



Dear Friend,

Hi, I'm Walter Burch, Editor and Co-Founder of DebtReliefCenter.org.

Over the years, we've helped tens of thousands of people get help for unmanageable debts – and I hope what I provide in this letter will empower you with the confidence you need to take action in dealing with debts.

If I had one wish for people who ask me what they should do to get out of debt, it would be this:

That I have the opportunity to meet personally with each of you – as if you were my brother or sister, mom or dad, or close friend – so I could better understand your current situation and offer the very best insight and guidance that I could.

Over the years, I've been very moved as I read the personal stories of people who have reached out to us for help. Stories of unexpected illness, medical emergencies, job loss, family separation and so much more. People pour out their hearts asking us what they should do.

These are good people from all walks of life who feel stuck in debt. Everyone from families to single moms or dads, schoolteachers, nurses, veterans, the self-employed, business owners and everyone in between.

Debt can happen suddenly to anyone. This is why I am writing this letter now.

While I can't meet with each one of you personally, I promise to do my best in this letter to go over the range of available debt relief options and address the most common questions and concerns that have come across my desk over the years.

[Common questions and answers](#)

But first, here's something I want to share with you:

Regardless of what you or your family are going through, or what happened to cause debts to get out of control – know that you are not alone, help is available, and by taking clear and positive action to take control of debts, you CAN turn things around – no matter how stuck in debt you may feel right now.

If you are in need of help for unmanageable credit cards and other debts, help IS available that can not only lower payments and give you breathing room each month but also provide you with a personalized plan to get out of debt.

Some twenty years ago, I was deep in debt myself. With a wife, four children, mortgage and many bills to pay it was a very tough, stressful time for me – so I never judge anyone's debt situation because I've been there. I know what it feels like.

The credit and debt lessons I learned in my own life, how I was able to take back control of finances and what I've learned since through my work and mission in the credit and debt industry, is what I am sharing with you now.



You're Not Alone. Share your story. Get help.

Whether you decide you will get out of debt on your own, use a proven debt consolidation program, take the advice and counsel from a trusted friend by sitting down with an aunt or uncle who can share their personal experience with you, it's all ok. The important thing is do something positive to get off the debt treadmill. Don't let debt defeat you and control your life.

***Don't stay where you are. Do something. Take action.
Let's get started.***

Before we review structured debt relief programs, how they work and the benefits they provide (including lower monthly payments) – it's important to first do a quick review of steps you can take to avoid accumulating debts that get out of control...

Budget - No Matter How Little or How Much Money You Have

Put yourself in control, not banks, credit card companies and lenders.

For most people, creating a budget – and sticking to it – is not an exciting process. However, any responsible plan for helping individuals and families with debt has to begin with emphasizing how important it is to take an honest look at how much money is coming in each month, how much money is spent on essential expenses like housing, food, gas, etc. – and how much money is left over each month for other things.

A debt problem is most often an income problem, so **if YOU don't** do your best to budget, plan, and **take control of finances** – you may not realize it – but **YOU are giving up control of your life** and financial future to banks, credit card companies, and other creditors whose entire businesses thrive by taking, and maintaining, control of you.



Can You Get Out of Debt On Your Own?

Before we go over how debt relief programs work such as debt management, debt consolidation, debt settlement, or bankruptcy, please know there are solid, proven steps you may be able to take on your own to get out of debt.

The "Debt Snowball"

One very popular plan for DIY debt relief is called the "Debt Snowball", promoted widely by debt-help gurus. This self-help program is designed to pay off debts at an accelerated rate. The plan involves listing all debts from smallest to largest, making minimum payments on all debts other than the smallest debt. For the smallest debt, apply as much as you can to get rid of that debt as quickly as possible.

Then, once that debt is paid off, "roll up" and apply the money that got rid of the smallest debt to pay off the next debt on the list. As each debt is paid off, you can see that the "snowball" of money to pay off the next debt just grows larger and larger and makes paying off debts that much faster. **The early progress many people see with the snowball program becomes like jet fuel** – motivation to tackle each debt one by one until all debts are paid off.

