

## Information on Consumer Debt Relief

**With the consumer debt situation approaching crisis level, the need for consumer debt relief information is paramount.**

Today the average amount of credit card debt, per household, is more than \$10,000. More than 80% of households have at least one credit card; however, with more than a billion credit cards in circulation, the average household is carrying almost a dozen different credit cards. What's more concerning is that the majority of this credit card use and revolving debt is accomplished through those individuals making up the lowest income brackets. Debtors with the lowest incomes are risky borrowers, and they are typically carrying the highest debt burdens, paying the highest interest rates, and committing the most payment defaults.

With these startling statistics, it is no surprise that a considerable number of companies are emerging nationwide in efforts to alleviate some of the stresses this growing debt crisis creates. **Consumer debt relief** has now become an en vogue matter. **Consumer debt relief information** is available through a number of channels: from the bank, library, internet or even your next-door neighbor. Debt relief programs are sprouting from similar places as well: the bank, non-profit organizations, and even the TV where many of these programs are advertised.

### Consumer Debt Relief Programs

**Consumer debt relief programs** are becoming the most prominent method for getting individuals out of their credit predicaments. There are now a number of debt relief programs available to ease financial burdens including debt counseling services, debt consolidation programs, and even debt relief lending. Consumer debt relief counseling is typically done through an agency with legitimate debt counselors. These professionals will sit down with the debtor, examine the situation, and give a usually free and objective assessment of the financial situation. The counselors understand that there is no one correct way to approach every person: financial situations are as individual as the people who are in them. Therefore, debt relief advisors may prescribe debt management programs, where it is appropriate, and others are recommended a consolidated payment plan to work things out on their own accord.

**Consumer debt relief programs**, like those that consolidate credit payments, are the more often advertised method of **consumer debt relief**. These programs intend to contact creditors on an individual's behalf, negotiate a one-time settlement, and reduce the principal amount owed by a considerable percentage. The result of such programs is a reduced monthly payment and relief of the consumer's overall financial burden. The problem with such debt relief programs is that many of those who advertise are not as legitimate as they claim. They will promise sweeping results and charge enormous up-front fees to begin the program. More importantly, they are unable to negotiate the plan objectives they promised and will not refund the initial costs paid. For these reasons, it is important to investigate any **consumer debt relief program** or company before contracting with them, or paying, for services.

## Consumer Debt Relief Lending

Consumer debt relief lending has also grown in popularity among households with potentially negative financial situations. Two of the more common lending programs include borrowing from retirement accounts (401Ks) and tapping into home equity. The most significant benefit from these debt relief lending options is that they both provide a substantial amount of money to clear an equally substantial amount of debt all at once. The home equity loan provides other benefits, which usually includes lower interest rates than a credit card, and tax deduction on that interest paid. The 401K also carries the logic that one is borrowing from himself, and will therefore simply pay the amount back. To caution about home equity lending, however, is to remind the consumer that the real-estate market is always in flux: the borrower then risks owing more on the property than it is worth should there be a major market correction. Similar cautions exist for the 401K borrower as well: should he lose his job the amount must be repaid immediately to the retirement account, and if this is not possible, the outstanding loan is considered a premature withdrawal and will be taxed and penalized.

Again, both consumer debt relief lending options are ideal for expediting the resolution of substantial credit debt burdens. However, the major problem for both of them is that two-thirds of those who take advantage these ways to pay off consumer debt simply accrue more debt once the balances are absolved. Such mentality undermines the rational behind consumer debt relief lending: once credit card balances are renewed the relief is gone, and the consumer is left not only with less equity or less retirement savings, but has replaced an unsecured debt with a secured one. It is recommended, therefore, that borrowers review all consumer debt relief information available, and investigate debt relief programs and counseling before putting their homes or their retirement savings at risk.

### When Seeking Advice

Whatever the method for pursuing consumer debt relief, it is important to do the homework. An important point to remember is to always compare a number of debt relief programs and services available, and to explore the business reputations of these companies. One should also ask a lot of questions, spending 20 to 30 minutes with the company advisors, and make sure to get answers in writing. Don't forget to always ask about fees as well. These will be the best ways to approach what consumer debt relief option is best overall.