

Financial Ratings Series

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Financial Literacy Basics: How to Manage Debt

2026



GREY HOUSE PUBLISHING

Financial Literacy Basics: How to Manage Debt



Financial Literacy Basics: How to Manage Debt 2026 Edition



GREY HOUSE PUBLISHING



<https://greyhouse.weissratings.com>

Grey House Publishing
4919 Route 22, PO Box 56
Amenia, NY 12501-0056
(800) 562-2139

Weiss Ratings
11780 US Highway 1, Suite 201
Palm Beach Gardens, FL 33408
(561) 627-3300

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Welcome!

Grey House Publishing and Weiss Ratings are proud to announce the eighth edition of ***Financial Literacy Basics***. Each volume in this series provides readers with easy-to-understand guidance on how to manage their finances. Designed for those who are just starting out, as well as those who may need help handling their finances, the volumes in this series outline, step-by-step, how to make the most of your money, which pitfalls to avoid, what to watch out for, and the necessary tools to make sure you are fully equipped to manage your finances.

Each of these eight volumes focus on specific ways to take the guesswork out of financial planning—how to stick to a budget, how to manage debt, how to buy a car or rent an apartment, how to calculate the cost of college, and how to start saving for retirement—all information necessary to get started on your financial future. Each volume is devoted to a specific topic. Combined, they provide you with a full range of helpful information on how to best manage your money. Individual volumes are:

- How to **Make and Stick to a Budget**
- How to **Manage Debt**
- Starting a **401(k)**
- Understanding **Health Insurance Plans**
- **Renting an Apartment & Understanding Renters Insurance**
- Calculating the **Cost of College & Understanding Student Loans**
- **Buying a Car & Understanding Auto Insurance**
- What to Know About **Checking Accounts**

Filled with valuable information that includes helpful, hands-on worksheets and planners, these volumes are designed to point you toward a solid financial future with clear suggestions, supportive guidance, and easy-to-follow dos and don'ts.

Financial Literacy Basics: How to Manage Debt

Section 1: What is Debt?

Sometimes it seems as if everywhere you look, someone wants your money. Maybe you get past-due notices from a credit card company, or warnings about paying your student loan on time. You might be afraid to even look at your mail in case you missed a payment on something last month. If you have bills to pay, you might feel worried about what could happen if you fall behind.

Managing debt can be easier if you understand the meaning of debt and know how to keep it under control. If you have debt, you can make a plan to get rid of it and free yourself from that worry.



What Is Debt?

Debt is money that's owed, and

credit is money given for use. The person who owes a debt is known as the **debtor** or **borrower**. The person (or company or financial institution) that gives credit is the **creditor**. Examples of debts are money owed on credit cards, car loans, mortgages,

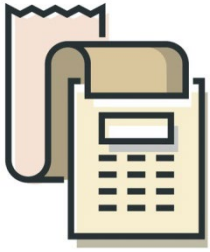
and student loans. These are personal debts.

Loans are usually for a certain amount of time, such as several years. The loan agreement includes how many payments the debtor will make, how often, and how much interest will be charged. **Interest** is what the debtor pays to use someone else's money.

The debtor pays the interest and the original loan, or **principal**, to the lender. Interest is usually a percentage of the principal. It might be high, especially if the debtor is considered a high risk. This could be because the lender suspects the debtor may have trouble repaying the loan or if the debtor has poor credit.

Credit card debt is a loan, but it has a rolling (open-ended) repayment date. The lender decides how much credit to provide, and the debtor can charge up to that limit. The lender may also increase the credit limit.





Interest

Each payment you make on a loan includes money toward repayment of the loan as well as interest. For example, if you borrow \$100 (the principal) at 10% interest and agree to make ten monthly payments, you will pay \$11 a month, and the lender will collect \$110 by the end of the loan term. In total, you paid the lender \$10 in exchange for borrowing \$100. The lender charges this interest, known as **simple interest** based only on the principal amount, not only because you are borrowing the money, but also to cover the cost of collecting it, such as paying employees to process payments.

Interest on credit cards is called **compound interest**. Compound interest is interest calculated first against the principal amount—then again on the combined amount of principal and interest. In essence, it's basically interest on top of interest. For example, if your principal is \$100 and you are charged 20% interest semi-annually, at six months, you are charged 20% interest on your principal, which means your principal is now \$120. At the next six-month interval, you are charged 20% interest on \$120, which will be \$24, so your principal is now \$144. With compound interest, you end up paying much more than the principal.

This type of interest may be compounded, or added, at different intervals. For example, it may be compounded annually, semi-annually, monthly, or even daily. The number of intervals depends on the loan agreement. The more often interest is compounded, the more money you have to pay.



Interest Rates

Loan agreements explain how much interest the debtor pays for using the principal, or the amount of the loan.

Sometimes a high interest rate is good. If you have an interest-earning bank account, you want to earn as much interest as possible.

If you are using a credit card, looking for a loan, or shopping for a mortgage, you want a low interest rate so you pay as little as possible to the creditor.

If you are paying a high interest rate on your credit card, you can look for ways to reduce it. If you are a good customer and pay your credit card bills on time, you can ask for a reduced rate. You may also consider debt consolidation loans, balance transfers, personal loans to pay off



debt (at a lower interest rate), and debt-relief programs.



Collateral

Debt can be **secured**, or backed by something of value. This is called **collateral**.

Debt can also be **unsecured**. A mortgage is backed by the value of the property you are using it to buy, so it is secured debt. Credit card debt is unsecured, because nothing of value is backing it.

Secured debt usually involves lower interest rates, because if you fail to make your payments, the creditor can take possession of the collateral.



Good Debt & Bad Debt

Good debt, such as a mortgage or student loans for education, can benefit the debtor. Good debt is an investment. It may increase in value or increase your value.

Bad debt is debt used to acquire things that do not create long-term income and lose their value quickly. Debt that carries a high interest rate is also bad debt. The value of debt can

be evaluated by looking at its potential to benefit you in the future.

People with college degrees often earn more, so your potential future income could be greater if you take out a student loan. These loans also usually have lower interest rates. For these reasons, student loans are usually good debt.

Mortgages used to buy a home are also usually considered good debt. They typically have lower interest rates than other kinds of debt. Mortgage interest is tax deductible. And the value of a home usually increases over time.

A **home equity loan** is a loan based on the value of your house. For example, if your house is worth \$100,000 and you only owe \$50,000 on the mortgage, you have \$50,000 of equity in the house. A home equity loan uses this equity as collateral. Home equity loans are often good debt, because the interest rates are lower than other kinds of debt. Before getting a home equity loan, however, consider the consequences of failing to make the payments. You could lose the house.

Auto loans may also qualify as good debt. If transportation allows you to earn more, that benefits you. To make the most of the investment, however, the buyer should pay as much as possible at the start, and borrow as little as possible.



Examples of bad debt include credit card debt, cash advances, and payday loans. Using a credit card to purchase things you want but can't afford increases your debt but does not provide long-term value. Credit cards usually have higher interest rates.

Payday or cash advance loans also increase your debt without benefiting you. Payday loans are usually for \$500 or less. The borrower agrees to pay the lender back on their next payday. The lender charges the borrower interest on the loan and fees on top of that. The interest rates on these loans may be 300% annually, and fees for missing payments can be crippling.

GOOD DEBT

Good debt is an investment. It may increase in value or increase your value.

- Student Loans
- Mortgages
- Business Loans

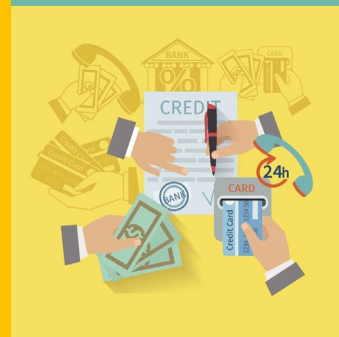


vs.

BAD DEBT

Bad debt has higher interest rates or is used to purchase items that lose their value quickly.

- Credit Card Debt
- Cash Advances
- Payday Loans



Section 2: Credit Cards



Credit Cards, Charge Cards & Debit Cards

What's the difference? Here's information on how these types of cards differ, and what to look for when applying for a credit card.

- **Credit card:** You can use a credit card to buy things and pay for them over time. But remember, buying with credit is a loan; you have to pay the money back, with interest. And some issuers charge an annual fee for their cards. Some credit card issuers also provide "courtesy" checks to their customers. You can use these checks in place of your card, but they're not a gift, they're also a loan that you must pay back. You may also have to pay a fee to use these courtesy checks. If you don't pay your bill on time or in full when it is due, you will owe a finance charge, which is the dollar amount you pay to use credit. The finance charge depends in part on your outstanding balance and the annual percentage rate (APR).

- **Charge card:** If you use a charge card, you must pay the balance in full each time you get your statement.
- **Debit card:** This card allows you to make purchases in real-time by accessing the money in your checking or savings account electronically.

When applying for credit cards, it's important to shop around. Fees, interest rates, finance charges, and benefits can vary greatly from card to card. In some cases, credit cards might seem like great deals until you read the fine print and disclosures.

When you're trying to find a credit card that's right for you, look at the following:

- **Annual percentage rate (APR):** The APR is a measure of the cost of credit, expressed as a yearly interest rate. It must be disclosed before your account can be activated, and it must appear on your account statements. The card issuer also must disclose the "periodic rate," which is the rate applied to your outstanding balance to figure the finance charge for each billing period.



Some credit card plans allow the issuer to change your APR when interest rates or other economic indicators, called indexes, change. Because the rate change is linked to the index's performance, these plans are called "variable rate" programs. Rate changes raise or lower the finance charge on your account. If you're considering a variable rate card, the issuer also must tell you that the rate may change and how the rate is determined.

Before you become obligated on the account, you also must receive information about any limits on how much and how often your rate may change.

- **Grace period:** The grace period is the number of days you have to pay your bill in full without triggering a finance charge. For example, the credit card company may say that you have 25 days from the statement date, provided you paid your previous balance in full by the due date. The statement date is on the bill.

The grace period usually applies only to new purchases. Most credit cards do not give a grace period for cash advances and balance transfers. Instead,

interest charges start right away. If your card includes a grace period, the issuer must mail your bill at least 14 days before the due date so you'll have enough time to pay.

- **Annual fees:** Many issuers charge annual membership or participation fees. Some card issuers assess the fee in monthly installments.
- **Transaction fees and other charges:** Some issuers charge a fee if you use the card to get a cash advance, make a late payment, or exceed your credit limit. Some charge a monthly fee regardless if you use the card or not.
- **Customer service:** Customer service is something most people don't consider, or appreciate, until there's a problem. Look for a 24-hour toll-free telephone number.
- **Unauthorized charges:** If your credit card is used without your permission, you can be held responsible for up to \$50 per account. If you report a lost card before it is used, you can't be held responsible for any unauthorized charges. To minimize your liability, report the loss as soon as possible. Some issuers have 24-hour toll-



CREDIT CARD COMPARISON CHART

	Card #1	Card #2	Card #3
Introductory Annual Percentage Rate (APR)	% Length:	% Length:	% Length:
Regular APR for New Charges	%	%	%
Regular APR for Cash Advances	%	%	%
Regular APR for Balance Transfers	%	%	%
Annual Fee			
Grace Period			
Rewards			
Cash Back			
0% Interest			
Bonus Offers			
Travel Miles			

Remember that credit cards might seem like great deals until you read the fine print and disclosures. Review any offers carefully to make sure you understand the terms of your card. Weigh the costs of the card against possible rewards carefully to make sure they make sense for you. Factor in how this new credit card will affect your budget.



free telephone numbers to accept emergency information.

It's a good idea to follow-up with a letter to the issuer. Include your account number, the date you noticed your card missing, and the date you reported the loss. Keep a record, in a safe place separate from your cards, of your account numbers, expiration dates, and the telephone numbers of each card issuer so you can report a loss quickly.

