

Debt Consolidation Of Credit Card Debt to Rebuild Credit

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Consolidate Credit Card Debt To Reduce Payments

Two debt consolidation and credit counseling companies each claim to have helped more than 5 million American consumers get control of their overwhelming credit card debt, by creating a debt management plan designed to reduce the total debt and pay it off more quickly. In addition they help their clients understand the negative financial behaviors that created the problem in order to prevent another credit crisis in the future.

(Newswire.net -- April 14, 2013) New York, New York -- ***The Federal Reserve*** recently reported the average American household in 2012 carried \$15,799 in credit card debt, and 56% couldn't pay the full balance each month. Almost 15% said their credit card balance was in excess of 40% of their annual earnings, so more than half of their after tax income was going to credit card companies. When asked how long it would take to pay off their credit card debt many people were unable to answer the question, because the situation had become so overwhelming.

This explains why millions of Americans are turning to [credit card debt consolidation](#) and [credit counseling](#) in order to get their personal finances under control. The goal of this type of service is to avoid bankruptcy, rebuild their credit score, and prevent a recurrence.

The first step is debt consolidation. During this phase the consolidation company reaches out directly to the credit card companies on behalf of their client to negotiate better payment terms. This could include a reduced balance or a reduced interest rate. The objective is to reduce by 50% the amount of the monthly payment on the [credit card debt](#). Then they create a debt management plan where the client makes one payment each month to the consolidation company. The goal is to complete repayment in 36-60 months.

Many consolidation companies now offer credit counseling. During this second step the counselor helps the client understand the root cause of their current credit card problems. The objective is to change the negative behaviors in order to prevent a recurrence. Counseling has emerged as a value-add service in addition to credit card debt relief. This is due to the fact that in the 1990s a large number of consumers would use a consolidation loan to successfully pay off all their credit card bills, but then they would charge up substantial new debt within 12 to 24 months. Too many consumers found themselves in the same negative financial situation, where they were once again struggling to make their monthly minimum payments. The second step works to break this vicious cycle.