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Tip: Credit Repair and Debt Relief Services

By [Council of Better Business Bureaus](#). October 3, 2018.

If you've got mounting credit card bills, you may also have mounting credit repair or debt relief offers collecting in your mailbox. Those promises of reduced debt, low-interest loans and magical fixes to your credit score can be tempting, but you need to be very careful to make sure nobody is taking advantage of you.

The first thing you need to understand is the difference between credit counseling, debt relief, debt consolidation and credit repair.

Credit counseling is the most comprehensive solution, focusing on a variety of resources to help you solve your money problems. It also requires the most work from you and doesn't promise immediate relief. Tools include budgeting, educational programs, access to counselors and a personalized plan. Credit counseling may (but doesn't always) lead to a **Debt Management Plan (DMP)** where you pay money into an account and the agency pays your debts from that account.

You can find a list of government approved credit counseling agencies in the United States here: <https://www.justice.gov/ust/list-credit-counseling-agencies-approved-pursuant-11-usc-111>

In Canada, you can find a list of nonprofit credit counselling agencies here: <http://www.creditcounsellingcanada.ca>

Debt relief or settlement companies say they can renegotiate your debt so you don't owe as much by reaching out to your creditors and getting them to lower your balance, interest rates or fees. You can also try to do this yourself to avoid the fees that a company like this will charge you.

Debt consolidation companies offer you loans to pay off your debts in one fell swoop. You may get drawn in by promises of low-interest, but once you go through the application process find that you are subject to higher fees. You may also be able to consolidate and pay off your debt through a second mortgage or home equity line of credit, but be very careful as you're putting your home up as collateral and if you can't make your payments, you could lose it.

Credit repair companies promise to clean up your credit report for a fee, but the chances that they can do anything you couldn't do on your own are slim. You have the right to correct inaccurate information in your file, but nobody can remove accurate negative information. Only time and conscientious payments will actually repair your credit.

When you're worried about debt, you are particularly vulnerable to anybody who promises to help you out of your situation. Here are some **red flags** to help you avoid companies with questionable practices which could get you even deeper into the hole.

- Fees are charged before your debts are settled
- You are pressured to pay fees masquerading as “contributions”
- The company tries to look like a government program
- There are guarantees to make debt go away or improve your credit score
- You are told to stop paying your debts and communicating with your creditors
- You can't get additional information without providing personal financial information
- The company makes promises about what they can do for you without actually reviewing your financial situation
- The company offers a Debt Management Plan without teaching you budgeting and money management
- There are promises that the company can erase your bad credit or remove information from your credit reports

Before you sign up for any program, be sure to do your homework. Check for a business review on the company at bbb.org. Do an internet search for the company's name along with “reviews” or “complaints” to see what people are saying about them. You can also check with your state's Attorney General, Provincial Government Consumer and Corporate Departments or local consumer protection agencies.

In the U.S., you have rights and you are protected by the **Credit Repair Organization Act (CROA)**, enforced by the FTC. Legitimate companies adhering to the Act must provide:

- A written contract detailing your rights and the services to be performed
- A three day cancellation period with no charges
- Details on how long it will take for you to get results
- An accounting of all costs and fees
- Any guarantees that they are making through their marketing

If you feel like you've been taken advantage of or scammed by one of these companies, you can report them to your local consumer affairs office or state's Attorney General. You can also file a complaint with the FTC here: [ftc.gov/complaint](https://www.ftc.gov/complaint) or call 1-877-FTC-HELP. While the FTC can't resolve your individual problem, if there is a pattern of complaints or possible violations they can take action.

In Canada, credit repair is under provincial jurisdiction, and the appropriate Provincial Government Department should be consulted.

References/For more information:

In the U.S.

BBB Scam Tracker: <https://www.bbb.org/scamtracker/us>

Approved credit counseling agencies: <https://www.justice.gov/ust/list-credit-counseling-agencies-approved-pursuant-11-usc-111>

FTC on Choosing a Credit Counselor (includes extensive information on DMPs): <https://www.consumer.ftc.gov/articles/0153-choosing-credit-counselor>

FTC on How to Help Yourself with Credit Repair: <https://www.consumer.ftc.gov/articles/0058-credit-repair-how-help-yourself>

FTC on Coping with Debt: <https://www.consumer.ftc.gov/articles/0150-coping-debt#debt>

USA.gov on Dealing with Debt: <https://www.usa.gov/debt#item-36577>

FTC on Settling Credit Card Debt: <https://www.consumer.ftc.gov/articles/0145-settling-credit-card-debt>

FDIC Consumer Response Center on Credit Repair: <https://www.fdic.gov/consumers/consumer/ccc/repair.html>

FTC on Credit Repair Scams: <https://www.consumer.ftc.gov/articles/0225-credit-repair-scams>

Consumer Financial Protection Bureau on Credit Repair Scams: <http://www.consumerfinance.gov/askcfpb/1343/how-can-i-recognize-credit-repair-scam.html>

In California

What Californians Should Know Before Hiring a Credit Repair Company: The Credit Services Act of 1984: <https://www.bbb.org/en/us/article/news-releases/16551-what-californians-should-know-before-hiring-a-credit-repair-company-the-credit-services-act-of-1984>

In Canada

BBB Scam Tracker: <https://www.bbb.org/scamtracker/canada>

Office of the Superintendent of Financial Institutions: <http://www.osfi-bsif.gc.ca>

Competition Bureau: <http://www.competitionbureau.gc.ca/fraud>

Royal Canadian Mounted Police: <http://www.rcmp-grc.gc.ca/scams-fraudes>

Credit Counselling Canada: <http://www.creditcounsellingcanada.ca>

Office of Consumer Affairs: https://www.ic.gc.ca/eic/site/oca-bc.nsf/eng/h_ca02144.html

Government of Canada – Canadian Anti-Fraud Centre: <http://www.antifraudcentre-centreantifraude.ca/index-eng.htm>

Last Reviewed: October 13, 2016





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