

# CONSUMER ADVISORY

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By Attorney General Tom Miller

## Beware of “Debt Settlement” Companies

You may pay a lot but receive no help getting out of debt.

Consumer debt, including credit card debt, has risen to historic high levels, and that has led to an explosion of questionable “debt settlement” companies who claim they can almost magically solve your debt problems – for a major fee.

The problem is, many of these for-profit companies charge a lot – in advance – but do little or nothing to help. And that just puts you deeper in debt, deeper in the hole.

It IS a good idea to get help to work your way out of debt, and it IS a good idea to talk to your creditors about arrangements to pay back and even reduce what you owe. But some for-profit “debt settlement” companies just prey on people in debt – they charge high fees in advance, do little or no work to help you, and just cost you money.

**Warning signs of questionable debt settlement companies:** They claim they will contact your creditors and settle your accounts for “pennies on the dollar.” They claim to “guarantee 100% success.” They tout a “new government program” to bail out credit card debtors. They promise they can stop all debt collection calls or lawsuits. They charge you a full fee, in advance. They tell you not to contact creditors.

The Government Accountability Office investigated widespread fraudulent, abusive and deceptive practices by debt settlement companies and found numerous consumers “who experienced tremendous financial damage” from the companies.

**If you are deep in consumer debt:** The first step is to develop a thorough and realistic budget to see if you can make ends meet. Another early step is to contact your creditors directly and immediately if you are having trouble making payments. They may work with you on a modified payment plan that can make payments manageable.

**Find a free, reputable credit counseling agency:** If you need help, a credit counseling agency can advise you on managing your money and making a budget, and usually can offer free education materials. Find a credit counselor through a college or university, ISU Extension, your financial institution, or a local credit counseling center. Be sure to use an agency that works with you in person, not just by phone or Internet.

Go to [www.FTC.gov/credit](http://www.FTC.gov/credit) for excellent brochures on finding a reputable credit counseling agency and many other topics related to debt. (Click on “In Debt?”)

For more information, contact the Attorney General's Consumer Protection Div., 1305 East Walnut, D.M., Iowa 50319. Go to [www.iowaAttorneyGeneral.gov](http://www.iowaAttorneyGeneral.gov). Call 515-281-5926, or 888-777-4590 toll-free. File complaints with the Iowa Division of Banking, 200 East Grand Ave., Ste. 300, D.M., IA 50309, 515-281-4014, [www.idob.state.ia.us](http://www.idob.state.ia.us).