The "Debt Avalanche"

The "Debt Avalanche" is a program that works by listing all debts from highest interest rate to lowest interest rate. By making minimum payments on all debts but paying as much as you can afford on the highest interest rate debt – that debt can be paid off at an accelerated rate. Like the snowball program, the money to be applied to each debt just grows larger and larger as you move one by one from paying off highest interest rate debt all the way down to lowest interest rate debt. While this program may be able to save more money than the "snowball" – **the early "wins" experienced through the "snowball" program often make it more effective.**

Negotiating With Creditors On Your Own

Another option is to call up and negotiate debts directly with creditors on your own. In many cases, if you are experiencing financial hardship, creditors may agree to adjust payment due dates, reduce interest rates, or even accept less than the full balance owed, especially if you are facing the possibility of bankruptcy. Often, the concessions offered by creditors may not be substantial, but it is certainly worth trying to see what creditors are willing to do – especially in tougher economic times.

This self-help strategy requires patience, persistence, and communicating openly with creditors about your situation. It is recommended you ask to “speak with a supervisor” who will likely have more authority than a frontline phone representative to approve your request. If you have been a good customer, especially for several years, let the creditor know the seriousness of your situation and the options you have to transfer balances, close an account or choose bankruptcy.

Be honest, be respectful and remember that phone representatives are dealing with their own stress. Whatever you are able to get creditors agree to, make sure you get it in writing to protect yourself and the status of how your account is reported to credit bureaus.



Debt Management, Credit Counseling and DMP Plans

If you find it very difficult to manage debts on your own, or negotiate directly with creditors, a structured debt relief program may be the right option for you. Regardless of the debt relief program, these plans offer the benefit of a

structured plan you can follow – **a plan that is set up by a federally regulated debt relief provider who negotiates one by one with each of your creditors on your behalf to help lower your payments and get you out of debt at an accelerated rate.**

With a debt management plan (DMP) coordinated by a credit counselor **the goal is to combine or “consolidate” all your high interest debts into a single lower payment each month.** For example, if you currently have interest rates that are 18% or higher and creditors agree to reduce your interest rates to 7% or lower, the money you pay each month to pay down balances will go a lot further to getting you out of debt.

Here’s how a debt management plan (or debt consolidation) plan is set up: Upon request of the consumer, a credit and debt counselor provides a budget and debt analysis to verify that the consumer is experiencing financial difficulty and has qualifying debts that can be placed in a debt relief program. The debt counselor then makes proposals to each creditor on behalf of the consumer – requesting lower interest rates, a waiving of late fees and penalties, and other concessions. Those creditors who agree to offer the benefits of debt relief are then added to the debt consolidation program. The consumer then is responsible for setting aside money each month so that the debt relief provider can make on time payments to each of the creditors in the program. The main advantage of a DMP: **By not accumulating additional debt and paying off existing debt at a much lower interest rate – even with a small monthly management fee paid to a debt relief provider – you may still be able to lower**

monthly payments by up to 50% and get out of debt in as little as 3-5 years. This could save thousands of dollars in interest payments.

Finally, for consumers who are getting ready to use their credit to finance a major purchase such as a home or auto – a debt management plan may be the preferred structured debt relief option as it has little or no impact on credit scores. In fact, as overall debt load is reduced and payments are made on time, credit scores often can increase significantly.

Debt Resolution or Debt Settlement Plans

Another debt relief option – especially for those with high balance credit cards looking to avoid bankruptcy or a high interest loan – is a **Debt Resolution Program, also known as Debt Settlement.**

While the goal of a debt management plan is to pay back all that you owe, just at a lower interest rate, **the goal of Debt Settlement is to “settle” debts for substantially less than the full amount owed.** For those who have fallen behind in monthly payments, the goal of a debt resolution program is for the consumer to begin “setting aside” money each month in a special account until enough money is accumulated so that the debt settlement provider can negotiate with individual creditors one-by-one to settle debt for less than the original amount.

While debt settlement has become an increasingly popular form of debt relief, it typically has a negative impact on credit – especially for the short term. This is why it is typically not advisable for those getting ready to finance a major purchase such as a home or auto.

