

Credit Counseling -Is It For You?

Are you considering credit counseling? This can be a wise choice if you are having problems with debt that you can't handle on your own. There are many ways people can get into financial difficulties, and often by the time you realize you're in over your head, it's too late for a simple solution.

The advantage of credit counseling is that you can get the advice of an expert. Discussing your situation with someone else can be a relief, as it helps to put everything into perspective. You realize that you aren't the first person to have this type of problem, and that solutions do exist.

However, you should have some idea of what you're getting into before choosing a person or service for credit counseling. In this report, we'll be looking at some of the things you should consider before taking this step. We'll also suggest some characteristics you should look for in a credit counselor or credit counseling company.

When You Should Consider Credit Counseling

When is a good time to think about credit counseling? Essentially, whenever you feel like your debt or credit situation is beyond your control. The first thing to realize is that consulting with a credit counselor is nothing to be ashamed of. Some people feel that asking for such help makes them appear incompetent or like they have failed in some way.

The fact is, it's better to ask for help than to continue on a course that is leading you further into debt. Credit problems are very common nowadays, and being in this situation doesn't mean you are irresponsible. Many people, for example, find themselves in this situation for reasons such as:

- Job loss
- Real estate values -your house may have depreciated in value
- Stock market or other market fluctuations
- Decline in business profits, or business closing due to economic conditions

Economic difficulties tend to have a spiraling effect. When people have less money to spend, hiring slows down and many companies lay off workers. People don't spend as much for products and services, so businesses are affected.

There can be many reasons, then, for having credit difficulties. Many of these conditions are beyond an individual's control and have to do with the economy. Yet credit problems can have serious consequences if they aren't dealt with. This can include:

- Lowering of credit score -making it hard to get credit in the future
- Foreclosure of your home
- Repossession of automobiles or other items
- Bankruptcy

This isn't meant to scare you, it's just a look at some of the possible consequences of unpaid debts. Of course, when it comes to bankruptcy, that can sometimes be considered a solution of last resort (as we'll explore later).

However, before you come to any such decisions, it's usually a good idea to consult with an expert.

Types of Credit Counseling

Credit or debt counseling can cover a wide variety of services. It can be anything from a free service run by a non-profit organization to a person or company that charges you by the hour. While many credit counseling services are honest and helpful, some are deceptive and only there to take your money -the last thing you need when you're already having financial problems!

Before you sign up for any type of credit counseling or spend any money, make sure you fully understand:

- *Who is this company exactly? Are they independent, non-profit, for profit or do they represent a financial institution such as a credit card company?*
- *What qualifications do they have? Are they certified by the National Foundation For Credit Counseling?*
- *What are the fees, if any?*
- *What do they promise to do for you?*

These are all important questions. When it comes to promises, you should be wary of anyone who guarantees to solve your credit problems. As tempting as it may be to find an easy solution, there is no such thing.

Every situation is unique, and no company can honestly guarantee any particular outcome for you. So if they promise to get you out of debt, they are just preying on your hopes and you should look elsewhere!

Where Can You Find a Qualified Credit Counselor?

If you're looking for credit counseling and want to make sure you find someone who is ethical and well qualified, there are several places you can go. You could inquire with:

- Your credit union
- A religious organization
- Your attorney
- Your military base
- Your college or university

These are just some of the places you may be able to find a credit counselor. Of course, there are many others, but you have to be careful. Many companies advertise these services in newspapers, magazines and on the internet. Just because someone advertises doesn't mean you shouldn't trust them, but you should verify their credentials and the terms of their services.

What Credit Counselors Do and Don't Do

Credit counseling is just what the term suggests. It involves talking to knowledgeable people about managing your finances more effectively. They may advise you on issues such as:

- Budgeting your expenses
- Managing your debt
- Communicating with creditors
- Help you negotiate payment plans, reduce interest rates and eliminate late fees

One thing a credit counseling service cannot do is magically make all of your debt go away. The only legal way to eliminate debt without paying it back is bankruptcy, and that has some serious consequences.

So if you see an ad that suggests something like "*Wipe out your debt instantly -Guaranteed!*", you should avoid dealing with such a company.

You may also see ads for things like "debt management plans," "credit consolidation" or a service or attorney that will help you file for bankruptcy for a certain fee. These are not credit counseling services. While credit consolidation and bankruptcy are among your options, but a true credit counselor will talk to you about all of the possibilities.

