



Debt Management Program Handbook

Table of Contents

Introduction	2
Your Debt Management Plan	2
DMP Approval & Activation.....	4
DMP Monthly Payments.....	5
About your creditors	7
About Tabor Community Services	8

Introduction

Read this document. When you are done, please read it again. The purpose of this handbook is to help you understand as much as possible about the process we are undertaking together to pay off your consumer debt. ***If there is anything you read here that you feel might harm you more than help you, you may want to reconsider your participation in a Debt Management Plan (DMP).***



Your Debt Management Plan

The purpose of the Debt Management Plan (DMP) is to rebuild your financial wellbeing through a creditor-approved plan, tailored to your financial circumstances, that pays off your debts within 60 months.

When I sign the form, what am I signing?

Your Debt Management Plan Service Agreement is not a contract. The DMP is voluntary, and may be terminated by you at any time. The Agreement discloses to you the amount we expect should be paid to your creditors each month through Tabor Community Services, Inc. (Tabor), and what portion of that amount will come to Tabor as a monthly service fee.

The amount of your monthly payment may change upon receipt of rejected proposals, but any change will be discussed with you.

Additionally, your Agreement details what we expect of you, including:

- To provide us with a complete list of your creditors and the amount owed to each;
- Not to apply for or use additional credit for the duration of the DMP;
- Not to make arrangements with your creditors except through us;
- To remit your DMP monthly deposit on a timely basis;
- To comply with your Action Plan.

When a Debt Management Plan is set up, who must sign their names?

Anyone who is a party to the DMP. If it is you alone, then your signature alone will suffice. If any debts in the plan include anyone else, we need to have their signature as well.

Will participating in a Debt Management Plan affect my credit score?

We cannot predict what will happen to your credit standing after you sign on to a DMP. Your current credit score will be the baseline for what happens in the future; it could improve, it could get worse, or it might remain the same. Some facts to keep in mind:



- We have no control or influence over what shows up on your credit report. Your creditors may report negatively until the DMP agreement has been fully implemented, which could be several billing cycles.
- Your creditors may or may not report your DMP status on your credit report.
- Many of the major creditors, including Chase, Discover, and Wells Fargo, do not report a consumer's enrollment in a DMP to the credit bureaus. These credit card issuers classify open

accounts enrolled in a DMP as "Closed by Customer," which has a neutral effect on the client's credit rating.

- If a creditor does report DMP status, the credit bureaus do not factor that information in the scoring.
- However, under some circumstances a DMP status on your credit report may affect your ability to obtain financing for additional credit including but not limited to applying for a mortgage.

We can, however, offer guidance on what you can do to remove negative marks on your credit report after you entered a DMP.

As you consider this, you may want to take into account what might have happened to your credit had you not embarked on a DMP. If the answer is that you would be better off without signing a DMP agreement, then it would be wise to reconsider your participation in the DMP.

Do I have to put all my debts into a DMP?

Typically, yes. Exceptions to this include:

- The need to have an active credit card for business expenses
- An account that is already on an in-house creditor hardship repayment plan, or otherwise has an interest rate lower than would be granted through a DMP
- Auto loans, mortgages, and other secured loans cannot be included because the payment amount is not negotiable
- Student loans
- Taxes

Can I keep using credit cards?

No. During the course of a DMP, it is important that you cease using credit to finance your expenses. Accounts are usually closed or frozen upon the creditor's receipt of our DMP proposal. You also may not apply for or use new credit cards. Some creditors do review credit reports from time to time to ensure that you are not obtaining or using new credit, in violation of their policy.

Will you ever discontinue my DMP?

We must discontinue DMPs when they no longer serve you. This is likely the case when the payment history is such that the creditors have themselves removed you from their plans. Those instances are defined by the National Foundation for Credit Counseling as when:

- The first payment is not made, or;
- Two payments in a row are missed, or;
- Four payments in a 12 month period are missed, or;
- A partial payment history is such that it is equal to or less than 4 of the full payments in a year's time, or;
- You have violated our agreement with you in any other way.

Tabor does reserve the right to terminate any DMP agreement at its sole discretion. You also have the right to terminate the DMP agreement.

DMP Approval & Activation

How do you set up the DMP with creditors?