- **Rewards:** Some credit cards offer rewards like cash back, points, and travel miles. As long as you use your credit card responsibly, this can be a way to save on travel or earn points that you can use for other purchases. But, these cards don't make sense if you carry a balance on the card, or pay more in interest or an annual fee compared to the value of the rewards.

If you are considering getting a credit card, use the comparison chart on the previous page to weigh your options.



Pay Credit Card Bills on Time

It's important to pay your credit card bill on time. If you don't, you'll pay late fees and additional finance charges. Late payments to your credit card issuer will also lower your credit score.

When you make a payment, your card issuer generally must credit your account the day they receive it, but there are exceptions.

To help avoid additional charges, follow your issuer's payment instructions. Sending your payment to the wrong address, even if the payment is received and accepted at some other office of the issuer, could delay crediting your account for up to five days. If you pay by mail and misplace your payment envelope, look for the payment address on your billing statement or call the issuer for the correct address for payments.

If you pay your bill online, set up a reminder a week or so before the bill is due to be sure you pay on time. A few days after your payment has been sent, you can log into your account to be sure the payment was credited to your account.

Automatic debiting to your bank account can be a convenient way to pay bills, but there are factors to



consider. For example, the amount due each month could vary, and you would need sufficient funds in your bank account to pay it. Otherwise, you could overdraw your account, be charged for insufficient funds, and damage your credit rating. Under federal law, you can't be required to use automatic debits from your bank account to repay an extension of credit.



Prepaid Cards

If you're just starting out and want to build your credit history, or maybe you don't want to have any debt to start with, you might consider using prepaid credit cards.

Unlike a debit card that withdraws money from your bank account, a prepaid card requires you to load money onto the card before you can use it for purchases.

Some benefits of a prepaid credit card:

- You can get a prepaid credit card without any credit history requirements.
- Possible cash-back incentives.
- No late fees or worries about exceeding your credit limit. But, keep in mind that your

purchases are limited to the amount you have loaded onto the card.

If you are getting a prepaid credit card to build your credit history, make sure that the card you select builds credit by reporting your payment history to the credit bureaus. If your card does not report to the credit bureaus it will do nothing to help you build your credit.

A prepaid credit card might sound like a good solution, but there can be drawbacks. Consider these points before using a prepaid card:

- Beware of hidden fees. Some cards charge activation fees, fees to load funds, more fees to call customer service and other fees for balance inquiries. Your money might be spent on fees rather than purchases.
- Prepaid cards don't have the same consumer protections that credit cards offer. If you purchase something online and it arrives damaged, you would have better protections if you purchased with a credit card.





Rewards Cards

You might be tempted to take advantage of credit cards that offer rewards like airline miles or cash back.

Before you apply, be sure to read the fine print. Some reward cards charge higher interest rates than other cards, to offset the rewards that they pay

out. Some may charge an annual fee as well.

If you pay your balance in full every month, rewards cards can be a good way to earn airline miles or get cash back. If you cannot pay your balance in full every month, a credit card with a lower interest rate would save you money in the long run.

Section 3: Maintaining Credit



Credit Scores

Banks and credit card companies use credit scores to decide whether to extend credit to you or provide you with a loan. Anyone eighteen or older can have a credit score, but many companies won't offer credit cards to anyone younger than twenty-one unless they have an authorized user, such as a parent, co-sign on the account.

People and businesses talk about "good" credit scores, but it depends on what the score is for. To get a mortgage, loan, or credit cards, you will need a credit score that is good for that specific type of loan.

About 90% of credit companies use scores calculated using Fair Isaac Corporation (FICO) software. FICO

scores are based on a person's ability to repay a loan, and are calculated based on information about you and many other people in similar situations.

To have a FICO score, you usually need to have at least one account that has been open for at least six months. Your payment history—whether you pay your bills on time, every time—is very important in calculating your score.

According to FICO, 35% of your score is based on payment history. Another 30% is based on how much you owe (how much credit is available), 15% on the length of your credit history (longer history equals less risk), 10% on your new credit (if you've opened multiple new credit accounts), and 10% on the variety of credit you have (revolving credit lines, such as credit



cards; installment debt such as car loans and student loans).

The three credit bureaus—Equifax, Experian, and TransUnion—use FICO to calculate scores for people based on the information the credit bureaus have, so each may give the same person a different credit score. The bureaus look at how much you've borrowed, how much you owe, and your payment history. Companies usually offer their best terms, such as low interest rates, to people with the

best credit scores. They want to loan money to people who are most likely to repay the loans. With a good credit score, you are more likely to have a loan approved.

You may also have to agree to a credit check when you apply for a job, because potential employers may see you as more reliable and trustworthy if you have a good credit history. Some landlords also evaluate potential tenants using credit history because they want to be sure you will

CREDIT SCORE CALCULATIONS



- Payment History (35%)
- How Much You Owe & Available Credit (30%)
- Length of your Credit History (15%)
- New Credit (10%)
- Variety of Credit You Have (10%)



pay your rent on time. It can even affect your ability to get an account for utilities like electricity and water. If you have bad credit you may have to pay a deposit first or find a cosigner before the utility company will give you an account. Your credit score can even affect your insurance rates in some states.

FICO scores range from 300 to 850—a higher score means you are a lower risk. Experian¹ divides the FICO score range of 300 to 850 into 8 different ratings.

Fico Score	Rating
300-579	Poor
580-669	Fair
670-739	Good
740-799	Very Good
800-850	Exceptional

For a mortgage, a minimum of 500 is usually needed for a Federal Housing Administration (FHA) loan, and at least 620 for other types of mortgages. People with a score of at least 760 are likely to get the lowest interest rates, which means they are likely to have lower monthly payments and pay less interest over the term of the mortgage. People with better

credit scores are likely to qualify for larger loan amounts as well.

Experts say that the best credit card reward offers go to those with credit scores of at least 720. The credit card companies offer very little information about how they make credit decisions, however. Carefully evaluate any offer.

Some experts believe a credit score of at least 720 should allow a borrower to get a low interest rate on a car loan. Sub-prime car loans may be available with much lower scores in the range of 500. As with mortgages, a better credit score should help you get a loan with better terms, so you could pay less each month and less interest overall.



How to Find Out Your Credit Score

There are a few main ways to get your credit score, including from a credit card or other loan statement, a non-profit counselor, or for a fee from a credit reporting agency.

You actually have more than one credit score. Credit scores are calculated based on the information in your credit reports. If the information about you in the credit reports of the

¹ <https://www.experian.com/>



three large consumer reporting companies is different, your credit score from each of the companies will be different. Lenders also use slightly different credit scores for different types of loans.

There are four main ways to get a credit score:

- **Check your credit card or other loan statement.** Many major credit card companies and some auto loan companies have begun to provide credit scores for all their customers on a monthly basis. The score is usually listed on your monthly statement, or can be found by logging in to your account online.
- **Talk to a non-profit counselor.** Non-profit credit counselors and HUD-approved housing counselors can often provide you with a free credit report and score and help you review them.
- **Use a credit score service.** Many services and websites advertise a "free credit score." Some sites may be funded through advertising and not charge a fee. Other sites may require that you sign up for a credit monitoring service with a monthly subscription fee in order to get your "free" score.

These services are often advertised as "free" trials, but if you don't cancel within the specified period (often as short as one week), you could be on the hook for a monthly fee. Before you sign up to try one of these services, be sure you know what you are signing up for and how much it really costs.

- **Buy a score.** You can buy a score directly from the credit reporting companies. You can buy your FICO credit score at <https://www.myfico.com/>. Other sites may also offer scores for purchase. If you decide to purchase a credit score, you are not required to purchase credit protection, identity theft monitoring, or other services that may be offered at the same time.

Some credit score sources provide an "educational" credit score, instead of a score that a lender would use. The Consumer Financial Protection Bureau published a report on the differences between educational scores and those used by lenders. For most people, an educational score will be close to the score a lender would use and can be helpful for consumers. But the scores can be quite different for some. The CFPB report found that there was a meaningful difference for one out of four people. When



choosing where to get your credit score, find out what kind of score it is.



Building Good Credit

You can build good credit even if you don't have a credit history.

First, establish a budget to understand how much you earn and how much you owe. A budget will help you make sure you pay your bills on time, which will help establish your credit history.

Next, you can focus on building good credit through credit cards and diversified credit, such as a small personal loan, a student loan, or an auto loan.

You can probably qualify for a credit card designed for people who are building credit. These include student credit cards, although you will probably have to get a co-signer on your application. This means the co-signer is responsible for paying the bill if you don't.

If you are able to save some money, you can get a secured credit card. For these cards, you deposit money to open the card. The issuer will use your deposit as collateral if you don't pay your bill.

Secured credit cards are usually basic, meaning they don't offer users special features. Before applying, be sure the company reports to the credit bureaus so your account helps build your credit score. Some people build credit by getting a retail credit card from a store, such as a department store where they shop. Be aware that these cards usually have high interest rates and low credit limits.

You may want to diversify the types of credit you have with a small loan. You might take out a small personal loan and pay it back quickly. You may want to get a student loan if you need one, or a car loan. It's important to be sure you can afford to repay any loans, on time, to build good credit.



Maintaining Good Credit

The best way to maintain good credit is by paying your bills on time, every month. It's even better if you can make more than the monthly minimum payment to repay the loan more quickly. This will help you to pay less interest too.

As your credit score improves, your lenders may give you more credit. For example, your credit card limit might go up. Be sure you don't charge more than you can afford just because it's available. Your minimum monthly



payments will also get larger, and this could make it more difficult for you to pay your bills on time.

If you are having trouble making minimum monthly payments, contact your credit card company and ask them to set up an alternative payment plan. They may agree to waive late charges or give you a lower monthly payment or reduced interest rate. You may also consider a balance transfer credit card to eliminate some payments and lower your interest rate.

A longer credit history helps your credit score. Even if you have credit cards that you don't use, keeping them can increase your score. Put credit cards in a safe place to save them for an emergency, but don't store them in your wallet where you might be tempted to use them for a splurge. Any card with an annual fee is probably not worth keeping, however, because you can use that money elsewhere. Since 30% of your credit score is based on available credit, you can pay off some debt to improve your score.

Credit card usage counts more toward your credit score than other types of debt. Try to use no more than 30% of your available credit. This means that if your credit card limit is \$1,000, you should have a balance of no more than \$300.

Credit checks can affect your credit score. Several credit inquiries can lower your score, so if you are applying for a loan, try to work quickly. File applications within about a thirty-day period if you can. Several credit checks within a two-week time span will usually only count as one inquiry for FICO.



Checking Your Credit Report

Your credit report is different than your FICO score. Your credit report is a 7- to 10-year account of your borrowing and repayment history. It includes a list of the loans you've taken out, credit limits, loan amounts, payment terms, loan balances, and whether you've paid your bills on time. Bankruptcies and tax liens are also included. Your credit report is a list of borrowing and repayment activity, that activity is distilled down to create your numeric FICO score.

By law, you are entitled to a free copy of your credit report every year from each of the three major credit bureaus.

Visit [AnnualCreditReport.com](https://www.annualcreditreport.com) to request your reports. They don't include your credit score, but you will see the information used to calculate your score. You can also contact FICO



or another credit bureau to purchase reports with credit scores. Some sites that offer free credit score reports may offer only a score based on information rather than the FICO score. Some banks and credit card companies may also provide FICO scores to customers.

Experts recommend that you get copies of your credit report from all three major credit reporting agencies. The reports will include identifying information, credit history, public records, and inquiries.

Check the identifying information for accuracy. Your name may be spelled multiple ways, for example, because several companies may have provided variations.

The credit history section includes information about your creditors and accounts, including how much you owe, other names on the accounts, status of the loans, and your payment history. Some reports include the amount of each payment. Some may include notes, for example, "charged off," which means the creditor has given up on ever collecting the debt.

The public records section includes any information such as bankruptcies, judgments, and tax liens. It does not include information about arrests, lawsuits, or any other information that is not related to finances.

