



Credit Counseling - What You Need to Know

As an alternative to bankruptcy, credit counseling is extremely popular among those who are deep in debt and need affordable monthly payments to pay off their debt.

Can a Consumer Credit Counseling Service Help You?

Consumer Credit Counseling, sometimes called CCCS, is a service that typically offers debt management assistance in the form of budget counseling, various financial educational programs and assistance in using credit properly and avoiding bankruptcy.

Most of the [credit counseling organizations](#) (there are hundreds) are non-profit and offer their services online, over the phone, or in person. In addition to counseling and education services, most Credit Counseling Agencies will offer a Debt Management Plan (DMP) in which you make one monthly payment to the CCCS agency, who pays your creditors on your behalf.

Benefits of Credit Counseling

Going through a credit counseling agency will generally:

- **reduce your interest rates and monthly payments,**
- **stop the majority of late and over-the-limit fees and**
- **they will work with the credit reporting agencies to limit negative marks on your credit file.**

A [consumer credit counseling agency](#) will usually be able to negotiate with your creditors to stop the harassing collection calls and be the interface between you and the creditor.

The Downside of Credit Counseling

The biggest downside of credit counseling is that unfortunately, the debt relief stops at lower payments and interest rates.

You are still obligated to pay back the full balance of the loan, with interest. You are still looking at years of loan payments before you are out of debt. Also, you are restricted from using credit while you are enrolled in the program.

Credit counseling does not provide any forgiveness of debt, unlike [debt settlement](#).

Will my Credit Score suffer if I sign up for Credit Counseling?

Conventional wisdom is that enrolling in a debt management program with a credit counseling agency will not have an [adverse effect on your credit score](#).

However, it may prevent you from getting more revolving, unsecured credit when a potential lender reviews your credit report.

If you are enrolled in a [DMP](#), your creditor will mark "credit counseling" or "DMP" on your report to signify your enrollment. After completing the program, this mark may or may not stay on your report, depending on your creditor.

Other Important Considerations

An often unmentioned fact is that most of the **consumer credit counseling agencies are primarily funded by the credit card industry**. Consider this fact when you enroll in a debt management program with a counseling agency.

In general, they counseling agencies are mainly concerned about keep you afloat so you can continue to make monthly payments.

Some people consider Consumer Credit Counseling industry to be a tool of the credit card companies to keep troublesome accounts out of bankruptcy, where most creditors would not be able to collect anything.

The Bottom Line

However, if you are having trouble keeping up with your payments, enrolling in a debt management program with an [accredited credit counseling agency](#), will help keep you out of bankruptcy, lower your payments, and balance your budget.