Once your first payment has been deposited, we contact your creditors with written, or, in many cases, electronic proposals. The proposal contains some general information and some specifics about your situation. The information we submit in a proposal includes:

- Your name, address and account number;
- Your monthly net income;
- Your monthly housing and living expenses;
- The amount to be paid on that creditor's debt;
- The amount owed to the creditor;
- The amount we propose to be paid monthly to that creditor.



Once the proposal is sent out we wait to hear back about whether or not the creditor accepts the terms, and if there will be any concessions and fee abatements.

Will the payments you projected during the counseling session be approved?

Not necessarily. While our counselors are familiar with most creditors' terms of payment, and will have communicated that to you in your discussion of the merits of entering into a DMP, we cannot guarantee that any creditor will accept our proposed terms of payment.

What happens if a creditor rejects a proposal?

In most cases the creditors do accept our proposals, although occasionally they won't. When a creditor rejects a proposal it is usually because they want a larger monthly payment in return for interest or other concessions. In this case we will contact you to see if a larger payment can be made. If it is not possible to increase your payment, we will discuss your options for paying the creditor(s) in question.

What is a "charge-off" and how does it affect my credit and DMP?

A charge-off occurs when you are 120 – 180 days delinquent in making payment on your account. This debt is "written off as uncollectable", but is still a valid debt owed. It is one of the worst possible items on your credit report, and will remain on your report for 7 years, whether you pay it or not. Often, these accounts will be turned over to a collection agency, a law firm, or sold to a "junk debt" buyer company for collection, that may or may not agree to include it in a DMP (see below).

Do collection agencies participate in DMPs?

Collection agencies may or may not agree to participate in a DMP and we may or may not be able to place your collection accounts under a DMP. Unlike major creditors for consumer debt, collection agencies have no agreed-upon protocol for DMPs, and our ability to include your collection accounts in a DMP depends on whether we have been able to establish a relationship with the collection agency in question.

Often, we receive no response at all when we send a proposal to a collection agency, although they may simply accept the payments we send to them on your behalf. In these cases we do not know if interest is

being accrued on your debt, and it may be necessary for you to contact the collection agency to find out; otherwise we assume that there is no interest and our records of debt payment and debt reduction may not be correct.

In any case, if a collection agency keeps pestering you after your account has been placed on a DMP, please contact your counselor; we will do what we can to alleviate this pressure.

What can I expect in the first months after signing up for a Debt Management Plan?

The timeframe for setting up your complete DMP may take two months or two billing cycles. While we are working closely with each creditor's consolidation process from the moment you sign a DMP, the development and acceptance of our proposals for your DMP takes a bit of time. Keep in mind:

- Each creditor has its own timing to set up an account as a DMP;
- A creditor's billing department may not be aware of DMPs;
- The billing department may contact you about missed or short payments;
- In the first few months you may see late fees and penalties;
- It may seem, at first, that your balance is increasing;
- Once the full DMP concessions have taken effect, you will begin to see progress.

Be patient – in the long run you will realize a huge savings in interest and much shorter payoff period.

How will I know if the DMP is working as projected?

We will send you monthly statements that show the payments we have made and our calculations of your balances with each creditor. However, it is important to understand that our balances may not match the balances showing on the creditor statements that you receive each month, due to factors such as interest and fees. For this reason ***it is imperative that you send us your creditor statements*** as follows:

- Monthly for the first four months of your plan;
- Every three months thereafter for the duration of your plan;
- Any time you notice discrepancies between our statements and your creditor statements.

We will review your creditor statements when we receive them from you, reconcile them with our records and contact any creditors that are not adhering to the proposed payment terms. If we do not receive the creditor statements from you, we cannot know if each of your creditors is adhering to the payment terms we proposed and cannot intervene to correct the situation.

DMP Monthly Payments

How can I make my monthly DMP payments to Tabor?

We will accept payment in the form of money orders, certified checks or cashier's checks. These payments either may be made at our place of business at 308 E. King Street, Lancaster, PA, or mailed to Tabor Community Services, Inc., P.O. Box 1676, Lancaster, PA 17608-1676. ***Personal checks cannot be accepted.***

We also accept automatic electronic payments through Automated Clearing House (ACH). After the first month's payment, you can elect to make your payments electronically by authorizing us to access your bank account to withdraw your payment. There is no cost for this service and it saves you the time and money associated with coming to our office to make your payment or remembering to send your payment to us in advance of your due date.