The inquiries section provides information about everyone who has requested your credit report, including landlords, banks, and credit card companies. Hard inquiries are those you have set in motion, for example, when you apply for a credit card. Soft inquiries are from creditors who are monitoring your account, potential employers, and companies that want to prescreen you for offers of credit.

A 2013 study by the Federal Trade Commission found that one in five consumers had errors on their credit reports from the three major bureaus. One in twenty errors cost the consumers financially, in the form of higher interest rates, for example.

You can take steps to correct mistakes by disputing them with the credit bureau. Each report includes contact information for the credit bureau that provided it and an online dispute form. The credit bureaus will investigate by contacting the creditors, who have up to 45 days to respond.

If you are unsatisfied with the investigation, you can file a complaint online with the Consumer Financial Protection Bureau at: <https://www.consumerfinance.gov/complaint/#credit-reporting>. While the dispute is being investigated, the information you are challenging will



show on the credit report as under dispute.

If you prefer to dispute a credit report by mail, circle the information that you are disputing on a copy of the report. Write a letter that explains what you are disputing and include your explanation.

Request that the company remove or correct the information. The letter should include your complete name and address, the date, the complete name and address of the credit bureau, and a list of enclosures (a copy of the credit report, copies of bills showing payment, etc.).

Your letter might say, for example:

Dear Sir or Madam:

I dispute the following information in my file, which I have circled and numbered on the enclosed copy of the credit report I received.

Item 1 [identify the name of source and type of item, such as credit account] is [inaccurate or incomplete] because [explain why it is inaccurate or incomplete]. I am requesting that [the item be removed, corrected, etc.] to correct this information.

[Item 2, etc., as needed.]

Enclosed are copies of [payment records, court documents, or any other proof you can provide] supporting my position.

Please investigate this matter and [correct or delete] the items listed as soon as possible.

Sincerely,
[Your name]





How to Get a Good Credit Score

The Consumer Financial Protection Bureau sets out these guidelines to get, and keep, a good credit score. Doing these things will help you improve your credit score as well.

- **Pay your loans on time, every time.** One way to make sure your payments are on time is to set up automatic payments, or set up electronic reminders. If you've missed payments, get current and stay current.
- **Don't get close to your credit limit.** Credit scoring models look at how close you are to being "maxed out," so try to keep your balances low compared to your total credit limit. If you close some credit card accounts and put most or all of your credit card balances onto one card, it may hurt your credit score if this means that you are using a high percentage of your total credit limit. Experts recommend keeping your credit balance at no more than 30% of your total credit limit. You don't need to

keep balances on credit cards to get a good score. Paying off the balance each month helps get you the best scores.

- **A long credit history will help your score.** Credit scores are based on experience over time. The more experience with paying your loans on time your credit report shows, the more information there is to determine whether you are a good credit recipient.
- **Only apply for credit that you need.** Credit scoring formulas look at your recent credit activity as a signal of your need for credit. If you apply for a lot of credit over a short period of time, it may appear to lenders that your economic circumstances have changed negatively.
- **Fact-check your credit reports.** If you spot suspected errors, dispute them. If you have old credit card accounts you are not using, keep an eye on them to make sure that an identity thief is not using them.



Section 4: Keep Debt Under Control

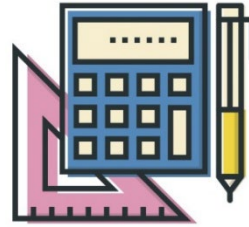


How Much Debt Is Too Much?

Even if you have a healthy income, you might have too much debt to keep up with your loan payments, or you might be paying a great deal in interest. To see if you have too much debt, you can calculate your **debt-to-income (DTI) ratio**. This is a comparison of your monthly debt and earnings. DTI is the percentage of your income before taxes, or gross monthly income, that you use to pay debt. You can calculate your DTI using the formula on the next page.

If your DTI is too high, you should examine your habits and experiences. Maybe you had to rely on credit cards for a while because you were unemployed. Or maybe you were sick and have large medical bills to pay.

You may have to examine your spending habits, such as restaurant dining, impulse buying, and shopping for unnecessary items. You can find free apps to help you keep track of every penny you spend. You can also create a budget to help you see how much you owe and find ways to save. A budget can help you pay down debt.



How to Make a Budget

How Much You Earn

The first step in making a budget is to add up how much you earn. You might be paid weekly, or biweekly, or on some other schedule, but a good number to focus on is a monthly amount. If your hours vary, look at the last six to twelve months and calculate your average monthly wages.

Also consider any other income you have, such as tips, commissions, occasional freelance work, interest earned on investments, as well as funds you receive from other sources such as family.

How Much You Spend

Next, figure out where your money goes. Track all of your daily expenses for a whole month—every cup of coffee and bus ticket. Write down what you spend every day and what it's for.

You can use a spreadsheet, keep a tally on your tablet or smartphone, or write everything in a notebook. You can use the budget worksheet on page 22 as a guide.



CALCULATE YOUR DTI

To calculate your DTI, add up your monthly payments. This includes mortgage payments or rent (and insurance and property taxes if you pay them), minimum monthly credit card payments, student and auto loans, and other debts.

Don't count other expenses including gas, groceries, utilities, and taxes.

Divide this debt total by your gross monthly income. This is the amount of money you are paid before taxes are taken out of it.

The DTI is the percentage of your gross income needed to cover your debt.

Lenders often look at DTI when they are considering offering a loan to a borrower—a lower DTI means you are less risky because you have less debt.

Many finance experts say that DTI should be no greater than 36%.

For example:

Rent	\$900	+
------	-------	---

Auto loan	\$380	+
-----------	-------	---

Credit card payments	<u>\$220</u>	+
----------------------	--------------	---

Monthly debt total:	=	\$1,500
---------------------	---	---------

Monthly gross income:	\$4,400
-----------------------	---------

\$1,500 divided by \$4,400 = 34% DTI



If you make your purchases using a debit card or a credit card, you can get a list of all of your purchases on your monthly statement.

The most important thing is to keep track of every single thing you spent money on.

Your expenses will fall into three categories:

1. Fixed needs
2. Variable needs
3. Wants

Fixed needs are necessary and are usually the same amount from month to month. They include expenses such as rent, phone bill, car payment, student loan payment, credit card payment, and electric bill.

Variable needs are also necessities but they are not the same from month to month. They include expenses such as gas, food, pet supplies, and necessary clothing.

Wants, on the other hand, are non-essential expenses. They might include meals at restaurants, movies, gym memberships, electronics, gifts, and unnecessary clothing.

Add the total amount of money you spend in a month on fixed needs, variable needs, and wants. Then subtract your monthly expenses from

your monthly earnings. If you have a surplus—money left over after your expenses—you are in good shape.

Financial Goals, should be part of your monthly budget too. If you haven't starting saving for your emergency fund, set aside some money each month and put it into savings. You can also set aside money each month for debt reduction.

If your expenses are greater than your earnings, however, you need to find ways to cut expenses or earn more money to cover them.

Start by looking at your wants, and see if you can reduce spending there. You may be able to spend less on needs as well, such as saving on groceries, finding a better rate for utilities or cell phones, or getting rid of a vehicle if you can use public transportation instead.

Look at your spending habits. How and when did you spend your money all month? Are you spending too much going out to lunch every day? It takes work, but the savings you get from bringing your lunch from home can really add up. Any way you can save money on expenses can help you keep debt under control.

There's another guide in this series, *How to Make and Stick to a Budget*, that can help you get your monthly budget in order.



BUDGET WORKSHEET

Month/Year: _____

Monthly Income

Wages	
Tips	
Other Income	
TOTAL MONTHLY INCOME	

Monthly Expenses

HOUSING

Mortgage/Rent	
Utilities (Electricity/Water)	
Internet	
Insurance (Homeowner's, Renters, etc.)	
Loan Payments	
Other Housing Expenses (Cable, Streaming, etc.)	

FOOD

Groceries/Household Supplies	
Restaurant and Other Food	

TRANSPORTATION

Public Transportation	
Vehicle Loan	
Gas for Personal Vehicle	
Parking, Tolls, etc.	
Maintenance & Supplies (oil, etc.)	

HEALTH

Vehicle Insurance	
Health Insurance	
Medicine/Prescriptions	
Other (Dental, Vision, Copays)	

PERSONAL

Childcare or Support	
Other Family Support	
Laundry	
Clothing, Shoes, etc.	
Charitable Gifts, Donations, etc.	
Entertainment (Movies, etc.)	
Other (Haircuts, etc.)	

DEBT & FINANCE

Debt (Credit Cards, etc.)	
Student Loans or Other Debts	
Fees (Bank, Credit Card, Debit)	
Prepaid Cards, Phone Cards, etc.	

FINANCIAL GOALS

Add to Emergency Fund	
Payments to Reduce Debt	
Other Financial Goals	

TOTAL MONTHLY EXPENSES

TOTAL MONTHLY INCOME	
subtract your TOTAL MONTHLY EXPENSES	





Put Aside Money for Emergencies

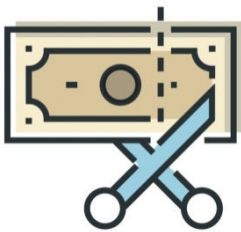
Even if you are working toward reducing your debt, try to put a small amount aside each month into savings. Once you have your debt under control, you can focus more attention on building up your savings.

Having an emergency fund will help you avoid adding to your debt in the case of a financial emergency. Your car might break down, or you might have to miss work for a week because

of an illness. If you have an emergency fund, you won't have to pay for these things with a credit card, which would add to your debt and increase the amount you pay in interest and fees.

Some banks offer a "rounding up" program that allows you to round up your purchases to the next dollar, and then puts the extra money into your savings account. That can be an easy, and painless, way to start putting money aside for an emergency fund.

Section 5: How to Get Out of Debt



Take Steps to Reduce Debt

If reducing your debt is part of your financial goals, here are some strategies to help you meet your goals and pay off your debt.

The Debt Avalanche Method

This method focuses on paying off your highest interest debt first.

- Make a list of monthly debts, including student and car loans, credit cards, and mortgage. List them in order by their interest rate.

- Make a monthly budget to determine how much you can afford to pay toward your debt. You'll want to pay as much as you can to bring down your debt.
- Continue to pay all your debts, because if you miss payments, you may be charged fees and even higher interest rates.
- Pay as much as you can on the debt with the highest interest rate. To help you do this, pay the minimum amounts due on other debts.



- After you pay your highest interest debt off, move on to the debt with the next-highest interest rate and pay that down. Keep paying as much as you can each month toward bringing your debt down.
- Move down the line until you have paid off your debts.
- This method gives you a smaller, more achievable goal that you can celebrate sooner. That might give you the incentive you need to keep paying off your debt.

Whether you use the debt snowball method or the debt avalanche method, use the following steps to maximize your efforts.

The Debt Snowball Method

This method focuses on paying off your smallest debts first.

- Make a list of monthly debts, including student and car loans, credit cards, and mortgage. List them in order by the amount you need to pay back.
- Make a monthly budget to determine how much you can afford to pay toward your debt. You'll want to pay as much as you can to bring down your debt.
- Continue to pay all your debts, because if you miss payments, you may be charged fees and even higher interest rates.
- Order your debts by size, regardless of interest rate. Pay off the smallest debt while making minimum payments on the rest of your debts.
- As you pay off each card, close it or stop using it, so you're not incurring new debt.
- Avoid using credit cards for new purchases. Put your credit cards away until you have paid off your debt. If you continue to add new charges to your credit card debt, it is unlikely that you will pay it off.
- If you get a raise, increase your debt payments instead of increasing your spending.
- Don't use all of your savings to pay off debt. You'll want to keep a small amount of savings on hand in the event of an unforeseen emergency. Savings will prevent you from having to charge these emergencies to your credit card.
- Call the bank that issues your credit card and ask them to



lower your interest rate. There is a good chance that they will agree, especially if you are aggressively paying off the balance.

