Take Control and Feel Free from Debt

It's Your Financial Well-being

Proven methods and strategies that work from the debt relief experts at ClearOne Advantage, LLC

866-481-1597

ClearOne Advantage®

Table of Contents

Is your debt costing you too much?

Introduction

Being in debt is a heavy burden to carry. It takes a toll, not only financially, but mentally and emotionally as well. Consider the case of Jamie*, a typical consumer looking for debt relief. Jamie relates:

> "Even though I had a good job and regular money coming in, I found my financial situation deteriorating much faster than I had ever thought possible... I just couldn't keep up with the interest and fees, and my debt kept growing.

*"Jamie" is an example of a typical ClearOne client, whose experience is a combination of the thousands of clients who are in the ClearOne program. Quotes attributed to Jamie are based on conversations we have had with numerous clients.

> I tried to make the minimum payments on my credit card accounts, and only missed a few along the way. But, those payments were like a drop of water in the ocean. My balances kept getting bigger and bigger, until I felt like I was drowning in debt.
>
> Then, the collection calls started coming in. Every time my phone rang, I tensed up, thinking the call was going to be from a creditor. It got to the point that I couldn't sleep without worrying about how to answer the next call and how to make the next payment. It was a nightmare."

Jamie's story is not unusual. You may be experiencing some of the same things Jamie went through. If you are, don't panic. Jamie got out of debt and broke free from the stress associated with it. You can too.

As was the case with Jamie, you can find good options for debt relief that don't include filing for bankruptcy or taking out yet another loan or credit card. It all starts with making a decision – a decision to regain control of your financial situation and find the path away from debt.

In this guide, you'll learn how Jamie reached the goal of financial freedom, step by step. Better yet, you'll learn how you can do the same.

Take control and feel free from debt

It's natural to feel overwhelmed when you're carrying a heavy debt load. At ClearOne Advantage, common reasons we hear from potential clients about why they have not taken action to address their financial situation include:

- I'm too old/stressed out/busy to tackle it now.
- My situation really isn't all that bad....is it?
- My debt is so high I don't think it's possible to get completely out of debt.

If you are hesitant to tackle the issue because you're either scared, don't know where to start, or don't know who to trust to help you, remember the two keys to getting started are "you" and "now".

Research published in *"Frontiers in Psychology"* reveals that procrastination has been linked to unhealthy financial behavior such as ballooning credit card debt. Trying to ignore financial issues is not a good strategy. It does not improve your situation; in fact, it only reduces the number of debt relief options that are available to you.

If you start today, you can defeat your debt – no matter what your age or situation may be. Jamie found that to be the case. Working up some courage, Jamie contacted ClearOne Advantage, and explained the situation to one of our Certified Debt Specialists.

Jamie notes:

> "To my surprise, the representative anticipated most of my questions. By the time he was done talking, I hardly had any questions left to ask. Talking to a knowledgeable person about what was happening with my debt was a relief, in and of itself. Then, when he outlined a plan for how I could get out of debt, and I saw how it would work, I began to feel hopeful again."

Jamie, like our other clients, is a great example of what can happen when you set aside any doubts and start taking action. You can be like Jamie. Don't you owe it to yourself to take the first step?

This guide is based on the work we have done with our clients and the proven methods our debt relief experts use today. Thousands of debt-free clients can attest that this process works.

This guide is designed to help you learn:

- ✓ How to build a solid foundation for your financial future
- ✓ How to address financial concerns that need immediate attention
- ✓ How to create a realistic, workable spending plan
- ✓ How to determine whether you need professional assistance to get out of debt
- ✓ How to choose a debt reduction strategy that works for you
- ✓ What options you have for debt relief
- ✓ How ClearOne Advantage can help

If you're stressed about money, you're not alone.

Lots of people feel overwhelmed by money pressures. According to an American Psychological Association study, nearly 72% of Americans reported feeling stressed about money, and 22% reported experiencing extreme money stress in the past month.

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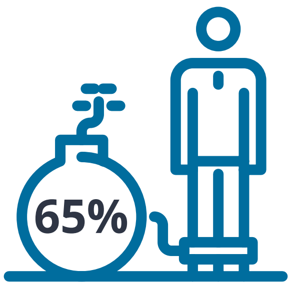
90% of Americans say that money has an impact on their stress level.



feel like their financial difficulties are piling up so much they can't overcome them.

40 PERCENT wish they could have a 'fresh' financial start.

say managing their money on a daily basis limits the extent to which they can enjoy their day-to-day life.

25% make purchases they later regret when experiencing significant stress.

(Source: *Thriving Wallet*)

The debt load that many people carry is staggering. Researchers at ValuePenguin found that the average American household owes $5,700 in credit card debt. However, when the researchers excluded households that did not carry a balance from month to month from their calculations, that figure rose to $9,333. That level of debt means that these households are using about $300 of their monthly budget toward credit card debt. No wonder people are stressed!

How can such a debt balance build? In most cases, it doesn't just happen overnight. There are a number of reasons that people find themselves in debt. Here are some of the most common ones.

> The average balance-carrying household owes $9,333 in credit card debt

Why We Overspend

According to FINRA's latest National Financial Capability Study, 36 percent of Americans spend about equal to their income, and 19 percent spend more than their income each year.

Overspending can happen for a variety of reasons. While unnecessary purchases and impulse spending contribute to the debt load for many people, there are some other reasons that American debt is creeping upward as well.

Cost of Living Increases

According to Investopedia, in recent years, household income has been steadily increasing, but it has failed to keep up with the pace of inflation and the cost of living.

As a result, some have turned to credit cards and cash advances to bridge the monthly gap between what it costs to live and what the average household actually earns. Using credit cards to pay for daily essentials means that many Americans end up carrying a balance from month to month on their credit cards, accruing burdensome interest and fees along the way.

Financial Stress

Ironically, stressing about financial matters may lead some people to overspend. You see, there's a limit to the amount of financial stress you can manage effectively. When that limit is exceeded, it may become harder to make good financial decisions.

Instead, you may find yourself seeking stress relief through "retail therapy," spending money on non-essential items that make you feel good rather than being conservative with your finances. This, in turn, leads to more stress when the bills continue to mount, creating a vicious cycle.

Common Credit Card Overspending Categories

- Necessities not covered by household income (ie. groceries, household essentials)
- Job loss
- Emergency services (ie. car repairs, home repairs, etc.)
- Unnecessary purchases (ie. gym memberships, tech purchases, entertainment, dining out, etc.)
- Medical expenses

Economic Situation

The 2020 COVID-19 pandemic has struck a major blow to the US economy. With widespread unemployment and continuing uncertainty about the trajectory of the pandemic, the Congressional Research Service's COVID-19: US Economic Effects report notes that economic "projections for growth and employment remain bleak."

