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## Debt Settlement Frequently Asked Questions

At Square One Debt Settlement, we believe in full and honest disclosure regarding all aspects of our debt settlement program. The following responses to Frequently Asked Questions are provided to better assist prospective clients in understanding our service. If you have additional questions or would like further information, please don't hesitate to call us toll-free at (877) 874-1236. One of our professional representatives will be happy to assist you with a FREE no obligation consultation.

For a full disclosure statement please click to our [TASC link here](#).

### Q: How does this program work?

Debt Settlement works by negotiating the balance owed (principal) on your unsecured personal debt accounts through the time-honored process of creditor negotiation. This is different from simply reducing the interest rate as with Debt Consolidation and Credit Counseling, which do not affect the total debt balance. By negotiating the balance itself, Debt Settlement provides a much faster means of satisfying your debt. Most creditors are willing to accept a settlement below the balance owed in order to close out an account rather than lose the entire amount in a bankruptcy proceeding. From a business perspective, it is a matter of the creditor receiving something rather than nothing, as would be the case in most bankruptcies. Of course, different creditors have different policies, but as a rule,

**Negotiate your debts with  
Square One Debt Settlement!**

1.877.874.1236



### FREE CONSULTATION FORM

If you would like to receive a hassle free no obligation consultation from one of our debt consultants we need to know a little more about your

discounts are routine in the industry. As a consequence of this approach, money that was previously spent on endless minimum payments (most of which went toward interest charges) goes toward the negotiated debt balance. That's why Debt Settlement through negotiation is the fastest debt satisfaction method short of Chapter 7 bankruptcy.

**Q: Will this strategy work for me?**

While the debt settlement approach is not suitable for everyone, its flexible nature makes it applicable to a wide range of financial circumstances. Here are a few guidelines to help you determine whether or not debt settlement is something you should consider:

**1. Do you have a legitimate financial hardship condition?**

Most debt problems are caused by loss of income, medical issues, or divorce/separation. These are legitimate financial hardships that can happen to anyone through no fault of their own, and any one of these situations can wreak havoc on a household budget. The important point here is that the debt settlement system is not a "free lunch" for people who don't feel like paying their bills. If you are over your head due to a hardship circumstance, and you'd prefer to work things out with your creditors rather than declare bankruptcy, then debt settlement can provide an honest and ethical debt relief alternative.

**2. Are you committed to satisfying your debt?**

Debt settlement is best viewed as a better option, one that allows you to keep control over the process and maintain privacy while working through your financial difficulties. As with most things in life, success is determined by your level of commitment to staying the course, even when the road gets a little bumpy. If you are likely to give up at the first rough spot, then debt settlement is probably not the best choice for you. But if you are determined to satisfy your debt, debt settlement will likely be the most attractive debt solution for you.

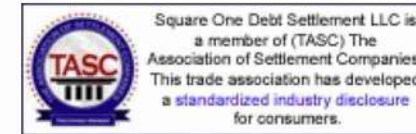
**3. Do you owe more than \$10,000 in unsecured debt?**

We are the first to admit that debt settlement is strong medicine, and it should be reserved for serious debt problems. While everyone's budget is different, most people can work their way out of smaller debt obligations. If you only owe \$5,000, for example, unless you are really in dire straits you can probably deal with that obligation the old-fashioned way - by paying off the debt in full, over time. In other words, smaller debt loads are more of a budgeting problem than a serious financial hardship. At Square One Debt Settlement, we use the benchmark of \$10,000 for evaluating whether or not a prospective client qualifies for our program. (Note: Exceptions are sometimes made based on hardship circumstances, so the \$10,000 figure should be used as a rule of thumb or guideline. If you aren't sure whether you meet the requirement, please call one of our knowledgeable representatives at (877) 874-1236 for a free, no-obligation consultation.)

situation.

Fill out our consultation form or call us today to see how we can help!

ENTER





**Q: What happens to my credit?**

The effect of our debt settlement program on your credit score will partly depend on your current credit status before starting the program. Few people with debt troubles have perfect credit to begin with. In general, your credit score (usually called the FICO score) will decline during the program, and will begin to improve again after you have become debt-free. We recommend against applying for new credit while going through the program. It simply doesn't make sense to take on new debt while you're trying to tackle your existing debt problem.

**Q: What are the tax consequences?**

Financial institutions are required to report canceled debts over \$600 (the portion forgiven during the settlement transactions) to the IRS, and the debtor is required to report that as income on their tax return. However, the IRS permits you to offset any "income" from canceled debts up to the amount you were "insolvent" at the time the debts were canceled. You are "insolvent" if you owe more than you own, or in other words, if you have a negative net worth. If you're deep in debt, it's not likely that you have a positive net worth, so it's rare that a client would have to pay taxes on the forgiven debt balance. The exception might be an individual with a high level of home equity, which might make the overall net worth positive and thereby eliminate the insolvency exclusion. However, this is the exception rather than the rule. Ultimately, to get an understanding of how the program will impact you personally, we recommend speaking with a professional tax advisor.

