

Credit Counseling/Debt Reduction

If you are considering a credit counseling service to assist in resolving problems related to debt, you should understand the costs and fees of using a service before becoming involved.

Beware of companies that instruct you to avoid contact with the major credit reporting agencies or recommend that you create a whole new credit identity. You could be charged and prosecuted for fraud if you apply for new credit with false information.

Be wary of services that offer to loan money. A new loan may increase the expense of repayment. Also, be cautious about using any service that promises unrealistically low interest rates and lower monthly payments.

Some credit counseling services operate as "not-for-profit" organizations. Do not presume that such a service will be more effective or lower in cost because of its "not-for-profit" status. Always do your own thorough comparisons and research BEFORE you sign up.

Find out if the service requires that creditors reduce balances owed by 100% of payments you make, or only the amount left over after fees are deducted. If total debt is relatively small, you may want to consider contacting creditors directly to save the cost of using a service.

Before making any purchase, always be sure to obtain a BBB report as part of your decision making process.