Who Should Not Consider Debt Settlement?

Settlement fits a specific situation, and it is just as important to know when it does not fit. Enrolling in a program that is not right for your circumstances usually costs time, credit standing, and money you cannot easily get back.

Signs settlement is probably not the right move

- ✓ **You can still make minimum payments without real strain.** If the budget is tight but workable, a balance transfer or a debt management plan through a credit counselor will likely cost you less and protect your credit more.
- ✓ **Your debt is mostly secured.** Mortgages, auto loans, and anything with collateral behind it are not settled the way unsecured debt is. Falling behind on those puts the asset itself at risk.
- ✓ **You need strong credit in the near term.** If you are planning to apply for a mortgage, refinance, or major loan in the next one to two years, settlement's impact on your credit file will work against that timeline.
- ✓ **You cannot consistently save toward the program.** If there is no realistic monthly amount you can set aside, a settlement program will stall before it produces results.
- ✓ **Your total debt is disproportionate to your income.** When monthly debt obligations vastly exceed what you earn, bankruptcy often resolves the situation faster and more completely than settlement can.
- ✓ **You live in a state where the debt or the provider is not properly licensed.** Not every company can legally operate in every state. This is worth confirming before you sign anything.

Worth a look before you enroll

Nonprofit credit counseling and debt management plans, a balance transfer or consolidation loan if your credit still qualifies, and bankruptcy counsel if your debt load is severe relative to income are all worth ruling out first. None of these are wrong answers. The right answer is whichever one actually fits your numbers, not the one you have heard of first.

> **The honest version:** a good settlement provider should be willing to tell you if you do not belong in a program, even if that means turning away your business. That willingness is itself a signal of whether you are talking to the right company.