While the long-term effects are as yet unknown, the short-term effect is that many American households are in a tight spot financially, and they are using credit cards to pay for essentials rather than simply for discretionary purchases.

Financial Literacy

Debt does not discriminate. It affects people from all walks of life - the old, young, well-to-do, and those of modest means. Nobody is immune. In talking with thousands of clients, our ClearOne Certified Debt Specialists have discovered that many of our clients want to make good financial decisions, but have never had the opportunity to learn how to do it.

A survey of 13 million students in over 11,000 U.S. high schools revealed that only 16.4% of students nationwide are required to take a personal finance course to graduate from high school.

This lack of financial education continues into adulthood. A FINRA report reveals that, when survey participants were asked five questions about financial literacy, 66% of respondents answered three or fewer correctly.

That's unfortunate because those with financial literacy are better equipped to make better personal financial decisions. They are also less likely to fall into the trap of only paying the minimum amount owed on their credit cards, less likely to have high-cost mortgages, and less likely to have high debt levels and delinquent payments.

> It's clear that the way out of debt starts with foundational education in financial literacy.

Building the Foundation

There are no magical or overnight solutions to getting out of debt. It's a process that requires effort and a commitment.

However, it is possible to resolve your debt in a reasonable amount of time (24 to 48 months) without creating undue hardship on your family in the meantime.

Jamie found that to be the case. Working with a ClearOne Advantage Certified Debt Specialist, Jamie settled debts with five different credit card companies. The first account settled fairly quickly. The second one took longer, but by then, Jamie's confidence had grown. Able to focus on life again, Jamie followed the steps outlined in the following sections of this guide and eventually resolved a $26,000 in debt.

> It is possible to resolve your debt in a reasonable amount of time (as little as 24 to 48 months).

The steps that Jamie followed are common to most of our clients. You may be surprised to know that you are already following some of these steps without even being aware of it. The important thing is for you to assess what you are doing well, what is not working for you, and what you need to change to get to where you want to be financially.

Here's where and how to start.

Assess your financial situation

To build the foundation for real financial recovery, you need to know where you are today and what you need to bridge the gap. Your plan must be realistic, reasonable, and one to which you can commit over time. Finding a balanced plan forward is the way to success.

By maintaining your spending plan (outlined later in this guide), the day-to-day worry about what you can and cannot afford will be removed. Your spending plan will also provide you with the single most important thing you can do to improve your situation – stop using credit cards to bridge the gap.

Identify your trouble areas

We all have our own attitudes, anxieties, and myths about money. These beliefs are learned from prior experiences and they impact how we spend, how we save or don't save, and how a feeling, emotion, or situation can trigger an impulse buy.

That's why it's important to identify your beliefs and feelings about money, especially when they contradict your goal of becoming debt-free. This process is sometimes easier when you are able to take a step back and look at your patterns of spending rather than just focusing in on one instance of poor financial decision-making. Identifying patterns and emotional drivers will improve your financial awareness and help you make good decisions going forward.

Understand the cost of debt

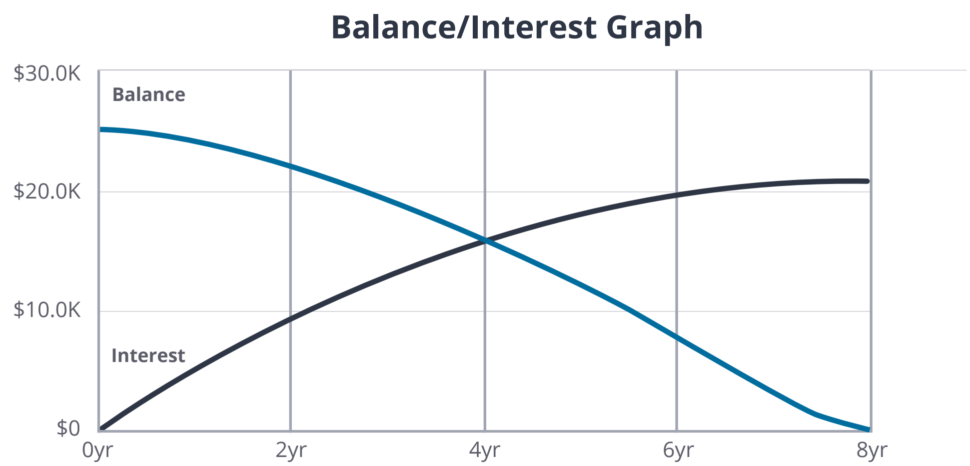
Of all the things that affect your debt situation, the most significant is the cost of debt. There's the emotional cost (like worrying that every time your phone rings, it will be a collections agency) and then there's the actual financial costs. Many people are amazed when they begin to really understand the true cost of debt.

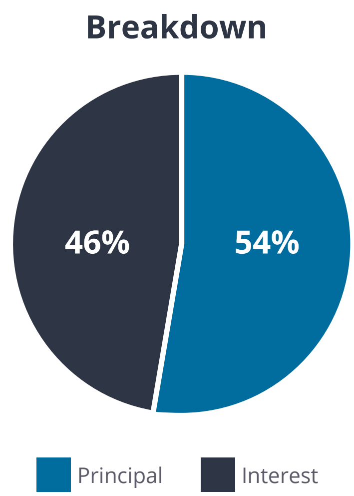
For instance, what is the cost when you can only pay the minimum payment – not to mention any late or over-the-limit fees?

Let's look at Jamie's situation. Jamie owed $26,000 in credit card debt. The average interest rate across five credit cards was 18.49 percent. Jamie was trying to pay the minimum payment on the credit cards, which was 2 percent, or approximately $520 per month.

If Jamie had continued on this path, it would have taken over 7 years to pay off the debt (assuming Jamie made every payment and never charged anything else to the cards), and Jamie would have paid $21,828.94 in interest alone. That means, for the use of the original $26,000, Jamie would have ended up paying in total $47,828.94. That is a lot of money!

