

## Settling Your Credit Card Debts

(NAPSA)—Consumers with overwhelming credit card debt may be tempted to seek help from companies that promise to erase their debt for pennies on the dollar, but the Federal Trade Commission (FTC), the nation’s consumer protection agency, urges caution.

Debt settlement companies claim they can negotiate with your creditors to reduce the amount you owe. Some say they can arrange for your debt to be paid off for a much lower amount—anywhere from 30 to 70 percent of the balance you owe.

But there is no guarantee that debt settlement companies can persuade a credit card company to accept partial payment of a legitimate debt. Even if they can, you must put aside money for your creditors each month and pay the hefty fees that debt settlement companies charge before they settle any of your debts. On top of that, you may have to pay a final fee to a debt settlement company that’s a percentage of the money you’ve supposedly saved. Meanwhile, it may be months—or even years—before the debt settlement company negotiates with your credit card company to settle your debts. And, if you stop making your payments in the meantime, the credit card company will usually add late fees and interest to the debt each month. That can cause your original debt to double or triple.

### When You’re in a Hole...

The FTC suggests that the first thing you should do if you are having trouble managing your credit card debt is contact your credit card company and try to negotiate a settlement, even if you have been turned down before. If at first you don’t succeed, be persistent.

Another option is to contact a credit counselor. A new law requires credit card issuers to include a toll-free number on their statements that directs cardholders to information about finding nonprofit counseling agencies. Reputable credit counseling organizations advise people on manag-



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ing money, bills and debts, help them develop a budget, and usually offer free information and workshops.

If you decide to pay a company to negotiate your debt, do some research. Consider other people’s experiences. One way to do that is to enter the company name with the word “complaints” into a search engine. Read what others have said.

### Red Flags

The FTC suggests it’s best to avoid any company that promises to settle your debt if it:

- touts a “new government program” to bail out personal credit card debt;
- guarantees it can make your unsecured debt go away;
- tells you to stop communicating with your creditors;
- tells you it can stop all debt collection calls and lawsuits;
- guarantees that your unsecured debts can be paid off with pennies on the dollar;
- requires that you pay the full fee within the first few months.

To learn more about getting out of the red without spending a whole lot of green, read “Settling Your Credit Card Debts” at [www.ftc.gov/MoneyMatters](http://www.ftc.gov/MoneyMatters) or call toll-free 1-877-FTC-HELP (1-877-382-4357).