

**Title:**

Debt Management Plans - Tips For Avoiding DMP Pitfalls

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721

**Summary:**

Most people are involved in some type of financial transaction or decision every day. Sometimes they can get way behind in their debts and financial obligations with no clear way to pay them off. Some resort to debt management plans, which can help if you are careful in setting up the plan. Do you know how to avoid the pitfalls?

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**Keywords:**

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**Article Body:**

Most people are involved in some type of financial transaction or decision every day. Sometimes they can get way behind in their debts and financial obligations with no clear way to pay them off. Some resort to debt management plans, which can help if you are careful in setting up the plan. Do you know how to avoid the pitfalls?

Credit and debt issues are critical life altering realities for almost everyone. The daily decisions we make in handling the balance between the two determines our credit worthiness in the eyes of financial institutions. As we all know, if you have a bad credit rating, then borrowing funds or purchasing many items will become difficult or impossible. But what happens when you get so far in debt that you have no clear way to pay it all off? Many people resort to a debt management plan (DMP). These are payment plans structured in a way so that the borrower is better able to pay off their debts, and is agreed to by the borrower and creditors. The benefits can include lower interest rates and fee waivers.

Once you and the creditors have accepted the DMP, it is important to:

- make regular and timely payments
- always read your monthly statements to make sure your creditors are getting

paid according to your plan

- contact the organization responsible for your DMP if you will be unable to make a scheduled payment, or if you discover that creditors are not being paid

If the payments are not made to your DMP and creditors on time, you could lose the progress you've made on paying down your debt, or the benefits of being in a DMP, including lower interest rates and fee waivers. The creditors may not forgive any more late payments and you will incur more 'late' marks on your credit report as well as more late fees, increased debt and a longer pay off period. So, once you are on a debt management plan, make sure that you are never late on any payments.

DMPs are not for everyone. You should agree on a DMP only after a certified credit counselor has spent time thoroughly reviewing your financial situation, and has offered you specific advice on managing your money. You may be able to work out a payment plan directly with your creditors. But if you decide that you need to work with a credit counselor and get additional advice and assistance, ask questions like these to help you find the best counselor for your situation and make sure you get full and complete answers.

Some Important Questions to Ask When Choosing a Credit Counselor to Handle your DMP:

1. What services do you offer? Look for an organization that offers a range of services, including budget counseling, savings and debt management classes, and counselors who are trained and certified in consumer credit, money and debt management, and budgeting. Counselors should discuss your entire financial situation with you, and help you develop a personalized plan to solve your money problems now and avoid others in the future.
2. Are you licensed to offer your services in my state? Many states require that an organization register or obtain a license before offering credit counseling and debt management plans.
3. Do you offer free information?
4. Will I have a formal written agreement or contract with you?
5. What are the qualifications of your counselors? Are they accredited or certified by an outside organization? If so, which one? If not, how are they trained? Try to use an organization whose counselors are trained by an outside organization that is not affiliated with creditors.
6. Have other consumers been satisfied with the service that they received? Once

you've identified credit counseling organizations that suit your needs, check them out with your local consumer protection agency, and Better Business Bureau.

7. What are your fees? Are there set-up and/or monthly fees? Get a detailed price quote in writing, and specifically ask whether all the fees are covered in the quote.

8. How are your employees paid? Ask them to disclose what compensation it receives from creditors, and how they are compensated.

9. What do you do to keep my personal information confidential and secure? They should have safeguards in place to protect your privacy.

Get the information you need to make an informed decision.