

Credit Counseling vs. Debt Management

Credit Counseling

If you are having challenges adhering to your budget, cannot work out a repayment plan with your creditors, or cannot keep track of mounting bills, consider contacting a credit counseling organization.

Many credit counseling organizations are nonprofit and work with you to solve your financial problems. Reputable credit counseling organizations offer free educational materials and workshops and can:

- Advise you on managing your money and debts.
- Help you develop a budget.

The counselors are certified and trained in the areas of consumer credit, money and debt management, and budgeting.

Counselors discuss your entire financial situation with you and help you develop a personalized plan to solve your money problems. An initial counseling session typically lasts an hour, with an offer of follow-up sessions.

Debt Management

If your financial problems stem from too much debt or your inability to repay your debts, a credit counseling agency may recommend that you enroll in a debt management plan (DMP). A DMP alone is not credit counseling, and **DMPs are not for everyone**. You should sign up for one of these plans only after a certified credit counselor has thoroughly reviewed your financial situation and has offered you customized advice on managing your money.

Ask the credit counselor to estimate how long it will take for you to complete the plan. You may have to agree not to apply for — or use — any additional credit while you are participating in the plan.

Be aware of scams from entities involving dealing with debt. See www.consumer.ftc.gov/topics/dealing-debt for more details before paying money to entities that claim to be able to help you get out of debt.

Repairing Credit Using Credit Counseling Agencies

If you decide to use a credit counseling agency, the Federal Trade Commission provides the following tips for choosing a credit counseling agency and questions to ask regarding services and fees and repayment plans:

1. Interview several credit counseling agencies before signing a contract.
2. Check with your state attorney general, local consumer protection agency, and the Better Business Bureau to find out if consumers have filed complaints about the agency you are considering. A reputable agency will send you free information about itself and the service it provides without requiring you to provide any details about your situation. If the agency will not do this, find another agency.
3. Ask questions about services and fees and a repayment plan.