

CREDIT COUNSELLING SINGAPORE

Self-Help Pack

51 Cuppage Road (behind The Centrepoint) #07-06, Singapore 229469
Tel: 6225 5227 | Fax: 6338 6586 | Email: enquiry@ccs.org.sg
Office Hours: Mondays – Fridays, 9 am – 6 pm (except public holidays)

How To Use This Self-Help Guide

- | Step | Action |
|------|---|
| 1 | <p>Sit down with your partner (if applicable) and together draw up the Budget Form (use a pencil so that it is easier to make changes).</p> <p>Remember to take into account all the items you need to pay quarterly (<i>divide</i> the amount by 3), semi-annually (<i>divide</i> the amount by 6) or annually (<i>divide</i> the amount by 12). This is to ensure that you have set aside the money required to make payments when they are due.</p> <p>When estimating your expenditures, please be realistic (ie, not too low that you cannot maintain over time) and reasonable (ie, not so luxurious that your creditors will query your sincerity in repaying your debts).</p> |
| 2 | <p>Read the Info Sheet on Pro-Rata Offers of Payment.</p> <p>Use the formula to calculate your proposed payment to each creditor.</p> |
| 3 | <p>Complete the List of Creditors Form -- write clearly the name of your creditor, the amount owed, and the individual pro-rated offers of payment.</p> |
| 4 | <p>Use the Sample Letter as a guide to write to all your creditors.</p> |
| 5 | <p>Send the Sample Letter to each of your creditor together with your income statement/CPF statement/Income tax statement, a copy of your Budget Form <i>and</i> the List of Creditors Form <i>plus</i> your payment cheque (if possible).</p> |

Please note that your creditors are not obliged to accept your proposal for pro-rata offers of payment. You may be required to further negotiate with them. However, taking action from your end like this shows your sincerity in wanting to repay your debts. Your creditors are informed of your financial plight and may be willing to negotiate with you to work out a feasible repayment plan.

Pro-Rata Offers of Payment

What is a pro-rata offer of payment?

A pro-rata offer of payment makes sure that each creditor gets a fair share of the total amount available, and it is calculated in the way shown here:

Say you owe a total of \$50,000 (\$20,000 to Bank A, \$15,000 to Bank B, \$10,000 to Bank C, \$5,000 to Bank D), and you can afford to pay a total of \$1,000 each month.

1. Write down the first two columns below (shown in bold).
2. Carry out the calculations (shown in *italics*); you should get the answers \$400, \$300, \$200 and \$100.
3. Add up the numbers in the last column (the \$400 + \$300 + \$200 + \$100); it comes to \$1,000, which is the amount you can afford.

| Creditor | Amount Owed | <i>Workings</i> | Offer Made |
|----------|-----------------|---|----------------|
| Bank A | \$20,000 | <i>20,000 divided by 50,000 multiplied by 1,000 =</i> | \$400 |
| Bank B | \$15,000 | <i>15,000 divided by 50,000 multiplied by 1,000 =</i> | \$300 |
| Bank C | \$10,000 | <i>10,000 divided by 50,000 multiplied by 1,000 =</i> | \$200 |
| Bank D | \$5,000 | <i>5,000 divided by 50,000 multiplied by 1,000 =</i> | \$100 |
| | \$50,000 | | \$1,000 |

Will creditors accept a pro-rata offer?

- Perhaps. Creditors will react in different ways. Most if not all of them will want to see a copy of your budget so that they can see what you are spending your money on.
- Some creditors will accept your offer for a limited period of time – say three months. At the end of this period they will want to know whether your financial situation has changed.
- Some creditors will say immediately that your offer is unacceptable.

Points to note while negotiating with the creditors:

- Stop using all your credit cards and lines immediately.
- Focus on the monthly installment amount that you can service feasibly in the long run. Do not harp on the interest charges.
- Be humble and speak politely.
- Take down the officer's name, telephone number and details of the payment arrangement.
- Make best effort payment (ie, an amount that you can afford to pay) to all your accounts.

