

## Debt Management companies

Debt management companies formulate strategies to repay individuals or business loans. When debtors are unable to repay loans, individuals utilize debt management services to avail secured loans, refinance credit card or home loans, report bankruptcy, debt settlement or debt consolidation plans. Debtors must reduce their personal expenses until they complete their loan. Credit counseling companies advise their customers about possible ways for release from their loans. Non-repayments force companies to approach law. The reasons for non-payment of debts are: \*Personal loans availed for purchasing home appliances \*Bad financial planning \*Unexpected expenditure or career loss \*Lower income of debtor Two categories of loans exist: secured and unsecured debts. Borrowers must mortgage their valuable possessions or building, to acquire secured debts. The bank, in case of non-payment, recovers dues by auctioning mortgaged items. Banks prefer secured loans due to prompt repayment and better recovery chances.

The loans through corporate bonds, credit cards, overdraft facilities or personal loans are unsecured debts for which the bank charges more interest. Unsecured loans require no pledging. Credit card, a type of unsecured debt, plays significant role in creating payment defaults. Due to higher interest rates and unrestricted access, debtors are unable to repay but with prompt repayment, there is almost no interest. Sometimes family members or friends lend amount to repay and [manage debts](#). Otherwise, debt management companies help consolidate or settle these loans. Debt consolidation entitles a person to freedom from his debts by merging his loans. Lower interest rates and fixed repayment period of around 5 years, makes this proposal attractive. Consolidation companies charge around 50 dollars monthly, for maintenance. This method hampers debt repayment due to greater duration generating more interest. Debt settlement is another form of loan management in which debtors can pay the entire sum borrowed, with huge discounts and often without interest, which debt settlement companies negotiate on payment of commission and administration charges. Resolution to make payments and appropriate financial planning easily frees a person from debts and enables one to lead a debt-free life relieved from tension since it is difficult to avoid debts. Carefully select debt consolidation or debt settlement companies that suit your needs and stick to their advice. A person deceives the bank without paying his loans or filing bankruptcy. Such defaults in large-scale have led to the collapse of financial empires like Washington Mutual, Merrill Lynch and Lehman Brothers. Increasing food, oil, raw materials prices and default in loan payment led the collapse. This has resulted in job loss, unemployment, stock market collapse, and has led to economic crisis internationally.

## About the Author

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