

Negotiating Your Way To Debt Relief

Times are tough. Finances are tight for most of us. Those in high places would have us all believe that the recession is behind us and we are all on the road to recovery. But that's not true.

In fact, if you have debt that is actively in collections you shouldn't feel like you missed the national bus to prosperity. Fully a third of Americans are in the same boat as you, or rather, left behind at the same bus stop.

If you find yourself in dire financial straits where the bill pile grows higher and the demand letters contain gruffer language than the last ones, don't give up hope of getting back on your feet without declaring bankruptcy. Like many others that have plied this road before you, you can take matters into your own hands and directly negotiate with your creditors.

{adinsertor emp}Keep in mind that the process can be racked with stress and the anxiety of waiting for responses to offers to creditors. At the same time it can be liberating to take control of your situation.

If this is not the sort of challenge you wish to take on, consider looking into the services of companies specializing in [debt relief](#). Either of these choices is a viable alternative to giving up and declaring bankruptcy.

Negotiating debt relief is a fairly straightforward process. The strategies listed below work best with unsecured debts and debts owed to local merchants, but they can also be used with secured loans on vehicles and the like.

Keep Your Eyes on the Prize

When you enter into debt negotiations, make sure you have a goal in mind and what concessions you are willing to make on your end. Prepare yourself ahead of time for the mental strain you are going to be going through, for the process will be taxing and drawn out. Aim for having as much debt as possible removed but have a solid figure in mind that you will settle for.

Not all negotiations will necessarily end with you being able to settle all of your debts. Have an amount in mind that you can agree to that allows you to pay off your remaining debt in a reasonable amount of time. What is the point of your negotiations if in the end you are left with a reduced debt but still have to file for bankruptcy?

Use the 'B' Word Liberally

Whether or not you are near the point of actually filing for bankruptcy doesn't matter. If it is a real possibility down the road it will help your cause to make mention of it to your creditors. Under Chapter 7 bankruptcies and most Chapter 13 bankruptcies the entire amount owed to an unsecured creditor is discharged.

That literally means that unsecured debts, like credit cards or unsecured bank loans, are wiped out in bankruptcy court. The people you own unsecured debts to get nothing.

So using the 'b' word liberally reinforces their willingness to make radical concessions when it comes to settling the debt. This is one case where you can take your dire circumstances and use them to your advantage.

Go Big or Go Home to Court

In normal negotiations, say for the purchase of a house, we tend to shy away from throwing out a low-ball figure unless we

are willing to walk away from the deal should we insult the seller.

The same is true for most negotiations. We want to work for the best deal but don't want to collapse the whole bargaining process by being greedy.

When it comes to settling your debt obligation, forget all the niceties. Low ball. This works particularly well for unsecured creditors, who often settle for around 30 to 50% of the debt. But it takes some time to get to this point.

So work them. Start ridiculously low, say at 15%, and negotiate from there. Over time, if you keep making offers and threaten bankruptcy as your only alternative, they will come around.

Negotiating Mortgages

When finances are tight, it can affect your ability to make your mortgage payment. Unlike unsecured loans, your home can be foreclosed on if you stop making house payments. In many cases homeowners know ahead of time if they are going to have trouble making their payments.

Although this sounds counter intuitive, contact your mortgage company *before* you get behind on your payments. That bears repeating—contact them before you get behind on your payments that you are probably going to get behind unless they can help.

Contact them ahead of time and find out if they would be willing to modify your loan. Loan modifications generally mean that whatever portion of your payment you cannot pay for now, is tacked onto the end of your loan. This is a fairly common practice in the housing industry.

Mortgage collectors are far more willing to work with someone that proactively addresses the issue rather than someone who

starts missing payments, and avoids collection calls until utter desperation sets in.

The entire negotiation process is generally much smoother if your home loan is with a local bank as opposed to a large nationwide bank. Negotiations are much easier when you can sit across from the person making the decision on your modification.

Did you find yourself in this stressful situation? Share your personal experience and thought using the comment form below!

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*This article has been written by **Gale Newell** for [Survivopedia](#).*