

What Is “Credit Counseling” Under South Carolina Law?

DEBT MANAGEMENT

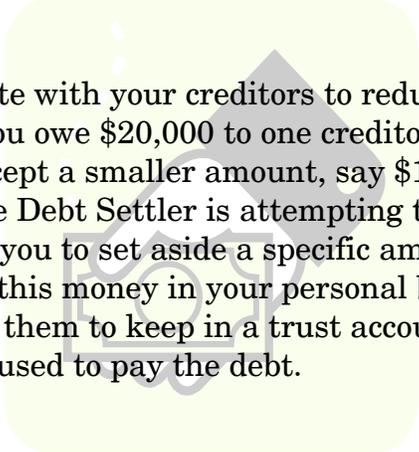
Debt Management Companies are what most people consider “credit counseling organizations”. These businesses contact your creditors to stop any late penalties, decrease your interest rates, etc. The creditors that agree to these terms are now on your “Debt Management Plan”. Every month, you send one check to the Debt Management Company to cover any fees charged by the Company and payments for your creditors. The company then distributes the money to your creditors, which is why Debt Management Companies are also known as Debt Consolidators. The company only sends payments to creditors in your Debt Management Plan.



CREDIT REPAIR

Credit Repair Companies offer to improve your credit file, history, or rating. The companies do this by writing letters to the credit reporting agencies and your creditors stating that certain information is a mistake, expired, or not verifiable. This is something that a consumer can do on their own for **FREE**. Federal law requires creditors and credit reporting bureaus to report accurate and timely information.

DEBT SETTLEMENT



Debt Settlement Companies attempt to negotiate with your creditors to reduce the amount of money you owe. As an example, if you owe \$20,000 to one creditor, the Company will try to convince the creditor to accept a smaller amount, say \$14,000, as full and final payment of the debt. While the Debt Settler is attempting to negotiate with creditors, the Company will ask you to set aside a specific amount of money per month. They may have you deposit this money in your personal bank account or have you send it to the Company for them to keep in a trust account. If a settlement is reached, the money saved will be used to pay the debt.