

Get Connected:

Money 101

What's The Difference Between Credit Counseling, Debt Management, and Debt Settlement?

From television ads, roadside signs, windshield flyers and more, consumers are bombarded by messages from various sources about how they can help eliminate debt.

Many individuals are worried about debt and looking for solutions, but are not sure what their options are or which path to take. It's easy to understand how people have a tough time determining the right solution for their personal financial situation.

One of the most common questions many have is: *What is the difference between credit counseling, debt management and debt settlement?*

What is Credit Counseling?

Anyone concerned about their financial situation, stressed out with credit card payments or hounded by collection agencies can generally benefit from speaking with a credit counselor certified by the Association of Independent Consumer Credit Counseling Agencies (AICCCA) (<http://www.aiccca.org/>) or the National Foundation for Credit Counseling (NFCC) (<http://www.nfcc.org/>). Credit counseling sessions are available via phone, online, or in a face-to-face meeting and the counselors are trained to look at your situation and find the best possible solution for you.

What is Debt Management?

One possible option a credit counselor may recommend is a debt management plan (also known as a debt management program or simply a DMP). Because debt management plans are generally offered by credit counseling providers and agencies, you'll often hear these terms used together.

How can a Debt Management Plan help?

Basically, a DMP is a way to combine your monthly credit card payments into one convenient and affordable payment, receive benefits from your creditors and pay on a structured repayment schedule. It can be a good option for those who are either past due or over-extended on their credit card debt and are having a difficult time making even minimum payments.

The main objectives of a debt management programs are to help you learn how to manage your credit and avoid bankruptcy while you continue to repay creditors. Basically, you're showing your creditors you're willing to "make good" on your promise to pay them, so in return, they grant you benefits to save you time and money.

What kind of benefits can you get with a DMP?

Debt counseling providers work directly with creditors to negotiate lowered interest rates, and to have late and over-limit fees waived, all of which can lower your total debt balance and the decrease the amount of time you'll need to resolve it. Additionally, once you start a DMP and begin making consistent, timely payments, your credit score also improves.

Get your debt solution today!

Use our online tool to get a debt solution that's right for your situation! It's FREE, with no obligation.

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OR

Call **1-800-565-8953**

CLIENT SERVICES

If you have a question about your account with InCharge Debt Solutions, please call 1-800-801-8152 or click the Client Login button below to submit an online contact.

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What is Debt Settlement?

While the terms debt settlement and debt management are similar and often seen and used together, the main difference between the two is this: In debt management, debtors receive benefits such as lowered interest rates and waived fees, which reduces their debt balance, allowing the debtor to make regular monthly payments on a fixed schedule.

The goal of debt management is to repay one's **total** debt that has been made affordable through a debt management plan. On the other hand, in debt settlement, the creditor agrees to accept a **reduced** amount of a debtor's total debt in a one-time, lump sum payment.

How does Debt Settlement work?

Debt settlements can be negotiated on your own, or you can use a third-party to negotiate with your creditors for you. Generally, there is nothing a debt settlement provider can do for you that you can't do yourself, and if you do use a provider, they will require payment of fees for service, which will decrease the amount of money you'll have to repay your debt. Additionally, some so-called debt settlement providers may require payment of large sums and high fees that are never applied to your debt in payment of your debt.

Do your research before you sign up with a debt settlement provider. Contact the Better Business Bureau to find out if the provider has a large number of complaints. If you're considering debt settlement, your best bet may be to do-it-yourself and avoid being taken advantage of!

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