



NATIONAL FOUNDATION FOR
CREDIT COUNSELING

Knowing the difference can
make all the difference.™

En Español



Frequently Asked Questions

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About the NFCC

What do the NFCC & its Member Agencies do?

The National Foundation for Credit Counseling (NFCC) is a national nonprofit network of nearly 850 locations. Our network of agencies offers a range of services to help you become debt free and in control of your financial future. Specific services include money and credit management education, confidential budget, credit and debt counseling, Debt Management Plans (DMP), bankruptcy counseling & education, mortgage delinquency counseling, and homebuyer education.

These services are administered by Certified Consumer Credit Counselors who must meet high quality standards, and pass third party counselor certification exams.

What are the benefits of working with Certified Consumer Credit Counselors?

Certified Consumer Credit Counselors are experts who tailor confidential programs to meet your specific needs. They will help you understand your situation so you can get on the road to financial freedom.

How is counseling available?

Because our network of agencies care about you and your needs, they offer help in a number of ways:

- In-person
- Via our national toll-free hotline (1-800-388-2227)
- By mail
- Online

What happens when I contact an agency?

When you contact an agency, you will be advised of any information you need for your counseling session. You will be able to gather your financial documents and other relevant information together and receive professional help in-person, by phone, by mail, or online.

How are agencies funded?

Agencies are funded through a variety of sources including voluntary contributions from creditors who participate in our Debt Management Plans (DMP), local grants from private sources and foundations, and client fees and contributions.

What do NFCC Members charge for counseling services?

It varies depending on the support for each member and state laws, but the majority of these services are provided at no or low cost to clients.

Will credit counseling stop legal action and creditor phone calls?

In most cases, we are able to work with creditors to stop any legal action and develop a solution that will satisfy everyone. If you maintain your payment arrangements with us, the majority of phone calls will stop.

Do most creditors contribute to the agency?

Yes, most creditors support the agency services. However, if for some reason they do not, we will still work with them to reduce your payments.

Will my creditors know I have an appointment with you?

When you tell a creditor you have an appointment with us, or the creditor has referred you to one of our local agencies, we may get a call to verify your appointment.

Why will creditors reduce payments through you instead of working directly with me?

Each member agency employs independently Certified Consumer Credit Counselors who evaluate your overall financial situation. Because we help you come up with realistic options to solve your particular financial problem, creditors will work with us - and, through the agency, with you.

Bankruptcy

What happens if I file bankruptcy?

There are two types of bankruptcy available to most people. If you file Chapter 13, you may keep a mortgaged house or car. Rather than surrender property, you may pay off your debts over three to five years.

Filing bankruptcy under Chapter 7 requires you to surrender all assets that are not exempt in your state. Exempt property may include items such as basic household furnishings and work-related tools.

Both types of bankruptcy may get rid of debts where creditors have no specific rights to property and stop foreclosures, repossessions, garnishments, utility shut-offs, and debt collection activities. Bankruptcy usually does not wipe out child support, alimony, fines, taxes, and some student loan obligations.

How does a DMP program differ from Chapter 13 bankruptcy?

Our DMP is voluntary for both you and your creditors. Therefore, all creditors may not waive interest. However, when you have repaid your debts, our credit recovery program will help you regain your credit.

In contrast, when you file for Chapter 13 bankruptcy, it becomes public record. The court will administer the plan and all interest will be stopped. You may also have difficulty obtaining credit in the future.

How long does a bankruptcy stay on my credit report and how does it affect my credit?

Under the Fair Credit Reporting Act - a federal law - a bankruptcy can remain on your credit report for up to 10 years and won't clean up a bad credit record.

Do I need an attorney to file for bankruptcy?

You are not required to be represented by an attorney, but the advice of an attorney is generally helpful in understanding your rights and the consequences of your bankruptcy case, particularly in light of the recent changes to bankruptcy law. If you decide to file a Chapter 7 or Chapter 13 bankruptcy case, the advice and assistance of an experienced bankruptcy attorney is generally a worthwhile expense.

If I need legal advice on filing bankruptcy, and don't have the money to pay for an attorney, what should I do? You can contact the local bar association, legal aid services, or a university law school with a legal assistance program for a referral to an attorney.

Can I keep my credit cards after filing?

Whether you will continue to have and use any given credit card account is up to the issuer of the card. Some issuers may permit you to keep your account if you "reaffirm" payment of your debt to the issuer. There may be other alternatives available, such as secured or guaranteed payment cards that function more like debit than credit cards.

Can I be fired for declaring bankruptcy?

The Bankruptcy Code generally prohibits termination of employment or discrimination with respect to employment solely because an individual (1) has filed a bankruptcy case, (2) has been insolvent before the case was filed, or (3) has not paid a discharged debt.

Counseling

What happens at my session with a Certified Consumer Credit Counselor?

