



INFORMATION FOR CLIENTS OF TEXAS ATTORNEYS

The information included on this page is for educational and informational purposes only. Please consult an attorney regarding specific legal questions.

Fiscal Fitness: Choosing a Credit Counselor

Living paycheck to paycheck? Worried about debt collectors? Can't seem to develop a workable budget, let alone save money for retirement? If this sounds familiar, you may want to consider the services of a credit counselor. Many credit counseling organizations are nonprofit and work with you to solve your financial problems. But beware — just because an organization says it is nonprofit doesn't guarantee that its services are free or affordable or that its services are legitimate. In fact, some credit counseling organizations charge high fees, some of which may be hidden, or urge consumers to make "voluntary" contributions that cause them to fall deeper into debt.

Choosing a Credit Counseling Organization

Reputable credit counseling organizations advise you on managing your money and debts, help you develop a budget, and usually offer free educational materials and workshops. Their counselors are certified and trained in the areas of consumer credit, money and debt management, and budgeting. Counselors 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.

A reputable credit counseling agency should send you free information about itself and the services it provides without requiring you to provide any details about your situation. If a firm doesn't do that, consider it a red flag and go elsewhere for help.

Once you've developed a list of potential counseling agencies, check them out with the Office of the Texas Attorney General, a local consumer protection agency, or the Better Business Bureau. They can tell you if consumers

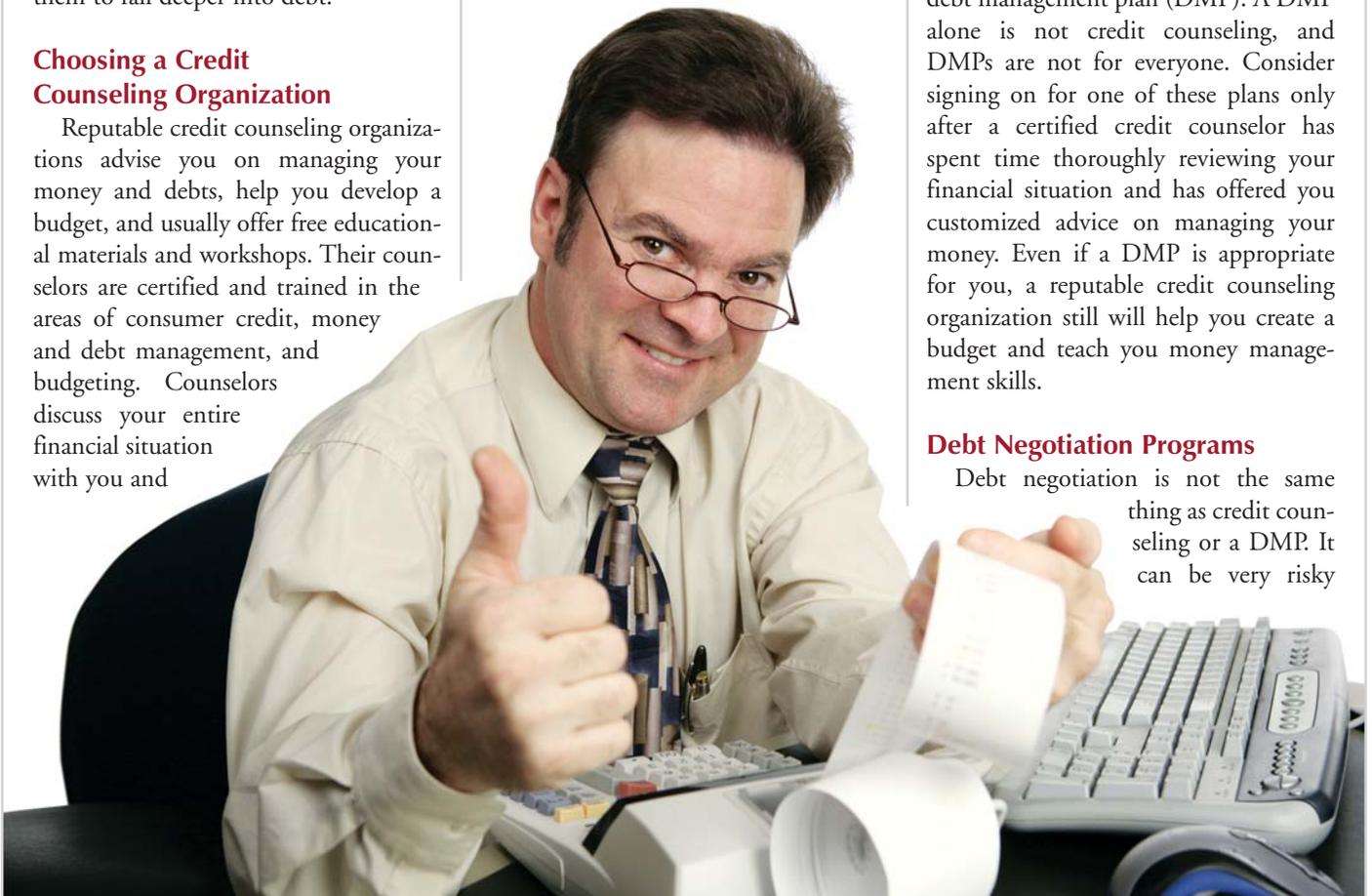
have filed complaints about specific agencies. (But even if there are no complaints, it's not a guarantee that an agency is legitimate.) The U.S. Trustee Program also keeps a list of credit counseling agencies that have been approved to provide pre-bankruptcy counseling. After you've done your background investigation, it's time for the most important research — you should interview the final "candidates."

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 (DMP). A DMP alone is not credit counseling, and DMPs are not for everyone. Consider signing on for one of these plans only after a certified credit counselor has spent time thoroughly reviewing your financial situation and has offered you customized advice on managing your money. Even if a DMP is appropriate for you, a reputable credit counseling organization still will help you create a budget and teach you money management skills.

Debt Negotiation Programs

Debt negotiation is not the same thing as credit counseling or a DMP. It can be very risky





and have a long-term negative impact on your credit report and, in turn, your ability to get credit. That's why many states have laws regulating debt negotiation companies and the services they offer.

Just because a debt negotiation company describes itself as a nonprofit organization, there's no guarantee that the services it offers are legitimate. There also is no guarantee that a creditor will accept partial payment of a legitimate debt. In fact, if you stop making payments on a credit card, late fees and interest usually are added to the debt each month. If you exceed your credit limit, additional fees and charges also

can be added. All this can quickly cause a consumer's original debt to double or triple. What's more, most debt negotiation companies charge consumers substantial fees for their services, including a fee to establish the account with the debt negotiator, a monthly service fee, and a final fee of a percentage of the money you've supposedly saved.

If you decide to work with a debt negotiation company, be sure to check it out with the Office of the Texas Attorney General, a local consumer protection agency, and the Better Business Bureau. They can tell you if any consumer complaints are on file about the firm you're considering doing business

with. Also, ask the Office of the Texas Attorney General if the company is required to be licensed to work in Texas and, if so, whether it is. ❖

This article is excerpted from *Fiscal Fitness: Choosing a Credit Counselor*, a publication of the Federal Trade Commission. For a complete copy of the publication, call toll-free at (877)382-4357 or visit ftc.gov and click on "Consumer Protection."

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