



Where to Go for Credit and Debt Help

Can't pay your bills on time? Can't arrange a debt repayment plan with the people you owe money? Can't get bill collectors to stop hounding you? If you answered "yes" to any of these questions, consider contacting a credit counseling agency.

Credit counseling agencies work with you to solve your money problems. Organizations that offer credit counseling can be private, not-for-profit, or public. You can get credit counseling in person, on the Internet, or by telephone. If possible, choose a credit counseling service that provides in-person counseling. It should offer educational programs, money management advice, and help with budget development.

The first counseling session with a reputable service should last about an hour. The counselor should discuss your entire financial situation, help you develop a personalized plan to solve your money problems, and provide follow-up counseling.

How a credit counseling agency can help

A credit counseling agency can negotiate with your creditors to repay your debts with a debt repayment plan. Under the plan, creditors often agree to reduce payments, lower or drop interest and finance charges, and forgive late and over-the-limit fees. After starting the plan, you'll deposit money with the credit counseling agency each month. The agency will pay your bills according to a schedule it has developed with you and your creditors. You'll likely pay a small fee for this service.

You may be required to stop applying for or using credit while you're participating in the debt repayment plan. A typical plan takes 24 to 48 months to complete. Ask your counselor to estimate how long yours will take.

Although nearly all lenders view bankruptcy negatively, only some will regard your participation in a debt repayment plan that way. Others believe that it makes you a better credit risk.

Choose the right service to work with

There are many good credit counseling firms. Some are members of the National Foundation for Consumer Credit (NFCC). They usually have "consumer credit counseling service" in their name. To find an office near you, contact the NFCC at 1-800-388-2227 or at www.nfcc.org.

Beware of companies that offer quick and easy solutions to your debt problems. Unfortunately, there is no quick fix. Some credit counseling organizations are downright dishonest. They may claim to be non-profit, but they're not. They'll ask you to sign up for a debt repayment plan right away, without offering educational programs or credit counseling. They won't try to understand your financial situation. They'll charge high hidden fees or urge you to make "voluntary contributions." A few credit counseling firms have taken clients' money and not paid the clients' creditors.

You can avoid phony credit counseling agencies. Check on a credit counseling business before you agree to use its services. Call your state's attorney general or department of finance to find out if the business is licensed in your state. Ask the attorney general—or your local Better Business Bureau—if complaints have been filed against it. Consider working only with credit counseling agencies with no complaints or only a few resolved complaints.

Call the credit counseling agency and ask for information about its services. A reputable agency will readily send you free information, no questions asked. If it resists, go elsewhere for help. Once you've received the information, call back and ask a representative the following questions:

- **What services do you offer?** Look for an agency that offers a variety of services, including budget counseling and savings and debt management classes. Avoid organizations that push debt repayment or debt management plans as your only option before they spend time carefully analyzing your financial situation.
- **Do you provide educational materials? If yes, will you send them to me or can I access them on the Internet? Are they free?** Avoid organizations that charge for information.
- **In addition to helping me solve my immediate problem, will you help me develop a spending and saving plan to avoid problems in the future?** The answer should be yes.
- **What are your fees? Do you charge set-up and/or monthly fees?** Get a specific price quote in writing. Many reputable agencies charge set-up fees up to \$50

and monthly fees from \$25 to \$50. Avoid organizations that demand a large initial “voluntary contribution.”

- **What if I can't afford to pay your fees or make contributions?** If an organization won't help you because you can't afford to pay, look elsewhere.
- **Will I have a written agreement with you?** Make sure all verbal promises are written. Read and understand the agreement before signing.
- **What are your counselors' qualifications? Are they accredited or certified by an outside organization? If not, how are they trained?** The organization should provide a certified credit counselor with a professional background in money management and in the wise use of credit. Certified credit counselors pass a comprehensive counselor certification program that is administered by a third party. They must meet high quality standards.
- **What assurance do I have that my address, phone number, and financial information will be kept confidential?** The business should provide you with a copy of its privacy policy.
- **How do you determine the amount of my debt payment? What happens if the amount is more than I can afford?** If you can't realistically afford a debt repayment plan, don't sign up for it.
- **How do you make sure all of my creditors will be paid by their due dates and in the correct billing cycle?** Sign up for a plan that pays your creditors before their due dates and within the correct billing cycle.

- **How often can I get status reports on my accounts? Can I access my accounts online or by phone?** Make sure the agency is willing to give you regular, detailed written statements.
- **Can you persuade my creditors to lower or eliminate interest and finance charges or to forgive late fees?** The agency should let you know whether it has negotiated successfully with your creditors in the past.
- **What if I can't maintain the agreed-upon plan?** Be committed to completing a debt repayment plan. None of the fees you've paid will be refunded. Some creditors will be less likely to work with you in the future if you fail to complete your plan.
- **What debts will be excluded from the debt repayment plan?** You'll have to pay these debts on your own.

It may seem like a lot of work to interview potential credit counseling services. The best ones help people who are behind on their debts get back on their feet. Fly-by-night outfits can disappear with your money and further damage your credit rating.

When you work with a credit counseling agency, you trust your credit record and your personal information to it. You want to be sure you're in good hands.

Author: Marilyn C. Bischoff, Extension Family Economics Specialist, UI School of Family and Consumer Sciences