

Managing Tough Times: Digging out of Debt

Anyone struggling with debts may want to consider using a non-profit credit-counseling agency. They can help you set up a three to five year debt-repayment plan. The agency will negotiate with your creditors to try to lower your interest rates, and perhaps, waived fees.

Credit counseling agencies are funded through a variety of sources including voluntary contributions from creditors who participate in Debt Management Plans (DMP), local grants from private sources and foundations, and client fees and contributions. Fees for the service vary depending on the support for each member and state laws, but the majority of these services are provided at no or low cost to clients. Expect to pay an initial fee of perhaps \$50 and a monthly fee of \$30 to \$50.

In most cases, credit counseling services are able to work with creditors to stop any legal action and develop a solution that will satisfy everyone. If you maintain your payment arrangements a majority of collection calls will stop. Unfortunately, not all of your creditors are likely to agree to settle. Once this repayment plan is in place, you send a single debt-payment check to the agency each month, and it distributes the money to your creditors. Credit-counseling agencies also provide useful money-management advice. When you tell a creditor you have an appointment with a credit counseling agency, or the creditor has referred you to one, the agency may get a call to verify your appointment.

It is important to select a credit counseling agency that is approved by the US Trustee's office. A list of approved Credit Counseling and Debtor Education agencies can be found on the Department of Justice Web site located at 222.usdoj.gov. Select "A-Z Index" at the bottom of the page. Then select "Credit Counseling and Debtor Education". There is a link to the list on this page. The US Department of Housing and Urban Development (HUD) sponsors free counseling agencies that provide advice on credit issues, mortgage loan defaults and foreclosures. For agencies in your state, go to www.hud.gov/offices/hsg, then click "Single Family," then "Housing Counseling").

If your debts are so great that there is no way for you to pay them back within three to five years...or you have lost your job and cannot pay off your debts at all in the near term, a credit-counseling organization will not be able to construct a debt-repayment plan that you can afford.

For more information on dealing with tough economic times, visit your local extension office or check out ISU Extensions Managing in Tough Times website- www.extension.iastate.edu/toughtimes or www.eXtension.org websites 24 hours a day 7 days a week. The Iowa Concern Hotline offers 24 hour confidential assistance for those dealing with stress, financial concerns, and legal questions. They can be reached by calling 1-800-447-1985. These resources can help you find reliable resources backed by research when you are forced to make hard choices during tough economic times.