



# Buried in debt? Struggling with credit card payments?

## Let's look at debt relief options.

What's the best way to get out of huge piles of debt?

Of course - the best option is to make a ton more money and pay off everything, then wait for your credit to clear up. But for most of us, that's impossible. Generally, there are about **4 real options**. The fact that you are reading this is a good indicator that you are ready to take action to solve your problem.

Once you realize you are in trouble, **it's important to act quickly**. The best options are available to those do not wait. While no solution is without some pain, each has its own pros and cons. The following is a brief overview of the main choices:

### [Debt Consolidation](#)

This is probably the most common choice. You can obtain a [debt consolidation loan](#) from a [reputable consolidation company](#), but you most likely will have to own a home, but not always. (Unless you have some other large piece of valuable property) You essentially are lumping all your loans (credit cards) into one big one.

The sticky spots here are several:

1. Do you have **enough equity** in your home to cover your outstanding debt?
2. And will your existing credit score **allow you to qualify** for a good rate?
3. And are you willing to put your **home on the line** if you can't keep the minimum payments?

These are just a few of the more pressing questions.

Another factor to consider: You will still owe every penny of your debt. Debt Consolidation loans tend to **mask the real issue** that causes debt and gives the borrower a false sense of security. Then it becomes easy to be overextended again and end up in an even more dangerous predicament.

### **You can't borrow your way out of debt**

However, if you've got good control of your budget, you can save your credit from further damage and save lots of interest by getting a [debt consolidation loan](#).

#### [Credit Counseling](#)

This is similar to debt consolidation, but instead you make payments to a nonprofit Credit Counseling Agency, who pays your creditors on your behalf. Unknown to most people, these agencies are usually supported at least in part by the credit card companies. In general, they are mainly concerned about keep you afloat so you can continue to make monthly payments.

Going through a [reputable credit counseling agency](#) will generally **reduce your interest** rates and monthly payments, stop the majority of late and over-the-limit fees and they **will work with the credit reporting agencies** to limit negative marks on your credit file.

Unfortunately, you are still obligated to pay back the full balance of the loan. You are still looking at years of loan payments before you are out of debt.

#### [Bankruptcy](#)

This is the last resort. It's usually the only choice for people who've **waited too long** to deal with their debt problems or happen to come upon such a severe financial condition that is impossible to recover from through normal repayment. In general, people facing [bankruptcy](#) have accounts that are **already with collection agencies or in the courts**, or have property is being foreclosed.

**Bankruptcy is also a matter of public record.** Anyone who wants to find out about you can see that you've filed for bankruptcy. So much for your privacy. (and how embarrassing!) The black mark of bankruptcy can also stay on your credit report for up to 10 years.

**If at all possible, avoid bankruptcy!**

Bankruptcy laws as we know them have changed drastically. A new federal law, called the [Bankruptcy Abuse Prevention and Consumer Protection Act](#), went into effect in October 2005 and put some serious limits on who can declare and how much debt they can get out of. In other words, bankruptcy is not a viable option anymore for many people.

### [Debt Settlement](#)

This method involves your creditors actually **forgiving a portion of your debt** if you can pay the remaining balance. Most creditors are willing to accept less than full balance on outstanding unsecured debts that you can't pay. You work with a [reliable debt settlement company](#) to negotiate settlements for less than full balance on your past due accounts. The satisfying thing is that you know that they are on your side and have only your best interests in mind.

The right choice for you will completely depend on your financial situation and your comfort level.