

Debt Management Plans – A Way to Survive the Debt and Come on Top

Article Rating: NA

Submitted by: articlediner on 2006-10-02 and viewed 28 times.

Total Word Count: 854

Author Rating:

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Content:

Debt Management Plans

Debt Management Plans (DMP) is placed one step beyond credit counseling and a stone throw short of bankruptcy. If you are too deep into debt and unable to pay them, a credit counseling agency may recommend Debt Management Plans. This is a serious step that should be considered carefully along with better money management skills and

budgeting disciplines.

Similar to prescription medication that you would only take after consulting a licensed physician, Debt Management Plans should start only after you have talked it over with a certified credit counselor. Your certified credit counselor spends the time to review your financial situation, consider alternatives, and help you learn to handle money better. You want to stay out of debt after you get out of it.

What is Debt Management Plans?

In simple terms, your credit counseling organization begins to manage your debts on your behalf through direct interaction with your creditors. They come between you and most of your unsecured creditors, negotiate lower interest rates, eliminate certain fees, arrange payment amounts and prioritize which creditors gets paid first. In short, almost everything that could be done to get you out of debt fast. These plans cover most unsecured debts, like credit card bills, student loans, and medical bills. But secured debts such as real estate loans fall outside of these plans.

Before signing up with a credit counseling organization for a DMP, verify any concessions your particular creditors offer to that organization. All these concessions from your creditors amount to one thing: Lower your monthly payment and still get out of debt faster. In some cases, you will be able to pay you debts years earlier. Ask your credit counselor how much earlier you will get out of debt if you stayed on course.

When DMP starts, you agree to send one monthly payment to the credit counseling organization and they in turn make all the payments to your creditors for you. In the meantime, you may have to agree not to use or apply for credit while you are participating in the plan.

Is a Debt Management Plan Right For You?

Cover the following with your credit counselor before you decide to participate in a Debt Management Plan.

Find out if there are other options besides DMP available to you. Is your DMP handled by the same organization that also provides you assistance with money and budget management during and after DMP? If Debt Management Plan is handled by one organization and another handles your ongoing credit counseling, how will you coordinate the two? Remember you want to stay out debt later.

Find out how enrolling in a Debt Management Plan impacts your credit and your credit score. Negative and accurate information on your credit record is not easy to remove despite any promises made.

Confirm what your monthly payment amount is and if you can afford it. Do not commit to something you cannot follow through.

Credit counseling organization promises concessions they can get from your creditors, such as lowering or eliminating interest charges and late fees. Confirm these with your creditors and see if there is a waiting period before these concessions kick in or do they start as soon as you enroll in a DMP.

Verify that your creditors are paid within the correct billing cycles and before their required payment due date.

Clarify the steps involved in getting status report on your account from your credit counseling organization. How often? How detail? Is it accessible by phone? Any hesitancy on behalf of the credit counseling organization to let you verify your account status is a big red flag that means you need to find another organization to help you.

Find out if your creditors are willing to reset the clock on your past-due accounts, wiping out the record of missed and late payments if you sign up with a Debt Management Plan. This process is called re-aging your account. How many payments should you make before your creditors are willing to do this?

What to do after Debt Management Plan starts?

Once you sign up with a Debt Management Plan continue to be active with the process even though emotionally you may want to wash your hands away and stay away. DMP does not relieve you of your responsibilities it only helps you manage it better.

Keep in touch with your creditors and pay your bills until DMP goes into effect. If you haven't had any negative entries in your credit report by now, any late payments, late and penalties can still be entered into your credit report.

Contact your creditors and confirm that they have accepted the proposed Debt Management Plan before you send any payments to the credit counseling organization for your DMP.

Call each of your creditors on the first of every month to make sure the agency has paid them on time and verify this by checking your monthly statements. Your monthly statement should also reflect any changes in your interest rates, waiving of the late fees and any other concessions you were expecting.

May you be granted freedom from debts both physical and Spiritually.

For more information about free [credit reports](#), [debt management](#), and [credit counseling](#) checkout FreeCreditReports.ws

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