When are my monthly payments due and when is my payment disbursed to the creditors?

You choose which day of the month to make your payment to Tabor keeping in mind the following:

- We disburse payments to creditors 5 times each month – on the 5th, the 10th, the 15th, the 20th, and the 25th, or on the next business day if one of these dates falls on a weekend or holiday.
- It may take up to 5 business days for the creditors to receive payment after we have disbursed.
- If you are mailing your payment to us, allow at least 3 business days for us to receive it.
- If you are making your payments electronically, we will debit your bank account on your due date (6 days before your disbursement date), to allow time for the bank transfer to be completed. However, the transaction will be initiated by 4:00 p.m. the second day prior to your due date.

If your due date is:	We will disburse to your creditors on:	Creditors should receive payment by:
29 th of month	5 th of month	10 th of month
4 th of month	10 th of month	15 th of month
9 th of month	15 th of month	20 th of month
14 th of month	20 th of month	25 th of month
19 th of month	25 th of month	30 th of month

What if my credit card due dates don't coincide with the disbursement date?

We cannot contact your creditors about adjusting your due dates. We recommend that you contact your creditors yourself to request that they change your current payment due date to the date on which we will be making payments on your behalf. Until you do so, discrepancies between your due date and your payment date may continue to show up on your credit statements.

What if my DMP payment does not arrive on time with the creditor?

When we send proposals to your creditors, we notify them that payments made by us on your behalf will be made on a certain day of the month, according to your agreement and our payment schedule, and that they can expect to receive the payment within 5 business days of disbursement.

Because of circumstances beyond our control, your creditors may not receive our payment within 5 business days, or your creditors may not credit your account on the same day that they receive payment. We take no responsibility for the timing of the arrival of the payment once it has left our agency, nor for any creditor delays in posting the payment to your account once they have received it.

If I pay extra, will you hold the money for the following month's payment?

Generally, no. We will disburse all funds in your account regardless of the amount you have paid us. However, if you have made a payment in excess of your monthly minimum payment, you can request that

we hold the excess payment for a future disbursement, provided that we have not already initiated payment to your creditors.

If I make a payment and then I decide I need the money for an unexpected expense, will you send the money back to me?

Maybe. Our goal is to send your money to creditors as soon as possible after receiving it from you. If we still have your money order, we can sign it back over to you. If it has been deposited but not yet disbursed to creditors, we can send a check to you. If you are making electronic payments, you must request that we stop payment 48 business hours in advance of your due date. If a payment to creditors has already been initiated, we cannot stop payment.

My creditors contacted me and said I am no longer on the plan. Can this be true?

If you have missed payments, you may no longer be on ***the creditor's plan***. This means that they may be accepting payments through your DMP, but are no longer granting any DMP concessions. If you hear this from any creditor, please notify your counselor immediately. We will attempt to get the creditor to reinstate your DMP status, but there is no guarantee that that will happen.

About your creditors

Someone told me that if I went to a credit counseling agency that the creditors have to do whatever you tell them. Is this true?

No. The creditors' only obligations are bound by what the law says they can do (Fair Debt Collections Practices Act), and whatever it is that you agreed to under the terms you accepted when you took advantage of the credit. Any abatements, concessions or other benefits awarded to you under a DMP, come to you as a voluntary act of the creditors. ***Any benefits you receive from the creditors under this plan are not entitlements, but, rather, privileges.***



Are most creditors willing to work with your agency?

Yes, most creditors support our agency services and work cooperatively with us because they know this may be the only way they will be repaid. The key word is ***most***. Some creditors say they will not. In those cases your counselor will discuss your options for dealing with those creditors.

Do you work for the creditors?

No. While a major portion of our funding comes from creditors, we are committed to working toward the successful reduction of debt that will benefit all parties involved. This means that we will strive to develop a plan that is affordable to you, but also meaningful to the creditor. To be successful, we must create a plan that will make you, the creditors, and supervising or government regulatory bodies happy. In short, we work for the process of debt repayment.

