

FREE GUIDE

# STEPS TO STAYING OUT OF BANKRUPTCY



PROVIDING FINANCIAL FREEDOM FOR BRIGHTER FUTURES

# 6 Steps to Staying Out of Bankruptcy

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# 6 Steps to Staying Out of Bankruptcy

## INTRODUCTION

People who find themselves in bankruptcy usually had no clue it would happen to them. It's a sad fact that people understand very little about what bankruptcy is, how bankruptcy works or how to avoid bankruptcy. When identifying why people go bankrupt, many reasons arise. Being unprepared for a loss of income, overspending, serious medical bills or some other unexpected financial challenge usually starts a chain reaction.

Debt Settle, Inc. has gathered some vital information for people who are facing difficult financial circumstances, but who are also trying their best to avoid bankruptcy. These "6 Steps to Staying Out of Bankruptcy" will help you recognize potential financial pitfalls, know what options you have in front of you and potentially give you a game plan to follow.

In America today, the word of the hour is debt. Our nation is trillions of dollars in debt (and counting) and the average American is in more debt than ever before. In these trying times, people everywhere are searching for answers to their debt problems, answers that will help them break the cycle of debt forever. Tens of millions of Americans face massive debt every day, debt that crushes their hopes and dreams. Credit cards, medical bills, lines of credit and other forms of unsecured debt wind up costing people more than they bargained for. Debt problems can go so far as to cause health concerns for people who are overwhelmed by their difficult financial situation. However, no matter how bleak things might seem, there is an answer to your debt problems that does not involve bankruptcy.

This information packet is designed to help teach you about the debt relief options available to you. Throughout America right now there are people advertising debt settlement, debt consolidation, bankruptcy and other services targeted at eliminating your debt. It can be difficult to know which option works best for your specific financial situation, especially when you aren't fully aware of what each term means.

Debt Settle, Inc. works with people everyday who need real solutions to their problems, and we are helping people overcome years of poor credit, massive debt and collection agency phone calls. This informational packet will provide much of the knowledge you need to discover ways to avoid bankruptcy and still get out of debt.

At Debt Settle, Inc., our debt settlement company is dedicated to providing people with a way to overcome their substantial debt. Instead of just ignoring collection agency phone calls and/or paying the minimum balance on credit cards, you can pay off all of your debt in a set amount of time, usually 24-36 months.

If you feel a debt settlement program might work for you, we invite you to call our toll free number and speak with an experienced debt settlement specialist at (866) 985 7388. We can analyze your specific financial challenges and potentially craft a tailored debt settlement program that helps you get out of debt as quickly and effectively as possible.

## 6 Steps to Staying Out of Bankruptcy

### STEP 1.

#### Find Out If Bankruptcy Is Worth It.

In the past, bankruptcy was seen as a sort of “cure all” for people crushed under the weight of their debt. However, the overhaul of the bankruptcy code in October of 2005 made filing bankruptcy far less consumer friendly and now offers fewer benefits for the typical consumer. Before the code was changed, most bankruptcies were directed toward Chapter 7’s, where debts were dismissed and consumers could wipe the slate clean and start over again.

The new version of the code requires consumers to take a State Means Test to determine which bankruptcy that consumer qualifies for. Consumers with incomes above the state mean (average) are now directed toward filing Chapter 13 bankruptcy, which is far more invasive, lengthy, and restrictive than a Chapter 7. While debts were dismissed in a Chapter 7 filing, consumers now have a “work out” phase, often overseen by a trustee, where payments are made to the various creditors. Work outs can take anywhere from three to six years to be completed.

While many of the advantages of filing bankruptcy no longer apply, the disadvantages of filing personal bankruptcy remain firmly in place. A bankruptcy filing stays on your credit record for up to 10 years, and stays on your public record for life. The public record is normally posted in local newspapers for the consumption of neighbors, friends, and other parents. In many bankruptcies, a court appointed trustee monitors spending to make sure that monies are directed to paying off creditors.

A bankruptcy on your credit record (7-10 years), will pose a big hurdle when applying for any kind of credit. This means that buying a home, car or simply taking out a lone will either be impossible or come with a hefty interest rate. Additionally, even after the bankruptcy is removed from your credit record, the public record remains accessible to anyone that wants to request it. That report can influence job and credit applications for a lifetime.

