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The Basics

Beef up your credit score in 5 steps

By [Liz Pulliam Weston](#)

Don't be afraid of credit counseling

If you're overloaded with high-interest debt and are in danger of falling behind on your payments -- or you already have -- consider working with a nonprofit agency such as a Credit Counseling Service to set up a debt repayment plan. These services can negotiate lower interest rates and help you pay off your bills within a few years.

Contrary to what you might have heard, credit counseling probably won't hurt your credit score. It used to, but about three years ago Fair Isaac discovered that people in debt-repayment plans were no more likely to default or go bankrupt than other consumers.

"Today the FICO score ignores any and all references in a credit report to credit counseling or debt management programs," Craig Watts of Fair Isaac's consumer affairs office said.

Those references to credit counseling, by the way, are typically removed from a credit report after a consumer has successfully completed a repayment plan. That means there's no lasting reminder on your credit history.

Watts notes that a few lenders still use the old scoring system, which punishes folks on debt repayment plans. Obviously, you'll want to avoid those lenders -- and perhaps all lenders until you've dug your way out of credit trouble.

Tip: Don't confuse legitimate, nonprofit credit counseling services with fly-by-night outfits or so-called debt settlement firms. Debt settlement will hurt your credit score, since you're paying less than you owe, and fly-by-night firms can disappear with your payments, making your credit even worse.

Liz Pulliam Weston

is a personal finance columnist for MSN Money and author of the question-and-answer column "Money Talk," which appears in newspapers throughout the country. Formerly a personal finance writer for the Los Angeles Times, Pulliam Weston is a graduate of the certified financial planner training program at University of California, Irvine. She and her husband live in Los Angeles.