

How to Select a Credit Counseling Agency

The last thing a consumer needs when struggling financially is to fall into the hands of an unscrupulous credit counseling agency. If you're considering using a credit counselor, shop around, and ask each agency the following questions. More importantly, be certain that you are comfortable with their answers before you book that first appointment. A legitimate agency is always more interested in your bottom line than theirs.

- **Is the agency affiliated with a national body** such as the National Foundation for Credit Counseling (NFCC) that requires strict quality, financial and ethical standards for membership? Examples of such requirements are annual audits by an independent CPA, written action plans provided to each consumer, and consumers provided with statements at least quarterly.
- **Is the agency accredited by an independent third party?** Self-accreditation is not the answer you want. An example of a reputable third party accreditation body is the Council on Accreditation (COA). Such accreditation signifies that appropriate checks and balances are in place to protect you, the consumer.
- **Is the agency a 501(c)(3) nonprofit community organization?** Being a nonprofit does not guarantee that the agency is legitimate, but it is a step in the right direction.
- **What is the composition of their Board of Directors?** Board members should not be paid by the agency, should not be family members or friends, but should represent a wide cross-section of the community and civic interests.
- **What services does the agency offer?** A wide-range of services is a good sign. This could include: budget counseling for those who are *not* in debt; debt counseling for those who may need professional assistance digging out; housing counseling for pre-rental, pre-purchase, first-time homebuyer, reverse mortgage, and foreclosure prevention; and the mandated bankruptcy pre-filing counseling and pre-discharge education.
- **What are the fees associated with the services provided?** The agency should be forthcoming about fees, and no fee should be assessed prior to the service being provided. Be wary if the agency says their fees are voluntary. Any set-up fee or monthly fee should be reasonable, usually defined as \$50 or less, with monthly fees in the \$25 range. The agency should be willing to waive all fees in cases of true hardship.
- **What delivery options are available to you for counseling?** Does the agency offer in-person counseling? Counseling by phone? Internet counseling? Is the channel that's most appealing to you offered?
- **Is the counselor assigned to you a Certified Consumer Credit Counselor?** You want someone qualified assisting you with your critical financial decisions. NFCC certification means that the counselor has passed a rigorous battery of tests measuring their financial knowledge.

- **Does the agency provide educational classes or workshops?** Are any of these tools offered online? Is there a fee to attend? The absence of any true education offered to the general public is a red flag.
- **Will the agency work with all of your creditors?** Some agencies only work with creditors who agree to make a payment to them. A legitimate agency will take a holistic approach to solving your financial distress.
- **Is there a minimum amount of debt required to be counseled?** True credit counseling agencies will work with you regardless of how large or how small your debt may be.
- **What debt relief options are offered?** If the only tool is the Debt Management Plan (DMP), keep shopping. A DMP is a useful tool, and is often the appropriate resolution. However, each consumer's situation is different, thus the solution should be customized to fit their specific needs. A one-size-fits-all approach signals that you should continue your search.
- **Are the counselors compensated for writing DMPs?** Any such incentive is not a part of a legitimate agency's pay to their counselors.
- **How long will your counseling session last?** Don't be tempted by "drive-by" counseling. A counselor simply cannot do an adequate intake of your income, expenses and debts in a short amount of time. An initial session length of at least one-hour is standard.
- **If you go on a Debt Management Plan, how soon after receipt of your monthly payment will it be disbursed to creditors?** The success of a DMP depends on timely, consistent payments to creditors.
- **What happens to your first payment?** Believe it or not, some agencies keep the consumers first payment and consider it a donation. Be sure to ask about this.
- **Will the full amount of your payment be disbursed to your creditors?** The full amount should go toward the repayment of your debts, with no portion going into the agency's pocket.
- **How will your deposits be protected?** Ask for written evidence that the agency is bonded or insured to protect the consumer from fraud or the agency's own financial difficulties.

As a final step, check with the Better Business Bureau and your state's Attorney General to see if there are unresolved complaints about the provider you are considering. Anyone can file a complaint. What is relevant is how the agency resolved it.

Legitimate credit counseling agencies counsel and financially educate millions of consumers each year, making financial stability a reality in their lives. It all starts with selecting the right agency. Asking the above questions, and receiving the right answers, will ensure that your credit counseling experience is a positive one.

If you are dealing with pressing financial issues or simply have some financial questions, NEA Member Benefits (NEA MB) has a solution. NEA MB has teamed with the National Foundation for Credit Counseling

*(NFCC) to provide both free and very affordable financial tools and services to NEA members and their families. Whether it's one-on-one counseling or an educational workshop, an NFCC member agency can provide you with the financial assistance you need. Take the first step toward securing your financial future—call the dedicated NEA member line toll-free at **1-866-479-NEA2 (6322)** or visit the special Web page for NEA members at **www.neamb.com/debtadvice**. Help is just a call or click away.*

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