

***FACTS YOU SHOULD
KNOW ABOUT DEBT
CONSOLIDATION***

MAKE A WAY® MINISTRIES INC

Facts You Should Know About Debt Consolidation
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PUBLISHERS NOTE:

When most folks are looking at the possibility of having to make late payments on their credit cards, they start to panic. They envision having to deal with late fees, over limit fees, increased interest rates, threatening phone calls from heartless creditors and the eventual cancellation of their credit privileges. The truth is most Americans can't imagine a life without credit cards and that's why the panic sets in when funds start getting a little tight.

But there's a great program available that will help families reduce their interest payments, lower their monthly payments, eliminate late fees, re-age all their past due balances and establish a definitive plan to achieve total debt freedom once and for all. A Debt Management Program (DMP) is such a program and in the hands of an experienced non-profit credit counseling agency it can be just the perfect fit for a family that's ready to make a change.

The purpose of this report is to provide the TRUTH about this great program; in fact, you will NOT find most of this information on the Internet. So, please enjoy what you find here and let it expand your understanding of the credit counseling industry. But keep in mind that this publication is certainly not an exhaustive study on the subject and should be considered with other publications and sources of information to arrive at a full understanding of Debt Consolidation. You can also call this agency at your convenience and without obligation to discuss your questions with one of our experienced ministers.

In addition, all users of this report are urged to consult with their church leaderships, financial professionals and/or legal counsel to clarify any issues left unresolved.

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FACTS YOU SHOULD KNOW ABOUT DEBT CONSOLIDATION

The purpose of this article is to answer questions about a popular credit counseling service known as Debt Consolidation or Debt Management. If you are considering Debt Consolidation you should know that there's a lot of misleading information you can come in contact with regarding what it is, how it should be used and where you should go to receive it. Hopefully this article will help you filter out the incorrect information you've heard so you can make an informed decision for yourself and your family.

To start with, real DEBT CONSOLIDATION is a program exclusively for families that have become temporarily overextended, or are about to be overextended, and as a result they're experiencing difficulty paying all their monthly obligations on time. The Program is normally NOT recommended for people who are fully able to make their payments on time and are just looking for a way to reduce the interest they're being charged or a way to simplify their bill-paying process. Debt Consolidation has been designed for UNSECURED creditors and their debtors meaning the related indebtedness has no secured collateral behind it. Accordingly, secured debts are not eligible for Debt Consolidation.

The typical scenario is that the Debt Consolidation Agency makes an arrangement with each unsecured creditor in the client's debt portfolio. The arrangement determines the amount of a monthly payment that each creditor is willing to accept taking into account the consumer's ability to pay. Once the arrangements are made, the client typically pays a single monthly payment to the nonprofit agency and the agency in turn makes monthly payments to the various creditors according to the arrangements that have been worked out. It's important to know that the accounts included in the debt consolidation program will be closed for the term of the program but are typically reopened by most creditors upon successful completion.

Most kinds of unsecured indebtedness can be put into Debt Consolidation programs but there ARE some exceptions and your credit counseling agency will need to review your list of creditors. One major exception is that accounts that are already designated "Collection" or "Charge Off" on your credit bureau reports may not

be eligible for this program. Contact the Home Office toll free at 1-800-357-4223 for more information if you have items on your credit reports that are designated “Collection” or “Charge Off.”

Choosing a Credit Counseling Agency

Debt Consolidation (Debt Counseling, Debt Management, Debt Pooling, etc.) programs require the intervention preferably of a non-profit agency with the knowledge and experience to work effectively with a consumer’s creditors according to established industry standards. A qualified non-profit agency is able to obtain concessions from most creditors that are not available directly to consumers. Concessions typically include reduced interest rates and lower monthly payment minimums for an extended period of time. The truth is all non-profit agencies obtain the same concessions from each of the various creditors and your decision to select one agency over any other should be based on a balance among certain criteria: your perception of their reliability and honesty, the length of time the agency has been in business, the cost of the program, their professionalism, their willingness and compassion to help families, etc.

In making your choice you will want to take into account the fees that the agency will charge you. Just because an agency is a non-profit organization doesn’t mean the service is free. In fact, the best agencies usually DO charge fees which allow them to provide fair compensation to qualified counselors. The agencies with the lowest fees are not necessarily the ones to choose and you should reject the ones with the tricky higher fees. The objective is to FIND THE RIGHT BALANCE.

