



15 questions to ask before you hire someone for Debt Resolution.

Below are our answers. Next you will have a blank version to use for your evaluation of other firms

Legacy Tax & Resolution Services, LLC

What Is Debt Resolution?

Also known as debt negotiation or arbitration, debt resolution allows for a [debtor](#) (you) and your [creditor\(s\)](#) (whoever has extended credit to you) to settle your debt for an agreed upon, lesser amount. Your payments are not made to your creditor(s), but instead to the settlement company, which usually holds the payments until all of your accounts are in default (creating settlement leverage).

During this time, your credit rating also goes down significantly due to the defaults on payment, especially if you were already behind on payments prior to the debt settlement company getting involved. These defaults will appear on your credit reports for seven years, but some people prefer this settlement option to bankruptcy.

Here's where to start your conversation to see if the debt settlement company is on the up-and-up. If you encounter any one of the following red flags, it's a good idea to consider another company.

1. How do you determine my best solution between Bankruptcy, Debt Settlement and Debt Management?

We use a proprietary algorithm to determine your best solution based upon a short discussion with you. Unfortunately, most firms will only offer one solution, the one they offer, which may not be the best solution for you. We have no vested interest in steering you in one particular direction. We just want you to get into the best solution based your best interests.

2 Are there other alternatives when it comes to debt resolution?

The three main options are Debt Settlement, Debt Management and Bankruptcy. A legitimate debt relief firm will not discourage you from consulting with a reputable credit counseling agency to find out whether you may be a good candidate for a Debt Management Plan (DMP). They also will not discourage you from consulting with a bankruptcy attorney to learn about that option. If a company discourages you from exploring other options first – definite red flag.

3. What are your fees?

Debt Settlement/Management firms cannot charge up-front fees based on FTC rules, and your first fee cannot be charged until a debt is settled. If you do not get full written disclosure listing your expected fees, consider that a red flag and seek another settlement firm to help you with your debt. We fully adhere to these rules and will provide you with a written agreement. If the firm you're talking to will not tell you your fee, HANG UP!

4. How long have you been in the debt settlement business and how much debt have you settled?

Many companies don't settle much debt at all, and young companies have very little experience. Debt relief rules require that companies' base claims on all consumers who have enrolled in their programs and not just a few of their best examples when describing their results. If the company cannot provide proof of their experience, that is a RED FLAG!. Our debt settlement company has been doing this since the late 1990s and the debt management company has been in business since 2005.

5 Can you stop my creditors from calling me?

It is not possible to STOP ALL CREDITOR CALLS! If a debt settlement/management company says they can, let them hear the dial tone. If you are talking to a Bankruptcy firm, even they cannot guarantee it, once a BK has been filed, creditor should not be calling.

6. Will you be making monthly payments to my creditors?

Settlement companies do not make monthly payments to your creditors. If they claim to do so or if they give you the impression that they do – red flag!

7. Can I get sued?

The answer to this question is "yes;" it is a possibility. If they say anything to the contrary – red flag!

8. Will debt relief have a negative effect on my credit report?

The only honest answer to this question is "yes." All debt relief programs will have a negative impact on your [credit reports](#) and scores. If they say anything to the contrary – red flag!

9. When can I expect my first settlement?

The settlement firm should tell you when your first settlement is expected, based on your creditors and the amount of money you are able to save to settle. The longer it takes to settle, the greater your risk of being sued. If it's longer than 12 months – red flag!

10. How are you calculating my estimated savings?

If a company estimates you will save, say 50% of your debt by negotiating, they must base that estimate on the total debt you settle, including any fees or interest that accrue after you enroll in the program. In addition, they must also include the cost of the fees you'll pay before calculating savings. Any firm that fails to provide a full disclosure of estimated savings – Red Flag!

11. Can you tell me exactly how long this will take and exactly how much this will cost?

Debt settlement is not an exact science, and you should not expect a firm to be able to predict exactly what will happen with your debts. However, under U.S. debt relief rules, the settlement firm must give you a reasonable estimated time frame based on your debts and how much you are able to save. If a firm does not provide this disclosure – red flag!

12. Are there tax consequences I should be made aware of?

The correct answer is always “yes.” The IRS considers forgiven debt to be taxable income, though you may be able to get the income excluded if you can show the IRS you are insolvent. The company should adequately explain this. If not – red flag!

13. Who is holding my money while I'm waiting on a settlement?

Your funds should be held at a third-party escrow company in an insured account. This account must be under your control, and you should have the right to close the account and get your money back without penalty at any time. If the company tells you to save your own money or to send the funds to them – Red Flag!

14. Are you being paid a commission?

Commissioned salespeople may stretch the truth or leave out vital information to make the sale. If they say they're on commission – possible red flag!

15. When will I hear from you next?

A reputable settlement firm should keep you in the loop and pass along regular updates on the status of negotiations with your creditors. Anything less – red flag!

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**See below your own blank scorecard.
Be careful!**

Good, Bad and the Ugly- Make Your Own Comparison

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Notes