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## Credit Counseling

### What is Credit Counseling?

Credit counseling helps you learn to budget and manage your money while you pay back your debts.

### What programs and services are available for Credit Counseling?

- **Credit counseling** helps you pay back debts through budgeting and managing money.
- **Debt management plans** help you combine your debts and arrange for one lower monthly payment over a longer period of time. You can find this service through many financial institutions.
- **Debt consolidation** plans help by lowering the cost of credit by combining debt through a second mortgage or a home equity line of credit. These loans ask you to put up your home as collateral.
- **Education** classes teach you budgeting, and how to save and manage your money.

**Be careful:** There are also “*debt negotiation*” programs. They may tell you they can pay off your credit card for less than you owe, from 10% to 50% of the balance owed. These programs can be very risky.

### What does Credit Counseling cost?

There is usually a setup fee for a *debt management* or a *debt consolidation* plan. Credit counseling agencies also charge a monthly fee. Good credit counseling agencies usually offer free educational materials and workshops.

### How do I qualify for Credit Counseling services?

If you have trouble keeping a budget or paying down your debt, you may want to think about getting help from a non-profit credit counseling agency

In a situation of first-time bankruptcy, you will be required by federal law to receive credit counseling from an approved credit counseling agency. You must receive an “individual or group briefing” from a non-profit credit counseling agency within 180 days before filing for bankruptcy.

### **Where do I apply for Credit Counseling Services?**

Most credit counselors offer services through local offices, the Internet, or on the telephone. If possible, find an agency that offers in-person counseling. Non-profit agencies that offer credit counseling include:

- universities
- military bases
- credit unions
- housing authorities
- branches of the U.S. Cooperative Extension Service

Your financial institution, local consumer protection agency, friends, and family may also be good sources of information and referrals.

### **Where can I find out more?**

#### [Federal Trade Commission \(FTC\)](#)

Information on credit counseling, debt management plans, and debt negotiation programs as well as credit counseling scams

#### [Commonwealth of Virginia State Corporation Commission \(SCC\)](#)

Lists of companies licensed as credit counseling agencies in Virginia

#### [Better Business Bureau \(BBB\)](#)

Information on complaints filed about credit counseling agencies and information on how to select a credit counseling agency with a good reputation

#### [Credit Counseling and Debtor Information](#)

Includes a list of agencies approved by the U.S. Department of Justice for bankruptcy credit counseling.

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