

Dealing with Credit Card Debt

1. Pray through each step of the process. Ask God for the wisdom to know what to do, the strength to make difficult decisions, and the perseverance to follow through. Also, pray for the people with whom you will be interacting – those you will be talking to on the phone, those who will be opening and reading your letters, etc.
2. Incur no new debt – don't charge anything else.
3. Know the facts for each debt you have, including:
 - Current outstanding balance
 - Minimum monthly payment
 - Monthly due date
 - Interest rate (the current rate and any scheduled, future changes)
4. Take inventory of your situation:
 - Evaluate how you can reduce your expenses by moving to less expensive housing, selling your car and buying a cheaper vehicle, canceling cell phone, cable, health club membership, etc. You must be willing to put everything “on the table.” This is where hard decisions have to be made. We strongly encourage you to process and make these decisions in a community of accountability. Include others whom you trust and who are guided by Biblical principles.
 - Look at your other assets to see if you can sell or liquidate anything to free up money to pay off the debt.
 - Assess your income and scaled-down expenses to know how much you can pay monthly to each creditor, and the date you can make these payments.
 - Be realistic. Don't promise what you can't deliver.
5. Send a letter to each creditor.

Make a full disclosure of your cash flow situation...what you make and what you spend. This must be “open book” to establish credibility with the creditor. Remember, you're asking for mercy, not justice, so your creditors will want to see authentic vulnerability on your part. If you are working with someone from the church (your shepherd or a financial counselor), tell them this. You need to disclose:

- Your monthly income, and any anticipated “non-recurring” income (bonuses, etc.),
- Your monthly expenses, including non-recurring expenses (those paid quarterly, semi-annually or annually), and
- All your debts (not just what you owe to that particular creditor).

You'll also want to request new terms from your creditor. This should be discussed between you and your shepherd/counselor/community, but you'll want to say something along the lines of, “I will stop making charges on the card. I can pay \$___ per month by the ___ of each month, assuming that you agree to reduce my interest rate to ___%.” Attached are examples of two letters.

Keep a copy of this letter (and any written correspondence you send or receive throughout this process). Mail this letter in a separate envelope – do not enclose with your monthly payment.

6. If the creditor does not respond, send another letter. Write “Second Request” in big, bold, highlighted letters at the top of the page, and attach a copy of the first letter you sent.
7. If by the next billing cycle you still have not heard from your creditor, begin calling. Tell the person you speak with that you have sent two letters. If they don’t know what you are talking about and/or haven’t seen either letter, get their name and ask if you can send a letter directly to them. Mark this as the “Third Request” (again, big, bold, highlighted letters at the top of the page) and attach copies of the first two letters. This will show them that you have been diligent in attempting to contact them. You may have to call several times to get someone to speak to you. Remember, your goal is to get them to respond and work with you.
8. At this point, you will either (1) need to continue to be diligent to call and/or send letters, or (2) be actively working with your creditor. Be sure to include your shepherd/counselor in this process.

It may happen that your creditor offers to “settle” the balance with you at a reduced payoff amount that, if you can pay, will satisfy the debt in full. Obviously, if you can make this payment, it would be wise to accept such an offer. But you must also consider the clear counsel of the Bible. We are told that it is the wicked who borrow and do not repay (Psalm 37:21), that we shouldn’t withhold what we owe when we’re able to pay it (Proverbs 3:27-28), and that we are responsible for the vows that we make (Ecclesiastes 5:4-5). God’s Word is clear: We are obligated to repay what we borrow. The clear distinction here is that the creditor has made a *voluntary decision* to release you from all or part of your debt after having full and complete knowledge of your financial situation, and you have done all you can to modify your lifestyle and free up assets to pay your debt. If this is the case, consider yourself blessed.

Other:

- Be aware of opportunities to transfer your balances to cards with lower interest rates. However, before doing this, *read the fine print* and take note of transfer charges, interest rate changes, etc. These deals are not always as good as they first appear.
- In conversations, *always* get the name and position/title of the person you are speaking with. Also, write down the date of the conversation and take notes of what was discussed.
- When sending letters to your creditors, it’s advisable to use certified mail. It’ll cost you a few dollars, but it will enable you to be certain that they received the letter.
- Keep copies of all correspondence, including letters you send.
- If your creditor agrees to modify the terms, ask them to put the new agreement in writing and send it to you.

Your Name
Address
Phone number
Email address

Date

Credit Card Company
Address
City, State

RE: Credit Card # _____

To Whom It May Concern:

I am writing you today for several reasons. **The first being to ask you to please let this letter serve as my written request to close my account.** I have cut up the card.

I am a single-mother with two children. I am embarrassed to admit that I have come to the realization that I have been living beyond my means. My total debt is \$ _____. My take home pay is \$ _____ a month and I don't receive child support. I am unable to make my monthly obligations without paying debt with credit cards and cash advances from credit cards. I am currently seeing a counselor at my church who has helped me create a budget and a plan that will work to get me out of debt with your help. **The second request is for your company to accept my proposal to pay off my balance in six years at a reduced fixed interest rate of 9% verses the current rate of 22.99%.**

I am doing everything possible to reduce my budget to meet my obligations. I have cancelled AOL and Cable TV. I am moving from a two bedroom apartment to an efficiency apartment. **The third request is to change my address of record to the address above effective immediately.** I have found a lender that will pick up part of my debt at a lower fixed interest rate and I beg you to do the same.

I attend Watermark Community Church. Since I shared my situation with my church, they are holding me accountable by reviewing my receipts and check book weekly to make sure I live within my budget and reduce my debt. All my cards have been cut up. I am enclosing a copy of all my debts, my budget, and a copy of my pay stub for your review. Thank you in advance for considering my request to lower my interest rate to 9%. I look forward to hearing back from you.

Humbly,

Name

enclosures

Your Name
Address
Phone number
Email address

Date

Credit Card Company
Address
City, State

RE: Account # _____

To Whom It May Concern:

I am writing you today for several reasons. The first being to ask you to please work with me in creating a doable plan for me to pay off the American Express debt. The second is to explain that I started communicating with American Express on July 17, 2003. I requested American Express to lower the 15.99% interest rate, explained my situation and my intent to pay off my debt. I am attaching a copy of my correspondence with American Express. In a nutshell I will tell you that I experienced a significant life change in June 2003. I realized that I was living beyond my means. I was encouraged and supported by my church to down size, and to create and live by a budget. My church appointed me an accountability partner who helped me start the ball rolling in requesting each of my creditors to reduce the interest rate and to offer a fixed rate in order that I could pay back the debt without resorting to filing for bankruptcy. The other creditors have all complied with my request.

The American Express balance is _____ and I would like to work out a payment plan with you. When I called NCO on _____ and spoke to Susan, she explained that the only plan available was for me to pay 20% down followed by 3 payments of \$500. This is not a doable option for me. I would like to propose that I pay an amount down, possibly \$500 followed by payments of \$300 each month. Thank you in advance for considering my proposal and I look forward to your reply.

Enclosed please find a check in the amount of \$100 to be applied towards my debt in good faith. I can be reached at the address above. I look forward to your reply.

Sincerely,

Name

enclosure