

# Debt Settlement: **Facts and Alternatives**



## WHAT IS DEBT SETTLEMENT?

Debt settlement companies target financially distressed people and offer to negotiate with creditors on their behalf in an attempt to reach a lump sum settlement for less than the full amount owed. BUT, the practice exposes consumers to substantial financial risks.

## OFFERS TOO GOOD TO BE TRUE ALWAYS ARE.

Watch out for debt settlement companies that promise to reduce your debt to pennies on the dollar, tell you to stop making monthly payments or communicating with your creditors, require high monthly service fees and demand upfront payment, or operate on unregulated Internet sites.

## 5 Facts All Consumers Should Know About Debt Settlement:

1. According to a U.S. Government investigation, the vast majority of consumers are left **WORSE OFF** than they were before entering a debt settlement program.
2. Creditors are **not required to settle** for a reduced amount AND you are not protected from **collection attempts, lawsuits or wage garnishments** while in a debt settlement program.
3. If you stop monthly payments to creditors, **fees, penalties, and interest rates on unsettled debt will balloon.**
4. Defaulting on payments to creditors **destroys your credit score.**
5. Any negotiated savings may be subject to **income tax.**

## What are Your **Rights** in Georgia?

- Debt settlement companies **CANNOT COLLECT FEES** until at least one of your debts has been settled, AND at least one payment has been made to your creditor.
- Georgia caps fees for debt adjustment services at **7.5%** of total debt 'settled'. Fees also cannot exceed what you saved through the service.



## How to Get Real Help

**Negotiate** - First, try negotiating with your creditors directly, especially if you have a single debt with some cash on hand. They may work with you to modify a repayment plan or accept a reduced amount.

**Get Credit Counseling** - If you owe multiple creditors and do not have cash on hand, contact a free, non-profit credit counseling service to learn about debt repayment plans. To locate a reputable nonprofit agency serving Georgia residents, you can visit the National Foundation for Credit Counseling at [www.nfcc.org](http://www.nfcc.org) or the Association of Independent Credit Counseling Agencies at [www.aiccca.org](http://www.aiccca.org).

**Credit Counselors** are trained and certified in consumer credit, debt management and budgeting. These counselors can guide you in the right direction toward reducing your debt. Counselors may suggest a debt management plan depending on your specific situation.

**Debt Management Plan (DMP)** – a DMP representative arrives at an agreement with the creditor to lower rates, not the debt owed, so that consumers can pay back their debt over a period of time without being burdened by high interest rates and penalties. This agreement is signed by all parties before a consumer stops monthly payments to the creditor and therefore, does not lead to default on debt.

**Legal Help** - If neither of the above routes is possible, contact an attorney to ask about Chapter 13 or 7 Bankruptcy. Unlike debt settlement, bankruptcy offers protection against foreclosures, repossession, wage garnishment and collection activities and may also eliminate unsecured debt. To learn about bankruptcy and if its right for you, visit the National Association Of Consumer Bankruptcy Attorneys (NACBA) at <http://www.nacba.org/Consumers.aspx>.

**File a Complaint** - If you believe you've been a victim of predatory debt settlement practices, you can file a complaint with the Federal Trade Commission, which investigates and prosecutes abusive settlement practices, at <https://www.ftccomplaintassistant.gov>

### For More Information about Debt Settlement and Financial Education:

#### Federal Trade Commission (FTC)

(202) 326-2222

<http://www.consumer.ftc.gov/>

#### Center for Responsible Lending (CRL)

(919) 313-8500

<http://www.responsiblelending.org/>

#### ClearPoint (CCCS)- Credit Counseling and Debt Management

1-800.750.2227

[www.clearpointcreditcounselingsolutions.org](http://www.clearpointcreditcounselingsolutions.org)

#### Better Business Bureau (BBB)

(404) 766-0875

<http://atlanta.bbb.org>