- You may also want to consider balance transfer offers to credit cards with lower interest rates or a debt consolidation loan.
- When you receive extra money, like a bonus or an income-tax refund, use it to pay off debt or add it to your savings, rather than paying for a vacation or other splurge.



Ways to Earn More Money

Adding some extra income can go a long way toward paying off your debt.

- Develop a side business, like dog walking, house cleaning, or babysitting. If you have a special talent, put it to work for you.
- Get a part-time job. Drive for Uber or Lyft. Deliver for Uber Eats or DoorDash. Pick up a weekend or a night shift to earn extra money.

- Sell unwanted items on Craigslist, eBay, or Facebook Marketplace.
- If you have a closet full of clothes that you don't wear or they don't fit any more, sell them. Check out some online thrift stores like ThredUP, Poshmark, and TheRealReal.
- Have a crafting hobby? Sell crafts and other homemade items on Etsy.
- Rent your spare room on AirBnB.
- Have a garage sale.
- If you have graphic design or other technical skills, explore gig assignments on Upwork and Fiverr.



Ways to Save

The more you save, the more you can use to pay off debt or avoid incurring additional debt.

Some big savings could come from selling your car and using public transportation instead, finding a less-expensive apartment or house, or getting a roommate to share living expenses if your lease allows. In some



areas, you may be able to share a car or pay to use a car only when you need to. You may find a lower-cost insurance plan.

In addition to these big decisions, you may be able to save money in other areas of your life as well.

If you use a debit card, you could be paying fees per transaction. Find out if your financial institution limits your free monthly uses of the card. You may want to consider withdrawing the cash you will be using from each paycheck in one transaction rather than in several. Maybe you can use only automatic teller machines (ATM) owned by your bank or credit union.

Compare utility rates, and the rates for your internet and cell phone plans. You might find a lower rate by switching providers. Browse electricity rates in your area on websites such as <https://www.electricrate.com>. Be sure to check the terms of the rate, which may be for several months or a year, and look for any fees involved.

Another way to save on energy is to use less! Turn off the lights as you leave the room. Close the blinds and shades on hot days to keep your house cooler. A programmable thermostat can also help decrease your energy use when you're not home.

If you pay a monthly cell phone bill, consider how you use the phone.

If you pay for unlimited data but don't use much each month, or use the phone only for emergencies, you may save money with a pay-as-you-go plan.

Are you spending too much money on food? You can save on grocery bills by shopping at discount stores, clipping coupons, finding sales, and buying in bulk. Use your store's weekly sales circular to plan your meals for the week, and stick to your list—you will eliminate waste and avoid running out of food mid-week. Plan to use leftovers in another meal—grilled chicken can be dinner one day, and leftovers can be used on salad or in a casserole another day.

Use store rewards cards to take advantage of special offers and sales.



- Buy food that's on sale.
- Create a shopping list and stick to it.
- Plan your meals for the week, and use up leftovers.
- Compare unit prices to get the best deal.



Scan the shelves for the unit price of items—this allows you to compare costs of different sizes of items. If the unit price per ounce of a small package is higher than the unit price for larger packages, the small size is not the best price.

Larger packages of food usually cost less when you compare the unit price. But, make sure it's an amount you can use. Freeze or store what you won't use right away to make sure you don't have food waste.

Meat can be expensive so consider going meatless one or more days a week, or buy "family pack" sizes and portion into freezer bags and freeze for later use. Get your protein from less-expensive options, such as beans and lentils, eggs, cheese, seeds and nuts, and canned tuna.

Is your money disappearing into snack vending machines? Buy a large package of treats and divide it into individual portions. Buy bags of veggies and carry servings to work for a healthy snack.

Drink more water and less soda. A small bottle of water flavoring is a good buy if you don't like plain water because it will flavor many glasses or bottles of water for a fraction of the cost of flavored drinks.

Instead of stopping for daily coffees, buy a coffee maker and brew your own for much less—the money you

save in coffee shops will quickly pay for the new appliance.

If you spend a lot of money on entertainment, such as restaurant meals and movies, consider cutting back on going out.

- Find less-expensive places, or go out for lunch instead of dinner—the prices are usually lower for the same meals.
- You might try getting together with like-minded friends who also want to cut back on spending. Instead of dining out, dine in—organize a potluck night or serve an inexpensive meal, such as a casserole.
- Instead of going to an evening show, attend a movie matinee, when many theaters have a lower admission price. Some communities also have theaters that show second-run films, which may be less expensive.
- Call your theatre about unadvertised discounts. Many theatres offer discounts for seniors, young adults, and might even offer "pay what you can" discounts.
- Volunteer at local events. Many events and festivals offer free admission to volunteers.



- If you stream music, consider a less-costly streaming service.
- Try to make one day a week a “no spend day.” Have dinner at home, make it a game night, visit the local park or your public library, or try another free activity.
- Can you reduce your cable television package or find a new cable provider? Does a lower-cost streaming service offer shows or movies you like? Maybe you can eliminate the need for a subscription altogether—rent weekly movies or borrow them from a library. Many libraries now offer music and movie streaming services that you can use for free.



More Debt-Reducing Strategies

Balance Transfers

If you have a credit card that charges a very high interest rate, a **balance transfer** might be a good fit for you. You could apply for a new card that has a lower interest rate and transfer your debt from the old card to the new card. This can save you a lot of

money in interest charges and help you pay down your debt faster.

Keep in mind that you will usually be charged a fee when you transfer a balance from one card to another. That fee is generally 3% to 5% of the total that you transfer.

Your new credit card will probably have a credit limit, so keep that in mind when you transfer a balance. Make sure to add in the balance transfer fee before you transfer.

If you owe \$7,000 on one card, for example, and your credit limit on the new card is \$6,000 (including fees), you will still have to make payments on the remaining balance on your old card.

To maximize your savings, focus on transferring the balance from your highest-interest cards to your new credit card.

A balance transfer can do more than save you money on interest—it can simplify your life by eliminating the need to pay multiple bills.

The balance transfer card’s low interest rate may have a time limit, like six months or one year. Be sure you know the terms of the balance transfer and consider how much debt you can pay off before the rate increases. Find out what the regular interest rate will be after the introductory rate expires. The low



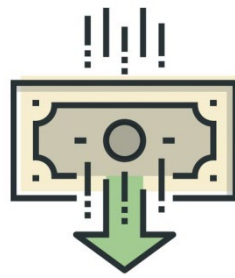
interest rate may not apply to new purchases you make on the card, although if your goal is to reduce debt you should avoid making new charges if at all possible.

A balance transfer, once accepted, usually pays the other credit card companies in one to two weeks. Even if you pay off your entire credit card debt using a balance transfer, your account does not automatically close. You must contact the creditor to close the credit card account, and should do so quickly to avoid the temptation to use it again.

Things to consider before deciding to get a new credit card to transfer a balance:

- Review the promotional period. If the 0% interest rate only lasts for six months, make sure it makes sense for your situation before proceeding.
- Check for balance transfer fees.
- Check if the credit card charges an annual fee.

Again, after you transfer your balance, close down your other account, so you are not tempted to continue using it.



Debt Consolidation

Debt consolidation is another way to reduce interest rates. Debt consolidation is taking out a new loan, at a lower interest rate, to pay off other debts. In addition to a lower rate, consolidation can help the debtor by allowing lower monthly payments that are easier to make, and thus simplifying the payment process. For example, instead of making three credit card payments and a car payment, you can make one payment to the new lender.

Other types of consolidation include home equity loans and lines of credit. The federal government offers consolidation for people with multiple student loans. Consolidation offers may be made by private companies and financial institutions including banks and credit unions. Secured loans require collateral, which is something the debtor owns that can be used to back the loan if they don't make the regular payments, such as a house or the title of a car. Secured loans usually have lower interest rates than unsecured debt consolidation loans and are often easier to qualify for. You may also qualify for a tax deduction for a secured loan, but if you fail to repay the loan you risk losing your collateral.





Debt-Relief Programs

Debt-relief programs may help you, but you may take a big hit at tax time. The government sees debt forgiveness as income, and you may have to pay taxes on the debt. If you don't pay taxes, you could be fined and charged interest too. If that happens, you may end up with bigger financial problems.

Carefully consider the consequences of debt-relief programs before going that route. You should also be sure you understand the terms of any agreements, such as any fees the agency may charge you. This might be a percentage of your payments, for example.



Personal Loans

You may look for a personal loan to consolidate debts such as credit cards.

A local bank or credit union might give you favorable terms on such a loan, if you qualify, with an interest rate that is much lower than your original debts. You may be able to reduce your monthly payments as well. Analyze the long-term cost of a personal loan to make sure it is in your best interest. Be sure you

understand the terms and what it will cost you.



Credit Counseling

A credit counselor can help you manage money and debt. There are nonprofit credit counseling organizations and private companies that provide counseling services. You may be able to find one through your financial institution, workplace, credit union, or school. However, even nonprofit groups may charge fees, so be aware of the cost of such services before enrolling.

Also ask about each counselor's certification and the type of training they've had. Credit counselors can help you create a budget and then stick to it.

This budget should include an analysis of your spending and suggestions of how you can save money or earn more income. They can help you assess your individual financial situation and develop a plan to avoid debt problems in the future.

The list of Credit Counselors Approved by the U.S. Department of Justice is included in the Appendix of this volume. Additional advice on choosing a reputable credit counselor is on the next page.



HOW TO CHOOSE A REPUTABLE CREDIT COUNSELOR

Here are some questions to ask to help you find the best counselor for you.

What services do you offer? Look for an organization that offers a range of services, including budget counseling, and savings and debt management classes. Avoid organizations that push a debt management plan (DMP) as your only option before they spend a significant amount of time analyzing your financial situation.

Do you offer information? Are educational materials available for free? Avoid organizations that charge for information.

In addition to helping me solve my immediate problem, will you help me develop a plan for avoiding problems in the future?

What are your fees? Are there set-up and/or monthly fees? Get a specific price quote in writing.

What if I can't afford to pay your fees or make contributions? If an organization won't help you because you can't afford to pay, look elsewhere for help.

Will I have a formal written agreement or contract with you? Don't sign anything without reading it first. Make sure all verbal promises are in writing.

Are you licensed to offer your services in my state?

What are the qualifications of your counselors? Are they accredited or certified by an outside organization? If so, by whom? If not, how are they trained? Try to use an organization whose counselors are trained by a non-affiliated party.

What assurance do I have that information about me (including my address, phone number, and financial information) will be kept confidential and secure?

How are your employees paid? Are they paid more if I sign up for certain services, if I pay a fee, or if I make a contribution to your organization? If the answer is yes, consider it a red flag and go elsewhere for help.

SOURCE: Federal Trade Commission

<https://consumer.ftc.gov/sites/default/files/articles/pdf/pdf-0040-choosing-a-credit-counselor.pdf>





Debt Management Plans

If you are more than \$3,000 in debt and are unable to repay what you owe, you might consider a debt management plan (DMP).

Before enrolling in a DMP, research the organization or business offering you the plan. For example, visit the Better Business Bureau website www.bbb.org to look for complaints.

The Federal Trade Commission offers advice on how to choose a credit counselor and evaluate a DMP at: <https://consumer.ftc.gov/sites/default/files/articles/pdf/pdf-0040-choosing-a-credit-counselor.pdf>. You can also review the Federal Trade Commission's list of approved credit counselors at the back of this volume.

Additionally, you can search for a certified credit counselor through the National Foundation for Credit Counseling at: <https://www.nfcc.org/resources/debt-management-plans/>. These organizations can set you up with a DMP by developing a payment schedule with your creditors.

The creditors may agree to certain terms, such as reduced interest rates or fees. You then deposit money with the credit counseling organization,

which makes the payments. You should be able to set up automatic transfer of the funds with your bank.

