

## Debt Management Services at a Glance



### **Consumers who are having difficulty paying their bills have legitimate options for help.**

Consumers should contact their creditors at the first signs of trouble rather than ignoring the problem. Most creditors offer a variety of standardized in-house hardship plans and workout programs to assist troubled consumers. These programs require no third-party involvement.

Non-profit, accredited consumer credit counseling agencies can work directly with consumers and their creditors to help resolve debt problems. These agencies can provide budget counseling and negotiate a debt management plan, where the counseling agency uses money deposited by the consumer each month to make payments to creditors based upon an agreed upon schedule.

### **Getting outside help should not cost a lot.**

Creditors do not charge their customers anything for their in-house hardship plans and workout programs.

For credit counseling, the initial counseling sessions are often free, enrollment in a debt management plan averages \$25-50, and the agency's monthly fee to administer this plan averages \$25-50. (Source: National Foundation for Credit Counseling) A client may not have to pay these fees, depending upon his or her financial situation.

### **Consumers should do their homework before signing up for help.**

Contact the National Foundation for Credit Counseling (1-800-388-2227; [www.nfcc.org](http://www.nfcc.org)) or the Department of Housing and Development (HUD) ([www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm](http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm)) for a list of approved counseling agencies.

Get recommendations from trusted family members and friends

Check for any complaints about the service by contacting a local consumer protection agency and/or the Better Business Bureau ([www.bbb.org/us/consumers](http://www.bbb.org/us/consumers)).

Prepare a list of key screening questions, such as:

- How much are the fees? Can they be waived if the consumer can't afford them?
- Is the service accredited? Is it licensed to do business in the consumer's state?
- Is the agency an approved IRS non-profit?

Once the consumer begins working with a service, he or she should be kept apprised about monthly payments to creditors. Consumers also should check their monthly billing statements to confirm payments are being received. If this isn't happening, ask questions.

**Debt settlement companies should be treated with caution.**

These companies tend to charge high fees that are “frontloaded,” meaning they collect a significant part of the consumer’s fee before anything – if at all – is paid to creditors.

Debt settlement companies may give their customers the impression that they are now being represented by an attorney when the company is either not a law firm or not licensed and authorized to practice law in the customer’s state.

**Consumers who think they have been “scammed” should:**

Stop giving money to the fraudulent company and immediately seek help from a legitimate service.

Contact their state’s Attorney General (A list of state AGs is on the National Association of State Attorneys General’s Web site at [www.naag.org/attorneys\\_general.php](http://www.naag.org/attorneys_general.php)).

File a complaint with their local consumer protection agency. (A list of these agencies is on the Federal Citizen Information Center’s Web site at [www.consumeraction.gov/state.shtml](http://www.consumeraction.gov/state.shtml)).

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