If after reading this you realize that you may not want to subject yourself to bankruptcy proceedings, you should absolutely investigate the alternatives and see if there are any other solutions to your debt problems.

## 6 Steps to Staying Out of Bankruptcy

### STEP 2.

#### Investigate The Alternatives To Bankruptcy.

If you are in serious debt and are looking for a way out, you don't have to declare bankruptcy and ruin your credit for the next decade. There are many options available to you which have far more benefits to your debt problems than bankruptcy does.

##### **Debt Settlement**

Debt settlement is a relatively new process where a company negotiates on the borrowers' behalf with creditors to reduce the overall debts in exchange for an agreement upon which regular payments will be made. It is considered to be much more aggressive than other alternatives due to reductions in principle balances that are part of each debt settlement. The settlement process can include credit card debts, medical bills in collections, department store cards, signature loans, unsecured lines of credit, and revolving charge accounts.

For many clients, debt settlement is the best debt relief option due to the advantages it provides over the other alternatives. Some of those advantages are:

- A single monthly payment for all your bills included in the settlement process.
- A payment designed to fit in your current budget.
- The whole debt settlement process can be as short as 18 months.
- Clients can extend the process to as much as 48 months.
- Regardless of the length of the process, at its completion the client is free of all debt included in the settlement.

While the circumstances behind each debt settlement are different for each client, there are several outcomes that are common in each settlement. At the initiation of each debt settlement process the client's payments on the total debt owed will be reduced by approximately fifty percent. Instead of writing separate checks to each creditor, the client writes one check which is deposited to a trust or escrow account where funds are accumulated in preparation for negotiations with creditors. Principle owed across all credit lines in the settlement will be reduced anywhere from forty to sixty percent, depending on the creditors. Finally, at the end of the process all accounts are considered to be paid in full, giving the client a fresh start and saving thousands of dollars in principle and interest.

##### **Debt Consolidation**

Debt consolidation allows for a consumer to gather high interest consumer debt accounts, usually credit cards, into a single account with a lower overall interest payment. Instead of paying bills separately a single monthly payment is made to the administrator of the consolidation who then makes payments to the creditors on the account. In theory, if the consumer is paying less in interest after the consolidation, then a greater portion of the monthly payment can be directed toward paying down the collective debt on the credit cards that were consolidated. Normally, the money left over after paying the interest charges is directed toward the accounts with the highest interest rates to pay them off first. The progression then targets the next highest rate until each account is paid. *continued*

## 6 Steps to Staying Out of Bankruptcy

### STEP 2.

#### Investigate The Alternatives To Bankruptcy.

The timeline to eliminating the consolidated debt is determined by the difference in interest charges between the credit cards on their own and the interest rate of the consolidation. The greater the difference in interest rates the faster the principle can be addressed and reduced. Another influence on the timeline is the consumer's ability to make consistent payments of the agreed upon amount for the life of the consolidation. Inconsistency of payments and amounts can extend the timeline of a debt consolidation far beyond its original schedule.

One of the factors in debt consolidation's initial rise in popularity was that the unsecured credit lines that were going to be consolidated were typically rolled into another unsecured line of credit. As the issuance of consumer credit has been restricted over the last eighteen to twenty four months, getting an unsecured line of credit for anything has been difficult, even for consumers with impeccable credit scores. Considering the nature of debt consolidations, getting unsecured debt is nearly impossible. Without access to unsecured lines of credit, the collateral used in this type of debt relief now is most often the consumer's equity in their home which greatly increases risk in the transaction for the consumer.

The risk in the transaction comes from the fact that the unsecured debt in the form of credit cards and consumer debt has been transferred into secured debt collateralized by the consumer's home. With the home now standing behind the consumer debt the lender now has an asset to go after, by foreclosing on the home, should the consumer fall behind or default on his payments.

Another strike against debt consolidations in their current format is that despite putting on so much additional risk, a debt consolidation will never reduce principal owed and, because of the fees involved, may only result in a slight drop in the monthly payment amount.

#### **Credit Counseling**

Credit counseling is generally the best known of the debt relief options, having been around since the early 1990's. The service was originally provided to consumers by non-profit organizations like The National Foundation for Credit Counseling and its affiliates, Consumer Credit Counseling Services. While not advertised as such, the organizations were designed and backed by the credit card companies to act as a mediator between consumers and credit card companies. The counseling organizations would then negotiate lower interest rates and monthly payment plans for consumers that had fallen behind on their payments to keep them on track with payments instead of walking away from their debts. The services were widely advertised and offered in cities across the country.