The payment plan should be on a timetable so you know at the start how long it will take to pay off your debt—terms are usually three to five years. Discuss with the counselor the types of debt that can be included—it may include student loans and medical bills as well as credit card debt. Make sure that the monthly payment is something you can afford before enrolling in a DMP.

DMPs have some drawbacks, however. You may be required to cut up credit cards and agree to avoid making any charges while you are enrolled—if so, you should have a plan to deal with any emergency that comes up, such as a medical bill or job loss. If you do not have any savings, will the payment plan allow you to put any money aside for emergencies?

If the credit counseling organization fails to make a payment, you are responsible and it will affect your credit report. Also, check your monthly statements carefully to ensure any rate changes have been applied. Make sure the statements from the creditors and credit counseling agency match up.

Participation in a DMP will appear on your credit record. If you drop out,



you will lose the repayment terms negotiated with your creditors, including interest rate reductions.

A DMP is one of three major types of debt consolidation. Others are debt consolidation loans and debt settlement.



Debt Settlement Companies

If you have a lot of credit card debt, a debt settlement company might seem like a good solution. The company negotiates a deal with your credit card companies, so that you only owe a fraction of your debt. Some things seem like they're too good to be true, and that can be the case with most debt settlement offers.

Debt settlement companies are usually for-profit companies. Agents will contact your credit card companies to negotiate a reduced debt with your creditors.

But, it's not that easy. When you enter into an agreement with a debt settlement company, they will set you up with a payment plan. You'll pay the debt settlement company an agreed upon amount each month.

These payments don't go to your creditors, instead they go into an escrow account managed by the debt settlement company. These payment plans can last for several months or for a few years, to allow the debt settlement company the time to negotiate with your creditors, and allow you to build up enough money in your escrow account to pay the negotiated settlement in one lump sum.

Typically, while all of this is happening, the debt settlement company will tell you not to pay your credit card bills. That means that you will have late payments on your credit report, you'll have late fees and penalties, and your credit card balances will continue to grow.

Credit card companies are not obligated to accept the offer that a debt settlement company provides. That means that you could have been paying into the escrow account for months and months, but if your credit card company does not accept the negotiated offer, you still owe them the original amount, plus interest, late payments, and fees. That means that you are in a worse financial position than where you started.

The debt settlement company will charge you fees for their services, though you should not have to pay fees until your debt has been settled.



Before entering into a debt settlement agreement, do your homework and be sure you understand the terms and read the contract carefully.

Using a debt settlement company has some major drawbacks. Your participation remains on your credit report for seven years and can have a big effect on your credit score. The Internal Revenue Service (IRS) often classifies forgiven debt as income, so you may be burdened with a large income tax payment.

Debt settlement programs may work for credit card debt and other unsecured debt through private lenders, but these programs are not accepted for some debt, such as student loans.

Beware of debt settlement scammers when you're shopping for debt relief services. You'll find more information about how to spot a scam starting on page 38.



Dealing with Debt Collectors

If you're having a hard time paying your bills, don't skip payments. Contact your creditors and let them know that you are having trouble. They may work out a payment plan with you, or let you pay less than your minimum due until you're back on your feet. The worst thing you can do is to just stop paying your bills.

If you don't pay your bills or work out a payment plan with your creditor, your account may be turned over to a debt collector or a collection agency. These are companies or law firms who specialize in collecting money for unpaid debts.

Dealing with debt collectors can be very stressful. The Federal Trade Commission² has put together this guidance to help you deal with debt collectors.

If your debt has gone to a debt collector:

You may want to talk to the collector at least once, even if you don't think you owe the debt or can't repay it immediately. That way, you can find out more information about the debt and confirm whether it's really yours.

² <https://consumer.ftc.gov/articles/how-get-out-debt#Other%20Debt%20Relief%20Services>



When talking with a debt collector, be careful about sharing your personal or financial information, especially if you're not already familiar with the collector. Not everyone who calls saying that you owe a debt is a real debt collector. Some are scammers who are just trying to take your money.

A collector has to give you "validation information" about the debt. They either have to do that during the collector's first phone call with you or in writing within five days after first contacting you.

The collector has to tell you

- how much money you owe
- the name of the creditor you owe it to
- how to get the name of the original creditor, and
- what to do if you don't think it's your debt

You also can get a collector to stop contacting you, at any time, by sending a letter by mail asking for contact to stop.

Collectors can't harass you. For example, collectors

- can't threaten to hurt you

- may not use obscene or profane language
- can't repeatedly use the phone to annoy or harass you

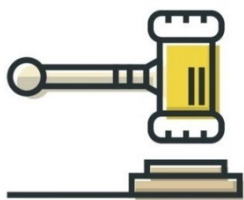
Collectors can't lie. For example, collectors

- cannot tell you that you owe a different amount than what you actually owe
- may not pretend to be an attorney or from the government
- can't tell you that you'll be arrested, or claim they'll take legal action against you if it's not true

Collectors can't treat you unfairly. For example, collectors

- may not try to collect interest, fees, or other charges on top of the amount you owe, unless the original contract says they can or there is a law allowing it
- can't deposit a post-dated check early
- cannot publicly reveal your debts, including by sending postcards showing that you owe money or putting that information on envelopes





Bankruptcy

You may have looked at all the numbers—your

income, loans, and bills—and just can't figure out a way to pay your bills and get out of debt. If you can't find any way to pay off debt, either through budgeting or debt-reduction options, you may have to think about bankruptcy.

Bankruptcy is a legal status. Personal bankruptcy can clear your slate of most debt. It may stop wage garnishment (when the government has your employer withhold some of your pay) and foreclosure.

Experts say bankruptcy offers the most help to those with more than \$15,000 in debt. Keep in mind that bankruptcy has some severe drawbacks. Filing bankruptcy will usually cost money, because you will most likely need to hire a bankruptcy lawyer.

The American Bar Association may be able to help if you are unable to afford a lawyer. Visit www.americanbar.org/groups/legal_services/flh-home/ for more information.

Bankruptcy will remain on your credit report for **seven to ten years**. It will have a negative impact on your credit in the future.

Bankruptcy cannot discharge some types of debt, including alimony, child support, debt incurred after filing for bankruptcy, some student loans, and some taxes. It also cannot discharge debt from personal injury to another person caused by the debtor (such as driving under the influence), and offers no protection to cosigners of your debts.

Some forms of bankruptcy are for businesses or municipalities and others are for individuals and couples.

Chapter 7 bankruptcy is the most common chapter of personal bankruptcy. It remains on your credit report for ten years. Under Chapter 7, some of your property is sold and the proceeds are used to pay creditors.

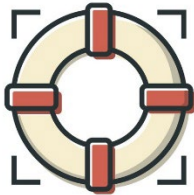
Chapter 13 bankruptcy remains on your credit report for seven years. It is the second-most-common chapter of bankruptcy under which people file. Chapter 13 allows individuals with regular incomes to have their debts adjusted and pay the debts over a period of time under this plan, usually three to five years.

Most debtors are required to undergo credit counseling before filing for bankruptcy. Some property, such as a primary home, may be exempt from sale to settle debts. The court may deny a debtor a discharge for several reasons, including if the debtor withholds information about finances,



conceals or fraudulently transfers property, or commits perjury (lies under oath).

Section 6: Debt Relief Scams & Predatory Lending Practices



How to Avoid Scams

Scammers prey on people who are in stressful situations. Having financial difficulties is incredibly stressful, so that makes people who are shopping for debt relief services vulnerable to scams.

If you are shopping for debt relief services, be aware that scammers are out there. If someone calls you trying to collect a debt, make sure that they're legitimate. Don't give out financial information over the phone. Instead, take their information and call your creditor, using the toll-free number posted on their website. You can ask if your account has been turned over to collections and how to reach the collection agency.



Payday Loans

Payday loans are short-term loans that are due on your next

payday. These are usually for small amounts (often less than \$500). To get the loan you must give the lender access to your checking account or give the lender a check in advance for the full balance, which the lender is able to deposit when the loan comes due.

The terms of these loans vary with the lender. The loans may be due in one lump-sum payment, or paid in small installments over time. The lender may give the borrower cash, a check, or a prepaid debit card, or deposit the money electronically into your checking account.

Both the amount you can borrow and the fees charged may be subject to state laws. The finance charge, or cost of the loan, varies. It could be \$10 to \$30 for every \$100 borrowed. When you do the math, these high finance



DEBT SETTLEMENT SCAMS

What are some signs you're dealing with a debt settlement scam? Spot and avoid scam debt settlement or debt relief organizations — whether they're offering credit counseling, debt settlement, or any other service.

Never pay any group that tries to collect fees from you before it settles any of your debts or enters you into a debt management plan.

- No legitimate organization will guarantee to settle all of your debts or get you fast loan forgiveness.
- No legitimate organization tries to enroll you in its program without first reviewing your financial situation.
- No legitimate organization will guarantee you results from a "new government program."
- No legitimate organization tells you to stop communicating with your creditors without explaining the serious consequences.
- No legitimate organization tells you it can stop all debt collection calls and lawsuits.

To learn more about the companies you're considering, search online for the company's name, plus "complaint" or "review." Read what others have said. Also check out any company you're considering with your state attorney general and local consumer protection agency.

SOURCE: Federal Trade Commission,
<https://consumer.ftc.gov/articles/how-get-out-debt>



charges are the same as an annual percentage rate (APR) of 300% to 600%. Yikes! As a comparison, credit card APRs range from 12% to 30%.



Predatory Lending Practices

Some payday loans are considered predatory lending practices, because the borrower can't afford to pay them.

Predatory lending is any practice that inflicts abusive or unfair loan terms on a borrower, or uses coercive, deceptive, exploitative, or unscrupulous actions to persuade a borrower to accept the terms for a loan the borrower can't afford or doesn't need or want. Many include high fees and costs, such as document preparation charges that are not clearly explained or found buried in the fine print.

Predatory lenders often target people who are poor, uneducated, or desperate—for example, someone who has no way to pay the bill for a car or home repair or a medical emergency. Many people with poor credit who cannot qualify for lines of credit with a bank or other traditional sources fall victim to predatory lending practices.

Many people have lost their homes when they were unable to pay mortgages secured through predatory lending practices. For example, a loan servicer refinances a mortgage with a new loan, called a balloon mortgage. The balloon mortgage has lower payments at first. But, later, the payments grow larger and larger, until the borrower can no longer make them. The lender then may offer another refinance, with high fees and interest. This is an example of how people can be trapped in a debt cycle.

Car title loans are common risky short-term loans. A borrower gets a small loan for a short time, pays a fee to the lender, and gives the lender the title to a vehicle. If the borrower is unable to repay the loan, the lender can take possession of the vehicle.

Always be cautious when considering any loan. Short-term loans can be particularly expensive. Instead, if you are faced with an unexpected debt, consider applying for a small loan from a credit union or other traditional financial institution or use a credit card.

The terms of traditional loans are usually better, with lower interest rates. You may also be able to borrow money from family and friends. Repay the debt as quickly as possible, and focus on building up some savings for future emergencies.



Section 7: Student Loan Debt



Student Loans

Student loans may be federal or private, and some have unique terms.

If you have difficulty paying your student loans, you should contact the loan servicer and discuss your situation.

Ask about changing your repayment plan or seeking temporary relief from making payments. However, such changes may incur interest and even fees for some loans.

If you are heading to college and want to explore your financing options, a great deal of information about student loans is available through the U.S. Department of Education at: <https://studentaid.gov>.

You can also consult another guide in this series, *Calculating the Cost of College & Understanding Student Loans*, for more information.

The following information outlines your options if you are having trouble making your student loan payments.



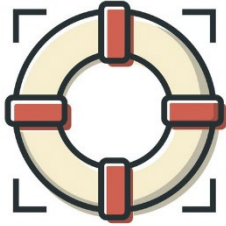
Student Loan Consolidations

You may be able to consolidate several federal student loans with a direct consolidation loan.