A service that specializes in one type of solution has its own agenda. This isn't necessarily bad, but unless you've already decided upon a particular course of action, you should start off with a company that is willing to talk to you about all options.

A bankruptcy attorney, for example, is the right person to talk to if you've decided to file for bankruptcy. He or she might also be a good person to consult to go over the costs and implications of bankruptcy. But you should first talk to an independent credit counselor who may be able to suggest less extreme solutions.

Your Credit Score

Your credit score is a very important number in today's world. It can have a major impact on your access to credit. This includes obtaining credit cards, applying for auto loans and mortgages.

Many different actions you can take will impact your credit score. This includes applying for credit, your employment history, how often you move and, of course, applying for bankruptcy.

Before entering into any type of credit counseling, you may want to inquire if this will have an affect on your credit score. The company may not be able to give you a definite answer, but it's still worth asking.

Keep in mind, however, that you have to be realistic about your credit score. Most people who are in the position of seeking credit counseling are already having problems with their credit. If you've been late with payments, or have high balances with credit cards, your credit score has already been affected.

You should be aware of your credit score, and do what you can to protect it. However, don't let this concern prevent you from seeking the help you might need. In the long run, your credit score will be helped the most by solving your credit difficulties.

Credit Counseling and Credit Card Companies

Some credit counseling services are associated with credit card companies. So you could be consulting, indirectly, the very people who you owe money to. This is not necessarily a bad thing, but something to be aware of.

It's naturally in the interest of credit card companies to collect payments. If you've ever been very late paying them, you've probably had the unpleasant experience of receiving persistent letters and phone calls from them.

While creditors can be very aggressive about pressuring you to pay, setting up credit counseling agencies is another tactic they use. In fact, one reason you might want to consider credit counseling is that it can help you avoid being constantly pursued by your creditors. You can show that you're trying your best to deal with the issue.

Debt Management Plans

Earlier we pointed out that a debt management plan is not the same thing as credit counseling. However, it is one possibility that a credit counselor may discuss with you. As the name suggests, a debt management plan (or DMP) is a way to help you pay off your debt in a doable and organized way.

When you participate in a DMP, you deposit funds into the company you're working with rather than pay the creditors directly. In this situation, the credit counseling agency is acting as a go-between, negotiating a payment plan with your creditors. The

advantage of this is that you can often get more favorable terms and lower payments than you could negotiate for yourself.

So if a DMP makes things so easy, does that mean it's the ideal solution for everybody? Not necessarily. There are also possible downsides to this option.

The monthly payments might be more than you can afford, which would defeat the purpose

Some of your debts might not be included in the DMP -make sure you verify what is and isn't covered

Debt Settlement Programs

This is another option that you might have heard of to help you reduce your debt. You may see ads for debt settlement programs that promise to cut your debt in half, or more. You have to be very careful dealing with such companies, as they are not regulated. Some of these claims are fraudulent, so be sure to check out the history of any company advertising this service.

Even if a debt settlement program is legitimate, however, it can cause some serious problems. In some cases, the creditors will take legal action against you rather than deal with the prospect of getting less than what you owe them.

There is also the fact that a debt settlement program, like a bankruptcy, will impact your credit score. Finally, the IRS can tax any reduction in debt that you obtain.

Consider Your Options Carefully

Whether or not you choose to get credit counseling, it's important to choose your options carefully when it comes to debt. Solutions that might seem tempting, such as bankruptcy or debt settlement programs, may not be in your long term best interest.

If at all possible, it's usually preferable to work out a budget or payment plan with your creditors. Whether this is done on your own, or through a debt management plan, this is your best chance of getting out of debt with a minimum of damage to your credit.

Credit Counseling -How It Can Help You

Credit counseling is something you should at least consider if you're having problems with debt or credit. You should check out the qualifications of any company you're thinking of signing up with. And remember, that no matter what anyone advises or promises, it's your money and your financial future at stake.

So before taking any definitive steps, you should thoroughly research the course of action you're planning to take. A good credit counselor can help to clarify your options and help you get on your feet again financially.

If you would like to visit our recommended Debt Counseling program, please visit the following link:

<http://www.cashunclaimed.com/unclaimed-property-blog/debthelp>