Take Charge America Breaks Down Five Debt Solutions for Consumers Struggling with Credit Card Payments

Nonprofit financial education agency helps people determine which debt solution is appropriate for their personal situations

PHOENIX – (May 8, 2014) – Many consumers don’t know where to turn for help with debt. Debt management, debt settlement, debt consolidation, bankruptcy – the options are abundant and often confusing.

“If you’re living paycheck-to-paycheck and struggling with steep credit card payments, the good news is that you have options,” said Mike Sullivan, chief education officer for Take Charge America, a national nonprofit financial education and credit counseling agency. “The hard part is deciphering which solution is appropriate for your particular situation. What worked for a friend or family member may not be the best for you.”

Sullivan explains the difference between five debt solutions for consumers who want to regain independence from credit card debt:

- **Credit Counseling** is a free service provided by nonprofit agencies to help you determine next steps for overcoming debt. A counselor will review your income, expenses and debts, and then create a detailed budget and action plan. Credit counseling is a good first step for people who are unsure where to turn.

- **Debt Consolidation** is a process you can initiate yourself. It essentially means you use one larger loan or line of credit to pay off smaller debts. For example, you could borrow $3,000 from a local bank to pay off four credit cards with balances totaling $2,950. To be effective, the larger loan needs to have a lower interest rate than the smaller debts.

- **Debt Management** is a service offered by credit counseling agencies to help people with a substantial amount of credit card debt. Credit counselors work directly with your creditor(s) to eliminate collection calls and help you reduce fees, interest rates and payments so your debt can be paid off in a quicker timeframe. There aren’t any tax implications.

- **Debt Settlement** refers to an agreement between a borrower and a creditor in which the borrower pays a percentage of the total debt owed. During a debt settlement, payments are typically held while a debt settlement agency negotiates the payments, which can negatively impact your credit score. Additionally, you may need to pay taxes on the settled amount.
Bankruptcy is a legal process that can help you repay or discharge debts under the protection of the federal bankruptcy court. There are two main types of bankruptcy for consumers – Chapter 7, also known as liquidation, and Chapter 13, also known as reorganization. While bankruptcy can help you eliminate certain types of debts, including credit card debt, other debts cannot be discharged, such as student loans or spousal support. A bankruptcy can remain on your credit report for seven years, and thereby prevent you from taking out other loans or lines of credit during that timeframe.

Sullivan advises consumers thoroughly research each option, including the impact on credit scores. For assistance from a certified credit counselor, visit http://www.takechargeamerica.org/debt-management.

About Take Charge America, Inc.

Founded in 1987, Take Charge America, Inc. is a nonprofit agency offering financial education and counseling services including credit counseling, debt management, student loan counseling, housing counseling and bankruptcy counseling. It has helped more than 1.6 million consumers nationwide manage their personal finances and debts. To learn more, visit www.takechargeamerica.org or call (888) 822-9193.

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