Can you stop legal action and collection phone calls?

In a 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. If legal action is filed against you, your counselor will be able to give you some guidance about next steps.

When I told a creditor that I was working with Tabor, they said that they don't work with you. Why is this?

In most of these instances you are dealing with a collector – either inside or outside the original creditor company. The goal of the collector is to get you to pay them in full rather than go on a protracted DMP. At times, the collector may not even be aware that their company does indeed work with Tabor. When we encounter a creditor that is not cooperative, we continue sending payments to develop a demonstration of good faith.

Will all of my creditors reduce interest rates and drop late charges?

Any concessions granted by your creditors are done so voluntarily. Some creditors, to encourage you to complete the Debt Management Plan, are very generous – going as far as to remove all interest, late and over-limit fees. Some will reduce interest and some will not. Several creditors do not show a reduction of interest on your monthly statement, but instead give you an interest charge adjustment in the activity/payment section. **But keep in mind that, in most cases, your accounts are still accruing some interest.**

Most creditors will either waive late charges or re-age the account to prevent further delinquency. Those who offer such concessions may not do so until the third consecutive monthly payment has been made.

About Tabor Community Services

What does your agency do?

Tabor Community Services offers financial and homeownership counseling services as well as a wide range of programs and services to assist the homeless, including several shelter facilities and services designed to rapidly re-house those who are currently homeless. Tabor's Financial Empowerment Center oversees debt management services (the counseling for and management of DMPs) and offers a variety of other types of financial counseling, including credit and budget counseling, counseling for first-time homebuyers, foreclosure prevention counseling and reverse mortgage counseling. The Division also offers regular financial education workshops that are free and open to the public.

Tabor Community Services, Inc. is licensed and regulated by the Pennsylvania Department of Banking and Securities to provide debt management services. You can be confident that your DMP and our related services comply with state requirements.

Are you a government agency?

No, we are not. Tabor Community Services, Inc. is a private non-profit organization, registered as 501(c)(3) organization by the IRS, serving Lancaster County for over 40 years.

Is the information I give to Tabor Community Services confidential?

Absolutely. Unless you have told anyone else, the only people who know you have been counseled are you and the appropriate staff members of this agency, who are bound by the requirements of the Gramm-Leach-Bliley Act to keep your non-public information private unless you give permission to share it.

What are the qualifications of your staff?

Tabor Community Services is a member of the National Foundation for Credit Counseling (NFCC) and our credit counselors are trained and certified through that organization. Counselors must study for and pass a series of tests in order to obtain certification as a Financial Professional, and the accreditation must be renewed every two years through continuing education. Most of our staff have also obtained other specialized housing counseling certifications.

What do you charge for your services?

The Financial Empowerment Center's service fee structure is available on demand and is posted on our website. You are not charged for the counseling services necessary to determine if you are eligible to enter into a DMP, but you are required to pay \$50 to activate your DMP and to pay an ongoing monthly service fee of \$20-\$40 depending on your income. Waivers of both start-up and ongoing fees are available, based on your income.

Where do you get your funding?

Our funding comes from a variety of sources and varies with the type of counseling provided. The majority of funding for our work on DMPs comes from creditors. As creditors have a financial interest in getting paid, most are willing to make a contribution to our agency. Creditors may pay us a percentage of payments you make through your DMP, or they may make periodic grants to us. However, your accounts with your creditors will always be credited with 100% of the amount you pay through us. We will work with all of your creditors regardless of whether they contribute to our agency. Creditor contributions do not cover our costs, and we supplement our income through fees paid by clients and through our general fundraising.

If I have a complaint, what is the grievance process?

If you have a complaint, we ask that you first work with your counselor to resolve the issue. If you and your counselor cannot resolve the issue, contact the Financial Empowerment Center Manager to discuss your complaint or to obtain a grievance form. If you are still not satisfied after your interaction with the Division Manager, you may appeal to the Continuous Quality Improvement Committee of Tabor Community Services in writing.

Can I get legal advice at Tabor?

No. We are housing and financial professionals, not attorneys. We can tell you what some of the effects of nonpayment and bankruptcy might be. If you are considering any sort of legal action, including bankruptcy, you should consult with an attorney.