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The debt settlement process involves negotiation with the creditors to pay off a percentage of the total debts at an agreed upon settlement amount. People often use the services of a debt settlement company for this. The process takes 12 to 36 months.

The creditor harassment can be avoided by applying the debt settlement system. The loan settlement companies generally contact the creditors and inform them that the individual is working with them and they are representing the person. This helps minimize or eliminate creditor calls. The standard practice is to communicate with the company that is representing you. However, creditors do not have any legal obligation to do so.

Once you sign the power of attorney authorizing the debt settlement company to negotiate with your creditors, the process begins. During the process, you must make a monthly deposit into a settlement account. The company will use funds collected in this account to repay your debts. Once debts are paid off, the account is closed.

Credit card debt, medical and hospital bill debt, business loan debt, personal loans, utility bills, department store credit cards and generally any debt that is unsecured can be settled using this process. With negotiation, debt settlement companies will try and convince creditors to lower the amounts you owe them.

Using their experience, these companies can convince creditors to dramatically reduce dues and have the dues paid off in a shorter period of time. Their success lies in convincing the creditors that this is the only chance the creditors have to get back their dues rather than being left with nothing. For debt settlement to be a success, the creditor must be satisfied that the debtor can no longer afford to repay the debt in full.

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