It will take **7 years and 5 months** to pay off the balance.
The total interest is **$21,828.94.**

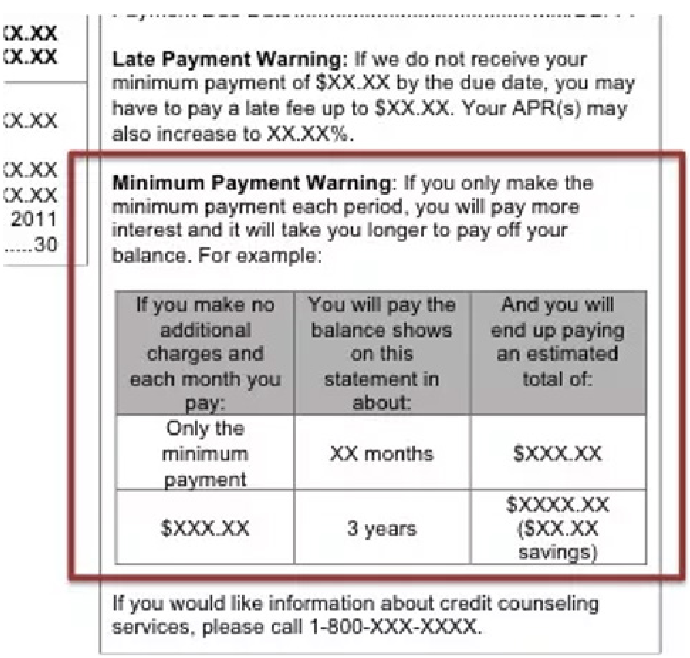




(Source: [Calculator.net])

You can find similar information in your own credit card statement. Credit card issuers are required to disclose the consequences of making only minimum payments each month, showing how long it would take to pay off the entire balance. Here's how it might look on a typical credit card statement.

Take a look at your credit card statement to assess just how long it would take for you to pay off the entire balance making minimum payments each month.



Late Payment Warning: If we do not receive your minimum payment of $XX.XX by the due date, you may have to pay a late fee up to $XX.XX. Your APR(s) may also increase to XX.XX%.

Minimum Payment Warning: If you only make the minimum payment each period, you will pay more interest and it will take you longer to pay off your balance. For example:

If you make no additional charges and each month you pay:	You will pay the balance shows on this statement in about:	And you will end up paying an estimated total of:
Only the minimum payment	XX months	$XXX.XX
$XXX.XX	3 years	$XXXX.XX ($XX.XX savings)

If you would like information about credit counseling services, please call 1-800-XXX-XXXX.

(Source: [The Balance])

Getting Started

Secured debts are your greatest priority.

Take a look at your current debt picture. Then group your debts between secured and unsecured debts. Secured debts such as a home or auto have property or collateral tied to them. If you do not make payments on your home or auto, your creditors can take your property. That means that secured debts are your greatest priority.

Unsecured debts include credit cards, medical bills, personal loans, and collection accounts. It is important to pay these as well, but they take secondary priority to secured debts.

Secured Vs Unsecured Debts

SECURED
mortgage, car, cell phones, boats

UNSECURED
credit cards, store cards, medical,collection, some personal loans

Debts to Pay First: 15 Rules to Follow

It's natural to want to deal with the bills that cause you the most trouble when you're in a financial bind. That's why many people choose to prioritize paying bills for which a creditor has called them. However, paying bills according to the maxim that "the squeaky wheel gets the grease" is possibly the worst thing you can do. It's important that you figure out what bills need to be paid first as well as the likely consequences of paying some late or not paying them at all. Here are some standard rules to help you figure out what to pay and how.

01 **Pay for necessities, i.e., food** and unavoidable medical expenses if the provider requires pre-payment.

02 **Keep up your mortgage or rent payments,** including all relevant taxes, insurance, and condo fees or mobile home lot payments.

03 **At very least, pay the minimum required to keep your basic utilities active** – gas, electric, internet, and cell phone.

04 **If keeping your car is essential,** make sure to maintain car loan or lease payments. Keep up your insurance payments, too. Otherwise, the creditor might purchase poorer insurance for more money—at your expense. Additionally, in most states, you're legally obligated to keep liability insurance.

05 **Pay child support debts.** They'll accrue, and non-payment may result in severe legal consequences, including prison.

06 **Pay income taxes not automatically deducted,** and make sure to file your tax return—even if you can't afford what's due. The government has collection rights others don't, especially if you fail to file your return. That said, taxes are dependent on your income, so a drop in your income will result in a smaller tax burden.

07 **Unsecured debts, e.g., credit card debt** and professional bills, should be low in priority. These creditors can generally not cause short-term harm.

08 **Debts secured by household goods should be lower priority.** These items are low in value. Seizing them would require getting the courts involved and would incur expenses for the creditor. This reduces the likelihood of seizure of the goods.

09 **Creditor threats to sue should *not* factor into which debts have priority.** Many such threats don't come to fruition, and even when they do, they take time. Plus, what can be taken is limited. Not paying for your home or car, however, can result in their immediate loss.

Continued...

10 **If there's a court judgment against you,** this may result in seizure of your property, meaning that debt should be a higher priority. Whether your property can actually be seized is dependent on several factors: the laws in your state, your property's value, and your income. Speak to a lawyer about whether your property is "collection proof" or not.

11 **Pay off student loans after high-priority debts,** before low-priority ones. These loans are predominantly federal loans, which means that if you don't pay they can take any tax refund or even federal benefits you might receive. They can also provide unique borrower remedies, like affordable repayment plans and sometimes cancellation of obligations.

12 **Creditor efforts to collect should *not* reorder your repayment priorities.** Be polite, but repay based on what makes sense for you and your family. You should be aware you can stop collector calls and have legal recourse for harassment.

13 **Threats to destroy your credit record should *not* change which debts have priority.** Your mortgage lender and car creditor are likely to report continued non-payment on their loans.

14 **If you cosigned on a loan for someone else and secured it with your home or car, the loan should be high in priority.** If you cosigned on a loan and did not secure it in this way, the loan should be lower in priority. If others cosigned for you and you're having financial difficulties, make sure to let them know, so they can best decide what makes sense for them.

15 **Loans are rarely the answer.** Be cautious about refinancing your debt with a loan- especially if it requires you to use your assets to secure the loan. In addition to the possible great expense involved, it gives creditors more chances to seize your assets.

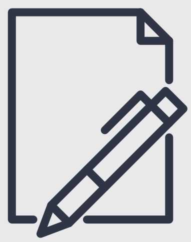
Establish a spending plan

There are three primary reasons to set up a spending plan as soon as you recognize you are likely to be facing a financial problem:

1. It will help you determine how much money you have to pay your bills after necessities.
2. It will help guide spending habits and reduce your day-to-day stress.
3. It will help determine how much help you need to bridge the gap.

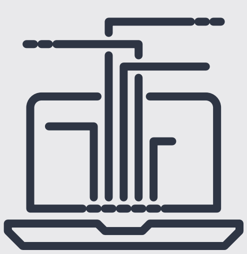
Choose a budgeting system

There are several free and effective methods that you can use to make tracking your expenses easier.



Paper and Pen: It's the simplest and easiest method to use to get started - you simply write down all your sources of income and all your expenses and then group your expenses into categories. This method is a great place to start.

