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# When You Have Credit Card Debt

Debt can be hard to manage. Once you fall behind on payments, it can be hard to catch back up. This is because credit cards and some types of loans can have high interest rates.

Interest is the price someone pays for the temporary use of another's funds. When you take out a loan or use a credit card to pay for something, you use the money of whoever gave you the loan or credit card. Whoever gave you the loan or credit card is called a "creditor." The creditor gives you permission to pay for items with their money because you promise to pay the creditor back, usually with interest which is extra money above the loan amount. Different creditors have different interest rates. Some creditors will not charge you interest if you pay back the creditor quickly, such as by the end of the month. But if you cannot pay the creditor back quickly, the interest can add up fast.

If you fall behind on payments, the creditor can sell your debt to a debt collector. The debt collector then tries to collect on the money that you owe the creditor. If you want to pay off the debt, you have to pay the debt collector, not the original creditor. If you cannot pay off the debt, eventually, the creditor or debt collector might sue you. For more about what to do if you've been sued for unpaid debt, [read our article here](#).

There are many organizations and companies that say they can help you with your debt. Specifically, there are:

1. Credit counseling organizations;
2. Debt settlement companies;
3. Debt consolidation; and
4. Credit repair companies.

## **What Is Credit Counseling?**

Credit counseling is usually done by nonprofit groups. They help you understand how to manage your money and pay your debts. They may give you free lessons, books, or group classes.

A credit counselor can help you make a plan to pay off your debts. This is called a debt management plan. They may help lower your monthly payment by asking creditors or debt collectors to give you more time to pay or reduce interest. This doesn't erase your debt, but it will help make it easier to pay.

LawNY only recommends credit counseling organizations for help with debt.

### **What credit counselors do:**

- Work at nonprofit organizations
- Help you plan your spending and debt payments
- May ask creditors to stop charging late fees
- Try to lower your monthly payments
- Do not tell you to stop paying your debts

Some of the credit counseling organizations based in Western New York include:

#### [Consumer Credit Counseling Service of Rochester, Inc.](#)

1050 University Avenue Suite A Rochester, NY 14607

585-546-3440

#### [Parachute Credit Counseling, Inc.](#)

40 Gardenville Parkway

Suite 300

West Seneca, NY 14224

United States

716-712-2060

#### [Chautauqua Opportunities, Inc.](#)

17 West Courtney Street

Dunkirk, NY 14048

716-366-3333

You can also try looking up credit counseling organizations listed by the [Financial Counseling Association of America](#) or the [National Foundation for Credit Counseling](#). For other credit counseling organizations, you can review this list of [approved credit counselors from the U.S. Department of Justice](#) .

Please note that these are examples only and not endorsements of service. LawNY is a part of the Legal Services Corporation, which is a non-profit created by the United States Congress to provide free legal services. LawNY is not associated with nor paid by any entity for referral services.

### **What Is Debt Settlement?**

Debt settlement companies say they can make your debts go away for less money. They typically offer to pay off your debts with lump sum payments that you have to save up before a settlement. Under the law, money you save up in an account for use by a debt settlement company still belongs to you. You are entitled to withdraw funds held in that account at any time without penalty. In practice, many debt settlement companies collect money from you and do not use it to settle your debts.

Some debt settlement companies tell people to stop paying their debts once the debt settlement company is hired. But when you stop paying, your debt doesn't go away. Instead, it grows. Interest and fees can add up, and the creditor might get upset that you have stopped paying on your debt. This can lead to the creditor or another debt collector suing you in court. That means you could end up owing even more money, and it can hurt your credit score and cause more stress.

Be careful:

- Many creditors or debt collectors won't work with debt settlement companies
- These companies can't promise how much you'll save or how long it will take
- They can't erase all your debt
- They often tell you to stop paying, which can lead to lawsuits and more stress

## **What Is Debt Consolidation?**

Debt consolidation means getting one big loan to pay off many smaller debts. You then make one payment each month to the new lender. It can make payments easier to manage.

Sometimes the new loan has a lower interest rate. But be careful: the lower rate may only last a short time. Your payment could go up later. You might end up paying more money over time.

Before you get a consolidation loan:

- Make sure the interest rate is not just a short-term "teaser rate"
- Check how long you'll be paying
- You might save on monthly payments but pay more overall

## **What Is Credit Repair?**

Credit repair companies promise to fix your credit score. They often charge you money for things you can do yourself for free.

They usually send many disputes to the credit reporting companies to remove bad marks. If the creditor doesn't reply in 30 days, the item might be removed. But if it's a real debt, it usually comes back later.

Some companies send too many disputes, even for things that are true. The credit reporting companies may ignore them if they think the disputes are fake.

Important facts:

- Only incorrect or incomplete items can be removed
- True negative items stay on your credit report for 7 years
- You can fix mistakes on your credit report yourself—for free
- There's no fast way to fix your credit

Watch out for companies that:

- Charge upfront or monthly "subscription" fees
- Promise to quickly raise your credit score
- Dispute everything, even if it's correct

By law, credit repair companies cannot charge you unless:

1. The time they said they would fix your credit has passed
2. They give you a report that shows real results, made 6 months after the work is done

Sources: LawNY, Consumer Financial Protection Bureau

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