Debt Consolidation Services/Credit Counseling

Categories : Consumer Services

People can often face difficulties in paying bills due to job losses, personal or family illnesses or overspending their incomes. They can take steps to deal with their debts on their own, seek information on budgeting and money management in their communities or contact a consumer credit agency for help in managing their finances.

STEPS CONSUMERS CAN TAKE ON THEIR OWN TO HANDLE DEBT

The following is summarized from “How to Get Out of Debt” posted on The Federal Trade Commission (FTC) website (https://consumer.ftc.gov/articles/how-get-out-debt)

The FTC recommends the following steps to help people in debt to help themselves:

- Develop a budget – List household income from all sources and then list all household expenses to track spending patterns and prioritize necessary items: food, mortgage or rent, education, health care, insurance, etc.
- Contact creditors immediately to try to work out a modified payment plan to reduce payments to a more manageable level. Don’t wait until their accounts have been turned over to a debt collector.
- Find information about budgeting and money management online, at your local public library, or in bookstores.
- Know your rights when dealing with debt collectors – Debt collectors may not harass debtors, make false statements, or use unfair practices in collecting debts. They must also honor written requests from debtors to cease further contact.

CONSUMER CREDIT COUNSELING AGENCIES

Consumer credit counseling agencies offer budget planning, debt management, credit counseling, credit history assistance and debt consolidation services. They can negotiate with creditors on behalf of clients to establish payment plans. Credit card and other consumer debts are consolidated into one monthly payment with the agency’s service fee included in the payment. As part of the repayment plan, clients may need to agree that they will not apply for credit or use any additional credit while they are participating in the payment plan program.

CHOOSING A CONSUMER CREDIT COUNSELING AGENCY

Most reputable credit counseling organizations are non-profits with low fees, and offer services through local offices, online, or by phone. However, just because an organization is a non-profit, doesn’t guarantee its services are free or affordable, or that it’s legitimate. For more information in choosing a consumer credit counseling agency, visit the Federal Trade Commission article on how to get out of debt and scroll to the section entitled ‘Credit Counseling’: https://consumer.ftc.gov/articles/how-get-out-debt.

AVOIDING CREDIT REPAIR SCAMS

There are many questionable businesses that offer “credit repair”. They promise to “fix” credit reports for fees of hundreds or thousands of dollars. Consumers should know that they can access information to their credit reports at no charge by contacting the three credit bureaus. (For details, see the e-Library paper: Credit Bureaus/Credit Reports).

Consumer Financial Protection Bureau's webpage on Credit Reports and Scores: General Overview: https://www.consumerfinance.gov/consumer-tools/credit-reports-and-scores/

TO FIND PROVIDERS IN CONNECTICUT'S COMMUNITY RESOURCES DATABASE:
Search by service names:

- Credit Counseling
- Debt Consolidation Services
- Financial Management Workshops
- Personal Financial Counseling

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SOURCES: Attorney General, State of Connecticut, Office of the website; Better Business Bureau website; Federal Trade Commission website
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