

Get Real Debt Help, Not Empty Promises

Tips from Consumer Action, Consumers Union, Consumer Federation of America, and the National Consumer Law Center®

Having trouble paying your credit card bills? Is your home in danger of foreclosure? Many people are struggling with debts. Ads from companies offering to help may be tempting, but beware – it could be a trap that will leave you worse off than before. Learn how to avoid scams and get real help with your debt problems.

Where can I go for help with my debts? If you are having trouble paying your **mortgage**, contact your mortgage servicer (where you make your payments) and ask for a “loan modification.” You can also get help from housing counselors approved by the U.S. Dept. of Housing & Urban Development: 800-569-4287 (TTY 877-304-9709) or hud.gov/offices/hsg/sfh/hcc/hcs.cfm. There is more information about modifications at makinghomeaffordable.gov. For **other debts** such as credit cards, call the creditor as soon as you know you will not be able to make your payment. If you cannot work something out, contact a *non-profit* credit counseling service. There may be a small fee, but most non-profit credit counseling services will provide advice even if you cannot afford to pay. They will explain your choices, including bankruptcy, and they may be able to set up a plan with your creditors to help you pay off your debts over a set period of time. To find a counseling service near you, contact the National Foundation for Credit Counseling, www.nfcc.org or 800-388-2227.

What types of companies offer to help with debts? For-profit *mortgage relief assistance services* offer to reduce the amount of your monthly mortgage payments or take other steps to save your home from foreclosure. For-profit *debt relief services* are similar – they offer to get your credit card issuers and other creditors to agree to lower your monthly payments, reduce your interest rates, or settle your debts for less than the total you owe.

Can these companies charge a fee upfront? It is illegal for *mortgage relief assistance services* and *debt relief services* to charge you until they have gotten an offer in writing from your creditor or mortgage lender to change or settle the debt and you have accepted the offer. *But*, there are exceptions: the federal rules on *debt relief services* only apply to telephone sales. They do not apply if there is a face-to-face sales presentation or if the sale is made over the Internet. But in any case, it is very risky to pay a company for debt help before you get results. *Mortgage relief assistance services* are not allowed to collect fees upfront regardless of whether they use telemarketing.

Do claims of success guarantee that the company will be able to help me? No! *Mortgage relief assistance services* and *debt relief services* must be truthful about their success rates and base them on the experience of all their customers, not just those who have gotten relief. But each person’s situation is different, and no one can guarantee that you will get the relief you hope for. That is why these companies cannot ask for fees upfront.

Can I ever be asked for money before I get results? *Debt relief services* can ask you to put money aside in a bank account to cover the fees and payments to your creditors if they succeed in helping you. But the account must be in an insured financial institution and controlled only by you. You can stop working with the company and withdraw the money at any time, with no obligation to pay anything except for debt relief that the company has actually obtained for you and that you have accepted.

What other danger signs should I look for? Watch out for companies that advise you to stop communicating with your lender or creditors. This is bad advice, and it is illegal for *mortgage relief assistance services* to tell you to do that. If a *mortgage relief assistance service* or a *debt relief service* tells you to stop making payments to your lender or creditors, it must explain what can happen as a result: your credit could be damaged and you might lose your home if you stop paying your mortgage; if you stop making payments to your credit card issuers and other creditors, not only will your credit be damaged but your debt will increase because of penalties and interest, your account could be turned over for collection, and you could be sued. Any claim that the company can stop these things from happening is another danger sign.

What else do I need to know to protect myself? For-profit mortgage and debt services are almost never worth the money. You can usually get the same results, for free, by calling your mortgage servicer, lender, or credit card company directly, or by contacting a non-profit counselor. *Mortgage assistance relief services* must tell you that they are not connected with the government or approved by your lender, that your lender may not agree to change the loan, and that you can stop using the service at any time. Both *mortgage assistance relief services* and *debt relief services* must tell you the cost of the service before you sign up. *Debt relief services* must also give you an estimate of how long it will take to get results and how much money you will have to save before they can make offers to your creditors. Your state or local consumer protection agency can tell you if there are any state laws that apply to these companies and can also provide advice about what to do if you believe that you do not owe the debt.

Where can I get more information? The Federal Trade Commission provides tips about *Settling Your Credit Card Debts*, www.ftc.gov/bcp/edu/pubs/consumer/credit/cre02.shtm, and *Mortgage Assistance Relief Scams*, www.ftc.gov/bcp/edu/pubs/consumer/credit/cre42.shtm. You can also request these and other free FTC publications about credit and debt by phone, 877-382-4357 (TTY 866-653-4261). Consumer Action's publication, *Improve Your Credit - Put Bad Credit Behind You*, is available at www.consumer-action.org/modules/module_rebuilding_good_credit in Spanish, Korean, Chinese, Vietnamese, and English. CFA offers information about credit and debt at www.consumerfed.org/consumer-info#credit. Consumers Union has information about credit and debt at www.defendyourdollars.org. For the National Consumer Law Center's *Guide to Surviving Debt* call 617-542-9595 or go to consumerlaw.org.