



TO: Prospective new clients

Hi and thank you very much for requesting further information on the process of Debt counseling and debt review in accordance with the National Credit Act

Debt counseling was developed and brought into effect by the National Credit to assist over indebted consumers who wants to pay their debt but unfortunately can't make all the monthly payments.

The result of default would be legal action and subsequent loss of assets.

Debt counselling prevents all legal action, protects your assets and makes provision for you to re arrange all monthly repayments so that you can afford them.

This is achieved either by lowering interest rates, extending payment terms which in turn lowers the monthly obligation and makes it affordable to your unique budget.

The process of Debt counselling is regulated by the Act and all Debt Counsellors must adhere to strict regulations and a code of conduct set forth by the Act and governed by the National Credit Regulator (NCR). This ensures that there are no mismanagement of clients funds and that all clients must be treated with the respect, confidentiality and for debt counsellors to facilitate the process.

Herewith the process explained:

1. When a consumer (client) realizes that he/she is over indebted and that some arrangements have to be made to make sure all monthly repayments are met.
2. The consumer contacts a registered Debt Counsellor who supplies a regulated form 16 and assists with the completion thereof. As soon as this form is completed the consumer will have formally applied for debt review in terms of the Act.
3. All requested documentation as on the application form is supplied by the consumer within 5 days of signing the form 16.
4. With the information and supporting documents supplied by the consumer the debt counsellor now informs all the known creditors of the consumer that the said consumer has applied for debt review. This is done with the regulated form 17.1 as well as 17.2
5. A formal analysis is done by the Debt counsellor to determine if the consumer is indeed over indebted. This is a very simple calculation once all information has been taken into account. A consumer can only apply for debt counselling if his/her monthly disburseable amount (Nett income minus living expenses) is LESS than the amount required to service all obligations. AS EXAMPLE ONLY. If the consumer only has R5000 to pay his/her debt after the living expenses have been accounted for, and the total monthly debt repayments are R6000 the application would be a success.
6. If the consumer is indeed over indebted according to the above method all creditors would be informed of this for their record.
7. The restructuring process can now begin. The Debt counsellor will now restructure and renegotiate all credit agreements and present these proposed terms to all creditors. This new proposal will then restructure the consumer's monthly commitments to be more affordable and ensure that all credit agreements get something every month.
8. The new proposal will now be sent out to all the creditors after it has been approved by the consumer. Should all creditors agree to a consent order that new arrangement will be made an order

of court. If there are some creditors who don't agree to the restructuring a court date will be allocated for the matter to be heard. At this hearing the magistrate will have no choice to grant the order if the debt counsellor acted in terms of the Act and subsequently restructured the debt accordingly.

9. A Very important consideration when applying for debt counselling will be who handles your money! Debt counsellors are not allowed to handle any money from consumers except for the application fee along with the retainer for early cancellation.
10. All disbursements of contributions will be handled by a registered Payment Distribution Agency (PDA). The PDA is regulated and governed by the Act. As soon as a restructuring proposal is agreed on by the consumer payments of the distribution amount will be paid over from the consumer directly to the PDA. The PDA in turn will disburse with the funds as per the restructuring proposals.

11. The Fee structure:

Debt counsellors are entitled to a maximum of R3000 plus VAT for single applications and R4000 plus VAT for a joint application. The application fee is R50 plus Vat and the retainer for cancellation is R300 plus Vat.

Only the application fee and retainer will be paid by the consumer to the debt counsellor.

The Act allows for the following payment of Debt counsellor fees as well as Legal fees.

The first payment made by the PDA will pay the debt counsellors fee

The second payment will pay the legal fees

The third payment will be the first payment that creditors receive. This is done so that consumers don't have to pay any money that they might not have up front, and to make the process affordable.

12. When the payments are being made to the creditors by the PDA there will be some agreements that will be paid up before others. As soon as this happens the Debt counsellor must restructure the payments again to make sure any creditor is not paid more than he must receive and to disburse the surplus equally between the other to ensure that the process runs smoothly. For this the Debt counsellor is entitled to a 5% after care fee not exceeding R300.
13. As soon as all debt has been cleared the debt counsellor will release the consumer from debt review and issue him/her with a clearance certificate. All records will also be removed from the credit bureaus
14. Should a consumer's situation change for the better and they are in a position to repay all monthly obligations as they were before the restructuring they will be allowed to be release from debt counselling. Although nothing is binding, any consumer can leave the process at any time for any reason

Please complete this next part to confirm that you have read and understood the terms of the debt counseling process. On receipt by either fax or email, you will be provided with the application form.

Client name: _____

Date: _____