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Beware of Debt Management Services that Charge Big Bucks, Says AFSAEF

WASHINGTON, March 31, 2009.....People who are struggling to pay their bills and hold onto their homes and cars need to know that it shouldn't cost much – if anything – for them to get outside help, according to the American Financial Services Association Education Foundation (AFSAEF).

Susie Irvine, AFSAEF's president and chief executive officer, points out that, with April being Financial Literacy Month, it's an opportune time to raise public awareness about legitimate options for debt management assistance. "In today's economy, it's all too easy for stressed borrowers who are desperate for quick solutions to be lured into false promises that end up costing them a lot of money," she said.

"Consumers should avoid any third-party service that attempts to charge them upfront fees of hundreds – or thousands – of dollars," Irvine added. "If this happens, run the other way."

Most creditors have in-house hardship plans and workout programs to assist troubled borrowers deal with temporary and permanent situations. By contacting their creditors directly, borrowers often can obtain an arrangement that won't cost them anything. "This option makes the most sense if your financial obligations are relatively few," said Irvine.

For people with multiple debts, the more practical option may be an accredited, non-profit credit counseling agency, such as one that's a member of the National Foundation for Credit Counseling (NFCC). These agencies can negotiate a debt management plan and provide budget counseling for nominal fees. According to NFCC, initial counseling sessions are often free, enrollment in a debt management plan costs \$25-50, and the agency's monthly fee to administer the plan averages \$25-50.

AFSAEF urges consumers to exercise caution when dealing with debt settlement companies, which claim they can consolidate a delinquent borrower's debt and pay it off for less than what's owed. "People should know that these companies tend to collect a significant part of the consumer's fee before anything – if at all – is paid to creditors," said Irvine.

Based in Washington, DC, AFSAEF's (www.afsaef.org) mission is to help consumers realize the benefits of responsible money management, understand the credit process and seek help if credit problems occur. It is affiliated with the American Financial Services Association (www.afsaonline.org), the national trade association for the consumer credit industry, protecting access to credit and consumer choice.

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