Excel: The most popular spreadsheet or budgeting software is Microsoft Excel. Excel offers free budgeting templates that you can use. It will let you organize your expenses and do the math for you. Note that most online banking sites have applications that allow you to download your banking transactions into Excel. Once downloaded, you can group them and organize them into your spending plan. It's a little bit of work or a lot of work depending on your level of Excel experience.



Online Software: You can find free web-based software programs that can help with budgeting. Popular solutions include Mint.com, YNAB, and MoneyDance.com. These programs allow you to create and group your expenses into categories and track spending. You should be able to link to your banking and credit card accounts, which will eliminate any unnecessary data input.

How to Identify and Categorize Your Expenses

It's not always easy to figure out where all your money goes. A review of your online banking statement, credit card bills, and checkbook are great places to start. This process should help you gain a ballpark idea of where your money goes and what you have left each month to pay your non-essential bills.

Once you've decided on how you will record your budget, it's time to figure out your expenses. Your expenses fall into three categories:

1. Fixed committed expenses or essential expenses: These include your mortgage or rent and your car.

Housing	Projected Cost	Actual Cost	Difference
Mortgage or Rent	$1,500	$1,500	$0
Phone	$60	$100	-$40
Electricity	$50	$60	-$10
Gas	$200	$180	$20
Water and Sewer			$0
Cable			$0
Waste Removal			$0
Maintenance or Repairs			$0
Supplies			$0
Other			$0
Total	**$1,810**	**$1,840**	**-$30**

Transportation	Projected Cost	Actual Cost	Difference
Vehicle Payment	$250	$250	$0
Bus/Taxi Fare	$150	$150	$0
Insurance			$0
Licensing			$0
Fuel	$200	$275	-$75
Maintenance		$69	-$69
Other			$0
Total	**$600**	**$744**	**-$144**

2. Variable committed expense: These vary from one month to the next month based on need and include items such as groceries and personal care.

Food	Projected Cost	Actual Cost	Difference
Groceries			$0
Dining Out			$0
Other			$0
Other			$0
Total	**$0**	**$0**	**$0**

Personal Care	Projected Cost	Actual Cost	Difference
Medical			$0
Hair/Nails			$0
Clothing			$0
Dry Cleaning			$0
Health Club			$0
Organization Dues or Fees			$0
Other			$0
Total	**$0**	**$0**	**$0**

3. Discretionary expenses: These expenses are non-essential and are not previously included in your budget. Things like credit card payments, unsecured personal loans, loans secured by household items, gym memberships, entertainment expenses, and student loans can be included here.

Entertainment	Projected Cost	Actual Cost	Difference
Video/DVD	$0	$50	$-50
Movies			$0
Concerts			$0
Sporting Events			$0
Other			$0
Other			$0
Other			$0
Total	**$0**	**$50**	**-$50**

Loans	Projected Cost	Actual Cost	Difference
Personal			$0
Student			$0
Credit Card			$0
Credit Card			$0
Credit Card			$0
Other			$0
Total	**$0**	**$0**	**$0**

Don't worry about complete accuracy. You can always refine your process later.

Once your figures are gathered, try and project what you will spend on each of the expense items next month. Are there areas where you can cut back? What items do you need to watch closely so you don't overspend?

> You now have a plan in place. Track your actual costs against your projected costs to measure how you are doing.

Getting Out of Debt

As you begin your journey, your first step includes accurately assessing your situation and determining if you need professional help. For some, the amount of help needed is minimal and may only include budgeting tips or how to better track your expenses. Others may require professional help to facilitate interest and/or principal repayment concessions.

Here's a quick checklist to help you determine whether it would be in your best interest to get some help from a financial professional.

- ☐ You pay your credit cards late or can only afford to pay the minimum monthly payment amount.
- ☐ The outstanding balance is growing and you rely on credit cards to bridge the gap between income and spending.
- ☐ Your credit cards are nearly maxed out.
- ☐ You have frequently applied and opened new credit cards and have transferred balances several times.
- ☐ You have received phone calls reminding you about missed payments.
- ☐ You rely on your credit cards to buy necessities – such as food or gas.
- ☐ You no longer treat your credit cards as a convenience, but as an essential budgeting tool.
- ☐ You recently experienced a drop in income.
- ☐ You recently incurred a large, unforeseen expense, and now you're wondering if you can continue to make your regular credit card payments.

Here's how to score your checklist:

ZERO APPLY
It looks like you are not really struggling at this point. Your best course of action is to educate yourself about consumer debt so that you can protect yourself from potential financial pitfalls.

1 to 2 APPLY
You're still in good standing. Your situation is not ideal, but it's still manageable. With a little planning and effort, you can successfully pay off your debt and end up in a much better financial situation.

2+ APPLY
You are truly struggling, but do not despair. You do have options that will help you get out of debt. It may be time to examine those options thoroughly with a qualified debt relief professional.

When to Seek Professional Help

If you are struggling to make all your payments or are unable to get out of debt, seeking professional debt relief help may be a good idea. A debt relief firm can provide you with repayment concessions, including lower interest rates, reduction of principal balances, or debt forgiveness.

Most debt relief plans (debt settlement, consolidation, and management) can help you with credit card, medical bills, personal loans, and collection debt. These debts are unsecured debts, meaning there is no asset attached to them and your creditors cannot take your property. The exception is bankruptcy, which may provide help with your essential secured assets as well.

Let's go back to Jamie's story for a moment. Jamie researched all the debt relief options available with the help of a ClearOne Advantage Certified Debt Specialist and determined that the right choice for debt relief was debt settlement with ClearOne. With what result?

> **Jamie answers:**
> "ClearOne provided a clear path forward out of debt for me. They were able to reach a settlement agreement with all five of my credit card providers, and I ended up paying significantly less than I owed originally. Plus, the credit card companies agreed to waive interest fees, meaning that I could get out of debt that much faster. Within four years, I was debt-free.
>
> Keeping track of all my expenses monthly, I've been debt-free now for three years and counting. ClearOne was a life-saver for me! Now I can sleep at night, knowing that I am in control of my finances."

Jamie's proactive decision to get help from a debt specialist was a significant turning point from a stressful financial situation to a better life, free from financial stress.

Are you ready to take that step? It calls for commitment on your part, but the rewards are well worth the effort. When you choose to get help from a Certified Debt Specialist, you are no longer alone in your fight against debt.

You have a powerful ally on your side, an ally that will help you find the path to your best debt-free life in a reasonable amount of time with a plan that works for you.

You owe it to yourself to explore your debt relief options. Take the first step by reading about what those options are and how they compare.

Your Debt Relief Options

The best way to get out of debt varies depending on such factors as:

- The total you owe
- Your ability to pay those debts off in a timely manner
- The stage you've reached with your creditors

The longer you wait to take positive action, the fewer options you will have left and the more exposed you could become to a wide range of steadily intensifying collection actions.

