

Debt Counselling Process

Debt Counselling applies to Natural Persons and Trusts with 1 or 2 Trustees only: No company or CC expenditure!

1. Debt counselling is for people who cannot pay all their credit providers (creditors) or if they do pay all their creditors, they are left with little or no money for the rest of the month. This is a regulated service under the National Credit Act. All Debt Counsellors must be registered with the NCR. To qualify for debt counselling you must be legally over indebted. The definition is simply the following: Gross earnings less statutory deductions less condition of employment deductions = Nett income. Nett Income less living expenses = Distributable Income. If your Distributable Income is not enough to cover your payments to your credit providers then you are over indebted. Living expenses are expenses such as groceries, policies, rent, electricity and water, cell phone, school fees etc. The law therefore provides that you first pay for your living expenses and only what is available after that to your credit providers.
2. When you apply for debt counselling your creditor providers are not allowed to take any further action against you. They can not black list you, they can not take summons or repossess any of your assets
3. When you apply for debt review you will be registered on the credit bureaux as receiving debt counselling. You will not be allowed to obtain further credit. When talking to personnel placement agencies a bad payment record is viewed as negative, but debt counselling is viewed as positive, because it indicates to the market that positive action is being taken. So do not let any negative remarks influence your decision.
4. We cannot normally include debts where legal proceedings have already been instituted, but will negotiate on your behalf to get the debt included. This is why it is so important to go under debt counselling else you lose the protection under the law and is entirely at the mercy of the credit providers that can institute whatever actions they deem fit to protect their interest
5. We draw up a detail budget in consultation with you determining very conservatively what you can afford to pay your credit providers. Regardless of what your total obligations are, under debt counselling you only pay what you can afford according to the budget. And you are protected under the law so no credit provider can take any action! The law specifically states that debt counselling is there to get you out of debt. So regardless of the repayment amount you make, you have to redeem capital every month. The only way this is achievable is by reducing the interest rates.
6. **Critical to understand. The moment you apply for debt counselling you stop paying your credit providers directly. By default you do not have money in the bank if you are over indebted. Therefore your fees are paid from the cash flow that you would have paid your credit providers at the end of the month, and you do not need to have the money in the bank! You do not pay any fees up front, so the fees can never be a**

barrier to entry! Also remember this is a regulated service and fees are also regulated. We can never overcharge you

Your first months payment to the PDA will be your once off restructuring fee. The restructuring fee is the lesser of the first instalment of the debt re-arrangement plan in respect of a consumer whose applications have been accepted in terms of 86(7) (b) or 86 (7) (c), with a maximum allowable once off fee of R6000.00 (excl VAT) for both single and joint applications.

So if your repayment for all your debt is R2000.00 per month then the first payment that you will make at the end of the month will be our fee. Your credit providers is in actual fact forfeiting their payments for two months to afford you the right to go under debt counselling. For those fortunate ones among us who can afford to pay a substantial amount to their credit providers every month, the once off fee can never be more than R6000.00.

7. The first month you pay your professional fee and the second month the legal fee. From the third month onwards your credit providers start receiving money again.
8. Within 30 days after the application the debt counsellor will prepare a repayment proposal for your creditors.
9. When the proposal is worked out, the debt counsellor will first take into account all the money you need to cover your living expenses. We are very conservative in establishing your living expenses and make sure that provision is even made for contingency as well. This money we would like to see in the savings account at the end of each month specifically for those rainy days. Contingency will include items such as maintenance on the house and car etc. Only after all living expenses have been subtracted from your income, will funds be allocated to your creditors.
10. Within the first 60 to 90 days we apply to the magistrate's court for a court date to obtain a court order to protect the repayment plan under the law for as long as you are under debt counselling. This is done to permanently protect you against any action into the future.
11. After your restructuring fee has been paid, a monthly after-care fee will commence which you will have to pay your debt counsellor. This fee is calculated at 5% of your repayment, with a maximum of R400 (excl VAT) for the first 24 months, thereafter reducing to 3% to a maximum of R400 (excl VAT).
12. Once the monthly instalments have been finalized you will use the services of a PDA. A debit order will then be placed on your bank account in favour of a PDA (payment distribution agent). PDA is a company that is registered and is strictly controlled by the national credit regulator (the government body that oversees this profession and makes sure it is all done by the book) and specializes in receiving and distributing money to your creditors.

The PDA in turn will pay your creditors their share of the restructured debt repayment plan and will send us a monthly statement of balance so that we can all be sure it is being paid correctly. This will then continue for as long as the payment period has been set or is ended.

Action to be taken once you have made an application

13. Close your existing bank account and open a savings account at another bank.
14. If in overdraft, you will not be able to close your account, you must stop all your debit orders.
15. Advise your employer about your new banking details for your salary.

16. Complete the attached debit order form in our favour- with your new banking account number.
17. If your creditors call you tell them that you are under debt review and refer them to us.
18. Never sign anything from a creditor or negotiate on repaying your debt once under debt review. Refer them to us.
19. Once you have paid up all your debts we will issue you with a clearance certificate and notify the registered credit bureaux accordingly. Once a clearance certificate has been issued your credit record is as clean as the day you were born, 100%
20. Please do not hesitate to call us should anything be unclear to you. Debt Counselling is really one of the best new laws that came onto the law book and is there to protect you as the consumer. The best way to manage your personal debt risk should you battle to make payment is debt counselling. This is actually a paradox in the economy that you are a poor credit risk, but you pay lower interest than the best credit profile out there in the market!

I/We hereby confirm that the Debt Review Process and Debt Counselling Fee Structure has been explained and is understood and accepted. Furthermore I/We undertake to make interim payments as reflected. Failure to do so can result in the termination of the Debt Review application by the Debt Counsellor or credit Providers.

Signed at _____ on this day ____ of _____ 20 _____

Applicant

Co-Applicant