



Lutheran Social Service
for changing lives

For appointments call 888-577-2227
www.lssmn.org/debt

Will a Debt Management Plan Affect My Credit Rating?

◆ How does a creditor decide to grant credit?

Whenever you apply for any type of credit, each creditor will make a decision on your application based on both objective factors (such as credit scoring) and subjective factors (such as your employment history, length of time at your current residence, the availability of collateral, the balances you are carrying on current available credit lines, and how well you've paid your previous debts).

◆ How do these creditors use my credit report?

Most creditors will obtain a credit report from one or all of the three major credit bureaus: Experian, Transunion, and Equifax. These reports are a factual summary of how you've paid your debts in the past, based on information from the creditors and sometimes from public records of court actions (such as judgments or bankruptcies).

◆ How do creditors report DMP participation to a credit-reporting agency?

Creditors have their own policies on reporting participation in a DMP to a credit bureau. Some creditors will reference that your account is being paid through a DMP. It is important to know that Fair, Isaac and Company, who produce the FICO credit score that many lenders use to determine your credit worthiness, are on record that they will not deduct any points from your score for being in a DMP.

If you have late payments prior to the start of a DMP, those payments are factual history and cannot be erased. But many creditors will re-age the account and begin reporting it as "on-time" again after the third consecutive monthly payment on a DMP. LSS Financial Counseling staff can provide details about each creditor's policies.

◆ What happens to my accounts while I'm on a DMP?

Most creditors accept a DMP, but they do retain the legal right to charge-off a debt, turn an account over to collections, or pursue a judgment in court. Getting started in a DMP can help reduce the risk of these actions but is not a guarantee, so you will need to keep opening your mail and respond to any written notice of adverse actions – you may wish to consult your LSS Financial Counselor for coaching. You may access our financial counseling staff at any time at no extra charge. (You should be aware that debts you repay through a DMP may be discharged through bankruptcy. Counselors cannot provide legal advice.)

◆ How may a DMP affect my chances of getting future credit?

A Debt Management Plan may improve your chances of getting credit in the future by showing that you have repaid your creditors in full. Your chances of accessing credit in the future will be better if you show faithful payment in full, than if your credit report shows bankruptcy, non-payment, or settlement of debts for less than the full balance.

◆ Will you report my DMP to the credit bureau?

We will not report your involvement in a DMP to the credit bureau. You can however use us as a credit reference in the future. Simply list us on your credit application and we will be glad to provide whatever information the creditor may require.



NFC MEMBER
NATIONAL FOUNDATION FOR
CREDIT COUNSELING
People Who Care