This allows you to pay off your student loans and instead make one monthly payment on the new loan. This process does not require you to pay a fee. Always carefully consider the terms of a consolidation. You may be able to negotiate lower monthly payments, though you may significantly extend the time you spend paying off the debt. This could mean you will pay more interest.

Compare your current terms to any offer and be sure you understand the interest rate of the new, consolidated loan. You may also have enjoyed some borrower benefits with your original loans—such as interest rate discounts, principal rebates, and loan cancellation benefits—that you will lose if you consolidate.





Student Loan Deferment & Forbearance

If you are temporarily experiencing financial problems, you might instead consider a deferment or forbearance.

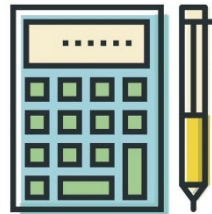
Deferment is a period when repayment of the loan principal and interest are temporarily delayed. You may not have to pay additional interest, depending on the loan.

You can learn more about the terms and qualifications for various types of loans at:

<https://studentaid.gov/manage-loans/lower-payments/get-temporary-relief/deferment>.

If you don't qualify for a deferment, you may be able to qualify for **forbearance**. This allows you to stop making payments, or reduce the size of your payments, for up to a year. You will still be charged the interest on the debt. The lender may grant discretionary forbearance in cases of financial hardship or illness. You may receive mandatory forbearance in some situations, including participation in a medical or dental internship or residency program, being a member of the National Guard who has been activated by a governor, and seeking teacher loan forgiveness by performing a qualifying teaching service.

You can learn more about student loan forbearance at <https://studentaid.gov/manage-loans/lower-payments/get-temporary-relief/forbearance>.



Income-Based Repayment Plans

If you are not making enough money to repay your student loans, you may be eligible for an income-based repayment (IBR) plan. This means the amount you pay is based on the amount you earn and, if you have children, the size of your family.

Contact your loan servicer to find out about this plan and visit the following for more information:

<https://studentaid.gov/idr/>.

The Department of Education makes a Loan Simulator available so you can compare what your monthly payment would be under all of these types of repayment plans. You can estimate your payments using the calculator at: <https://studentaid.gov/loan-simulator>.

New Income-Based Repayment Plans for 2026

Federal student loan repayment plans are undergoing significant changes, particularly regarding Income-Based Repayment (IBR) due to recent legislation and court action.



These new rules will go into effect for new borrowers after July 1, 2026. On that date, the SAVE plan will be eliminated for new borrowers. IBR plans will be modified and a new Repayment Assistance Plan (RAP) will be introduced.

Borrowers who take out new federal loans or consolidate existing ones on or after July 1, 2026, will no longer be eligible for the SAVE, PAYE, or old IBR plans. Their income-based options will be limited to the new Repayment Assistance Plan (RAP).



Student Loan Debt Forgiveness

Some student loans may be cancelled or forgiven in some circumstances.

The Federal Student Aid office provides this list of the types of student loan forgiveness, cancellation, and discharge:

- **Public Service Loan Forgiveness (PSLF):** for people employed by a government or not-for-profit organization.
- **Teacher Loan Forgiveness:** for teachers who teach full-time for five years in a low-income school.
- **Income-Driven Repayment (IDR) Plans:** you may be eligible for income-driven repayment loan forgiveness if you've been in repayment for 20 or 25 years.
- **Closed School Discharge:** for students whose school closed while they were enrolled or soon after withdrawal.
- **Perkins Loan Cancellation and Discharge:** eligibility is based on your employment or volunteer service.
- **Total and Permanent Disability Discharge:** for people who are totally and permanently disabled.
- **Discharge Due to Death:** loans can be discharged due to the death of the borrower or of the student for which the loan was taken.
- **Borrower Defense to Repayment:** for people who were misled by their school, or their school engaged in misconduct.
- **False Certification Discharge:** if your school falsely certified your eligibility to receive a loan.
- **Unpaid Refund Discharge:** if you withdrew from school and



the school didn't make a required return of loan funds to the loan servicer.

- **Forgery Discharge:** if you believe you were the victim of forgery, you might be eligible for a discharge of loans fraudulently made in your name.

Visit <https://studentaid.gov/manage-loans/forgiveness-cancellation> more information and eligibility requirements for each of these types of loan forgiveness, cancelation, and discharge.





Appendices

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List of Approved Credit Counseling Agencies by the U.S. Department of Justice

(updated as of September 17, 2025)

\$\$\$\$\$0\$ BK Class, Inc.

2711 E. Melrose Street Gilbert, AZ 85297

877-376-7122

www.myonlinebankruptcyclass.com

Provides Services via: Internet

Languages:

Operates in: AK AR AZ CA CO CT DC DE FL GA GU HI IA ID IL IN KS KY LA MA MD
ME MI MN MO MP MS MT ND NE NH NJ NM NV NY OH OK OR PA PR RI SC SD
TN TX UT VA VI VT WA WI WV WY

\$\$\$\$\$Simple Class, Inc.

304 S. Jones Boulevard Suite 1027 Las Vegas, NV 89107

866-742-6259

www.simpleclass.net

Provides Services via: Internet

Languages:

Operates in: AK AR AZ CA CO CT DC DE FL GA GU HI IA ID IN KS KY LA MD ME MI
MN MO MP MS MT ND NE NH NJ NM NV NY OH OK PA PR RI SC SD TN TX UT
VA VI VT WA WI WV WY

001 Debtorcc, Inc.

378 Summit Avenue Jersey City, NJ 07306

1-800-610-3920

www.debtorcc.org

Provides Services via: Internet

Languages: Spanish

Operates in: AK AR AZ CA CO CT DC DE FL GA GU HI IA ID IL IN KS KY LA MA MD
ME MI MN MO MP MS MT ND NE NH NJ NM NV NY OH OK OR PA PR RI SC SD
TN TX UT VA VI VT WA WI WV WY

1\$ Wiser Consumer Education, Inc.

1400 Preston Road Suite 499 Plano, TX 75093

877-274-9479

www.1dollarwiser.com

Provides Services via: Internet, Telephone

Languages: Spanish

Operates in: AK AR AZ CA CO CT DC DE FL GA GU HI IA ID IL IN KS KY LA MA MD
ME MI MN MO MP MS MT ND NE NH NJ NM NV NY OH OK OR PA PR RI SC SD
TN TX UT VA VI VT WA WI WV WY



123 Credit Counselors, Inc

6303 Blue Lagoon Dr, Ste 400 Miami, FL 33126

(888)412-2123

www.a123cc.org

Provides Services via: Internet, Telephone

Languages: Spanish

Operates in: AK AR AZ CA CO CT DC DE FL GA GU HI IA ID IL IN KS KY LA MA MD
ME MI MN MO MP MS MT ND NE NH NJ NM NV NY OH OK OR PA PR RI SC SD
TN TX UT VA VI VT WA WI WV WY

A Debt Coach Credit Counseling Service, Inc.

71 Cavalier Blvd. Suite 224 Florence, KY 41042

888-767-9155

<https://adebtcoach.org>

Provides Services via: Internet, Telephone, In Person

Languages: Spanish

Operates in: AR CA FL GA HI KY LA MO NE OH TX VA WA

Abacus Credit Counseling

17337 Ventura Boulevard Suite 205 Encino, CA 91316

800-516-3834

www.abacuscc.org

Provides Services via: Internet, Telephone

Languages: Spanish

Operates in: AK AR AZ CA CO CT DC DE FL GA GU HI IA ID IL IN KS KY LA MA MD
ME MI MN MO MP MS MT ND NE NH NJ NM NV NY OH OK OR PA PR RI SC SD
TN TX UT VA VI VT WA WI WV WY

Access Counseling, Inc.

633 W. 5th Street Suite 26001 Los Angeles , CA 90071

800-205-9297

www.accesscounselinginc.org

Provides Services via: Internet, Telephone

Languages: Spanish

Operates in: AK AR AZ CA CO CT DC DE FL GA GU HI IA ID IL IN KS KY LA MA MD
ME MI MN MO MP MS MT ND NE NH NJ NM NV NY OH OK OR PA PR RI SC SD
TN TX UT VA VI VT WA WI WV WY

Advantage Credit Counseling Service, Inc.

2403 Sidney Street, Suite 250 Pittsburgh, PA 15203

888-511-2227

www.advantageccs.org

Provides Services via: Internet, Telephone, In Person

Languages:

Operates in: AK AR CA CT DC FL GA HI IA ID IL IN KS KY LA MA MD ME MI MN MO
MS ND NE NH NJ NM NY OH OK PA SC SD TN TX VA VT WA WI WV WY



Allen Credit and Debt Counseling Agency

800 Dakota Ave. North Huron, SD 57350

888-415-8173

www.acdcas.com

Provides Services via: Internet, Telephone, In Person

Languages: Spanish

Operates in: AK AR AZ CA CO CT DC DE FL GA GU HI IA ID IL IN KS KY LA MA MD
ME MI MN MO MP MS MT ND NE NH NJ NM NV NY OH OK OR PA PR RI SC SD
TN TX UT VA VI VT WA WI WV WY

American Consumer Credit Counseling, Inc.

130 Rumford Avenue Suite 202 Auburndale, MA 02466

866-826-6924

www.ConsumerCredit.org

Provides Services via: Internet, Telephone, In Person

Languages: Spanish

Operates in: AK AR AZ CA CO CT DC DE FL GA GU HI IA ID IL IN KS KY LA MA MD
ME MI MN MO MP MS MT ND NE NH NJ NM NV NY OH OK OR PA PR RI SC SD
TN TX UT VA VI VT WA WI WV WY

American Financial Solutions of North Seattle Community Coll

600 University Street Suite 2409 Seattle, WA 98101

800-894-7240

www.myfinancialgoals.org

Provides Services via: Internet, Telephone, In Person

Languages: Spanish

Operates in: AK AR AZ CA CO CT DC DE FL GA HI IA ID IL IN KS KY LA MA MD ME MI
MN MO MS MT ND NE NH NJ NM NV NY OH OK OR PA RI SC SD TN TX UT VA
VT WA WI WV WY

American Pacific Financial Services Corp.

30021 Tomas St. Suite 300 Rancho Santa Margarita, CA 92688

800-682-4007

www.apfsc.org

Provides Services via: Internet

Languages:

Operates in: AK AR AZ CA CO CT DC DE FL GA GU HI IA ID IL IN KS KY LA MA MD
ME MI MN MO MP MS MT ND NE NH NJ NM NV NY OH OK OR PA PR RI SC SD
TN TX UT VA VI VT WA WI WV WY

Black Hills Children's Ranch, Inc.

3620 Homestead Street, Suite 1 Rapid City, SD 57703

605-348-1608

www.pioneercredit.com

Provides Services via: Internet, Telephone, In Person

Languages: Spanish

Operates in: AK AR AZ CA CO CT DC DE FL GA GU HI IA ID IL IN KS KY LA MA MD
ME MI MN MO MP MS MT ND NE NH NJ NM NV NY OH OK OR PA PR RI SC SD
TN TX UT VA VI VT WA WI WV WY



Cambridge Credit Counseling Corp.

67 Hunt Street Agawam, MA 01001-1920

800-403-3433

www.cambridge-credit.org

Provides Services via: Internet, Telephone, In Person

Languages:

Operates in: AK AR AZ CA CO CT DC DE FL GA HI IA ID IL IN KS KY LA MA MD ME MI
MN MO MS MT ND NE NH NJ NM NV NY OH OK OR PA RI SC SD TN TX UT VA
VI VT WA WI WV WY

Catholic Charities of the Diocese of Green Bay, Inc.

1825 Riverside Drive Green Bay, WI 54301

920-272-8234

<https://catholiccharitiesgb.org/>

Provides Services via: In Person

Languages: Spanish

Operates in: WI

CC Advising, Inc.

