



Lutheran Social Service  
*for changing lives*

For appointments call 888-577-2227  
[www.lssmn.org/debt](http://www.lssmn.org/debt)

## What is a Debt Management Plan?

If someone is overextended with unsecured debts, a Debt Management Plan (DMP) may be an effective way to gain control of the situation. Here are some things you should know about a DMP:

- ◆ **A DMP is not a loan.** The client makes one monthly payment to us, which we distribute to all creditors.
- ◆ **Often, the monthly payments made to creditors through a DMP will be lower than the payments currently required.**
- ◆ **Some creditors will reduce interest, stop fees and bring the account current. Most creditors will stop their collection activities.**
- ◆ **Qualifications to enter a DMP include a balanced budget, a situation that warrants outside help, and a DMP that benefits the client.**
- ◆ **In most cases, creditors require that all revolving debts be included when entering a DMP. These accounts are closed once they are included in a DMP.**
- ◆ **A DMP may show up in a client's credit report.** This could have a negative impact on the client's credit rating. It is important to know that Fair, Isaac and Company, who produce the FICO credit score that many lenders use to determine credit worthiness, are on record that they will not deduct any points from a score for being in a DMP. Furthermore, if the client has been delinquent on accounts in the past or is overextended, a DMP may actually improve their credit rating. We recommend that the client talk to his/her bank or credit union with questions regarding their specific situation.
- ◆ **Our DMP's serve the dual role of helping a client repay debts in full and helping creditors to receive the money owed them. It creates a win-win.**
- ◆ **Our funding comes from charitable and corporate grants, client fees for some services, and voluntary contributions from creditors who participate in our Debt Management Plans (DMP).** Because creditors have a financial interest in getting paid, most are willing to make a contribution to help fund our service. These contributions are usually calculated as a percentage of payments you make through your DMP. However, your accounts with creditors will always be credited with one hundred percent of the amount you pay through us.
- ◆ **We will work with all your creditors regardless of whether they contribute to our agency.**
- ◆ **Clients enrolled in a DMP may receive follow-up budget counseling at no extra cost. DMP clients also receive monthly statements and a quarterly newsletter.**

**A financial counselor will be happy to answer any additional questions regarding a Debt Management Program.**



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