



BEWARE OF DEBT ELIMINATION SCAMS

by Texas Attorney General Greg Abbott

REBUILDING A GOOD CREDIT RATING after a hardship takes time and good management. Credit counseling services and debt repayment plans both offer long-term, practical solutions to debt management.

But where there are debt-weary consumers, there are fast-talking opportunists who promise quick relief and “debt elimination” plans that are “100% guaranteed” to erase your bad credit. These types of claims are usually false or misleading. Despite what a credit repair company may tempt you to believe, there is no easy way to fix bad credit.

This summer, my Consumer Protection Division closed down a fraudulent “debt elimination” operation which targeted victims of last year’s hurricanes as well as other consumers facing financial difficulties.

Bankopp.com and its owner David Jason West promoted a scheme through seminars in various states in which hurricane victims and others were fraudulently promised the complete elimination of debt within a few short months.

To become enrolled in the program, however, consumers were required to wire a one-time \$5,000 deposit to an unidentified “bank” that would initiate the debt elimination process and use the deposit to defray the costs of the process. Once the cumulative debt of applicants reached \$100 million, the bank would begin making loans to pay off individual

debts. Once a consumer paid off his debt, the “loan” would be forgiven.

The \$5,000 fee was actually deposited to an account in the name of “*Del Sur International Holdings*,” which our investigators traced to Panama. Bankopp.com’s owner never offered any evidence in the case that a “bank” even existed.

In truth, Bankopp.com and its associates were simply out to cash in on the misery and vulnerability of overwhelmed consumers.

Legitimate financial assistance in the face of seemingly impossible debt is available. If you have a problem paying a debt, immediately contact your creditor and find out if you can make alternate payment arrangements. Ask if and how this will affect your credit history. Even if creditors reduce the payments and give you more time to pay a debt, it most likely WILL show up for several years on your credit report. Creditors are generally willing to negotiate terms directly without the need of a debt settlement company.

Consider talking to an attorney beforehand and ask for an explanation of the different legal choices available to you and the consequences of each before you stop paying a debt. A debt settlement company cannot offer you legal advice or representation.

Do not trust a debt settlement company that “guarantees” fast results and assures you your credit will not be negatively affected by using their services. It will

ultimately be the creditor’s decision if they wish to accept an offer made on your behalf, including the renegotiated amount owed and the timeline in which it must be paid.

And even if the creditor accepts the offer, they will likely inform credit bureaus that you did not honor your original agreement with them. That information could remain in your credit history report for several years.

Debt settlement will not prevent negative marks against your credit history. If you fail to pay your bills in full and on time, this will likely make it more difficult to obtain credit or, in some cases, even future employment.

If a creditor does not accept an offer from a debt settlement company on your behalf, the creditor can continue to attempt collecting directly from you, including through a lawsuit or other legal action.

Know all fees a debt settlement company will charge before you contract with them, above the amounts that will be used to pay creditors directly.

If you are transferring money to a third party to pay your creditors, be sure to check periodically with your creditors directly to ensure that your debts are being paid.

Remember, there are seldom quick fixes to your credit history if it reflects legitimate debts you did not pay. The key to rebuilding your credit is to manage your debt and to consistently pay your bills on time.

POINTS TO REMEMBER



DEBT ELIMINATION

Be diligent in paying bills and debts today to ensure good credit in the future. For assistance with credit problems, education and counseling:

NATIONAL FOUNDATION FOR CREDIT COUNSELING
(800) 388-2227
www.nfcc.org

For assistance with credit problems that could result in mortgage default or foreclosures:
HOUSING AND URBAN DEVELOPMENT
(800) 569-4287
www.hud.gov/foreclosure/index.cfm

For a copy of your credit report:
EXPERIAN
P. O. Box 9532
Allen, TX 75013
(888) 397-3742
www.experian.com

EQUIFAX
P. O. Box 740241
Atlanta, GA 30374-0241
(800) 685-1111
www.equifax.com

TRANS UNION
P. O. Box 2000
Chester, PA 19022
(800) 916-8800
www.tuc.com



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