A rapidly rising level of consumer debt in the late 90's brought the arrival of hundreds of opportunistic new companies in to the area of credit counseling to provide similar services on a "for-profit" basis. Many of the new companies positioned themselves as credit counselors and alluded to being non-profit organizations while operating very much like any bottom line oriented corporation.

*continued*

## 6 Steps to Staying Out of Bankruptcy

### **STEP 2.**

#### **Investigate The Alternatives To Bankruptcy.**

To broaden their offerings with higher profit margin services, many of the firms began offering services that weren't considered to be credit counseling at all. Additional services included referral agreements with bankruptcy attorneys, mortgage brokers, and real estate agents which may or may not have been disclosed to the consumers using their services.

Credit counseling has evolved considerably since its inception over the last ten years due to the companies that now populate the category. Still, it offers fewer benefits to the consumer than the newer, more aggressive option of debt settlement which has reduced its popularity considerably. In fact, current statistics show that 75% of consumers that enroll in credit counseling drop out before completing the program.

## 6 Steps to Staying Out of Bankruptcy

### STEP 3.

#### Create A Budget For Yourself.

Creating a budget is simple and complicated at the same time. In the end, you have to figure out a way to spend less than you make in order to avoid the debt problems which can cause bankruptcy. There are numerous tools online and at your local bookstore to help you build a budget, but really it comes down to your own personal discipline in keeping that budget. Here are some helpful tips that should help you put your budget together:

1. Write it down – It's important to remember that being able to look at your situation will help you create a solution. For example, if you can't actually see how much money you owe in a given month, you won't know exactly how to spend your money. Write down a complete list of your expenses every month in Excel, Quickbooks or some other book keeping program and you'll confront your monthly expenses head on.
2. Look for the fat – Did you know that if you buy one \$4.00 latte a day you'll spend \$20 on lattes a week? And that's just work days. Still not convinced? Spending \$20 on lattes a week translates to over \$1,000 a year just on your latte. There is probably a great deal of excess in your monthly expenses, and if you trim you can find new money to pay off debts or add to your savings.
3. Separate the needs from the wants – Your rent/mortgage, food, utilities and car payment are all probably needs. Knowing the difference between needs and wants can help you design a budget that covers you basic expenses and lets you divvy out money for other bills. Cable, for example, is not a need, and neither is money for movies. Cutting back on those expenses can help free up cash every month.
4. Let someone keep you accountable – If you're married, make sure your spouse knows the budget. If you have friends, let them see your budget, critique it and ask questions about your monthly expenses. This will give you a fresh perspective on how much you make, how much you spend and how important each expense is.
5. Pay yourself first – Don't pay your bills first, put money aside for yourself first. Bankruptcies often happen because people have no savings to fall back on. You must begin putting some money aside for yourself, just in case you run into unexpected financial problems in the future (which you will).
6. Avoid the plastic – Credit cards start off as a short term solution and then turn into a long term problem. Avoid credit cards like the plague and you'll be sure to avoid the serious debts that can cost people dearly.

Overall, you must become a disciplined spender. This is quite difficult to do, but it's absolutely possible if you're dedicated to avoiding the debt problems of the past.

## 6 Steps to Staying Out of Bankruptcy

### STEP 4.

#### Examine Your Lifestyle.

After you have put your budget together, you may begin to realize some very scary facts about your spending habits, your monthly expenses and your overall lifestyle choices. In fact, you may discover you're a pauper trying to live a king's life. While this may sound harsh, the reality is that you can't spend money you don't have for too long. Eventually, your credit card bills pile up too high and you're left with few options.

Here are some areas of your life you can examine to see if a lifestyle choice can help you to avoid bankruptcy now and in the future:

- Does your home fit your lifestyle?
- Does your car/truck make sense?
- Are you saving 10% of your income a month? If not, how much are you saving?
- Tally up your total debt (credit cards, car loan, mortgage, etc.). Does that number scare you?
- How dependant are you on credit cards?
- When was the last time you sat down with a financial planner to get some advice?
- How often to collection agencies call you?
- Do you avoid answering your phone for fear of creditors?