721 Washington Ave Suite 305 Bay City, MI 48708-5724

1-855-980-6690

www.ccadvising.com

Provides Services via: Internet

Languages: Russian; Spanish

Operates in: AK AR AZ CA CO CT DC DE FL GA GU HI IA ID IL IN KS KY LA MA MD
ME MI MN MO MP MS MT ND NE NH NJ NM NV NY OH OK OR PA PR RI SC SD
TN TX UT VA VI VT WA WI WV WY

CCCS of Huntington, A Division of Good Will Industries, Inc.

1102 Memorial Blvd Huntington, WV 25701

304-522-4321

www.goodwillhunting.org

Provides Services via: Telephone, In Person

Languages:

Operates in: KY OH WV

Chautauqua Opportunities, Inc.

17 West Courtney Street Dunkirk, NY 14048

716-366-3333

www.chautauquaopportunities.com

Provides Services via: In Person, Telephone

Languages:

Operates in: NY

Christian Credit Counselors, Inc.

5838 Edison Place Suite 130 Carlsbad, CA 92008

760-804-8515

www.christiancreditcounselors.org

Provides Services via: In Person

Languages: Spanish

Operates in: CA



Consolidated Credit Counseling Services, Inc.

5701 West Sunrise Blvd #200 Ft. Lauderdale, FL 33313

1-800-728-3632

www.consolidatedcreditcounselingservices.org

Provides Services via: In Person

Languages: Spanish

Operates in: FL

Consumer Credit Counseling of the Heartland, Inc.

1515 S. Glenstone Ave Springfield, MO 65804

417-889-7474

<https://cccsoftheheartland.org>

Provides Services via: In Person, Internet, Telephone

Languages: Spanish

Operates in: KS MO

Consumer Credit Counseling Service of Northern Illinois, Inc

13707 W. Jackson Street, Suite B Woodstock, IL 60098

815-338-5757

www.illinoiscccs.org

Provides Services via: Internet, Telephone, In Person

Languages: Spanish

Operates in: IL

Consumer Credit Counseling Service of Puerto Rico, Inc.

1607 Ponce de Leon Ave. Cobian's Plaza, Bldg. Suite UM-5 Santurce, PR 00909

787-722-8835

www.consumerpr.org; www.floridaconsumercredit.org

Provides Services via: In Person, Internet, Telephone

Languages: Spanish

Operates in: FL PR

Consumer Credit Counseling Service of Rochester, Inc.

1050 University Avenue Suite A Rochester, NY 14607

585-546-3440

www.cccsofrochester.org; www.RethinkingDebt.org; www.cccsofchattanooga.org; www.cccsofiowa.org

Provides Services via: Internet, Telephone, In Person

Languages: American Sign Language; Spanish

Operates in: CT FL GA IA IL IN MA MD MI MN ND NH NJ NY OH PA SC TN VA VT

Consumer Credit Counseling Service of Southern Oregon, Inc.

820 Crater Lake Ave Suite 202 Medford, OR 97504

541-779-2273

www.improvedcredit.org

Provides Services via: Internet, Telephone, In Person

Languages:

Operates in: CA OR



Consumer Credit Counseling Service of the Mid-Ohio Valley, I

2435 Dudley Avenue Parkersburg, WV 26101

304-485-3141

www.wvcccs.org

Provides Services via: Internet, Telephone, In Person

Languages:

Operates in: OH WV

Consumer Credit Counseling Service of the Midwest, Inc. dba

700 Taylor Rd. Suite 190 Gahanna, OH 43230

800-355-2227

www.apprisen.com

Provides Services via: Internet, Telephone, In Person

Languages: Spanish

Operates in: AK AR AZ CA CO CT DC DE FL GA HI IA ID IL IN KS KY LA MA MD ME MI
MN MO MS MT ND NE NH NJ NM NV NY OH OK OR PA RI SC SD TN TX UT VA
VT WA WI WV WY

Consumer Credit Counseling Service of the Savannah Area, Inc

7505 Waters Avenue Suite C-11 Savannah, GA 31406

912-691-2227

www.cccssavannah.org

Provides Services via: Telephone, In Person

Languages: Spanish

Operates in: GA SC

Consumer Credit of Des Moines

6129 SW 63rd Street Des Moines, IA 50321

515-287-6428

www.consumercredit-dm.com

Provides Services via: Internet, Telephone, In Person

Languages:

Operates in: IA MN

Consumer Debt Counselors, Inc.

831 W. Morse Blvd Winter Park, FL 32789

800-820-9232

<https://consumerdebtcounselors.org>

Provides Services via: Internet

Languages:

Operates in: CA FL GA IL LA MO MS NJ NY PA TN TX WA WV WY

Credit Advisors Foundation

1818 South 72nd Street Omaha, NE 68124

402-393-3100

www.creditadvisors.org; www.yourbankruptcypartner.com

Provides Services via: Internet, Telephone, In Person

Languages: Korean; Spanish; Thai

Operates in: AK AR AZ CA CO CT DC DE FL GA GU HI IA ID IL IN KS KY LA MA MD
ME MI MN MO MP MS MT ND NE NH NJ NM NV NY OH OK OR PA PR RI SC SD
TN TX UT VA VI VT WA WI WV WY



Credit Card Management Services, Inc. d/b/a Debthelper.com

1325 N. Congress Ave. #201 West Palm Beach, FL 33401

800-920-2262

www.debthelper.com

Provides Services via: Internet, Telephone

Languages: Spanish

Operates in: AK AR AZ CA CO CT DC DE FL GA GU HI IA ID IL IN KS KY LA MA MD
ME MI MN MO MP MS MT ND NE NH NJ NM NV NY OH OK OR PA PR RI SC SD
TN TX UT VA VI VT WA WI WV WY

Credit Counseling Center

832 Second Street Pike Richboro, PA 18954

833-838-1160

www.creditcounselingcenter.org

Provides Services via: Internet, Telephone, In Person

Languages: Spanish

Operates in: AK AR AZ CA CO CT DC DE FL GA GU HI IA ID IL IN KS KY LA MA MD
ME MI MN MO MP MS MT ND NE NH NJ NM NV NY OH OK OR PA PR RI SC SD
TN TX UT VA VI VT WA WI WV WY

Credit Counseling of Arkansas, Inc.

1111 Zion Road Fayetteville, AR 72703

479-521-8877

www.ccoacares.com

Provides Services via: Telephone, In Person

Languages: Spanish; Marshallese

Operates in: AR MO OK

Cricket Debt Counseling

219 SW Stark Street Suite 200 Portland, OR 97204

503-353-0400

www.cricketdebt.com

Provides Services via: Internet, Telephone

Languages: Spanish

Operates in: AK AR AZ CA CO CT DC DE FL GA GU HI IA ID IL IN KS KY LA MA MD
ME MI MN MO MP MS MT ND NE NH NJ NM NV NY OH OK OR PA PR RI SC SD
TN TX UT VA VI VT WA WI WV WY

Debt Education and Certification Foundation

114 Goliad Street Benbrook, TX 76126

866-859-7323

www.bkcert.com

Provides Services via: Internet, Telephone

Languages: American Sign Language; Arabic; Armenian; Bosnian/Croatian/Serbian;
Chinese; Chinese, Hakka; Chinese, Mandarin; Chinese, Min Nan/Taiwanese; Chinese, Wu;
Chinese, Xiang; Chinese, Yue/Cantonese; Chuukese; Creole; Dutch; Farsi (Persian);
French; German; Greek

Operates in: AK AR AZ CA CO CT DC DE FL GA GU HI IA ID IL IN KS KY LA MA MD
ME MI MN MO MP MS MT ND NE NH NJ NM NV NY OH OK OR PA PR RI SC SD
TN TX UT VA VI VT WA WI WV WY



Debt Management Credit Counseling Corp.

1330 SE 4th Avenue Suite F Fort Lauderdale, FL 33316

954-418-1466

www.dmcccorp.org

Provides Services via: Internet, Telephone, In Person

Languages: Spanish

Operates in: AK AR AZ CA CO CT DC DE FL GA GU HI IA ID IL IN KS KY LA MA MD
ME MI MN MO MP MS MT ND NE NH NJ NM NV NY OH OK OR PA PR RI SC SD
TN TX UT VA VI VT WA WI WV WY

Debt Reduction Services, Inc.

6213 N. Cloverdale Road Suite 100 Boise, ID 83713

208-378-0200

www.debtredutionservices.org

Provides Services via: Internet

Languages: Spanish

Operates in: AK AR AZ CA CO CT DC DE FL GA HI IA ID IL IN KS KY LA MA MD ME MI
MN MO MS MT ND NE NH NJ NM NV NY OH OK OR PA RI SC SD TN TX UT VA
VT WA WI WV WY

DebtWave Credit Counseling

500 La Terraza Blvd Suite 150 Escondido, CA 92025

888-686-4040

www.debtwave.org

Provides Services via: Internet

Languages: Spanish

Operates in: CA

Dollar Learning Foundation, Inc.

2829 Townsgate Rd Ste 100 Office #45 Westlake Village, CA 91361

877-366-6070

www.dollarbk.org

Provides Services via: Internet, Telephone

Languages: Spanish

Operates in: AK AR AZ CA CO CT DC DE FL GA HI IA ID IL IN KS KY LA MA MD ME MI
MN MO MS MT ND NE NH NJ NM NV NY OH OK OR PA PR RI SC SD TN TX UT
VA VT WA WI WV WY

Evergreen Financial Counseling

7137 E. Rancho Vista Drive, Suite B21 Scottsdale, AZ 85251

800-581-3513

www.evergreenclass.com

Provides Services via: Internet, Telephone

Languages:

Operates in: AK AR AZ CA CO CT DC DE FL GA GU HI IA ID IL IN KS KY LA MA MD
ME MI MN MO MP MS MT ND NE NH NJ NM NV NY OH OK OR PA PR RI SC SD
TN TX UT VA VI VT WA WI WV WY



Family Credit Counseling Service, Inc. d/b/a Family Credit M

4304-06 Charles Street Rockford, IL 61108

815-484-1600

www.familycredit.org; www.kathrynandelizabethgoshopping.com

Provides Services via: In Person

Languages: Spanish

Operates in: IL

Family Service Association of Sheboygan, Inc.

1930 N. 8th Street Sheboygan, WI 53081

920-458-3784

www.cccsonline.org

Provides Services via: Telephone, In Person

Languages:

Operates in: MN WI

Financial Education Services Inc.

16192 Coastal Highway Lewes, DE 19958

888-385-9209

www.FESCourses.org

Provides Services via: Internet, Telephone

Languages:

Operates in: AK AR AZ CA CO CT DC DE FL GA GU HI IA ID IL IN KS KY LA MA MD
ME MI MN MO MP MS MT ND NE NH NJ NM NV NY OH OK OR PA PR RI SC SD
TN TX UT VA VI VT WA WI WV WY

Garden State Consumer Credit Counseling, Inc., d/b/a Navicor

200 U.S. Highway 9 Manalapan, NJ 07726

732-409-6281

www.navicoresolutions.org

Provides Services via: Internet

Languages: Spanish

Operates in: AK AR AZ CA CO CT DC DE FL GA GU HI IA ID IL IN KS KY LA MA MD
ME MI MN MO MP MS MT ND NE NH NJ NM NV NY OH OK OR PA PR RI SC SD
TN TX UT VA VI VT WA WI WV WY

Goodwill Industries of North Central Wisconsin, Inc.

