

## The Bills Are Piling Up. Where Do You Turn?

The holiday season has come and gone and you may find yourself in your own reality series: Surviving Credit Card Debt.

The airwaves are full of offers from credit counseling agencies or debt management plans to erase your debt. Be careful.

While most of these firms are reputable, be sure to do your homework before signing up with a credit counseling or debt management firm. Otherwise, you could find yourself paying high fees to set up and maintain a program.

There are more than 1,000 credit and debt management organizations. Before deciding on a credit counseling agency, check to see if it is a member of either the National Foundation for Credit Counseling ([www.nfcc.org](http://www.nfcc.org)) or the Association of Independent Consumer Credit Counseling Agencies ([www.aiccca.org](http://www.aiccca.org)) and if it is accredited by the Council on Accreditation. These organizations require members adhere to professional standards and ethics in dealing with their clients.

Determine the cost. In most cases, there is generally a fee to set up a debt management plan and a monthly fee to maintain the plan. While these fees can go up to \$50-\$75, overall the prices for these services are much lower. Additionally, there are some non-profit firms that provide debt counseling services at no or minimal cost to their clients.

In a debt management plan, you make one payment to the credit counseling agency during regular intervals and the agency disburses the money to your creditors. Determine how often the agency will make payments (weekly or monthly)



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so that you can be sure the payments reach your creditors on time. Make sure you find out whether your first monthly payment is considered a set-up fee or is that money going directly to your creditors.

Some people fear that by using a credit counseling agency or debt management plan, their credit score will be affected. According to officials at Fair, Isaac and Company, which developed the credit score, they do not use this against your credit report. However, you could have some problems with individual creditors. Even though the credit counseling service has negotiated a repayment plan with your creditors, the creditor may still send in a negative report to the credit bureau because you are only paying part of your payment, rather than fulfilling your agreement to pay the entire amount.

Another benefit to look for in selecting a credit counseling service is whether they offer budgeting classes. If the agency is interested only in signing you up for debt management, look to another agency. The agency also should offer you educational classes to help you manage your finances.

Your community banker advises you to be leery of firms that promise to erase your bad debt quickly and provide you with a clean credit report. Impossible. You didn't get into trouble overnight and it will take some time to rebuild your credit. But, it can be done and it is worth the extra effort.

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