**Q: What about lawsuits?**

While creditors have the legal right to bring a lawsuit for non-payment of a debt obligation, such lawsuits are far less common than most people think. It costs money to sue someone, and a legal judgment is simply a piece of paper unless there is a way to collect money against it. The threat of litigation, on the other hand, is all too common, even though debt collectors are not supposed to threaten legal action unless they are specifically authorized to bring suit. In general, lawsuits can normally be avoided, provided you are willing to work out suitable arrangements with your creditors through the negotiation process. Contrary to popular belief, most creditors would rather work things out amicably in a negotiated settlement than spend more money taking a customer to court (with no guarantee of being able to collect on a judgment). That's why thousands of litigation-free settlements are transacted every month all across the country. Creditors won't admit it publicly, but our method works much better for them than forcing people into bankruptcy through overly-aggressive collection techniques.

**Q: Can my wages be garnished?**

If you listen to some debt collectors, you might be fooled into thinking that they will seize your very next paycheck unless you make a payment right then and there. The threat of losing part of one's

wages to a garnishment action is truly frightening to someone already struggling financially. But this is mainly an intimidation tactic used by collectors to scare people into committing to a payment schedule whether or not they have the funds available. Actual garnishment actions are relatively rare, and do not happen without advance warning. First, a creditor must bring a lawsuit, obtain a judgment, and then take an additional step to obtain authorization for the garnishment. Plus only one creditor can garnish your wages at a time. No one can take your paycheck without court approval, and you must be given notice of such court action through formal documentation. So don't be fooled by one of the oldest collection tricks in the book.

**Q: What are the differences between Debt Settlement and Credit Counseling?**

The most important difference between these two programs is that with credit counseling, you pay back all of the debt balances, plus interest and fees, whereas with debt settlement, you pay back only a portion of your debt load. That's why debt settlement is a much faster path to debt freedom (2-3 years) than Credit Counseling (5-9 years). This means a lot less money out of your pocket is used through the debt settlement approach. Another key difference is that your debt settlement firm works solely for you, the consumer, and receives no compensation directly from the creditors. In other words, your debt settlement firm is truly on your side. With a credit counseling agency, there is a dual relationship, where part of their income comes from the client and the majority of it comes from kickbacks paid by the creditors. This creates a built-in conflict of interest and creates doubt as to whose side the agency is really on. Also, debt settlement provides much more flexibility than credit counseling in both the monthly budget level and the types of accounts that may be enrolled. For example, if you have a really tough month and need to skip a payment, that situation can be absorbed by a debt settlement program, whereas it will cause serious problems with a credit counseling program. Further, if your accounts have "charged off" and gone into the third-party collections cycle, you can still enroll those obligations in a debt settlement program where they will be rejected by a credit counseling agency.

**Q: What kind of debt can be negotiated?**

As a general rule, any type of unsecured debt can be successfully negotiated. An unsecured debt is one that is not tied to a specific material item that could be repossessed by the creditor. So an auto loan, for example, could not be included because the creditor could legally repossess the vehicle. Credit card debt, medical bills in collections, department store cards, signature loans, unsecured lines of credit, and revolving charge accounts are all types of accounts that can be included in our program. The main exception here are student loans, which in most cases are government backed loans that cannot even be discharged in a bankruptcy proceeding. (Private student loans that are not sponsored by the government can be included.)

**Q: What if a creditor won't negotiate?**

In the course of business, we have established contacts with the major banks, collection agencies, and collection attorneys. Debt settlement is recognized as a viable solution by collection industry professionals, and at Square One Debt Settlement we pride ourselves on the professional reputation we have established by dealing fairly with creditors. In the rare instance where a creditor balks at accepting a reasonable settlement at the time it is proposed, it is often a matter of simply waiting for a different phase of the collection process. Some creditors are more inclined to play "hardball" than others, but virtually all of the major institutions eventually sell their accounts to collection agencies in order to get what they can for the account. Since the collections agencies acquire these accounts for pennies on the dollar, they are more inclined to accept a reasonable settlement offer, which still represents a profit on their purchase.

**Q: Are there debts that can't be entered into the program?**

Secured debts cannot be entered into our debt settlement program. This includes home loans, second or third mortgages, equity lines of credit, auto loans, and financing contracts tied to a specific piece of property that may be legally repossessed by the creditor. Federal student loans, although unsecured, must also be excluded from the program. In addition, Federal and State taxes cannot be included.

**Q: Can I do this myself?**

Yes, it is certainly possible for a consumer to negotiate his or her own debts. However, there are several important factors that should be taken into consideration before making such a decision. First, do you have the time? For individuals with serious debt problems, the complexities of the negotiation process can be very time consuming. Many people simply do not have the time to add this labor-intensive task on of an already busy work schedule. Second, it requires a certain kind of psychological toughness to haggle with creditors. The average consumer is hampered by the embarrassment and shame they feel over having gotten into trouble. With all the tricks, traps, and pressure tactics used by creditors, most people will find themselves better off with professional assistance.

**Q: Don't I have to pay taxes on the money I save?**

Yes you may have to pay income taxes on the amount you save, but this amount is usually still much less than the amount you would have paid in interest.

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Individual results may vary and are based on amount of debt, ability to save funds and successful completion of all program terms. Program does not assume or pay any debts, and does not provide tax or legal advice. Please read and understand all program terms before enrollment. Not available in all states.

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1551 Sawgrass Corporate Parkway - Suite 440 - Sunrise, Florida, 33323

[info@SquareOneDebt.com](mailto:info@SquareOneDebt.com) - P. 954.315.0617 - F. 866.330.1496

Hours of Operation: Mon - Thu, 9 am to 8 pm, Fri, 9 am to 6 pm and Sat, 10 am to 3 pm

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