Monthly Budget: Income and Expenses

| Before you make payment to your creditors you need to draw up a personal budget of income and expenditure (for cash items only) on a MONTHLY basis | | | Name | | | |
|--|--------|--------|---|--------|---------|--|
| | | | NRIC | | | |
| INCOME | YOU | SPOUSE | EXPENSES (paid in cash) | AMOUNT | ARREARS | |
| Basic Salary (less CPF) | | | Housing Expenses | | | |
| Avg. Allowance (less CPF) | | | Mortgage/Rent (cash payment) | | | |
| Avg. Commission (less CPF) | | | Property Tax / TV Licence *** | / | | |
| (Less: Staff loan/share option) | () | () | Mortgage Insurance (eg HPS) | | | |
| Self Employed Earnings ¹ | | | House Fire Insurance *** | | | |
| Part Time Job / pension | | | Conservancy/Maintenance Fee | | | |
| Child Support / Alimony | | | PUB (electricity & water) | | | |
| Rent Paid to You | | | Phone / Pager (home / mobile) | / | | |
| Other Income | | | Internet | | | |
| Total Net Income (Box A) | \$ | \$ | Cable TV (eg SCV) | | | |
| | | | Living Expenses | | | |
| | | | Food (grocery) / Housekeeping | / | | |
| | | | Clothing / Footwear *** | / | | |
| | | | Alimony / Parental Support | | | |
| | | | Personal Insurance | | | |
| | | | Medical / Prescription Drugs *** | / | | |
| | | | Dental / Optician *** | / | | |
| | | | Maid: Levy & Salary | | | |
| | | | Child Care / School Fee / Bus | / | | |
| | | | Work Expenses | | | |
| | | | Car Installment | | | |
| | | | Petrol | | | |
| | | | Parking, ERP | | | |
| | | | Car Insurance / Road Tax *** | / | | |
| | | | Car Service/Repair *** | | | |
| | | | Public Transport (for work) | | | |
| | | | Spouse's Transport Expenses | | | |
| | | | Meal at Work | | | |
| | | | Club / Union subscription | | | |
| | | | Income Tax *** | | | |
| | | | CPF (if you are self-employed) | | | |
| | | | Personal Expenses | | | |
| | | | Tobacco/Alcohol | / | | |
| | | | Recreation/ weekend Outings | | | |
| | | | Personal grooming (eg hair cut) | | | |
| | | | Newspapers/Magazine | | | |
| | | | Gifts (eg ang-pao, birthday) *** | | | |
| | | | Donations (eg church, mosque) | | | |
| | | | Children's Food/Transport - Sch | / | | |
| | | | Others Expenses (eg. tuition, hire purchase at Courts) | | | |
| | | | | | | |
| | | | | | | |
| | | | Total Amount (Box B) | \$ | | |

Note 1: Must submit your company's business accounts

1st, add up your and your spouse's **net income** and put the figure in Box A

2nd, put the **Total Amount** from the **Expenses** Column (on the right) in Box B

3rd, **Box A** minus **Box B**. This is the amount available to pay all your creditors

Personal Borrowings Monthly Repayment (if any):

Colleagues / friends

Siblings / relatives

For **daily / weekly expenses** (eg. Children's pocket allowance, food/grocery, etc), please estimate a daily / weekly amount and multiply it by 30 (day) or 4 (week).

*** refers to **Irregular expenses** (eg. Clothing / footwear, Medical, gifts, textbook, etc, please estimate an annual amount and divide the amount by 12.
(Example: Child's textbook \$300: \$300 / 12 = \$25)

Note: Other expenses should not include any payments you pay to your colleague, friend, sibling, relative, etc.
(List the payments under "**Personal Borrowings**" above)

| | | |
|-------|----|--|
| Box A | \$ | |
| Box B | \$ | |
| Box C | \$ | |
| \$ | \$ | |
| \$ | \$ | |

| | |
|---|--|
| No. of adults at home (eg. parent, sibling, maid) | |
| No. of children at home | |
| Total No. of people at home | |

Sample Letter

Your Address
Your Contact Number

Date

Creditor's Name
Creditor's Address

Dear Sir/Madam

Your Account Number(s)

In an effort to get my finances under control, I have sought the assistance of Credit Counselling Singapore. However, I wish to make my appeal directly to you.

Since entering into the above agreement with you my circumstances have changed. ***[..... explain the problem in a few words]***. Unfortunately, it is not possible for me to meet the normal monthly payments at the moment.

As you will see from the enclosed budget, after taking care of my basic day to day living expenses there remains a total amount of ***\$xxx***. to repay all my creditors. I enclose a list of creditors which shows that, on a pro-rata basis, the payment to you is ***\$xxx***. I will make my payment to you regularly each month on/by *day* (eg. *5th* or *15th*).

In view of the circumstances, I would appreciate it if you could consider accepting my current best effort of payment to the account(s).

I will contact you when my circumstances improve and I become able to increase my monthly payments.

Enclosed is my payment of ***\$xxx (bank's name & cheque number) [include this sentence only if you are able to make payment]***.

Thank you for your kind attention on this matter.

Yours faithfully

Your Signature

Your Name

