

Credit Counseling and Repair

If you cannot create a workable budget and stick to it, work out a repayment plan with your creditors, or keep track of mounting bills -- consider contacting a credit counseling organization.

Many credit-counseling organizations are nonprofit and will work with you to solve your financial problems. Reputable credit counseling organizations can advise you on how to manage your money and debts, help you develop a budget, and offer free educational materials and workshops on basic financial planning.

The certified counselors in these organizations, who are trained in subjects like consumer credit, money and debt management, and budgeting, will discuss your entire financial situation with you and help you develop a personalized plan to solve your money problems. An initial counseling session typically lasts an hour, with an offer of follow-up sessions.

Most credit counselors offer services through local offices, on the Internet, or over the telephone. If possible, find an organization that offers in-person counseling.

Debt Management Plans

If your financial problems stem from too much debt or your inability to repay your debts, a credit counseling agency may recommend that you enroll in a debt management plan (a DMP).

A DMP alone is not credit counseling, and debt management plans are not for everyone. You should sign up for one of these plans only after a certified credit counselor has thoroughly reviewed your financial situation and has offered you customized advice on managing your money.

Here's how a debt management plan works:

- You deposit money each month with the credit counseling organization, which uses your deposits to pay your unsecured debts (such as your credit card bills, student loans, and medical bills) according to a payment schedule the counselor develops with you and your creditors.
- Your creditors may agree to lower your interest rates or waive certain fees, but check with all your creditors to be sure they offer the concessions that the credit counseling organization describes to you.



- A successful debt management plan requires you to make regular, timely payments, and could take 48 months or more to complete. You may have to agree not to apply for (or use) any additional credit while you are participating in the plan.

Repairing Credit

Credit repair can be a long process that may take several years. Only consistent efforts and payments on your debts will improve your credit.

While there are many companies that do business as credit repair agencies, most do nothing that you could not accomplish on your own. Here are some suggestions for increasing your credit score:

- Start by contacting credit agencies the AnnualCreditReport.com to get copies of your credit reports.
- Check each report for errors such as unrecognized loans or credit cards, unknown employers, or unknown addresses. If you find these errors, you can contact the credit-reporting agency to request an investigation.
- Contact your lenders to negotiate a payment plan. You can ask for an interest rate reduction or the ability to delay payments while keeping your account "current."
- Opt out of credit cards offers to avoid the temptation of applying for them. Also avoid any other kind of unsecured consumer debt, including retail store cards.
- Make regular payments, even if you can only afford the minimum amount.

Please review our fact sheet on The Credit Card Accountability, Responsibility and Disclosure Act for additional helpful information.