There are two kinds of fees for Debt Consolidation and many states have legislation in place that establishes the amounts that agencies are allowed to charge. There is usually a one-time Enrollment Fee on average nationwide from \$50 to \$100 and a monthly Administrative Fee that averages \$25 to \$50 per month depending upon the state where the agency headquarters is located and on the number of creditors you need to include in your Program.

Now, if you go on the Internet and look for reputable Debt Consolidation agencies you’ll find thousands of them. Most Debt Consolidation these days originates with an Internet key word search and most people go to the top of the first page of the Google list and make their selection. But you need to know something

IMPORTANT: the “agencies” most often listed at the top of those lists are nothing more than very large, well-capitalized REFERRAL agencies that will collect some basic contact information about you and then SELL it to the Debt Consolidation agency that will ultimately contact you and perform the actual service. THIS IS THE PREDOMINANT WAY THE INDUSTRY WORKS. You’ll have no idea who will actually return your contact information and perform the enrollment. The recommendation of this publication is to verify beforehand that the agency you are about to contact is an actual Debt Consolidation agency that has its own web site and physical location, and that’s registered in good standing with the Better Business Bureau.

The underlying principle is that an agency with its own lead-generating website will have lower marketing costs than the agency that purchases leads from some referral agency and will tend to charge lower prices to the public. Visit as many web sites as you can of actual non-profit agencies and make your selection after doing some due diligence. Call them and ask some questions and see how you feel after you’ve talked to them. Confirm that the person you’re talking to actually works for the agency represented on the web site that drew your attention. After a few minutes of talking you’ll know if you want to do business with that person or not; just follow your heart and use the knowledge you’ve learned from this publication.

Another recommendation is that you look for a Christian non-profit organization (preferably a Ministry) to represent you with your creditors. You don’t have to be particularly religious to use one and you want to increase the odds that the agency you finally do decide on is honest and dependable and that it advocates for consumers instead of creditors. But once again you have to be very careful: if you rely on the Internet and you use the search engines like Google and Yahoo, the key word “Christian” will turn up a list of names at the top that are not really Christian. In fact, they are as far from Christian ministry as you can imagine and are many of the same REFERRAL agencies you’ve already tried to avoid. Just be careful in your search and use the other selection criteria we’ve already discussed to determine the authenticity of its claim to Christianity.

What to Expect

You will want to talk to a live Counselor in whatever non-profit Christian agency you ultimately select. Don't try to enroll in a real Debt Consolidation Program totally on line; you don't want to do it that way because you need the benefit of an experienced, live counselor to help you understand your situation and make the right decisions. The counselor will ask you a few questions to determine the extent of your situation and will offer to prepare a Family Budget at some point in the process to bring your income and expenditures into balance. If the agency does NOT prepare a Family Budget, you need to go immediately to some other agency. The willingness to prepare a Budget is a must because Creditors REQUIRE responsible agencies to provide this service and also because you need it so you can be sure you are planning to live within your means and make all your payments into the Program.

The agency's analysis will also include an estimate of the amount of the monthly payment you'll have to make if you enroll in the Program and a projection of the time required for you to complete the Program and become debt free. Be careful because there are unscrupulous agencies (not Christian agencies) that grossly understate the monthly payment requirement and then spring the surprise of the real payment once they have received your Enrollment Fee. You may want a second opinion from another agency to insure that the quotations are similar. Obviously the more you pay the faster you're going to get out of debt so if you can afford more, you should try to pay more

Once the counselor has completed the analysis, you'll be advised whether or not the agency recommends that you enter Debt Consolidation. It's not appropriate for everybody! At that point if the agency accepts you into their program, you should be prepared to pay an Enrollment Fee and sign a Service Agreement committing the agency to their responsibilities and to the date your first monthly payment will be due. Most payments are paid by automatic electronic withdrawals from an authorized bank account. Neither you nor the agency has time to wait for a personal check (most agencies don't even accept them) and your credit cards will all be in the program. By the way, creditors absolutely hate to have an Enrollment Fee for a debt consolidation program charged to their credit card right before they're being requested to have that card included in the program. Don't do it because the creditor may disqualify you and the agency might legally be able to keep your Enrollment Fee.

There will be a number of forms to deal with including an Agreement, a list of Creditors with balances and interest rates, an authorization for the electronic payments and copies of ALL statements of the creditors that are to be included in the program. For a couple of days there's some work to be done but it will end soon enough and you'll be on your way to debt freedom. The faster and more efficiently you work and provide all the information you've been requested to provide, the more quickly the program can take effect. There are no short cuts so don't expect any and you won't be disappointed.

