



Consumer Credit Counseling Service of Maryland and Delaware, Inc.

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Financial Experts Recommend Safe, Effective Strategies for Repaying Credit Card Debt and Rebuilding Credit Scores

(BALTIMORE, MD) - Americans now owe more than \$1 trillion dollars in credit card debt, and those who don't pay their credit cards in full each month, owe an average balance of about \$9,600. Helene Raynaud, who serves as President and CEO of nonprofit Guidewell Financial Solutions (also known as Consumer Credit Counseling Service of Maryland and Delaware, Inc.), believes this trend spells trouble. She says, "If interest rates rise again this year, these consumers may find themselves struggling to make ends meet."

With hard work and discipline, borrowers can tighten their budgets and take control of their credit card debt. Those who aren't able to do this on their own may benefit from assistance. It takes time to repay debt and revive damaged credit. Consumers also need to recognize that some options are safer and more effective than others.

Option #1 - Nonprofit Credit Counseling and Debt Management

Organizations like [Guidewell Financial Solutions](#) provide free, confidential budget and credit counseling at their local offices and by phone. Raynaud says, "When it comes to credit counseling, we take a holistic approach. Our certified counselors are trained to listen and provide support. They start by helping clients review their personal finances and debt. Based on this assessment, they work with them to set up a budget, consider ways to cut back on expenses and increase income, and come up with an action plan. In some cases, clients can deal with their debt and build better credit themselves. In more serious cases, they may be eligible for our debt management program."

Guidewell Financial's voluntary debt management program (DMP) provides clients with a structured, method to repay the principal on their debts. Once they enroll, Guidewell Financial negotiates repayment agreements, including concessions such as reduced interest rates or waiver of late payment fees, with each one of their creditors. Clients then provide the agency with a single payment each month that is distributed directly to their unsecured creditors. A typical DMP takes three-to-four years to complete. During that time, clients receive ongoing encouragement and resources.

Raynaud says, "Participants tell us that having a single payment each month makes it easier for them to keep track of their finances. Many enter the program having ruined their credit, but as they routinely pay their bills on time, they see their credit scores rise. This helps them build confidence as they gain new financial skills." The agency charges a small DMP set up and monthly maintenance fee to help cover administrative costs.

Option #2 - Nonprofit Credit Building Tools

Nonprofit [Justine PETERSEN](#) has developed a unique set of tools to help consumers build their credit and pay down collections. It partners with other nonprofits like Guidewell Financial through its Credit Building Nations initiative to offer clients the [Save2Build](#) loan.

To take part in this program, clients must be at least 18 years of age, have enough income to cover loan payments, and have no bankruptcy or late payments within the past three months. Enrollees are issued a 12-month, \$300 loan that is placed in a locked savings account. They then make payments of approximately \$26/month, which are reported to at least two of the three major credit reporting companies. Once their loan is paid in full, they receive the \$300 and can use it to continue credit building by opening a secured credit card or paying off outstanding collections debt.

Justine PETERSEN's Chief Program Officer Tamra Thetford says, "As clients pay on time and develop new trade lines, their credit scores increase, and so does their confidence. Throughout the process, they receive guidance and support from our partners like Guidewell, so they not only leave the program with better credit but also better financial skills." To date the nonprofit has assisted more than 1,000 people with loans through its Credit Building Nation partnership.

Option #3 - For-Profit Credit Repair

Consumers who hope to rebuild their credit sometimes request help from for-profit credit repair companies who promise rapid results. Colleen Tressler, who serves as a Program Manager at the [Federal Trade Commission](#), recommends using caution when considering the services of a credit repair company. She says, "There are reputable credit repair companies out there, but they can only do what you yourself can do, and at an added cost. If the negative information that's on your credit report is accurate, it cannot be removed."

Tressler recommends that consumers carefully research before hiring a credit repair company. She says, "The Credit Repair Organizations Act makes it illegal for these companies to lie about what they can do or charge you before they perform services. By law, they must provide a written contract that describes your legal rights and details the services they will provide. This agreement should also tell you how long it will take for them to get results, the total amount you will pay, and list any guarantees." Consumers who enroll in credit repair have a three-day right to cancel without charge. They can also file a formal [complaint](#) with the FTC if companies don't live up to their promises.

Tressler concludes, "Given the range of options out there, it pays to research before choosing an organization to help you deal with credit problems. Recognize that there is no immediate solution. It takes time and effort to see lasting results. The sooner you address your situation, the better chance you will have to get back on track."

About Guidewell Financial Solutions

Guidewell Financial Solutions (also known as Consumer Credit Counseling Service of Maryland and Delaware, Inc.) is an accredited 501(c)(3) nonprofit agency with an A+ Better Business Bureau rating. The agency has helped stabilize communities and promote economic self-sufficiency through financial education and counseling for more than 50 years. Maryland License #14-01 / Delaware License #07-01

About Justine PETERSEN

Justine PETERSEN's mission of connecting institutional resources with the needs of low- to moderate-income families so they may build long- term assets is carried out by its products, which include credit building and financial education, homeownership preparation and retention, and micro-enterprise lending and training.

About the Federal Trade Commission (FTC)

The FTC is a bipartisan federal agency with a unique dual mission to protect consumers and promote competition. The agency develops policy and research tools through hearings, workshops, and conferences and collaborates with law enforcement partners to advance consumer protection and competition missions.