

Title:

Be Careful When Choosing A Credit Counselor

Word Count:

552

Summary:

When you find yourself in a bad credit situation it is easy to find hope in credit counseling agencies. You feel safe when someone says that they are a "non-profit organization." But often, those that are offering help are only helping themselves.

Keywords:

debt, debt counselor

Article Body:

When you find yourself in a bad credit situation it is easy to find hope in credit counseling agencies. You feel safe when someone says that they are a "non-profit organization." But often, those that are offering help are only helping themselves.

Federal and state regulators are warning consumers that some credit counseling agencies are not what they seem. They may actually be using a non-profit status to avoid consumer protection laws. This gives them the ability to advantage of you, the trusting consumer.

What makes the agency non-profit? All they have to do is provide free education and counseling services. But many agencies are using these as a way to hustle clients into debt-management plans, which pay off big time.

With most debt-management plans, the client pays the agency a certain amount of money each month. The agency then pays the client's bills. The agency negotiates lower interest rates and the waiving of fees with the client's credit cards and loan companies. The credit card companies will usually give the agency a kickback, a percentage of the amount repaid.

Many experts say that clients are often pressured into the plans, even if they don't need them. Some agencies don't pay the bills on time, and you are the one who suffers.

Even the IRS has stiffened its review of agencies seeking non-profit status.

There are legitimate credit counseling agencies out there that can help you with your financial problems. You just have to shop around and do your homework when choosing an agency.

Talk and visit several agencies before selecting one. Don't let the non-profit label fool you into thinking that a certain agency is better than the others. Non-profit status doesn't differentiate the good from the bad, you must do that yourself.

Watch out for agencies that want "voluntary" contributions and high monthly service charges. If you are having financial problems, chances are that you can't afford to pay high fees. Before you sign up for a debt management plan, request a written statement of all agency fees.

If an agency says that they can get you out of debt quickly or slash all of your interest rates, don't believe it. First, getting out of debt takes time. You are simply looking for a plan that will get you there a little faster - but it still takes time.

Secondly, interest rates are determined by your credit card companies, not the agency. Many creditors won't lower your rates. Some will. The agency has no idea of knowing what the future holds.

Check with your creditors to make sure that they are willing to work with the agency you choose. Once you have started a payment plan, make sure that your creditors are receiving their payments on time. If they don't, it's your problem.

Ask around for a reputable agency. Check with the Better Business Bureau and your state's attorney generals office to see if there are any complaints on file. Ask the agency if they are a member of the Association of Independent Credit Counseling Agencies or the National Foundation for Credit Counseling - two well-known groups that have standards and fee limitations.

It's okay to ask for help, but make sure that you can trust who you ask.