

# MONEY MANAGEMENT

## *How Others Can Help You Get Out of Debt*

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*When the bills pile up and you can't seem to dig your way out, several options may help you manage financial difficulties. You may set up your own debt management plan and discipline yourself to follow it. If that doesn't work, you may wish to seek legal assistance with your financial obligations.*

### **Debt Management Counseling Services**

Debt management counseling services can help you set up a budget and debt repayment plan. Non-profit financial counseling agencies charge very little, if any, for their services. Some universities provide financial counseling programs.

Your local county Extension agent may be able to assist you in setting up a debt management plan. Military bases and industries often hire people who can help you set up a debt management plan. Housing authorities, credit unions and banks sometimes provide financial counseling.

### **Consumer Credit Counseling Services**

Credit counseling services can be located through the National Foundation for Consumer Credit at [www.nfcc.org](http://www.nfcc.org). Many NFCC members are known as Consumer Credit Counseling Service® (CCCS). An increasing number of agencies operate under other names, but all members can be identified by the NFCC member seal. This seal represents accredited agencies with high standards, ethical practices, certified counselors, and policies and practices which help consumers achieve financial stability. It is best to use an accredited agency.

Consumer Credit Counseling Services (CCCS) helps individuals or families with serious problems find relief through budget planning, money management and planned debt reduction. CCCS is a local non-profit organization affiliated with the National Foundation for Consumer Credit. It is not a lending institution or charity organization. It is supported by contributions from banks, consumer finance companies, credit unions, merchants and other community-minded firms and individuals.

CCCS activities fall into two categories:

1. To aid those who have serious debt problems by:
  - ◆ Helping the family manage their money better
  - ◆ Setting up a realistic budget, spending, and debt management plan
2. To help prevent debt problems by:
  - ◆ Teaching the necessity of family budget planning
  - ◆ Providing education to all ages regarding the pitfalls of unwise credit buying
  - ◆ Encouraging credit institutions to provide full information about the cost and terms of credit and to withhold credit from those who cannot afford to repay it

Anyone overburdened by credit obligations can phone, write or visit a CCCS office. Or they may be referred to a CCCS by a creditor, clergyman, legal aid society, social service representative or county Extension agent. The CCCS requires you to complete an application for credit counseling. The CCCS will arrange a time for you to meet with a counselor.

Debt management counseling services  
can help you set up a budget and debt repayment plan.

# Only you can decide if you are willing to make the sacrifices it takes to get out of debt.

A counselor will review your application. The counselor is qualified to prepare a budget plan that will be given to you and your creditors for approval. The budget plan will outline exactly how each debt will be repaid. When followed, the plan is usually all that is required unless there is an emergency or a change in your financial situation. You can return to the counseling service at any time for further counseling.

The counseling service may ask for a contribution, or it may be free. However, when the service prepares a debt repayment plan for you, some locations charge a nominal fee to help with administrative costs. Local businesses pay the counseling service a fee for collecting the debts clients owe them. For example, if the CCCS counselor collects \$20.00 to pay a debt owed to a bank, the bank would pay the CCCS \$3.00 for collecting the debt.

Consumer Credit Counseling Services has offices in many Kentucky locations. Look under "Credit and Debt Counseling" in the yellow pages. In addition, you can reach CCCS at 1-800-355-2227 or at [www.cccservices.com/](http://www.cccservices.com/).

To make an appointment, call the office most convenient to you. They will send you an application. When you've completed the application, you can call them to set up an appointment for a visit with a credit counselor.

Although the CCCS office may not be located in your town, they provide services for people living in surrounding areas. So if you live several counties away from an office, you may still go visit them. For example, if you live in Richmond, you could go see a counselor in the Lexington office.

## **Court Provisions**

The Federal Bankruptcy Code provides consumers with two forms of debt relief. Chapter 7 of the code is the straight bankruptcy provision and provides for liquidation of the debtor's assets. Under Chapter 7, the secured creditors may have the security abandoned to them unless the debtor reassumes the debt with the court's approval. The debtor is allowed to keep certain property exempted

by state law, and all other debts are discharged in bankruptcy.

Chapter 13 is the debtor's plan. It allows the debtor to keep the things bought on credit while the debts are paid off over a period of time by payments to the trustee under the protection of the court.

With bankruptcy under Chapter 7, you give up the things you bought on credit now unless the debt is reaffirmed by court permission and the debtor continues to pay the creditor. With Chapter 13 you promise to pay off past debts with part of your paychecks you will earn in the next few months. While paying the debts, you will be able to keep the things you bought on credit if your plan is approved by the courts.

More and more people are turning to Chapter 7 and Chapter 13 for several reasons:

- The state of the economy
- Increased advertising by attorneys
- The recent revision of the federal bankruptcy laws as well as an increased willingness of Americans to file for Chapter 7 or Chapter 13
- Society no longer views bankruptcy as such a terrible thing

## **Ignoring Debts**

Waiting or ignoring a debt is the solution many people use when they are in financial difficulty. They apparently think the problem will eventually go away, or maybe they are afraid to face the creditor. Maybe they do not understand the consequences of not paying bills.

Ignoring debts may cause creditors to harass you or your family members. Your property can be repossessed when it is used as collateral for a loan and you get behind in your payments. For example, if you buy a car, the car is used as security or collateral for that loan until the loan is repaid fully.

Wages may be garnished to recover bad debts. Wage garnishment means that about 25 percent of each paycheck is sent by your employer directly to your creditor.

## Summary

If your debts have piled up and your monthly income is not enough to cover the payments, there are ways to solve your problem. If you have a great deal of self-discipline, you can put yourself on a personalized debt-management plan.

If you feel this method won't work, then you may choose to visit a financial counselor. The counselor will help motivate you to pay back your debts.

Another means of settling your debts is by court provisions. You may file bankruptcy. Your debts are settled by selling your assets. Or you may file the Debtor's Plan. Under the Debtor's Plan, you keep your assets while you pay back your debts. You are under the supervision of a court-appointed trustee over a three-year period of time.

The road to financial recovery takes a total commitment. You have to make up your mind that you want to be free of debt. Then you have to discipline yourself to take the necessary action to pay back your debts. Your road to financial recovery is entirely up to you. Only you can decide if you are willing to make the sacrifices it takes to get out of debt.

*Adapted from "Money Management: How Others Can Help You Get Out of Debt" by Esther McAfee Maddux, Extension Home Economist, University of Georgia.*

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