



Credit Counseling Organizations Q&A

Are credit counseling organizations required to be licensed by the State of California?

- State law requires only credit counseling organizations that pay debts on your behalf – such as pursuant to a debt management plan or a debt settlement plan – to be licensed under the Check Sellers, Bill Payers and Proraters Law (Financial Code Sec. 12000 et seq). Qualifying nonprofit organizations, however, may be exempt from the licensing requirements.
- Credit counselors who do not pay your debts or otherwise handle your money are not required to be licensed by the State of California.
- Credit counseling required under the federal bankruptcy law must be received only from providers approved by the U.S. Trustee Program. Such providers may or may not be licensed by the Department of Corporations.

How can credit counseling organizations help me?

- Credit counseling organizations can help you develop a personalized plan to help solve your financial problems. The law limits fees charged by licensed proraters (a person who, for compensation, distributes a debtor’s funds among creditors in payment or partial payment of the obligations of the debtor) and nonprofit exempt companies.

How should I select a credit counseling organization?

- To assist you in selecting an approved credit counseling organization, the Federal Trade Commission offers “Facts for Consumers” that provides helpful suggestions for finding the best counselor for you at <http://www.ftc.gov/bcp/online/pubs/credit/fiscal.htm>.

What kinds of services do credit counseling organizations perform?

- Reputable credit counseling organizations advise you on managing your money and debts, help you develop a budget, and usually offer low-cost educational materials and classes.

How do credit counseling organizations provide their services? Do I have to go into an office or can they help me over the phone?

- Credit counseling organizations offer their services in a variety of ways: in person through local offices, by mail, over the Internet or on the telephone. You should ask the credit counseling organization how it will provide services before you commit to paying any money.

Is there any way that I can check the status of a particular credit counseling organization?

- Check to be sure any company or individual is appropriately licensed or that they are in fact exempt from licensing regulations. The California Department of Corporations can help determine licensing status; call us toll-free at 1-800-ASK-CORP (1-800-275-2677). You can also check the U.S. Trustee Program website to view a list of approved credit counseling agencies at: http://www.usdoj.gov/ust/eo/bapcpa/ccde/cc_approved.htm

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What are the differences between a Debt Management Plan and a Debt Settlement Plan?

- Many credit counseling organizations can arrange for consumers to pay debts through a debt management plan (DMP) or a debt settlement plan (DSP). However, a DMP or DSP may not be appropriate for your particular situation. Make sure your credit counselor thoroughly reviews your circumstances and offers you every available option.

In a DMP, consumers deposit money each month to the credit counseling organization. The organization uses that deposit to pay debts according to a monthly payment schedule the organization develops with you and your creditors. Your creditors may agree to lower your interest rates and waive certain fees, but make sure to check with all of your creditors to be sure they have agreed to the terms described by the credit counseling organization. In a DSP the credit counseling organization negotiates a settlement amount with the consumer's creditors on a one-time basis. The consumer sends that amount of money to the organization and the organization sends the payment to the creditor in full settlement of that debt.

Who can administer a Debt Management Plan or a Debt Settlement Plan?

- In California, licensed proraters and nonprofit credit counseling organizations that meet the licensing exemption, have filed the appropriate documents, and have agreed to limit monthly fees charged to a debtor for a DMP or DSP may administer a DMP or DSP to California residents. Attorneys and certified public accountants may also provide these services in conjunction with other services so long as they are incidental to other services provided within the scope of their licensed profession.

Do credit counseling organizations charge fees for their services?

- Credit counseling organizations are allowed to charge fees for certain services. Make sure you have a clear understanding of any fees associated with the services in which you're interested. Get specific details about any fees in writing as well as a written statement detailing your DMP or DSP.

How do I complain about a credit counseling organization?

- If the credit counseling organization is providing DMP or DSP services in California, you can contact the Department to file a complaint at 1-866-ASK-CORP (1-866-275-2677).
- If you are using a credit counseling organization in connection with a bankruptcy program, you should contact the U.S. Trustee Program and the Federal Trade Commission.