However, it is important for consumers to understand that approximately 30% of one’s credit score is determined by how much debt you are carrying. So, if you are maxxed out on credit, making only minimum payments, struggling to meet your basic needs, and thinking you are “protecting” your credit – **you may be wise to consider taking a temporary “hit” on your credit for the short term** in order to reduce your overall debt load for the long term.



Some additional facts to consider with debt relief services:

1. By law, no upfront fees may be charged for debt relief services and no fees whatsoever until debts are successfully resolved. So, If you receive a call or email from someone offering to resolve your debts for a set upfront fee or if they promise or guarantee they can settle debts for “pennies on the dollar” do not respond to that solicitation.
2. While consumers and creditors must agree to any debt relief interest rate reduction or balance resolution – neither is required to accept individual debt relief proposals. These are voluntary programs for individuals and families who need a plan to lower payments and get out of debt.
3. Money saved through debt settlement may be subject to federal taxes, depending on your personal assets and liabilities.
4. With a debt settlement program – when consumers fall behind or stop making minimum payments in order to accumulate funds that can be used for settlement – creditors may threaten or take legal action in an attempt to collect on the debt.

5. Debt relief programs are designed as bankruptcy alternatives for people facing genuine financial hardships who want to do their best to pay back what they can afford. **Debt relief plans can lower monthly payments and potentially save a substantial amount of money – but they do not make debts magically go away.** To succeed, it is up to the consumer to follow plans to their completion. Prior to enrolling in any debt relief plan, you should clearly understand program benefits, risks, and responsibilities – including your projected savings and the time required to successfully complete each program.

What About Debt Consolidation Loans?

Another option to help resolve debts is a debt consolidation loan.

The concept of a debt consolidation loan is to combine multiple high interest credit cards and other debts and pay them off with the proceeds from a single lower interest rate debt consolidation loan.

Debt consolidation loans are a popular and proven way to resolve high interest debts – for those with a credit rating that qualifies them for a lower interest rate loan.

However, consumers should carefully consider several important things BEFORE taking out a debt consolidation loan:

1. Make sure you understand any and all fees related to the debt consolidation loan. The interest rate on the loan should be substantially lower than the current interest rates being paid on credit cards and other debts or the consolidation loan could cause your debt situation to go from bad to worse.
2. It's important that consumers understand that resolving unsecured debts such as credit cards with a debt consolidation loan that IS often secured by a home or other asset could put your home or other asset at risk should you default on the terms of the loan.
3. Many people take out a debt consolidation loan with the INTENTION of consolidating credit cards and other debts with a lower interest rate loan. However, often consumers end up using some or all of the proceeds of a debt consolidation loan to meet other needs, desires, or emergency expenses that arise. When this occurs, the consumer now has BOTH high interest credit cards AND a debt consolidation loan to pay off. This could put themselves and their families at even greater financial risk.

Finally, IF a debt consolidation loan is the route that a consumer chooses to pay off or pay down debts, it's important to stay disciplined and use the proceeds of the loan to pay off higher interest rates debts and; stay current on payment terms of the consolidation loan so a home or other asset that was used to secure the loan isn't put at risk.

For more information, consumers may access the [Truth in Lending Act](#) which requires lenders to disclose information about all charges and fees associated with a loan.

Bankruptcy

For those with totally unmanageable debt with no little or no means to pay off the debt, bankruptcy can be a vital lifeline that offers a fresh financial start. However, by law, to be approved for a Chapter 7 “straight” bankruptcy, you are now required to undergo financial counseling and pass a “means test” that takes into account your income, expenses, and family size.

Bankruptcy is generally considered the debt relief option of last resort because as it has the most serious long-term impact on credit and finances. While it can wipe the slate clean on most debts, and offer protection from creditors – it does not eliminate certain liabilities such as taxes or student loan debt.

For these and other reasons, prior to filing, bankruptcy should be carefully considered in advance with the help of an attorney or financial professional.

We hope the information provided has been helpful to you and empowered you with the confidence you need to take positive steps to put debt worries behind you. Whether it's **committing yourself to creating a budget, getting out of debt on your own, or placing your qualifying debts in a structured debt relief program** to lower monthly payments – know that you have options available to get out of debt while you live your life.

Here's wishing you and your family the very best,

Sincerely,

Walter E. Burch
Editor-In-Chief
Debt Relief Center