Please be fore-warned though: one of the most significant problems we have seen over the years in administering this program to thousands of families is that people are too slow in complying with the administrative requirements. Time is strictly of the essence. Statements you submit to the Agency MUST BE CURRENT and you must move quickly once you have decided to proceed with the Program. Consumers want to blame the counseling agencies for their enrollment woes but 99% of the time it's not the fault of the agency who in reality is actually interested in completing the enrollment process for you ASAP so they can begin to collect the fees they're entitled to and cover their marketing costs and overhead. Therefore, get involved in a Debt Consolidation Program with determination written across your game face focusing on meeting all the administrative requirements in the shortest possible time. Don't get distracted until the job is done!

Determining Which Creditors to Include In the Program

Normally the best strategy is for the client to include all unsecured creditors in the Program except for those accounts which have very low balances and can be paid off easily and quickly and/or those accounts for which payment terms would not be improved by being in the Program. Nevertheless, you should know that some creditors will not accept clients in the Program unless all unsecured creditors have been included. Also, if there are several different credit cards that are owned by the same creditor, the controlling company will probably require all of their related accounts to be included in the program. Your agency counselor will help you work this out as soon as they have seen your list of creditors.

Many agencies require their clients to destroy ALL their credit cards when entering their programs. There are some agencies though that will try to work with

you to keep one card out of the program for traveling and emergencies with the understanding that the balance will always be paid off at the end of the month. If any of the other creditors object to the one card being withheld though, it will be have to be included in the program but the enrolling agency has experience to know if you have any creditors that are likely to object and can advise you accordingly.

Credit Report Questions

Many people want to know how a Debt Consolidation program affects their credit reports and the answer is that it depends on the internal policy of each creditor. There are a number of creditors that will not even report the Program as a negative to the Credit Bureaus. Others, however, will report that you are involved in a “credit counseling” program,” which will in all likelihood be viewed negatively by prospective lenders and creditors.. This will restrict your ability to obtain new credit, which should not be a problem for most families that are serious about being debt free. Once a Debt Consolidation client has been able to develop a consistent on-time history of payments into the Program, any negative connotation attached to the Program will begin to change to a positive.

Upon successful completion of the Program, it’s quite possible that previously reported derogatory information can be removed from a client’s credit reports. *Make A Way Ministries* will be happy to make available a publication that teaches how to go about the restoration of credit reports on your own. The Ministry can also provide the full service of credit repair for an additional charge if you need assistance. Overall, credit reports should be improved from the condition that existed prior to the Debt Consolidation Program (or that would have developed had recurring late payments become an issue) and you’ll be viewed as more credit worthy because the ratio of credit outstanding to aggregate credit limit will have improved substantially.

Mortgage Financing Questions

Families also want to know how the Debt Consolidation Program will affect one’s ability to finance a new home or refinance an existing one. Once a client has made 12 consecutive on-time monthly payments into the Program, he will usually be able to obtain an FHA loan even if the Debt Consolidation Program has been reported to the Credit Bureaus. But other types of mortgages have particular

guidelines that apply to families involved in Debt Counseling and must be evaluated on a case-by-case basis taking into account the objectives of each family. Generally speaking, families involved in a Debt Consolidation Program will find some difficulty in locating conventional home financing and in addition interest rates will tend to be marginally higher. Therefore as a matter of general financial strategy, it is usually better to obtain any necessary home financing just before enrolling in a Debt Consolidation Program.

Questions about Make A Way Ministries

Make A Way Ministries, Inc. is a non-profit Christian Ministry operating since 1987. Tens of thousands of families nationwide have already been assisted toward achieving debt freedom through the various programs offered by *Make A Way Ministries* including the Debt Consolidation Program.

There is an initial one-time counseling fee of \$75.00 that is payable AFTER we have obtained a pre-qualification acceptance from a qualified Processing Office. They will have already quoted you an estimated monthly payment that will go to your creditors and including a monthly maintenance fee that the Processing Office charges for the administrative requirement of accepting and transferring your funds through their electronic processing system. The monthly maintenance fee ranges from \$25 to \$50 depending upon the number of creditors to be included in your Program.

May God bless you! Becoming debt free can be a reality for your family in the near future. The hardest part of getting out of debt is making the decision to actually do something about it. We want to help you do it! If at any time we can answer any questions, please feel free to call the Home Office toll free during normal working hours (9:00 AM to 5:00 PM Central Time) at 1-800-357-4223. Or you may contact us through our website at www.makeaway.net. You can also write to us:

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