

# Avoiding Credit Repair & Debt Negotiation Scams

There can be a big difference between credit counseling and credit repair companies.

Unfortunately, there are also companies that seek to profit from the confusion surrounding credit counseling and repair, and these credit repair scams are all too common. According to the Federal Trade Commission, there is no way a company can legally “erase” a bad credit record or remove accurate information from your credit report.

While some credit counseling organizations may advertise an increase in your credit score as the result of participation, beware of companies that:

- Promise to erase your bad credit or remove bankruptcies and judgments from your credit file.
- Promise you fast and easy credit repair.
- Advise you to dispute all the information in your credit report, regardless of its accuracy or timeliness.
- Offer to create a new identity for you.
- Want you to pay for credit repair services before providing any services.
- Will not tell you your rights and what you can do yourself.

Keep in mind that some of the strategies promoted by credit repair scams are illegal. If you make false statements on loan applications or use a fake Social Security number, you will be committing fraud. You can also be charged for mail or wire fraud if you use the mail or telephone to apply for credit and provide false information.

## Debt Negotiation Scams

Another type of service that may be a scam includes debt negotiation companies. These companies claim to be able to reduce your credit card debt by one-half or more, while improving your credit at the same time. Following the advice of these companies may be expensive and do further damage to your credit. Beware of debt negotiation companies that:



- Guarantee they can remove credit card debt.
- Promise that debts can be paid off with pennies on the dollar.
- Require substantial monthly service fees.
- Demand payment of a percentage of your savings.
- Tell you to stop making payments to or stop communicating with your creditors.
- Require you to make monthly payments to them, rather than to your creditor(s).
- Claim that creditors never sue consumers for non-payment of unsecured debt.
- Promise that using their system will have no negative impact on your credit report.
- Claim that they can remove accurate negative information from your credit report.

Before using the services of any credit repair or debt negotiation service, check with your state attorney general, local consumer protection agency, and the Better Business Bureau to find out if consumers have filed complaints about the agency you are considering.

**The U.S. Department of Justice maintains a database of approved credit counseling organizations at <http://www.justice.gov>.**