



## DEBT MANAGEMENT PROGRAM COMMONLY ASKED QUESTIONS

### AGENCY-----

- 1. What are the benefits of working with The Village?**

A financial counselor can analyze your financial situation to help you determine your options. If one of the options is our Debt Management Program, you may have fewer creditor calls and be on the road to becoming "debt free".
- 2. How is The Village funded?**

Our funding comes from a variety of community resources, with the majority coming from voluntary creditor contributions.
- 3. Can your agency stop legal action and collector phone calls?**

In the majority of cases, we are able to work with creditors to develop a solution that will satisfy everyone and generally stop any legal action. If you maintain your payment arrangements with us, the majority of phone calls will stop.
- 4. Are most creditors willing to work with your agency?**

Yes, most creditors support the services our agency provides.
- 5. Why will creditors reduce payments through your agency rather than working directly with me?**

Our agency has trained certified consumer credit counselors who evaluate your overall financial situation. Creditors are willing to work with us and through our agency, with you, because we help you develop a realistic action plan to solve your particular financial situation.

### BANKRUPTCY -----

- 6. How does your agency's program differ from "Chapter 13" bankruptcy?**

Our agency's debt management program is voluntary for both you and your creditors. Therefore, all creditors may not waive interest. When you file for "Chapter 13" bankruptcy, it becomes public record. The court will administer the plan and all interest will be stopped. In addition, you may have difficulty obtaining credit in the future.
- 7. How long does a bankruptcy stay on my credit report and how does it affect my credit?**

Under the Fair Credit Reporting Act, a federal law, a bankruptcy can remain on your credit report for up to 10 years and will not clean up a bad credit record. For example, it can make it more difficult to get a mortgage to buy a house.

## **DEBT MANAGEMENT -----**

### **8. What is a debt management program?**

As part of the Debt Management Program (DMP) your financial counselor will set up a payment schedule for you to repay your debts. By voluntary agreement, you deposit funds with our agency each month, which we then send to your creditors. If collectors call, ask them to contact us. You may also receive a reduction or waiver in finance and/or other charges.

### **10. Will being enrolled in the DMP stop interest from being charged on all accounts?**

No. Your counselor will be able to tell you if any of your creditors will consider stopping interest charges. However, the majority of the creditors do not stop interest.

### **11. What if I can't make a payment one month?**

Contact your financial counselor. Your counselor will work with you to find a manageable solution if you are having difficulties.

### **12. Do I need to notify my creditors if, for any reason, I discontinue the debt management program?**

If you discontinue your debt management repayment program at any time, it is your obligation to advise your creditors of your current mailing address and home phone number.

## **CREDIT -----**

### **13. How will the Debt Management Program affect my credit?**

Several factors affect how your credit report will look during participation in (or after completing) the Debt Management Program. These include what your credit report looked like when you entered the plan, the consistency of your payments while on the plan, whether you increased payments over time, and a creditor's reporting policies.

### **13. Does The Village report monthly to the credit bureau on how my deposits were made?**

No, but the majority of the creditors will still report your individual account history to the credit bureau.

### **14. If I enroll in the Debt Management Program, can I continue to use my credit cards?**

No. If you decide to participate in the Debt Management Program, you must stop using credit. As a rule, your creditors will close or suspend your lines of credit. Upon successful completion of the plan, some creditors will reestablish your credit based on your current ability to pay and your payment history while enrolled in the plan.

*\*In limited cases, (e.g. if you travel for work) one credit card may be maintained. The balance must be paid in full each month and will be subject to periodic confirmation of account balances by our agency.*