Here are the five main debt relief options available:

1	2	3	4	5
Debt settlement	**Debt Consolidation Loans**	**Do it yourself options**	**Credit Counseling and Debt Management Plans**	**Bankruptcy**

Below, you can explore each option in more detail.

Debt Settlement Plans (DSPs)

A DSP is the only type of debt-relief program, outside of bankruptcy, that can reduce or eliminate a substantial amount of your debt without you having to make payment in full. The concept is simple. A debt settlement company reviews your finances and your debts and identifies which lenders are likely to accept an offer-in-compromise — payment of less than the full balance — in exchange for canceling the debt.

Under the DSP, the Debt Specialist negotiates a lower payoff price with the creditor. You pay the settlement amount plus the debt settlement company's fee, and your debt is gone.

When a DSP Work Best

This approach works well if you have more than $10,000 in unsecured debt and you are struggling to meet your payments or have missed a payment.

The money for those payments comes from an FDIC-insured escrow account that is established in your name and managed by a bank or other third-party service provider. Each month, you deposit an agreed amount of money into that escrow account to fund the debt settlement effort. This amount is generally less than the monthly minimum payments you had been making before entering into the debt settlement plan.

No Upfront Costs

ClearOne has always received payment only after we have negotiated favorable settlement agreements on our clients' behalf and they have made a payment toward their settlement.

Recent Debt Settlement Industry Results

Debt settlement with a reputable company like ClearOne Advantage works, as Jamie can attest. However, it's not just Jamie who has had impressive results with debt settlement.

In 2017, the American Fair Credit Council (AFCC), a trade group representing the debt settlement industry, published "Options for Consumers in Crisis: An Updated Economic Analysis of the Debt Settlement Industry," an independent report the AFCC first commissioned in 2012.

That report covered outcomes achieved for 400,000 debt settlement clients, who signed up for DSPs after the FTC began regulating the industry in 2010. The report analyzed attempts to settle 2.9 million debts — or an average of 7.25 debts per client. The data covered six years of settlement efforts and found that the average results for all clients (active, terminated, or completed) were that DSPs had produced an average of $2.64 in debt reduction for each $1.00 of DSP fees paid.

The report found that:

61% of the no-longer active DSP clients (either because they completed the program or were terminated) settled at least one account. That number rises to 67 percent when still active accounts are included in the mix. And 42 percent of terminated cases settled at least one account.

of all settlements produced savings greater than the related DSP fees — in part because clients have the power to veto any proposed settlement for any reason.

50 PERCENT of all clients that were no longer active in the DSP settled two or more accounts.

The longer a client stays in the program the greater the chances the client will complete the DSP. More than half of the clients that stay active for six months or more complete the program. And that rate increases to more than 60 percent for clients that stay in the program for more than two years.

How the Process Works with ClearOne

Here's the process at a glance:

1. Have a short chat with a ClearOne debt specialist and get a customized plan
2. Review and approve the plan
3. Make your first monthly payment to start funding for settlements
4. Let ClearOne Advantage handle the rest*

After a short call (usually only about 20 minutes long) with one of our Certified Debt Specialists, you'll receive a debt settlement plan based on the information you've provided about your debts.

You and your Debt Specialist will finalize the list of debts to include in the DSP, work out any remaining details, and open your FDIC-insured escrow account.

Quite often, the amount of your monthly DSP payment will be less than the total monthly payment you were making on those same debts before starting the DSP process — leaving you with additional cash on hand.

PROS OF DSPs

- ✔ One plan payment per month
- ✔ Payment is significantly lower than your minimum credit card payment currently
- ✔ There are no upfront fees for the service.
- ✔ Resolution of your debt is as little as 48 months
- ✔ Consumers save an average of $2.64 for $1 spent in fees to a debt settlement company, according to an American Fair Credit Council Report on the subject.

CONS OF DSPs

- ✖ Creditors may intensify collection efforts prior to reaching a settlement agreement.
- ✖ Some creditors may threaten legal action.
- ✖ Debt settlement will affect your credit score, but not as negatively as a bankruptcy.

*Some accounts may require you to work further with your ClearOne negotiator to achieve the best possible result.

Debt Consolidation Loans

In principle, the idea of a debt consolidation loan seems like a no-brainer. You take many high-interest credit cards, with varying terms and due dates, pay them off all at once, and replace them with a brand new, lower-interest-rate (preferably fixed-rate) loan. The new loan has a finite 36-60 month payback period, and your monthly carrying cost is lower. Of course, as always, the devil's in the details.

Many personal finance experts will tell you that it is not a great plan to pay off one debt with another, especially if you keep the credit cards you're paying off open. The temptation to use them again is sometimes just too strong, especially if you occasionally like to indulge in retail therapy.

> If you are not careful, moving debt from one card to another may be nothing more than a shell game.

One solution would be to cancel all of your paid-off cards except the one with the most favorable terms and the lowest interest rate — and use it only in case of a true emergency. But truthfully, isn't that how most of us get behind in our payments in the first place?

A better approach — and one that avoids more debt altogether — might be to keep that one credit card but start putting the difference between your new fixed monthly payment and your old credit card monthly minimums into an emergency fund savings account.

Keep saving until you've set aside enough money to cover three to six months of living expenses — plus a one-time emergency expense. When you reach this point, cancel the remaining credit card because it's possible you'll no longer need it.

With the temptation issue laid to rest, let's revisit the idea of a debt consolidation loan and acknowledge that all debt consolidation loans are not created equal. There are two general types of debt consolidation loans: secured (such as a home equity line of credit — which requires you to put your home up as collateral) and an unsecured loan (a personal loan or line of credit) that leaves your assets untouched.

Depending on your credit score, you may only qualify for the secured loan, which offers a lower interest rate and better terms. But a secured loan also puts what may be your biggest asset — your home — on the line. Should you ever fail to make your payments, the bank could foreclose on it. This is far from ideal.

Do you really want to risk your home or other valuable assets?

> **When a Debt Consolidation Loan Works Best**
> This works best if you have excellent credit, can get a fixed-rate, unsecured loan, and have lots of discipline to avoid using credit cards once you pay off balances.

On the other hand, if you have perfect or near perfect credit and qualify for an unsecured loan at favorable terms, then a debt consolidation loan could be a viable alternative to debt reduction. You must be disciplined enough to cancel your paid-off cards and fund an emergency account. But all of this assumes your credit score is high enough that you qualify for a bank loan and you're not considering a loan from a finance company. Tread carefully.

