMP) is a structured monthly consolidation plan at reduced interest rates.	Debt settlement is the attempt to negotiate a reduced debt balance owed.
Who offers the service?	DMPs are offered through nonprofit member agencies of the National Foundation for Credit Counseling.	Debt settlement is offered through for-profit companies that promise to negotiate with creditors.
How much does the borrower repay?	The borrower repays the full amount owed at lower interest rates offered by creditors for DMPs. This method is faster than paying on one's own.	The borrower tries to get creditor agreement for less-than-full payment. This method increases risk of judgments and garnishments from creditors.
How is the borrower's credit affected?	The account is listed on the borrower's credit report as paid in-full, which improves his/her credit.	The account is listed on the borrower's credit report as settled for less than full balance, which lowers his/her credit score.
How much does the service cost?	The monthly fee charged for DMPs is very low, and includes free certified budget counseling to improve the odds of success.	Debt settlement services typically have large up-front and/or monthly fees, and offer no budget counseling.

HOW DEBT MANAGEMENT PLANS WORK

4 The borrower's credit score increases with each on-time payment.

3 The CCC pays the lender directly at a pre-negotiated, lower interest rate.

2 The borrower makes regular payments to the agency.

1 The borrower and consumer credit counseling agency (CCC) agree on monthly payments.

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