

Difference between Debt Consolidation and Debt Settlement

Let me tell you something about the three ways of settling debt which are debt consolidation and debt settlement (the third type would be not to care about it at all, which you have to care about!). Debt consolidation helps you get out of debt. With consolidation, a company acts as a mediator and negotiates lower rates with your creditors. You make one single payment every month to the debt consolidation company, and they handle paying all your accounts. Usually, you can be out of short term [credit card debt consolidation](#) in five years or less. Debt consolidation will have minimal impact on your credit score. Most lenders will temporarily put a hold on extending you more credit until they see you are making regular payments. You need to still monitor your accounts to be sure the debt consolidation company is making on time payments. Debt settlement means that a major part of your debt will be immediately wiped out by your creditor and you will find instant financial relief in your monthly budget. The rest of your debt payments are much more manageable. Though your credit score will be 500 or lower for a temporary phase, you can recover your credit score by clearing off the remaining debt. Once your account has grown to the agreed upon amount, they are paid and your account is considered closed and no further payments will be due. Furthermore, creditors will now accept the seriousness of your financial situation and recognize that collecting nothing on the debt you owe is a genuine risk. But one of the greatest incentives for them to settle - at years end, they can write off the amount not collected on your accounts towards their taxes. It's a game where they cannot truly lose money the worst they can ever do is break even. You are the best judge choose your debt-relieving mode and get rid of your debt.

About the Author

Here the author Brendon Buthello writes about the difference between [debt consolidation](#) and debt settlement. He says that [debt consolidation loans](#) will have minimal impact on your credit score. Visit to www.removedebtonline.com [debt settlement-debt consolidation](#)

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