PROS OF DEBT CONSOLIDATION LOANS

- ✔ Simplifies your debt payments by replacing multiple credit cards/loans with a single monthly loan payment.
- ✔ Reduces your financial exposure by replacing variable rate, revolving credit card loans with a "closed-ended" loan with a fixed monthly payment amount.
- ✔ Creates monthly payment savings which can either be applied to other bills or added to savings.
- ✔ Creates the opportunity to fund an emergency savings account, if you're disciplined enough to do it.

CONS OF DEBT CONSOLIDATION LOANS

- ✘ Could greatly increase your default risk if it's a secured loan, collateralized by your home or other assets.
- ✘ Creates a false sense that your previous credit problems have been resolved, when they've just been shifted to a new loan.
- ✘ Might tempt you to start financing new purchases on your credit cards if you keep them active, compounding your debt problems.
- ✘ Your credit must be strong enough for you to qualify, preferably for an unsecured personal loan with a fixed interest rate. Most lenders require a FICO score of 670 or higher to get substantial debt-consolidation loans at low interest rates. If your score is under 650, the interest rate for the same loan could jump into the double-digit range. A credit score below 600 would likely mean that the interest rate would become so high that the loan would not be advantageous to your goal of getting out of debt.
- ✘ Finding the best loan opportunity could take some time, and your window might be limited.
- ✘ Debt consolidation loans can have associated costs. A $75 loan origination fee is not uncommon.

Credit Counseling and a Debt Management Plan

If your personal finances are not strong enough to qualify you for an unsecured debt consolidation loan, a debt management plan (DMP) may provide an alternative. A DMP gives you many of the same benefits of a debt consolidation loan without the need to actually qualify for and take out a new loan. This allows you to bundle multiple credit cards together in a lower-cost payout program.

CREDIT COUNSELING AND DMPs AT A GLANCE

60 months	Typical length of a Debt Management Plan
$75	Typical startup fee for a Debt Management Plan
$24-$55	Monthly service charge for a Debt Management Plan
0-6%	Typical interest rates for hardship cases in a Debt Management Plan
8%	Typical interest rate for average cases in a Debt Management Plan

(Source: *USNews*)

How It Works

Credit counseling companies have pre-negotiated lower interest rates/fees and penalty forgiveness with credit card issuers and then bundle those reduced credit card bills into a single monthly payment. You pay the credit counseling firm, and it then cuts checks to each of the credit card companies, assuring them of steady, timely payments.

According to the National Foundation of Credit Counselors, a non-profit umbrella group for some 70 credit counseling agencies nationwide, “the majority of creditors do not stop interest but many lower the interest.”

Because credit card companies give their approval in advance to the DMP, your plan benefits are known and the risk of getting sued or targeted for collections while on a DMP is extremely low.

However, timely payment is essential. If you default on the program prior to completion, all bets are off. Your debt will not be discharged, and the lender can pursue collections for the original, unadjusted balance.

Throughout your involvement in a DMP, a notation appears on your credit report stating that you are participating in a debt management plan. That stops other potential lenders from issuing you any new credit cards but usually does not harm your FICO score. As a condition of the deal, you agree to close all of your existing credit card accounts. You also agree not to seek new lines of credit. If a new line of credit appears on your credit report, it could trigger cancellation of your DMP.

The Success Rate of DMPs

Not everyone who starts a DMP finishes it. In August 2016, Liz Weston, a reporter for NerdWallet.com wrote that NFCC’s figures showed that 42 percent of those who signed up for its DMP in 2010 had successfully completed the program in four years. Only 12 percent continued making payments into a fifth year. That means 54 percent (at best) got their debts discharged. Other organizations claim completion rates as high as 70 percent. Typically, participants fail when adverse events, such as a loss of work or an illness, affect their ability to keep making payments.

The Consumer Financial Protection Bureau (CFPB.gov) says there are good, reputable for-profit and not-for-profit firms, and that you should thoroughly investigate any firm you’re considering hiring. Before signing a contract or writing your first check, the CFPB recommends consulting your local Better Business Bureau, your state’s Attorney General’s office, and local consumer protection agencies regarding past complaints and the company’s record on resolving them.

The CFPB says that reputable credit counseling firms will look at your entire financial situation and offer low-cost or free financial educational courses and training services in addition to offering debt management plans.

PROS OF DMPs

- ✔ Most debt management plans allow you to keep one credit card account open for "emergency use" only.
- ✔ You can withdraw from the plan at any time; however, withdrawing restarts collection efforts for all credit cards in the program.
- ✔ Participating in a DMP won't cause excessive damage to your credit score, but it could make it difficult for you to qualify for additional credit. Some DMPs require that you not apply for new credit during the course of the program.
- ✔ Debt management companies operate with the prior approval of creditors. This means the likelihood is low that creditors in your plan would initiate legal action against you, provided you stay current, although there are no guarantees.
- ✔ Debt management plans typically lower your interest rate and eliminate fees during the payoff period of the plan, which generally takes 4-5 years to complete.
- ✔ You don't have to have great credit to qualify. In fact, your FICO score doesn't matter.

CONS OF DMPs

- ✖ Scams have wracked the industry in the past and many active scammers continually work the phones, making live or automated calls to lure consumers in with "important new information about your student loan," or your car loan, or new IRS tax-forgiveness efforts, or a program to clean up your credit report. Consumers need to be suspicious and check out all firms thoroughly before signing up for their services.
- ✖ While you're enrolled in a debt management plan, your credit report will include a notation that you're participating in a debt management program, and you will not be able to open a new line of credit.
- ✖ Debt management plans are only designed to retire credit card debt. If you have other unsecured loans, such as medical bills, personal loans, and student loans, you will need to find other programs to help you retire them.
- ✖ Debt management companies charge an upfront setup fee of about $75 and monthly maintenance fees that run between $30 and $55, based on a percentage of your monthly payment.
- ✖ You are not allowed to open any other credit card accounts for the duration of the pay-off plan, typically four to five years.
- ✖ Not everyone completes the plan. In fact, based on information from the industry's oldest and largest non-profit organization, the National Foundation of Credit Counselors, your odds of completing your plan may be 54 percent or less. If you fail to finish the plan, none of your debts get discharged and collection actions resume.

DIY Debt Reduction

If you can afford to pay more than two times your monthly minimums on your credit cards, have a steady income, and have managed to stay current on all your payments, then a DIY debt reduction plan could be all that's needed to help you regain control of your finances.

People generally follow one of two approaches in their debt-reduction efforts, the **Snowball Method** or the **Avalanche Method**. Those who measure success by the number of credit cards they retire typically champion the Snowball Method — and go after the credit cards with the smallest balances first. Those most concerned about paying down debt favor the Avalanche Method. They target credit cards with the highest interest rates first and work their way down the list from there.

