What is debt?
When you owe money to someone, you are in debt. Owing money is not always bad. You might have a loan. You might use a credit card. If you do, you might be in debt. But if you pay your bills when they are due, it might help your credit history.

When is debt bad?
Debt is bad when you owe money you cannot pay back. Debt collectors might call you. You might have legal problems if you cannot pay back the money.

Does debt hurt my credit history?
Sometimes, debt can hurt your credit history. For example:

- owing a lot of money on credit cards
- paying bills late
- not paying the minimum amount due
- skipping payments
These things can hurt your credit history.

Who can help me with debt?
You can do some things yourself. A credit counselor can help you. Credit counselors can help you make a budget. Credit counselors also can help you plan to repay your debts.

Debt relief services companies might offer to help. These companies are different from credit counselors. They might charge you high prices. And they might not really help.

Who are debt collectors?
Debt collectors try to collect money you owe to someone else. Debt collectors must follow rules when they call you. If they do not follow the rules, you can complain about them to the Federal Trade Commission.

Can I stop debt collectors from bothering me?
You can ask a debt collector to stop calling you. Legally, they must stop. If they do not, you can report them to the Federal Trade Commission.

What can I do to get out of debt?
Start by making a budget. Write down how much money you make every month. Write down how much you spend every month. Include:

- rent
- car payment
- insurance
- utilities
- food
- gas
- credit card bills
- other bills
Look for ways to spend less money. You might not find ways to save. But it helps to write down what
you spend. Then you can make a budget.

**How else can I try to get out of debt?**
Call the companies you owe money to. Explain why you have trouble paying your bill. Ask for a
“payment plan.” Some companies might let you pay less every month until you have repaid all the
money.

Call the company before it sends your debt to a debt collector.

**How can I get help?**
Credit counselors can help you make a budget. Credit counselors also can help you plan to repay
your debt.

A good credit counselor will spend time with you. The counselor will ask you all about your finances.
A good counselor will:

- talk with you
- help make a plan that works for you

A good counselor will not:

- promise to fix all your problems
- charge you a lot of money before doing anything

**How do I find a credit counselor?**
Look for a credit counselor you can meet in person. Look here first:

- credit unions
- universities
- military bases
- U.S. Cooperative Extension Service

These groups sometimes have credit counselors who charge low fees to help you.

**How do I choose a credit counselor?**
When you find a credit counselor, ask questions. Choose a counselor who can help you make a
budget. Choose a counselor who also can help you plan to stay out of debt.

Some counselors might suggest a “debt management plan” as your only choice. Others might talk
about a “debt settlement plan.” If they do either of these things, go somewhere else.

**What is a debt management plan?**
A “debt management plan” is one way to repay money you owe. Here is how it works:

- A credit counselor works with you and the companies you owe money to.
- You all agree to a plan for how you will repay the money you owe.
- Sometimes the companies agree to a lower interest rate. Sometimes they do not.
- Every month, you deposit money into an account with the credit counselor.
- The credit counselor pays your credit card, medical, or student loan bills.
- This continues until your debt is repaid.
Debt management plans might help some people. These plans do not help everyone. A good credit counselor can help you decide what might help you.

**What is a debt settlement plan?**
Some people say a “debt settlement plan” is a way to repay money you owe. But many companies that offer these plans make promises they cannot keep.

Some companies say:
- They can help you pay less than you owe and get out of debt.
- They can get bad information taken off your credit report.
- You should stop paying your bills and send the money to their company.

Many people who use debt settlement plans find they owe more money, not less. These companies charge you a lot of money, and then they do not help you.

**What does a debt collector do?**
A debt collector is someone who tries to collect money owed to someone else.

The company you owe money to hires a debt collector. The debt collector only makes money if he gets money from you. The debt collector starts calling you to get that money. If the debt collector does not get the money, he might take you to court.

**What rules must debt collectors follow?**
A law gives rules for debt collectors. The law says that debt collectors:
- can call only from 8 a.m. to 9 p.m.
- cannot tell anyone else about your debt
- can talk to someone else only to find out your address, home phone number, or where you work
- cannot harass you – for example, they cannot curse at you or threaten to hurt you
- cannot lie to you

The law also says debt collectors must send you a written notice about your debt. This is called a “validation notice.” The notice must say:
- how much you owe
- who you owe the money to
- What to do if you do not owe the money

**Are there problems with debt collectors?**
The government gets complaints from thousands of people about debt collectors. Some of the complaints say debt collectors:
- break the rules
- threaten people
- call the wrong person
- lie while they try to collect a debt that is not yours

**What can I do if a debt collector calls?**
In case a debt collector calls:
• Keep a notebook by your phone or with you.
• Ask the debt collector his name, his company’s name, address, phone number, and why he is calling.
• Write the answers in your notebook. Write the date and time you talked.
Then you have a record if you need to complain, or if you need to go to court to defend yourself.

How can I stop calls from a debt collector?
Do you want the debt collector to stop calling you? You must send a letter telling the debt collector to stop calling. The law says he must stop calling you then.
If a debt collector breaks the law, file a complaint. The Federal Trade Commission tries to catch debt collectors who break the law.

What happens if I get sued?
Stopping calls does not mean the debt goes away. The debt collector might still sue you to collect money. If you are being sued, you should get a notice in the mail. Sometimes, this is called a “summons.”
In a lawsuit, the debt collector usually asks the court to:
• say how much you owe
• make you repay that amount
The court might even tell your employer to take money out of your paycheck until you repay what you owe. This is called “garnishing” your wages.
Do not ignore notices about a lawsuit. If you do not go to court, you automatically lose.