

TIPS FOR DEALING WITH DEBT SETTLEMENT COMPANIES

Some advice from N.Y. Attorney General Andrew Cuomo's office:

- Be wary of debt settlement companies that falsely promise to obtain substantial lump sum debt reduction settlements. Many advertise "reduce debt now," and claim to be able to erase as much as 75 percent of credit card debt, but they rarely obtain advertised reductions.
- Never sign a contract with a debt settlement company that requires payment prior to obtaining the promised debt reduction.
- Enrollment in debt settlement plans may not stop creditors from bringing collection lawsuits or prevent enrolled accounts from growing larger through the addition of late fees, interest and penalties. Also, credit reports will be adversely affected.
- Creditors are under no legal obligation to accept a settlement offer for less than the outstanding balance.
- Only a small number of consumers who enroll in debt settlement plans have the financial means to complete them. Usually, they drop out after having paid service fees to the companies without reaching settlements.
- Enrollment in a debt settlement plan premised on stopping payments to creditors will likely lead to more frequent and aggressive creditor collection efforts, often resulting in judgments, wage garnishments and freezing of bank accounts.
- Check with the Better Business Bureau to obtain a Reliability Report on a particular debt settlement company and its rating.
- A wise first step to help resolve an outstanding account is to speak directly to the credit card issuer. Alternatively, it may be helpful to speak to an attorney or an accredited credit counselor who can help develop a plan of action that best works for each consumer's unique situation.