The Snowball Method vs. the Avalanche Method

Both strategies work, but you should think about which one will motivate you more. The disadvantage of a DIY approach is often that motivation flags at some point, making it difficult for you to maintain your course and truly get out of debt.

The Snowball Method puts the appearance of rapid progress ahead of actual bottom-line results. The Avalanche Method does the opposite. It stays singularly focused on the bottom line, while ignoring everything else. With the Avalanche Method, progress is harder to see, but the gains are greater. If saving money is really what you're after, you'll need to find a way to visualize the success of your debt-reduction effort from the beginning so that you do not lose your momentum.

Discipline is vital to keep the debt reduction effort moving forward while avoiding costly and disheartening setbacks that could undo progress already made. Remember most people who fall behind on their credit card payments do so because they haven't saved in advance for emergencies, so they end up paying for those with plastic.

When the DIY Debt Reduction Plan Works Best

This approach works well for those who are concerned about their credit card debt, but who have enough wiggle room in their monthly budget and enough control to stick firmly to their plan until they've reached their goals.

Bankruptcy

In 2019, more than 733,000 individuals filed for personal bankruptcy, according to the U.S. bankruptcy courts.

Ninety-nine percent of all personal bankruptcies are either Chapter 7 or Chapter 13 filings. The remaining one percent are Chapter 11 reorganization cases, for filers who have either too much income or too much debt to qualify for either of the other filings.

With a Chapter 7 Bankruptcy, you surrender all assets above the state-determined exemption level to a bankruptcy trustee in exchange for having all qualified debts discharged. Exemptions vary from state to state but typically include your house, vehicle, clothes, furniture, certain appliances, and tools, but do not include second cars, antiques, and collectibles, which the trustee may sell to pay off your debts.

Designed for regular wage earners, Chapter 13 bankruptcies are used primarily by filers who wish to avoid surrendering large assets that they otherwise would have had to forfeit in a Chapter 7 filing.

Chapter 13 allows filers to keep their assets in exchange for agreeing to apply a portion of their future income to a three to five-year debt repayment plan. The filer proposes a plan to the trustee for an amount equal to or greater than the value of the assets that would have been forfeited in Chapter 7. If the payment plan is accepted and completed, the filer receives a debt discharge similar to what a Chapter 7 filer would get.

How the Process Works

Most unsecured debts can be discharged through bankruptcy. But student loans, child support obligations, unpaid criminal fines, and some personal income taxes typically cannot.

Once a bankruptcy petition is filed, the court issues an “automatic stay” that prevents any further collection actions or lawsuits by creditors until the bankruptcy proceeding is concluded. This can take approximately three to four months in the case of a Chapter 7 filing, or up to five years for a successfully completed Chapter 11 or 13 filing.

Bankruptcy was designed originally as a way to give consumers struggling with overwhelming debt the ability to discharge those obligations and get a fresh start financially. It comes with restrictions and costs. Individuals must wait six years between Chapter 7 filings and 180 days between filings for Chapter 13 bankruptcy relief. Those who file for bankruptcy suffer significant damage to their credit scores and to their future ability to obtain credit at favorable interest rates.

Notice of a bankruptcy filing appears immediately on the filer’s credit report and remains there for 10 years following a Chapter 7 filing and for seven years following a Chapter 13 filing. Debts discharged through bankruptcy are listed on credit reports for seven years after the date of discharge.

> **When Bankruptcy Works Best**
> Bankruptcy works best for those with no other viable relief options. The significant impact on your credit score can cause long-lasting financial repercussions, so think carefully before choosing this option.

Each type of bankruptcy comes with its specific pros and cons. Here's a quick look at each:

CHAPTER 7 PROS

- ✔ The court grants you an automatic stay upon filing for bankruptcy protection. All creditors and debt collectors must cease their efforts to collect until your case is over.
- ✔ High success rate- When the paperwork is filed properly, 99 percent of petitioners get their qualified debts discharged.
- ✔ Qualified unsecured debts (excluding student loans, child support, criminal fines and some state and federal taxes) can be completely discharged in Chapter 7.

CHAPTER 7 CONS

- ✘ You now must pass an income means test to qualify for a Chapter 7 bankruptcy.
- ✘ "Black marks" can significantly lower credit scores and make future credit difficult and expensive to obtain.
- ✘ Filing requirements are complicated and if mishandled, can result in having the bankruptcy case dismissed and collection actions resumed. Filers are advised to hire legal representation.
- ✘ Upfront fees- Lawyers typically charge $1,000 or more to handle Chapter 7 bankruptcy cases, and court filing fees cost hundreds of dollars more.
- ✘ You must wait at least six years before refiling for bankruptcy after filing a Chapter 7 case.

CHAPTER 13 PROS

- ✔ You get to keep all of your assets in a Chapter 13 filing — and thanks to the automatic stay, you may have time to catch up on your mortgage payments and avoid foreclosure.
- ✔ If your case is dismissed early, you only have to wait 180 days to refile a Chapter 13 proceeding.
- ✔ Legal fees for a Chapter 13 case can be included in the payment plan, giving the debtor the ability to spread those payments out for up to three to five years.
- ✔ A Chapter 13 case remains open to renegotiation throughout the term of the payment plan. If a debtor's financial condition deteriorates, the option exists to attempt to revise the terms of the repayment plan to avoid default. If the debtor receives an unexpected windfall, he or she can prepay the balances owed and shorten the term.

CHAPTER 13 CONS

- ✘ Your odds of getting long-term debt relief are poor. According to a 2007 report by the Wharton School, University of Pennsylvania, 20 percent of Chapter 13 cases are dismissed without ever obtaining confirmation of even one payment plan. Less than 40 percent of debtors successfully complete their plans, which can last for up to five years, and get their debts discharged to receive a financial fresh start. For the rest, default means collection efforts resume based on the original payment terms.
- ✘ The payoff plan must propose to pay at least as much as the value of non-exempt assets under a Chapter 7 bankruptcy.
- ✘ A Chapter 13 case remains open to renegotiation throughout the term of the payment plan. If the debtor's finances drastically improve (from an inheritance, for example) the trustee can attempt to force the debtor to agree to pay off more of the original debt, and at higher monthly payments.

