

Struggling with Debt?



You have options!

COLLECTION AGENCIES

A collection agency is a company that collects unpaid debts on behalf of creditors or debt buyers.

What They Do

- Contact consumers regarding unpaid accounts
- Attempt to recover payment
- Report collection accounts to credit bureaus
- Work on behalf of creditors, lenders, or debt purchasers

Important Facts

- Collectors must identify themselves once you are identified.
 - A charged-off or written-off debt is usually still legally collectible.
 - Creditors may assign or sell debt to another company without consumer permission.
 - Ignoring collection activity may increase the risk of additional collection efforts or legal action.
-

CONSUMER RIGHTS & KEY RULES

- Consumers may request written debt validation after initial contact.
- Debt collectors are generally required to provide validation information within 30 days of the first notice.
- Under federal rules, collectors are generally presumed to violate the law if they call more than 7 times within 7 days about the same debt.
- The federal Do Not Call Registry does not generally apply to debt collection calls.
- Interest may continue to accrue based on the original contract or applicable state law.
- Reasonable collection efforts for legitimate debts are generally permitted under federal law.
- If identity theft or fraud is involved, consumers should file a report with the FTC and/or local law enforcement and provide documentation to the collector.
- Certain attorneys collecting debt as part of legal practice may be exempt from some state licensing requirements.

- Requesting that collectors stop calling does not eliminate the debt and may not prevent legal action.
- A statute of limitations may limit the ability to sue for a debt, but it does not automatically prevent collection attempts.

Important Tip

When a creditor charges off or writes off a balance, it does **not** mean the debt is forgiven. It usually means another entity has taken over collection efforts (commonly referred to as a *debt buyer*).

Note: Creditors generally do not need consumer permission to assign or sell a debt.

CREDIT COUNSELING / DEBT MANAGEMENT

Credit counseling is a professional service designed to help consumers manage debt and improve financial stability.

Services May Include

- Creating a monthly budget
- Reviewing income and expenses
- Evaluating debt obligations and providing financial education
- Establishing a Debt Management Plan (DMP)

Potential Benefits

- One consolidated monthly payment / Structured repayment plans
 - Reduced interest rates or fees in some cases
 - May help consumers avoid bankruptcy
 - Ongoing financial guidance and support
-

CREDIT REPAIR

Credit repair companies assist consumers with reviewing and disputing inaccurate credit reporting information.

What Credit Repair Companies May Do

- Review credit reports
- Send dispute letters in behalf of consumers
- Assist with correcting inaccurate or incomplete information with credit reporting agencies

Important Consumer Protections

- Accurate negative information generally cannot be removed early.
- Consumers should only dispute information they genuinely believe is inaccurate or incomplete.
- No company can legally guarantee instant credit score increases or immediate removals.
- Consumers have the right to dispute credit report inaccuracies on their own at no cost.

Warning Signs

Be cautious of companies that:

- Promise “quick fixes” or guaranteed score increases
- Request large upfront fees
- Advise consumers to create a new credit identity
- Pressure consumers into immediate enrollment

DEBT SETTLEMENT

Debt settlement is when a company negotiates with creditors to reduce the total amount owed.

How It Works

- Consumers stop paying enrolled creditors directly
- Funds are typically deposited into a dedicated savings account
- Settlement negotiations may begin after sufficient funds have accumulated
- Negotiations often begin once approximately 50% of enrolled debt has been saved for potential lump-sum settlement offers

Important Facts

- Consumers must generally receive a 3-day right to cancel after enrollment. (Cooling-off period)

- Charging upfront fees before settlement services are completed is generally prohibited.
- Consumers are not usually required to enroll all debts.
- Settlement offers commonly range between 10%–50% of the balance owed, depending on the creditor and circumstances.
- Debt settlement involves offering a lump-sum payment in exchange for forgiveness of part of the debt.

Risks & Considerations

- Collection activity and lawsuits may continue during the program.
- Creditors are not required to accept settlement offers.
- Credit scores may decline.
- Fees associated with settlement programs can be significant.
- Creditors may refuse to settle.
- Accounts may be reported as “settled” rather than removed from credit reports.
- Be cautious of loans offered to pay creditors early, which may create additional fees or debt.

RESOURCES

- Fair Debt Collection Practices Act (FDCPA)
- Financial Counseling Association of America (FCAA)
- National Foundation for Credit Counseling (NFCC)
- Credit Repair Organizations Act (FTC – 15 U.S.C. §1679)
- Consumer Financial Protection Bureau (CFPB)
- Federal Trade Commission (FTC)
- U.S. Department of Justice – Approved Credit Counseling Agencies
- NMLS Consumer Access (for license verification)

DISCLAIMER - This presentation is intended for educational purposes only and should not be considered legal, financial, or tax advice. Laws and regulations may vary by state and individual circumstances.