

# Planning to become debt-free?

Many people get into debt because they can't afford to make monthly debt payments on top of their daily living expenses. You're not alone, and trustworthy help is available.

## Consider working with a credit counselor

A credit counselor can help you explore ways to take care of your debt. Credit counseling organizations advise you on managing your money and debts and may help you develop a budget. They're usually nonprofit organizations and you can find them in the phone book or on the Internet. To get started, you can try the Financial Counseling Association of America, at [www.fcaa.org](http://www.fcaa.org) or (800) 450-1794, and the National Foundation for Credit Counseling, at [www.nfcc.org](http://www.nfcc.org) or (800) 388-2227. Then check on the organization with the Better Business Bureau or your state's attorney general or consumer protection agency.

The counselor may:

- Offer free educational materials and workshops
- Review your budget and come up with plan to address your money problems
- Help you decide which debts to pay first and understand what can happen if you stop making payments
- Make an upfront agreement with your creditors to stop collections and not charge you late fees while you are in a credit counseling debt management program



## A debt management plan helps you control payments and costs

A credit counselor can help you come up with a debt management plan for all your debts. You may make one payment to the credit counseling organization each month or pay period, to use toward payments to your creditors.

Credit counselors usually don't try to reduce what you owe. But they may lower your payments by having you make payments over a longer period, or they may get your creditors to lower your interest rate.

## A debt settlement plan can cost more and hurt your credit

Debt settlement companies are different from nonprofit credit counseling organizations. The companies often claim they can make a deal with your creditors to reduce the amount you owe. They often charge upfront fees, which may be illegal.

Dealing with debt settlement companies can be risky. You may end up more in debt than when you started. That's because most debt settlement companies:

- Tell you to stop paying your debts
- Tell you they will negotiate with your creditors and give you time to collect the money you need to pay the settlement

What they might not tell you is that not paying debts while trying to settle them can:

- Lower your credit score
- Lead creditors or debt collectors to file lawsuits against you
- Add late fees and interest to your account, so you owe more

Unless the debt settlement company settles all or most of your debts, the penalties and fees on the unsettled debts may wipe out any savings the debt settlement company achieves. Not paying your debts can also hurt your credit score and your ability to get credit in the future.

## Warning signs of debt settlement scams

Think twice about any debt settlement company that:

- Charges you a fee before it reduces your debt
- Promises to make your debt go away
- Tells you to stop talking to the companies you owe money to
- Tells you to stop paying your debts
- Tells you it can stop calls from collectors

- Tells you it can stop lawsuits filed against you
- Promises your debts can be paid off
- Says it's going to use a "government program" to pay your bills
- Tries to enroll you in a debt relief program without going over your budget first
- Won't send you information about the program unless you share personal financial information

## Submit a complaint

Have an issue with a financial product or service? We'll forward your complaint to the company and work to get you a response – generally within 15 days.

 **Online**  
[consumerfinance.gov/complaint](http://consumerfinance.gov/complaint)

 **By phone (180+ languages)**  
M-F, 8 a.m. - 8 p.m. ET  
(855) 411-CFPB (2372)  
(855) 729-CFPB (2372) TTY/TDD

 **By mail**  
P.O. Box 2900  
Clinton, IA 52733-2900

 **By fax**  
(855) 237-2392