The counselor will review your financial situation in a non-judgmental manner and provide possible solutions. He/She will help you develop a spending plan that covers your living expenses and payments to your creditors.

Are Consumer Credit Counselors qualified? What are their backgrounds?

Becoming a Certified Consumer Credit Counselor requires an understanding of the theories, principles, issues, counseling techniques, and forms that are applicable to credit and financial counseling. The required subjects are: (1) Basic Counseling Principles, (2) Budgeting, (3) Credit, (4) Collections & Debt Management, (5) Consumer Rights & Responsibilities, and (6) Bankruptcy.

Is counseling confidential?

Absolutely. Our Certified Consumer Credit Counselors do not discuss a client's financial situation. Client records are maintained in secure facilities.

Can a Certified Consumer Credit Counselor give legal opinions on my options?

No. Only an attorney can provide opinions about legal issues.

Credit

How do I establish credit?

You need a steady work record and continued residence at the same address. If you do not have a checking account, open one and be careful not to bounce checks.

You may apply for credit at a local department store or credit union. You might also consider a secured credit card, which requires you to deposit money as security for the charges you make on the card.

Where can I get a copy of my credit report? How much does it cost?

You can get a copy of your credit report by contacting the three major credit reporting agencies. Visit www.annualcreditreport.com to obtain free copies of your credit report.

Can you fix my credit report or clean it up?

No. If negative comments on your credit report are correct, they can remain in your file for up to seven years-except for bankruptcy, which can remain for up to 10 years.

If you believe there are errors in your credit report, you must notify the credit bureau in writing. The bureau will follow up your request with your creditor. If the creditor agrees with you, your report will be changed.

Debt Collection Practices

What is the Fair Debt Collection Practices Act (FDCPA)?

It's a federal law that protects consumers from harassment or threats made by creditors and prohibits creditors from making false statements. This law also prohibits a debt collector from disclosing what you owe to anyone but your attorney.

What is a "charge off"? If my debt has been "charged off," can a creditor pursue collection?

When an account is considered uncollectable, a creditor will write it off as a bad debt or "charge off." Depending on each creditor's policy, a "charge off" will occur between 90 to 180 days after you become delinquent.

However, a creditor can still pursue collection of the debt after a "charge off" and it will also be reported to the credit bureaus.

My car was repossessed and resold. Am I liable for the difference between what the car sold for and what was owed?

Yes. If not paid, the creditor may initiate legal action for the difference between the sale price of the car and what you owed.

What is a judgment?

A judgment is a decision issued by the court at the end of a lawsuit. If you are sued and either don't file papers or file papers but eventually lose the case, the person who sued you will get a judgment.

Most creditors need a court judgment to attach your wages or put a lien on your property.

My wages have been attached. What does that mean?

When your wages are attached or garnished, a sum of money is deducted from your paycheck and sent to the creditor. Wage attachments are a common method used to collect a court judgment or back owed child support.

Who is responsible for debts after divorce?

You will need to talk to an attorney about this question.

Debt Management Plan

What is a Debt Management Plan?

A DMP sets up a payment schedule for you to repay your debts. By voluntary agreement, you deposit funds with your credit counseling agency each month. They send those funds directly to your creditors. If collectors call, you can ask them to contact us.

You may also receive a reduction or waiver in finance and/or other charges. When you have completed your payments, we will assist you in reestablishing credit.

DMP serves the dual role of:

- Helping you repay your debt.
- Helping creditors to receive the money owed to them.

How will a DMP affect my credit?

Your participation in a DMP may change information that is already on your credit report. If your credit report reflects that you have paid creditors as agreed in the past, a DMP could have a negative impact on a creditworthiness decision by a potential creditor, landlord, or employer because it is an indicator that you are or have experienced financial difficulties.

In addition, creditors may report that you are on a DMP and are not paying as originally agreed although they have accepted the reduced payment. Creditors have different credit reporting policies and a certified counselor can answer your questions about the possible effect on your credit rating.

But remember, the goal of the DMP is to develop a plan to ultimately improve your financial and credit standing.

If I enroll in a DMP, can I continue to use my credit cards?

No. As a rule, your creditors will close or suspend your lines of credit. In limited cases (for example if your employer requires you to travel) one credit card may be maintained.

When you complete the DMP, some creditors will reestablish your credit based on your current ability to pay and your payment history while enrolled in the plan.

Will being enrolled in a DMP stop interest from being charged on all accounts?

Your Certified Consumer Credit Counselor will be able to tell you if any of your creditors will consider stopping interest charges. However, the majority of creditors do not stop interest, but many lower the interest.

Can I have only the bills that are causing me problems in a DMP?

For the most effective and equitable treatment of your debts, we need to include all debts in your DMP.

The NFCC Vision is to create a national culture of financial responsibility.

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