

Credit Counseling Centers of Oklahoma, Inc.

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Consumer Credit Counseling Service Encourages Consumers To Know The Difference When Choosing Help With Credit Problems

Tulsa, OK - This time of year, consumers evaluate their financial situation and many will realize they need help creating a budget and managing their debt. But when they open the yellow pages or talk with family and friends, they quickly become confused about their options.

“Consumer Credit Counseling Service wants consumers to know the difference when choosing help with their credit problems,” says CEO Margo Mitchell. “There are options depending on your unique situation and it’s important to be a knowledgeable consumer.”

Consumer Credit Counseling Service offers this summary of credit help options:

Credit Counseling Organizations: credit counseling agencies fall into two categories: member affiliated agencies and independent agencies. While several member groups have been formed, the two leading umbrella organizations that many agencies affiliate with are the National Foundation for Credit Counseling and the Association of Independent Consumer Credit Counseling Agencies.

The credit counseling industry originated through the National Foundation for Credit Counseling, Inc.® (NFCC) and has more than 125 community-based members. NFCC members are predominately known as the Consumer Credit Counseling Services in their local community. Some of the members have other names, but all members carry the NFCC Member seal, which serves similarly to the “Good Housekeeping” seal of approval. This seal helps to assure consumers that they are receiving services through an agency that is accredited, has certified credit counselors, protects client funds, credits consumers for all debt payments and offers affordable services.

Many of the new highly visible debt services agencies that are strictly national phone bank centers are not affiliated with either of the two organizations above. While they all advertise as nonprofit agencies, many of the new debt service/counseling agencies operate like for-profit entities. Some of these agencies have aggressive telemarketing and advertising strategies to get as many people as possible signed up on debt plans as a means of boosting their revenues. With some basic budget counseling and coaching, many consumers are able to self-correct their financial situations and should not be enrolled in debt plans.

Debt Consolidation Companies are a different kind of consumer finance service. These financial institutions offer loans to settle consumers’ debt by paying off current debt obligations. Some loan products include high interest rates and extensive or high penalty fees which are not well-disclosed and which result in more debt. Some financial institutions have undisclosed relationships with independent credit counseling agencies. The credit counseling agency will serve as the front line to recruit clients with the goal of enrolling consumers in a debt consolidation plan under the guise of “credit counseling”. Telemarketers or counselors often operate under financial incentives to get as many people as possible signed up for loans, regardless of whether the loan is in the best interest of the consumer. One of the dangers is that many consumers sign up for consolidation loans to pay off their credit cards, and then keep using their credit cards.

The outcome: they are stuck with the loan and the new credit card bills and the deep debt cycle continues. However, if a consumer uses a debt consolidation to pay-off multiple credit card accounts and is careful to repay the loan and discontinue use of those credit accounts (to ensure they are not piling on more debt), a consolidation loan can be a useful financial tool.

Debt Settlement Companies are another group that advertise to “settle your debt.” They will suggest that a consumer stop paying a creditor and instead pay into an account with the debt settlement company over a 6 to 12 month period. They will in turn negotiate an account pay-off in a lesser amount with the creditor. For example: if a consumer owes Sears \$5,000 and the consumer’s account is in default, the settlement company will recommend that the consumer discontinue payments to Sears. The payment funds are then redirected to the debt settlement company.

Once a consumer has paid a certain amount to the debt settlement company (say \$4,000), they’ll contact Sears on the consumer’s behalf to settle the debt for a lesser amount. The creditor will often settle. The danger in these services: once consumers stop paying their creditors, the creditors can file negative payment information on consumers’ credit reports. This is damaging to a consumer’s credit, since credit profiles are largely based on consumers’ payment behavior. Some companies claim that they will have the information removed from a consumer’s credit as part of their negotiation with the creditors. This is not guaranteed, since accurate account payment history can stay on consumer’s credit reports for seven (7) years. Also, some debt settlement companies also levy hefty fees that are sometimes not disclosed to consumers.

Credit Repair Companies claim they can “fix” or “repair” consumers’ credit. In reality, in most situations consumers can do for themselves what these companies will charge hundreds, and in some cases, thousands of dollars to do. The Fair Credit Reporting Act allows creditors to submit “factual” information on a consumer’s payment history to the credit bureaus that reflects the consumer’s payment history and amounts owed. This information can remain on your credit report for 7 years under this act. Bankruptcies can remain up to 10 years.

In most cases, when a credit repair company “repairs” a consumer’s credit, they are helping to remove erroneous information and/or items over seven years old on credit reports. Any consumer can do this by obtaining a copy of their credit report and filing a request with the credit bureau to remove erroneous account information and account information (especially negative accounts) that have reached the 7 year statute. When a consumer files a dispute or requests an investigation of account information, credit bureaus are required to verify with a consumer’s creditors that all information is accurate. If the credit bureau is not able to verify the data, the bureau must remove the information from a consumer’s credit report. Again, this kind of action can be accomplished by consumers, without paying a third party to repair to clear up one’s credit reports.

CCCS is a non-profit, community based organization and a member of the National Foundation for Credit Counseling, Inc., (NFCC). CCCS, a United Way agency, provides local, quality credit counseling, debt reduction and financial education services. For more information on CCCS or to schedule an appointment with a CCCS counselor, call 918 744-5611 or visit www.cccsofok.org.