## 6 Steps to Staying Out of Bankruptcy

### STEP 5.

#### **Try To Negotiate With Your Creditors And Find New Avenues Of Income.**

After working on the budget and determining how much money you have to work with, try contacting each of your creditors to inform them of what you are doing. Tell them that you'll do your very best to send them the amounts and payments that you can, and no more. However, getting in touch with the right person can be difficult, which is why you may need some assistance.

A qualified debt settlement company, such as Debt Settle, Inc., could be the key eliminating as much debt as possible. Debt settlement is an approach to debt reduction in which the debtor and creditor agree on a reduced balance that will be regarded as payment in full. As long as you continue to make minimum monthly payments, creditors will not negotiate a reduced balance. However, when payments stop, balances continue to grow because of late fees and ongoing interest. You can arrange your own settlements by using advice found on web sites, hire a lawyer to act for them, or use debt settlement companies.

## 6 Steps to Staying Out of Bankruptcy

### STEP 6. Contact A Professional.

When it comes right down to it, you probably need some professional assistance in avoiding bankruptcy. Without knowledge and wisdom, you could declare bankruptcy and needlessly ruin your credit for up to a decade. Debt Settle, Inc. could be the answer you need for your debt problems, and they could help you to avoid bankruptcy altogether.

#### **About Debt Settle, Inc.**

As our name implies, Debt Settle, Inc. specializes in the process of settling debts for our clients. Debt settlement is a relatively new form of debt relief that goes far beyond what debt consolidation and credit counseling can offer on many different fronts. In addition to the advantages offered by debt settlement, the process itself can include medical bills, department store cards, signature loans, unsecured lines of credit, and revolving debt, in addition to the debts being carried on credit cards.

At Debt Settle, Inc., we've seen that credit card and consumer debt in all the areas mentioned can be accumulated in many different ways. Whether credit is being used wisely or not, unplanned or un-executed events can derail even those with impeccable credit reports. A sudden job loss or an illness can push monthly obligations out of reach immediately. Many people that, at one time, were planning on selling a home a catch up on outstanding balances are still waiting for that sale to happen. In any case, balances on credit cards and other accounts tend to increase while alternate solutions are being sought. If solutions take too long to materialize, the consumer ends up in cash crunch which can lead to unpaid bills and defaults on payments. It's at this point where debt settlement becomes a very logical choice.

While debt consolidation and credit counseling can never reduce principle owed by the consumer, debt settlements usually reduce the total amount owed to a client's creditors by forty to sixty percent. Reductions of that magnitude give clients a legitimate chance of paying off their debts and getting a fresh start. Depending on how much a client can pay each month, debts can be paid off in as little as eighteen months. For clients that need an extension of time to pay off creditors, the schedule can run as long as forty eight months. Many of our clients are surprised that they can be put on schedule to eliminate their debt completely while only paying about fifty percent of what they had normally paid monthly on their consumer debt obligations.

If your payments on consumer debt have become an unworkable burden, it's time to consider your options on how to get things back in line. Call us at (866) 985 7388. We'll help you get things turned around and get you started on the path to financial freedom.

## 6 Steps to Staying Out of Bankruptcy

### The Choice Between Bankruptcy And Debt Settlement

As credit card issuers continue to raise fees, interest rates and payment requirements, a growing number of struggling card holders are being forced to consider options for debt relief. For many, the choice can come down to two options; bankruptcy and debt settlement.

#### **Bankruptcy**

The most common bankruptcy venues utilized by consumers are Chapters 7 and 13. Chapter 7 is a liquidation of assets and was an extremely popular means of debt relief prior to the reform act of 2005, known as the Bankruptcy Abuse Prevention and Consumer Protection Act (BAPCPA). The act effectively made it difficult for consumers to opt for liquidation of assets, instead forcing them toward Chapter 13 filings. The challenges to filing for a Chapter 7 include means testing, higher fees and increased costs and risks for those assisting consumers with the filing.

Should a consumer be granted a Chapter 7 filing, they cannot file again for eight years and are limited in filing for other legal remedies for several years. As before the passage of BAPCPA, the filing stays on the consumer's credit report for ten years. Other disadvantages are that the filing is a public record and can be accessed by anyone with interest and that bankruptcy filings are posted in local papers for the perusal by neighbors and other members of the local community. Another affect of filing bankruptcy is that many employers now check the credit history of prospective employees which could have an influence on future employment potential for the consumer.

