

Title:

Debt Consolidation Services - 3 Things To Watch Out For With Debt Consolidation Companies

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371

Summary:

Debt consolidation services can provide a valuable service by lowering your interest rate with creditors, enabling you to pay off your unsecured loans and bills in a short period. However, there are companies that would rather take your money than help you. To avoid such scams, watch out for the following.

Low Monthly Payment Claims

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Keywords:**Article Body:**

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Low Monthly Payment Claims

While debt consolidation companies can lower your interest rate which might lower your payments, they cannot negotiate lower minimum payments. Creditors no longer accept smaller payments since 2004, not even for "hardship" cases.

One trick companies use is to lure customers in with a low quote, only to jack up the required payment in a month's time. By that time you have already paid out fees, which aren't refundable.

Upfront Fees

Another shady practice is to charge large upfront fees when a company is claiming non-profit status. Legitimate companies will either charge a small

monthly fee between \$14 to \$69, depending on the number of accounts. The other fee structure is to charge a reasonable fee for each account handled; typically for-profit companies use this structure.

If you are being asked to pay thousands, especially with a cashier's check or money order, look for another program.

Offering Debt Negotiation Programs

You should also be suspicious of companies that pressure you to use other programs, such as debt negotiations. First of all, debt negotiations or settlements usually will not improve your credit situation. Secondly, you will be charge high fees for something you can do on your own. And finally, companies who specialize in debt consolidation have no incentive to see you flounder with your finances, unlike those offering other services.

When you are looking for a debt consolidation program, ask questions about the program, fees, and amount of time to repay your bills. Take advantage of the internet and research several different agencies.

Since debt and bill consolidation varies with the number of accounts involved, you should expect a phone consultation before you receive any quotes. With your quote you should receive detailed answers, including pay off dates for each account and exact fees. And if you feel uncomfortable with the agency, feel free to walk away. A consultation is not a commitment on your part.