

**Title:**

Understanding Debt Management Services

**Word Count:**

645

**Summary:**

When some people become overwhelmed with debt and find it hard to pay their bills, they often turn to a debt management service. These services can often be found through credit counselors, and you should only use a service that you're comfortable with.

**Keywords:**

debt, loans, management, consolidation, money, credit, cards, interest, payments, one

**Article Body:**

When some people become overwhelmed with debt and find it hard to pay their bills, they often turn to a debt management service. These services can often be found through credit counselors, and you should only use a service that you're comfortable with. This service should be more concerned with helping you than with making a profit.

**What Do Debt Management Services Do?**

The debt management service transfers payments from their clients to the creditors. In return, they may take out a commission from the transfer or will receive fees from the lenders. While debt management services may work with a wide variety of different loans, they usually focus on debt that is unsecured. They are different from credit counseling services. Those with auto loans or mortgages are usually not referred to debt management companies.

**Consolidation of Your Debts**

Many debt management services offer debt consolidation loans. All of your bills and outstanding debts are combined into one bill. Once this has been done, it is up to the debtor to make the monthly payments on the loan. If the debt management service reduces the interest or balances on your loans, this can effect your credit. Many lenders will view you as being a high risk client when looking at extending future credit. Despite this, the effect on your credit is less than things such as continuous late payments. A debt management service is

also an excellent alternative to filing for bankruptcy.

#### What's In It For Them?

It is common for debt management companies to earn up to 10% of the money transferred from their clients to the creditors. This along with the fees paid to the debt management companies from the creditor can lead to very large profits. As can be expected, some companies will try to abuse their power by persuading clients to sign up for a service which is driven by profits instead of helping them manage their debts.

#### Save Some Pennies For Those Rainy Days

Because many people find it hard to adapt to a debt management service, emergencies may come up where money is needed. It is important to find out what will happen if you miss payments before you commit to using the service. Each company is different, and some companies may have large penalty fees for customers who don't make their payments on time. With the rise of debt management services, people have often been advised to look for institutions that are non-profit. The idea was that organizations for profit would focus more on profits than with helping clients manage their debts.

#### Profit or Non Profit?

Despite this, many debt management services that are for profit will advertise themselves as being non-profit. Using a non-profit organization doesn't guarantee you will get better service than you would from a for profit organization. It is best to use services that are accredited with the National Foundation for Credit Counseling. Accredited services are not likely to charge outrageous fees or attempt to take advantage of their clients. Before you look at a debt management service, you should call your creditors to see if they can lower your interest rate.

#### Getting a Cheaper Rate

Many credit card companies will lower your interest if you call them and inquire about it. It may also be possible to use a standard lender as opposed to a debt management service. Under some circumstances it may be necessary to file for bankruptcy. You could also get an unsecured loan to pay off all your debts if your credit is good.

You should also be wary of debt management services which are late making your payments. If this occurs you should immediately call them and get an

explanation. Your credit can be damaged if they make your payments late, and if they are charging you high fees you should cancel their service and look at other options.