Chapter 13 filings, which now make up the bulk of bankruptcy filings, are considered "wage earner plans" where the debt amount is reduced based on the consumer's ability to pay, and a plan is set up so that consumers pay their debts in three to seven years. The repayment plan is often overseen by an official of the court who can dictate consumers' spending while they're in the plan. As with Chapter 7, Chapter 13 filings go on a credit report, are matters of public record, and are available for review by anyone, including employers.

The difficulty and resistance to the invasiveness of Chapter 13's is evidenced by the exceedingly high percentage of consumers that enter bankruptcy workout plans and then don't complete them. A recently published white paper by the United States Organization for Bankruptcy Alternatives suggests that the completion rate is much lower than other debt relief options with only 20% to 25% of consumers making it through the workouts in their entirety.

Bankruptcy as an alternative for most consumers has become much more limited since BAPCPA was passed in 2005. Estimates are that as many as 800,000 US households have been prevented from filing bankruptcy in the last few years since the bill's enactment.

Consumers must also go through counseling services (regardless of whether or not they enroll in debt management programs) prior to filing for bankruptcy. The National Foundation for Credit Counseling estimated that their members provided 1.26 million education sessions for bankruptcy in 2007. *continued*

## 6 Steps to Staying Out of Bankruptcy

### The Choice Between Bankruptcy And Debt Settlement

#### Debt Settlement

The best representation of what debt settlement has to offer was recently released in a study on the debt relief option out of Southern Methodist University. In the words of the team which conducted the study, debt settlements "...create the greatest consumer welfare of any approach."

The study, which covered 4,500 randomly selected consumers, found the following:

- 1) Cancellation rates of 60% over two years were much better than the speculated rate of 85% within one year. In fact, that rate is similar or better than other subscription based service industries, such as mobile telephone and cable television companies, which have Better Business Bureau certified members. The 40% of debt settlements being seen through to completion is almost double the amount of consumers that complete Chapter 13 workouts.
- 2) Debt settlement offers as a rule came in under 50% of the original balance of debt, an improvement over the 60-60 (60% percent of debt balances paid off in 60 months) rule and other forms of debt relief, generating significant consumer benefits.
- 3) Debt settlements can include credit cards, department store debt, unpaid medical bills, unpaid utility bills, and many other forms of unsecured consumer debt.
- 4) Debt settlement provides immediate relief to consumers, reducing payments on all debts in process by approximately 50%.
- 5) Balances are typically paid off within 48 months, one to two years faster than bankruptcy workouts.
- 6) Debt settlement has an increasingly higher value to customers with higher account balances and higher total debt, potentially saving millions of dollars for consumers when compared against the full payoff of balances by making minimum monthly payments.
- 7) Once "fair share" payments are taken into account for bankruptcies and credit counseling fees payments for a consumer account can exceed 29% of the consumer debt, levels which the study calls "exorbitant."

Other benefits of debt settlement accrue from what is not included. Debt settlements do not include:

- The filing of a public record, accessible to anyone that cares to take the time to file for it
- The filing of public notice
- A bankruptcy on your credit report for up to ten years
- An official of the court overseeing your spending. *continued*

## 6 Steps to Staying Out of Bankruptcy

### The Choice Between Bankruptcy And Debt Settlement

#### Debt Settlement

Neither form of debt relief is the perfect answer for everyone but indebted consumers are increasingly finding that debt settlement can provide optimal results without the disadvantages of filing bankruptcy. Be sure to consult a professional with experience in both solutions to determine which one is the best for you.

#### Secured Vs. Unsecured Debt

There are two primary types of debt: secured debt and unsecured debt. Secured debt is any type of debt which is attached to an object or property that can be taken away if you fail to make payments. For example, a car loan and a mortgage are forms of secured debt, because if you fail to pay those bills the lender can take your car or home from you. Unsecured debt is that debt which is not attached to any particular item. For example, if you fail to pay your credit cards, the credit card company cannot take away the items you purchased with the card. Or, if you fail to pay your medical bills, the hospital cannot take your surgery back.

Unsecured debts usually come in the form of credit cards. Medical bills are considered an unsecured debt- as you did not have to put up an item as collateral in order to obtain the debt. Other forms of unsecured debt include department store cards, personal loans and student loans. Once you own a home and build equity, you are able to take loans out on the equity you've built. These equity loans are secured debts because they use your home as collateral. If you are unable to pay for your home equity loan, they'll just take your house to pay for it.

