

Frequently Asked Questions

Debt settlement has become a solution for thousands of people across the country and managed properly can result in significant savings. Heritage Debt Relief has helped many clients solve their financial problems.

What is debt settlement?

Debt settlement is a method of handling debts which seeks to reduce one's debts by getting creditors to accept less than the full principal balance.

How long will a debt settlement program take?

This can also vary. A debt settlement company will consider many factors when determining the length of your program. Some factors include: total amount of debt, number of creditors owed and availability of funds to be used for settlements. Typically programs take at least 18 months, and seldom take more than 5 years. This time frame may sound overwhelming, but it will take less time than if you were to pay off the debt on your own.

How do the debt settlement companies determine a client's suitability for their program?

Most companies will conduct a budget analysis, free of charge, to determine whether or not debt settlement is the best route for you to take. It is important when choosing a debt solution that you consider every option. The more suitable you are for the program, the more likely you are to successfully complete it.

How will debt settlement affect my credit?

The purpose of debt settlement is to get you out of debt at a substantial reduction, not to improve your credit. If you partake in a debt settlement program, it is likely that your credit will get worse initially and then may improve when your debts are paid off. There are many factors that need to be considered when assessing credit worthiness, including your total amount of debt, payment history, available credit, number of creditors, etc.

Will all of my debt be reduced when I finish the debt settlement program?

Generally, if you complete a debt settlement program, all of the debts you chose to include in the program will be resolved with zero balances at the end of the program. Generally, debt settlement companies only take unsecured consumer debt, such as credit card debt, personal loans, lines of credit, medical bills, etc. Most debt settlement companies do not handle secured debts, such as automobile loans

and home mortgages. With this type of debt, the lender could repossess the automobile or the home if the payments are not made. Also, debt settlement companies usually do not take debts for child support, alimony, taxes, or student loans. It is important to understand that in order to successfully complete a debt settlement program requires both mental and financial commitments over a period of time.

Can a Person Do This On Their Own?

Do I really need to hire someone to try and negotiate my debt or can I just do this on my own? Absolutely, you can do it on your own. Just like when selling your home the question is; do I need a real estate agent to sell my house? No, but consider this, if you do not have the time, expertise, and the knowledge, the cost of making mistakes can be enormous. That is why it is a good idea to retain the services of an experienced professional that knows what they are doing.

Will All Calls Stop?

You must understand that no settlement company can guarantee that all of the collections calls will be stopped. A good company can reduce the amount of calls but you're more than likely still going to get collection calls. This is the standard process. The creditors are not going to just forgive thousands of dollars of your debt without any effort to collect on it first.

Can You Guarantee a Settlement Amount?

No company can guarantee any specific settlement amount. Debt settlement is a process where a one-time settlement is negotiated, sometimes we are able to achieve favorable results and sometimes extremely favorable results, and however we cannot guarantee a specific amount. Any reasonable person will understand and accept this. We base our predictions on our past performance, industry averages, and the results we have been consistently achieving.

Is there a cost for this service?

Yes. The cost and payment structure will vary from program to program. Be sure to ask when the payments are due and whether or not you will be refunded any unused portion of your settlement account. Also, ask where your money is going. Many debt settlement companies have you set up a separate bank account or use an existing escrow company.

What Are My Options?

1. Do Nothing

For the vast majority of people this is not a very practical solution, but technically speaking it is an option. However choosing this means you except the fact that you are losing thousands of dollars in interest to the banks with no end in sight. This cycle we refer to as the "credit treadmill" by only paying minimum payments this will take an average of 38 years to pay off. Paying out hundreds to thousands a month only to have the majority of it go to interest, and see your balances go nowhere for decades. We have found that thousands of Americans will rob Peter to pay Paul, which means to borrow from one credit card to pay another in hopes that somehow in the near future they can get back on track. The results are they just end up deeper in the hole with no end in sight.

2. Obtain a Debt Consolidation Loan

First off you must have something of collateral for this to be an option at all; most people use the equity of their home. This can be referred to as "debt transformation" you are not at all reducing your debt, but merely transforming it from a low-risk unsecured debt into a high-risk secured debt. Statistics have shown that a high percentage of people who obtain debt consolidation loans end up right back where they were in credit card debt within 5 years, but this time around there is an extra secured payment that must be made first, this situation can force

many into bankruptcy.

There are also unsecured debt consolidation loans which require no collateral but most Americans that apply for this type of loan get denied because their current credit cards are maxed out. Even if you think your credit is good because you have never missed a payment the second most important part of your credit score is your debt to credit limit ratio, where if your debt exceeds 50% of your credit limit it's too high, in spite of the fact that your income is high enough to handle the payments you will be denied.

3. Credit Counseling Services

Most of these organizations are non-profit and funded in-part by the creditors. You make one monthly payment to the credit counseling service which can be the same as what you are paying now plus their monthly fees, then they disperse your payments to the creditors for you. Usually the creditors will lower the interest rates on your accounts if you meet the creditors requirements. You must remember that you are still paying back the entire balance plus interest; your creditors are not reducing any of the remaining balance that you owe, just the interest.

Missing one month's payment can get you removed from the program by the credit card companies and many creditors will not allow you to re-apply into another program for a year or more. This means you are back in their hands of the creditors with high interest rates. Due to the rigid structure of this type of program close to 75% of people who enroll into credit counseling programs fail to ever graduate.

4. Bankruptcy

For most people this is considered a last resort option. It can appear on your credit report for up to 10 years. Bankruptcy is also a matter of public record for anyone to see for the rest of your life. You also must be aware that filing for bankruptcy means you will have to file in court, plus certain types of bankruptcies require a court-appointed trustee to control and oversee your estate. The 2005 Bankruptcy Act made changes in the law that have made it very difficult for most Americans to totally wipe out their debts; which means in many cases you may be setup in a repayment plan determined by the courts, which could be up to 60 months.

5. Negotiate Settlement For Less Than The Full Balance Owed

Most creditors if handled properly will accept a debt settlement for less than the balance owed. In most cases saving the debtor thousands of dollars and helping them become debt free in a fraction of the time they otherwise would have. But keep in mind that if you are current with your debts than the creditors will only expect payment in full. Only when an account goes into default (past due status) will the creditor consider accepting less than the amount owed.

Why Hire a Professional?

Most people do not have the time to devote to successfully complete the process and achieve favorable results. Some people think all it will take is a quick phone call to your creditors and they will just reduce your balances substantially. We wish this were the case, but it is not. Successfully negotiating settlements with creditors/collectors will require many well thought out and planned phone calls, letters and settlement proposals over time. To do this right it takes some time and there is no getting around that.

Negotiating skills and knowledge are a must for debt settlement. Every creditor and collection agency has its own procedures and policies, regarding how they handle settlements. You must know each of these companies' procedures to be successful at settling.

We act as an intermediary between you and the collectors. The benefit of having a respected and reputable company greatly helps the communication with the collectors and the success of achieving very favorable settlements. They treat our negotiators much differently than

they would treat you. You could say the same exact thing as our negotiators but get nowhere. That is how important having a good companies' reputation is.

We are members of the Austin Greater Chamber of Commerce, IAPDA, USOBA, and Bonded. Our client services representatives are dedicated to making sure every facet of debt settlement process is done to the client satisfaction.

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*Individual results of the program may vary and are dependent upon several factors including individual circumstances, creditors' willingness to settle, successful completion of program and ability to save funds. Heritage Debt Relief does not assume or pay any debt, nor does it provide legal advice or offer credit repair. Program not available in all states. Read and understand contract terms before enrolling.