1800 Appleton Road Menasha, WI 54952

920-886-1000

www.goodwillncw.org

Provides Services via: In Person, Internet, Telephone

Languages:

Operates in: WI



GreenPath, Inc., dba Greenpath Financial Wellness

36500 Corporate Drive Farmington Hills, MI 48331

248-553-5400

www.greenpath.com

Provides Services via: Telephone

Languages: Arabic; Armenian; Bosnian/Croatian/Serbian; Chinese; Chinese, Hakka; Chinese, Mandarin; Chinese, Min Nan/Taiwanese; Chinese, Wu; Chinese, Xiang; Chinese, Yue/Cantonese; Chuukese; Creole; Dutch; Farsi (Persian); French; German; Greek; Gujarathi; and more

Operates in: AK AR AZ CA CO CT DC DE FL GA GU HI IA ID IL IN KS KY LA MA MD ME MI MN MO MP MS MT ND NE NH NJ NM NV NY OH OK OR PA PR RI SC SD TN TX UT VA VI VT WA WI WV WY

Hananwill Credit Counseling

115 North Cross Street Robinson, IL 62454

877-544-5560

www.hananwill.com

Provides Services via: Internet, Telephone

Languages:

Operates in: AR AZ CO FL GA IA IL IN KS KY LA MA MD MI MN MO NE NJ NV OH OK PA TN TX VA WA WI

Housing and Credit Counseling, Inc.

1195 SW Buchanan Street Suite 101 Topeka, KS 66604

800-383-0217

<https://housingandcredit.org>

Provides Services via: In Person, Telephone

Languages: Spanish

Operates in: KS

InCharge Debt Solutions

5750 Major Blvd Suite 300 Orlando, FL 32819

866-729-0049

www.personalfinanceeducation.com

Provides Services via: Internet

Languages: Spanish

Operates in: AK AR AZ CA CO CT DC DE FL GA GU HI IA ID IL IN KS KY LA MA MD ME MI MN MO MP MS MT ND NE NH NJ NM NV NY OH OK OR PA PR RI SC SD TN TX UT VA VI VT WA WI WV WY

Lutheran Social Services of South Dakota

705 East 41st Street Suite 100 Sioux Falls, SD 57105

605-330-2700

www.lsssd.org

Provides Services via: In Person

Languages: Spanish

Operates in: SD



Money Management International, Inc.

12603 Southwest Freeway Suite 450 Stafford, TX 77477 (877)

964-2227

www.moneymanagement.org

Provides Services via: Telephone

Languages: American Sign Language; Arabic; Armenian; Bosnian/Croatian/Serbian; Chinese; Chinese, Hakka; Chinese, Mandarin; Chinese, Min Nan/Taiwanese; Chinese, Wu; Chinese, Xiang; Chinese, Yue/Cantonese; Chuukese; Dutch; Farsi (Persian); French; German; Greek; and mo

Operates in: AK AR AZ CA CO CT DC DE FL GA GU HI IA ID IL IN KS KY LA MA MD
ME MI MN MO MP MS MT ND NE NH NJ NM NV NY OH OK OR PA PR RI SC SD
TN TX UT VA VI VT WA WI WV WY

MoneySharp Credit Counseling Inc.

203 N. LaSalle Suite 2100 Chicago, IL 60601

866-200-6825

www.moneyssharp.org

Provides Services via: Internet

Languages: Spanish

Operates in: AK AR AZ CA CO CT DC DE FL GA GU HI IA ID IL IN KS KY LA MA MD
ME MI MN MO MP MS MT ND NE NH NJ NM NV NY OH OK OR PA PR RI SC SD
TN TX UT VA VI VT WA WI WV WY

National Debt Management, Inc.

17520 West 12 Mile Road Suite 105 Southfield, MI 48076

248-200-2106

www.nationaldebtmtgt.com

Provides Services via: Internet, Telephone, In Person

Languages: Arabic

Operates in: AK AR AZ CA CO CT DC DE FL GA GU HI IA ID IL IN KS KY LA MA MD
ME MI MN MO MP MS MT ND NE NH NJ NM NV NY OH OK OR PA PR RI SC SD
TN TX UT VA VI VT WA WI WV WY

Northwest Counseling Service, Inc.

6521 North Broad Street Philadelphia, PA 19126

215-324-7500

www.nreiinstitute.org

Provides Services via: Telephone, In Person

Languages: Other, Asia

Operates in: DC DE FL NJ NY OH PA TX

One Stop Career Center of PR, Inc.

Plaza Universidad 2000 839 Calle Anasco, Suite 5 San Juan, PR 00925

787-296-1785

www.onestopcareerpr.org

Provides Services via: In Person, Telephone

Languages: Spanish

Operates in: PR



Parachute Credit Counseling, Inc.

40 Gardenville Parkway Suite 300 West Seneca, NY 14224

716-712-2060

www.parachutecreditcounseling.org

Provides Services via: Telephone, In Person

Languages: Spanish

Operates in: AK AR AZ CA CO CT DC DE FL GA GU HI IA ID IL IN KS KY LA MA MD

ME MI MN MO MP MS MT ND NE NH NJ NM NV NY OH OK OR PA PR RI SC SD

TN TX UT VA VI VT WA WI WV WY

Premier Consumer Credit Counseling, Inc.

5201 Blue Lagon Drive Suite 800 Miami, FL 33126

305-827-9080

www.premierconsumer.org; www.moneyinmotion.us

Provides Services via: Internet

Languages: Spanish

Operates in: FL

Rushmore Consumer Credit Resource Center

2310 N. Maple Avenue Rapid City, SD 57701

605-348-4550

www.cccsbh.com; www.acce-online.com

Provides Services via: Internet

Languages:

Operates in: ND NE SD WY

SafeGuard Credit Counseling Services, Inc.

67 Fort Salonga Road Northport, NY 11768

800-673-6993

www.safeguardcredit.org

Provides Services via: Internet, Telephone, In Person

Languages: Spanish

Operates in: CA IA IL MN MO NY PA TX VT WI

Six C's for Credit Counseling

1020 Park Avenue Unit 802 Flossmoor, IL 60422

708-206-1240

Provides Services via: Telephone, In Person

Languages: Spanish

Operates in: IL IN

Solid Ground Help Inc.

4000 Hollywood Blvd, Suite 635s Hollywood, FL 33021

877-785-7817

www.solidgroundhelp.com

Provides Services via: Telephone

Languages: Spanish

Operates in: FL IL LA ME MS



Springboard Nonprofit Consumer Credit Management, Inc. DBA Credit.org

1825 Chicago Avenue Suite 240 Riverside, CA 92507

951-781-0114

www.credit.org

Provides Services via: Internet, Telephone

Languages: Spanish

Operates in: AK AR AZ CA CO CT DC DE FL GA HI IA ID IL IN KS KY LA MA MD ME MI
MN MO MS MT ND NE NH NJ NM NV NY OH OK OR PA RI SC SD TN TX UT VA
VT WA WI WV WY

Stand Sure Counseling Services, Inc.

406 5th Street East Oneonta, AL 35122

877-240-1398

www.standsurecs.org

Provides Services via: Internet, Telephone

Languages:

Operates in: AK AR AZ CA CO CT DC DE FL GA GU HI IA ID IL IN KS KY LA MA MD
ME MI MN MO MP MS MT ND NE NH NJ NM NV NY OH OK OR PA PR RI SC SD
TN TX UT VA VI VT WA WI WV WY

Summit Financial Education, Inc.

465 NICOLLET MALL, #1501 MINNEAPOLIS, MN 55401

1-800-780-5965

www.summitfe.org

Provides Services via: Internet, Telephone

Languages: Spanish

Operates in: AK AR AZ CA CO CT DC DE FL GA HI IA ID IL IN KS KY LA MA MD ME MI
MN MO MS MT ND NE NH NJ NM NV NY OH OK OR PA RI SC SD TN TX UT VA
VT WA WI WV WY

Take Charge America, Inc.

20430 N 19th Ave, Suite B 155 Phoenix, AZ 85027

623-266-6100

www.takechargeamerica.org; www.myTCA.org

Provides Services via: Internet

Languages: Spanish

Operates in: AK AR AZ CA CO CT DC DE FL GA GU HI IA ID IL IN KS KY LA MA MD
ME MI MN MO MP MS MT ND NE NH NJ NM NV NY OH OK OR PA PR RI SC SD
TN TX UT VA VI VT WA WI WV WY

The Kingdom Ministries, Inc.

2690 Spottswood Ave. Memphis, TN 38114

901-552-5131

www.thekingdomministries.com

Provides Services via: Telephone, In Person

Languages: Spanish

Operates in: AK AR AZ CA CO CT DC DE FL GA GU HI IA ID IL IN KS KY LA MD ME MI
MN MO MP MS MT ND NE NH NJ NM NV NY OH OK PA PR RI SC SD TN TX UT
VA VI VT WA WI WV WY



Trinity Credit Counseling, Inc.

11229 Reading Road Cincinnati, OH 45241

513-769-0621

www.trinitycredit.org

Provides Services via: In Person

Languages:

Operates in: OH

Urgent Credit Counseling, Inc.

219 SW Stark Street Suite 200 Portland, OR 97204

866-233-1940

www.urgentco.com

Provides Services via: Internet, Telephone

Languages: Spanish

Operates in: AK AR AZ CA CO CT DC DE FL GA GU HI IA ID IL IN KS KY LA MA MD
ME MI MN MO MP MS MT ND NE NH NJ NM NV NY OH OK OR PA PR RI SC SD
TN TX UT VA VI VT WA WI WV WY

Visit <https://www.justice.gov/ust/list-credit-counseling-agencies-approved-pursuant-11-usc-111> to search the latest version of this list.



Where to Get a Free Credit Report

You're entitled to one free copy of your credit report every 12 months from each of the three nationwide credit reporting companies. Order online from annualcreditreport.com, the only authorized website for free credit reports, or call 1-877-322-8228. You will need to provide your name, address, social security number, and date of birth to verify your identity.

Beware of other “Free Credit Report” websites

Other websites that claim to offer “free credit reports,” “free credit scores,” or “free credit monitoring” are not part of the legally mandated free annual credit report program. In some cases, the “free” product comes with strings attached. For example, some sites sign you up for a supposedly “free” service that converts to one you have to pay for after a trial period. If you don't cancel during the trial period, you may be unwittingly agreeing to let the company start charging fees to your credit card.





Glossary

This glossary contains the most important terms used in this publication.

Bad Debt	Debt, such as credit card debt, that will not increase in value or help you earn more money.
Balance Transfer	Using a lower-interest or no-interest credit card to pay off a high-interest credit card.
Collateral	Something of value used to back up debt.
Compound Interest	Interest that must be paid on the principal amount and other interest added onto it.
Credit	Money that is given to you to use.
Debt	Money that is owed.
Debt-to-Income (DTI) Ratio	A comparison of your monthly income and debt; the lower the percentage, the better the ratio.
Debtor	A person who borrows money and owes a debt.
Deferment	A temporary delay on student loan payments without having to pay interest.
Fixed Expenses	Expenses, such as a mortgage payment, that do not vary from month to month.
Forbearance	Permission to stop making student loan payments or to make reduced student loan payments for up to a year while still paying interest.
Good Debt	Debt, such as student loans and a mortgage, that will help you earn more or increase in value.
Home-Equity Loan	A loan based on the value of your house.
Interest	Money a debtor must pay to borrow principal.
Principal	Amount of money borrowed, not including interest.
Secured Debt	Debt backed by something of value, such as a home.



Simple Interest

Interest based only on the principal.

Variable Expenses

Expenses, such as groceries, that vary from month to month.



SOURCES

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<http://www.bankrate.com/finance/credit-cards/want-a-lower-credit-card-rate-just-ask.aspx>
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<https://www.credit.org/2011/04/07/debt-to-income-ratio/>
<https://www.debt.org/bankruptcy/>
<https://www.debt.org/consolidation/>
<https://www.debt.org/management-plans/>
<https://www.debt.org/settlement/>
<https://www.discover.com/credit-cards/resources/balance-transfer>
<https://www.ftc.gov/faq/consumer-protection/get-my-free-credit-report>
<https://www.justice.gov/ust/list-credit-counseling-agencies-approved-pursuant-11-usc-111>
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<https://www.wellsfargo.com/goals-credit/smarter-credit/credit-101/debt-to-income-ratio/>





<https://greyhouse.weissratings.com>

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Grey House
Publishing

4919 Route 22, Amenia, NY 12501
518-789-8700 • 800-562-2139 • FAX 845-373-6360
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