#### Good Debt Vs Bad Debt

Some types of debt are not considered "bad debt," often because they are a necessary evil. For example, unless you have \$500,000 in your back pocket, you cannot buy a home outright. So, in order to purchase a home you need to take out a home mortgage loan. In this instance, the debt could also turn into an investment if the home you purchase increases in value.

Bad debts occur when – you buy possessions or services which only decrease in value over time, debt that has crippling interest rates or debt that is overly burdensome. Typically, bad debt means credit card debt. Credit cards that are not used properly or wisely can lead to serious debt problems. People often forget that if you buy a \$100 item with a credit card, you have to pay back the original amount plus the interest accrued. If you are stuck in a situation where you only pay off the minimum balance, that \$100 could wind up costing you hundreds of dollars over time. *continued*

# 6 Steps to Staying Out of Bankruptcy

## Secured Vs. Unsecured Debt

### Good Debt Vs Bad Debt

For many Americans, personal debt is increasing, which was caused in part by the ease with which credit could be obtained. Credit cards used to be only for a select few, now the average American household has three or more credit cards and thousands of dollars in credit card debt. All of this debt is unsecured debt, but it damages your credit score, your ability to get good interest rates and your overall health.

Some credit card companies allow people who are likely to charge more than they can reasonable afford to pay, so that they can charge interest rates of 18%, 20% or higher on the balances, not to mention over the limit fees, late payments or finance charges.

## Credit Card Debt Information And Tips

There are many myths about credit card debt, and it is the goal of Debt Settle, Inc. to dispel as many rumors as possible. For example, people often wonder if the rewards programs offered by certain credit cards are a real positive. Unfortunately for most credit card users, the possible benefits of any credit card are far outweighed by the major problems credit cards cause throughout America.

With interest rates, you will absolutely pay more for your items if you use credit cards. This means that even paying your credit card bills on time does not make you a winner. You're basically paying the credit card companies for the privilege of using their card. The average family today carries \$8,000 in credit card debt according to the American Bankers' Association. This kind of debt prevents real financial progress for most families, including buying a new or better home, donating money as desired, paying for college and more.

When it comes to credit card rebate programs, if you had a credit card with a 5% interest rate, you would have to spend \$80,000 to get \$4,000 worth of rebates on new cars that lose value the second you drive them off of a lot. Losing money is not a good idea, and in fact many "rebate" programs are scams to get you to believe credit cards are a good thing.

### Cash vs. Credit Cards

Whenever you go the grocery store, shopping mall or department store and pay cash, you know you no longer have that money. With credit cards, you can easily lose track of exactly how much you are spending and exactly how it will impact your finances. Your credit card will most likely cost you an additional 15-25% on top of the purchase you make. That means money that could be spent on another item (or wisely put into savings) is no longer yours.

How Credit Card Debt Affects Your Credit Report. *continued*

# 6 Steps to Staying Out of Bankruptcy

## Credit Card Debt Information And Tips

### How Credit Card Debt Affects Your Credit Report

Your overall credit score/ranking determines how much of a risk you are to lenders. Your credit card debt can either help or hurt this credit report, depending upon your ability to make payments. If you are making minimum payments on your cards, your credit score probably won't go down. However, in our current economy, the credit companies have taken a completely different tactic with borrowers, often punishing them for seemingly innocuous reasons. People with great credit scores, but who don't use their credit cards every month are having their limit lowered or even having their cards shut down altogether. With this in mind, debt settlement might just be the best option for those who have serious credit card debt they need to deal with.

### Frightening Credit Card Statistics

Just to give you some perspective on the credit card industry and credit card debt, here are some eye-opening statistics:

- There were 984 million bank-issued Visa and MasterCard credit card and debit card accounts in the U.S in 2006. (Sources: Visa USA, MasterCard International)
- The top 10 credit card issuers controlled approximately 88 percent of the credit card market at the end of 2006, based on credit card receivables outstanding. (Source: FDIC)
- U.S. Visa cardholders alone conduct more than \$1 trillion in annual volume. (Source: Visa USA internal statistics, 4th quarter 2006)
- Consumers carry more than 1 billion Visa cards worldwide. More than 450 million of those cards are in the United States. (Source: Visa USA internal statistics, 4th quarter 2006)
- 78 percent of American households -- about 91.1 million -- had one or more credit cards at the end of 2008. A year earlier, there were 90.4 million households with cards. (Source: Nilson Report, April 2009)
- At the end of 2008, Americans' credit card debt reached \$972.73 billion, up 1.12% from 2007. That number includes both general purpose credit cards and private label credit cards that aren't owned by a bank. (Source: Nilson Report, April 2009)
- Average credit card debt per household -- regardless of whether they have a credit card or not -- was \$8,329 at the end of 2008. (Source: Nilson Report, April 2009). *continued*

## 6 Steps to Staying Out of Bankruptcy

### Credit Card Debt Information And Tips

#### How Credit Card Debt Affects Your Credit Report

- As of March 2009, U.S. revolving consumer debt, made up almost entirely of credit card debt, was about \$950 Billion. In the fourth quarter of 2008, 13.9 percent of consumer disposable income went to service this debt. (Source: U.S. Congress' Joint Economic Committee, "Vicious Cycle: How Unfair Credit Card Company Practices Are Squeezing Consumers and Undermining the Recovery," May 2009)
- In the fourth quarter of 2008, consumers over 60 had an average of 5.6 open bankcard and retail accounts. Overall, consumers had an average of 5.4 cards. A year before, those over 60 had 6.1 open cards and consumers overall had 5.5. In 2006, those over 60 had 6.2 open cards and consumers overall had 5.5. (Source: Experian marketing insight snapshot, March 2009)
- Half of college undergraduates had four or more credit cards in 2008. That's up from 43 percent in 2004 and just 32 percent in 2000. (Source: Sallie Mae, "How Undergraduate Students Use Credit Cards," April 2009)

#### Ways to Eliminate Credit Card Debt

There are some great tips on how to eliminate credit card debt. The most obvious one is to stop using credit cards. Few people really take advantage of the most obvious option, thinking that if they stop using credit cards they will be crushed by some invisible force. However, using only the cash you have to make your purchases will make you more responsible in the long run. You could also consider putting all of your credit card debt onto the card with the lowest interest rate. The challenge with this option is that you are still drawing interest, and it doesn't deal with the principal balance. However, if you have a 0% interest card, this could be a good option. Unfortunately, many 0% cards are introductory offers, meaning that the interest rate could spike without notice.

Another tip is to make double or triple payments. If you stick to paying minimums on credit card bills, you'll pay the maximum in interest and take the longest amount of time in paying off your loans. If you attack the principle of your credit card debt, you will go a long way towards minimizing your total debt.

One tip that people have used in the past is to use a home equity line of credit to pay down debts. Unfortunately, this is once again just using debt to pay down more debt. It does not eliminate the problem; at best, it can delay the pain – but it often just compounds the initial difficulties.

## 6 Steps to Staying Out of Bankruptcy

### Medical Bills, Bankruptcy and Debt Settlement

Do you know what the number one reason for bankruptcy in America is? Unfortunately, many Americans don't know the answer until it's too late. Few people realize how much of a role medical bills play in the lives of those with ruined finances. An estimated 1.5 million Americans will declare bankruptcy in the coming year. Observers may attempt to chalk up these bankruptcies to a lavish lifestyle, or runaway spending. However, new studies suggest that upwards of 60% of the people declaring bankruptcy are doing so, at least in part, due to their medical bills.

Bankruptcies which are the result of medical bills have increased by nearly 50% from 2001 to 2007. Most of those who filed for bankruptcy were middle-class, well-educated homeowners according to a report in *The American Journal of Medicine*.

“Unless you're a Warren Buffett or Bill Gates, you're one illness away from financial ruin in this country,” says lead author Steffie Woolhandler, M.D., of the Harvard Medical School, in Cambridge, Mass. “If an illness is long enough and expensive enough, private insurance offers very little protection against medical bankruptcy, and that's the major finding in our study.”

The study surveyed 2,314 people who filed for bankruptcy in early 2007, reviewing their court records as well as interviewing many of them. The conclusion was that 62.1% of the bankruptcies were heavily related to medical bills. Many people had more than \$5,000 in medical bills, had mortgaged their homes to pay their medical bills or lost a significant amount of their income due to their illnesses. At Debt Settle Inc., we've helped people whose lives were turned upside down because of an illness to themselves, their spouse, their children or sometimes just an elderly family member. On average, medically bankrupt families saw their out of pocket expenses hit \$17,943. That number hit \$26,971 for those who lacked insurance. However, health insurance did not save many people from a medically related bankruptcy; 75% of the people whose bankruptcy was related to medical issues had health insurance.

