

5 Bankruptcy Tips: Choosing a Credit Counselor

New bankruptcy laws require bankruptcy filers to seek credit counseling. But many consumer advocates say: BEWARE! While some consumer credit counselors provide a legitimate service, many are scammers, charging high fees for services you could provide for yourself.

It's important to choose your credit counselor carefully. Here are 5 simple tips that can help:

1. Get personal -- It's always best to choose someone who can give you in-person counseling, rather than advice over email or the telephone. You can often find good credit counseling help at your local banks, colleges, credit unions, military bases, housing authorities, and branches of the U.S. Cooperative Extension Service.
2. Watch out for high fees -- Bad credit counseling services often try to trick clients into paying high fees or "voluntary contributions" which can significantly increase their total debt. No matter what, be sure to get a quote in writing which lists all the setup and monthly fees BEFORE you sign anything. If the fees seem too high, look somewhere else.
3. Check credentials -- Find out if the credit counselor you're thinking about working with is licensed in your state. Look for counselors that are accredited and/or certified by a third-party organization. Make sure the counselors don't get extra compensation for getting clients to opt into high-fee debt management services.
4. Ensure your privacy -- Make sure that your counseling agency has high-level safe-guards in place to protect your private information, such as your address and credit card information. You don't want to become a victim of identity theft!
5. Beware debt management services -- If you need a credit counselor because you're filing for bankruptcy, watch out for any agency that heavily promotes debt management programs. These arrangements are often big scams that can cost you large amounts of money in fees. They also are NOT required by the new bankruptcy laws, despite what some shady credit counseling agencies may try to tell you.

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About the Author

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