

Title:

Credit Card Debt Settlement

Word Count:

505

Summary:

This article contains information about debt settlement. The concept of debt settlement is explained along with what it does to your credit and what you can expect when you are negotiating a debt settlement.

Keywords:

Credit card debt, debt management, debt settlement, debt consolidation, debt counseling, get out of debt.

Article Body:

Have you started receiving credit card debt settlement notices in the mail? Have you been receiving collection calls? If this is the case, you have probably been in debt and been dealing with financial difficulties for quite some time.

Creditors are sometimes willing to settle the account for a lesser amount if the credit card account is seriously delinquent or has been written off. This creditor will usually accept the settled amount in one payment and the payment has to be made within a short period of time.

Now you may wonder why a creditor would settle for less than what is owed. Your credit card issuer is trying to reduce their losses and they have concerns about you paying this debt. Your credit issuer feels that recovering some of their money is better than not getting any of it back. Keep in mind that accepting a settlement may affect your borrowing ability in the future with this creditor, but it is a better option than bankruptcy or doing nothing at all.

A creditor will not usually settle on an account that is current. Normally, the account has to be at least 90 days delinquent before they will talk settlement and many credit card companies will wait longer than that. Here are a few things you should be aware of before agreeing to a settlement.

1. Your settlement payment may not completely satisfy the debt. There is a possibility that the uncollected portion of the debt could be turned over to another collection agency for further collection activity, but this is not the norm.

2. The IRS considers the amount of the debt that has not been satisfied as income. Any amount that exceeds \$600 will be report on a 1099, to the IRS, by your creditors. You will be required to pay taxes on this amount.

3. Know what's on your credit report. If the debt is not on their at all, it is not recommended that you do anything with this debt. If it is showing as being "charged off," this is negative note on your credit report. If you settle, it will be noted as "settled for a lesser amount" which as also somewhat negative, but not as bad as doing nothing about it at all.

The best thing to do is to try to deal with the original creditor. Communicate with them in writing. If they will not deal with you, contact the collection agency in writing. If at all possible, try to negotiate a repayment plan on the balance. If you decide to settle the debt, get the terms of the settlement in writing to avoid problems on down the road. Once you have paid the debt, ask for a "release of debt" as proof that the company has agreed that the debt has been satisfied.

The best thing that you can do for yourself is to examine the curcumstances that caused your debt to get to this point and to put a plan in place that will prevent you from ending up there again.