“That was actually the predominant problem in patients in our study -- 78 percent of them had health insurance, but many of them were bankrupted anyway because there were gaps in their coverage like co-payments and deductibles and uncovered services,” says Woolhandler. “Other people had private insurance but got so sick that they lost their job and lost their insurance.”  
Health.com: Where the money goes -- A breast cancer donation guide

#### **Tips on Dealing with Medical Bankruptcy**

Debt Settle, Inc. has seen its share of people whose financial problems stemmed from medical bills. Trying to overcome \$25,000 or more in medical costs is near impossible for people who are already struggling to pay monthly bills, let alone such an impossibly large tab. Here are some tips that could potentially help you lower your medical bills, as well as help you avoid bankruptcy.  
*continued*

# 6 Steps to Staying Out of Bankruptcy

## Medical Bills, Bankruptcy and Debt Settlement

### Ways to Manage Your Medical Bills

If you're facing medical bills that threaten you and your family's financial well-being, you may need to take drastic measures. Debt Settle, Inc. helps people by providing them excellent advice and information on how to handle all unsecured debt, including medical bills. Here are some important tips which may help you live a life free from crushing medical debt:

1. Don't be afraid to ask. The key to negotiation is asking. Do not feel obliged to pay whatever bills a hospital or medical office is sending you, they set their fees based upon expenses, but they can be negotiated with. If you contact a hospital's administrative office or their CFO and ask for a discount, you may get a much lower bill in the mail.
2. Explore lower cost treatments. For example, many people utilize generic brand medication instead of name brands, saving tremendous amounts of money. Look for hospitals with out-patient treatment, which will lower your hospital bills and recovery costs.
3. Find the best person to speak with. Just talking to a doctor may not get you the results you want. Knowing who to talk to at a hospital or medical office will go a long way towards saving you time and money. Start with the office manager at the hospital and be bold in asking specific questions.
4. Cash is king. If you're looking for either a settlement or a lower overall rate, promise to pay cash rather than write checks on a monthly basis. These days, every (including hospitals) are looking for cash to cover their expenses and debts. You may owe \$20,000, but if you can pay \$14,000 in cash immediately, you have a strong stance for negotiation, especially if the hospital in question is in need of funds.
5. Scrutinize your bill on every detail. Don't accept every little price point on your invoice; look at what the hospital is charging for medication, the room you stayed in, the use of medical equipment and more. You may find mistakes in the billing, or you may be able to negotiate a lower charge per item. Don't just pay the bill as it is.

At Debt Settle, Inc., we realize that few people have the time to follow the above steps. The difficulty in trying to examine every charge on your bill, or negotiating with hospital administrators is that it takes time. This time could be spent working to pay off those bills. If you are in need of assistance in eliminating medical bills, you may want to look into a qualified debt settlement company. Whether or not you have health insurance, your medical bills could cause you to declare bankruptcy. A bankruptcy could ruin your credit for up to ten years, and should be avoided at all costs.

A debt settlement company that can handle medical costs could alleviate your stress and free up your time to actually make the money you need to pay your bills. *continued*

## 6 Steps to Staying Out of Bankruptcy

### Medical Bills, Bankruptcy and Debt Settlement

Medical bill debt settlement works the same as debt settlement for credit cards, only you're negotiating with hospitals and medical companies instead of Mastercard and Visa. You can potentially save 20%, 30% or more if you are willing to utilize the skills of an accomplished debt settlement company such as Debt Settle, Inc. Spending your own time to consistently, and persistently, call the hospital you owe money to make take more time than you are willing, or can afford, to give. However, taking the time to negotiate could save you tens of thousands of dollars. In this instance, it's important to know that you can hire a skilled professional to negotiate on your behalf.

If you are in a difficult financial situation, owing tens of thousands or even hundreds of thousands of dollars in medical bills, Debt Settle, Inc. may be able to help you. Our skilled debt settlement team possesses the necessary skills and knowledge to help you lower your overall debt, as well as help you pay down your debt. **Call us today at 1-866-985-7388.**