Top Reasons People Declare Bankruptcy

Considering the significant hit a filer's credit score takes, you might wonder why people would ever choose bankruptcy. Here are some of the most common reasons people choose this debt-relief option:

- Medical expenses
- Reduced income or job loss
- Credit card debt
- Divorce or separation
- Unexpected expenses
- Student loans

66.5% Percentage of bankruptcies attributed to unpaid medical bills

Number of families who file for bankruptcy due to medical expenses **530,000**

45% Estimated percentage of bankruptcies filed due to unaffordable mortgages or foreclosures

Estimated percentage of bankruptcies filed due to living/spending beyond one's means **44.4%**

25.4% Estimated percentage of bankruptcies filed due to student loan debt

Estimated percent of bankruptcies filed due to separation or divorce **24.4%**

30% Percentage of Americans who do not have sufficient savings to survive a job loss

Percentage of Americans who cannot cover an unexpected expense of $1000 **61%**

40% Percentage of Americans who cannot cover an unexpected expense of $400

(Sources: *American Journal of Public Health, 2019 Bankrate Financial Security Index, CNN Money*)

Debt Resolution Frequently Asked Questions

We understand you may still have some questions about your debt relief options. Here are some answers to questions our clients frequently ask:

What is debt resolution?
Debt resolution is not a loan and it's not bankruptcy. It's sometimes referred to as debt settlement, debt consolidation, or debt negotiation. The goal of a debt resolution plan is to pay back what you can afford and to resolve your debt in a reasonable amount of time. Debt resolution has many benefits. It provides short-term relief with a lower monthly payment and long-term relief by saving money and getting you out of debt in a shorter period of time than you could on your own.

How do I get started?
That's easy. The debt relief process starts with a 20-minute free consultation with one of our ClearOne Advantage Certified Debt Specialists. They will be able to review your situation and customize a plan based on your unique circumstances. They will also be able to provide you with information about how the plan will help and answer any questions you may have.

How do I know if ClearOne is right for me?
Determining if ClearOne debt relief is right for you is a personal decision. It should be based on how you feel about your current financial situation. Are you happy with the way things are? Has your present situation caused you any problems to motivate you to make a change? Are there any financial goals that you are having trouble achieving? Take a few minutes and think about your answers and what they mean to you.

If you are happy and comfortable with your current situation, why change? If you are also not willing to stay the course, you're setting yourself up for failure. There's nothing that ClearOne can magically do to make your debt problem disappear. It's a process that can take 3 to 5 years.

How can I trust ClearOne?
We're different from other financial firms. We do not charge upfront fees like bankruptcy attorneys, lenders, and credit counseling firms. Those firms earn fees when you can least afford to pay them. ClearOne Advantage only earns a fee when your debt has been successfully negotiated and when you have saved money. This ensures our interests are aligned with yours. It also requires that we only offer our services to consumers that are a good fit. ClearOne Advantage has a proven track record with the highest industry ratings. Our Better Business Bureau rating is an A+ and we have an independent client rating of 9 out of 10 on TrustPilot.com.

Am I walking away from my debts?
Debt resolution is not walking away from your debts. It's a solution where you pay back what's reasonable and what we know your creditors will accept. It should provide you with immediate relief in the form of a monthly payment that is lower than what you are paying your creditors today. The plan should also allow you to resolve your debts in as little as 24 - 48 months.

What are the pros and cons of ClearOne debt settlement?
Debt resolution is a debt relief option for people who need relief from a serious amount of credit card and other unsecured debts (typically $10,000 to $125,000 or more). Debt resolution is sometimes referred to as debt consolidation or debt settlement.

CONTINUED

Frequently Asked Questions

ClearOne's debt resolution program has short-term relief with a reduced monthly payment and long-term relief allowing you to get out of debt in approximately 48 months.

Pros

- Offers one low monthly plan payment – significantly less than your current minimum
- No upfront fees
- Resolve debt faster than you can on your own - as little as 48 months
- Consumers save $2.64 for every $1 in fees paid, according to industry research

Cons

- Program primarily benefits those with high-balance credit cards
- Success relies on your commitment to make timely and consistent monthly payments
- Creditors could increase collection efforts
- Negative impact on credit your credit report (Pro: not as severe as bankruptcy)

How much can I save?
On average, our completed clients pay about 50 percent of their enrolled debt balance before fee. That is the quick computation and does not take into account time savings and interest savings. In other words, if you want to understand your true savings, you should consider what you would likely pay to your creditors on your own and over time versus through your ClearOne Plan.

The chart below illustrates this example based on a debt amount of $26,000 at an 18% interest rate and 3% minimum monthly payment.

	Monthly Payment	# Years	Interest	Total Paid
On Your Own	$748	10	$21,639	$47,639
ClearOne Advantage	$407	4	$0	$19,536

(Both scenarios assume timely and consistent monthly payments. Remember that each client's individual situation is different. Some clients can afford to pay more than the minimum payment. Other clients may have a more favorable creditor mix allowing for quicker settlements. Also, the ClearOne information is based on average estimates that could be subject to change.)

CONTINUED

Frequently Asked Questions

When will my first account be resolved?
With ClearOne, it will take approximately three months before your first account is resolved. This estimate can vary depending on your creditors.

Will debt resolution impact my credit score?
Debt resolution will have a negative impact on your credit score, but it's not typically viewed as bad as bankruptcy. Also, what is your top priority? Is it getting out of debt? Buying a home? Your total debt is the second most important factor in determining your credit score. Improving your debt-to-income ratio will ultimately open more doors for buying a car or house in the future than keeping an average credit score with unmanageable debt. Your credit score is also always changing and with some diligence can be rebuilt relatively quickly upon completing your plan.

Why would a creditor accept less than the principal balance owed?
When you enter into a debt resolution plan, we communicate to your creditors that there are limited funds to resolve your debt. Your Certified Debt Specialist will work with you to determine that amount. A creditor will accept less because they now need to compete for those funds with your other creditors. Otherwise, they will be the last to be paid or may not be paid at all if they sell your account to a third party for pennies. You should also know that the profits creditors make in interest and late fees far outweigh the cost of offering repayment concession to struggling consumers.

About ClearOne Advantage

ClearOne Advantage® specializes in helping people with a serious amount of debt. By partnering with ClearOne Advantage, you gain an experienced team of professionals dedicated to your success, no matter what your situation.

Our highly skilled Certified Debt Specialists, Negotiators, and Client Relations Specialists go through extensive training and have years of experience to ensure that we are getting you the biggest savings when settling your debts.

Here's what you get when you partner with ClearOne Advantage:

Debt resolution is a debt relief option for people who need relief from a serious amount of credit card and other unsecured debts (typically $10,000 to $125,000 or more). Debt resolution is sometimes referred to as debt consolidation or debt settlement.

ClearOne's debt resolution program has short-term relief with a reduced monthly payment and long-term relief allowing you to get out of debt in as little as 48 months.

- A plan completely personalized for your unique financial needs
- Zero upfront costs to get started
- A team of debt professionals that includes:
    - Certified Debt Specialists who design your customized plan and answer any questions as you get started on your journey to debt freedom
    - Expert Negotiators who use their years of experience to negotiate the best settlement for you in the shortest time possible
    - Client Relations Specialists who manage your account and offer you all the support you need along the way
- A self-service client portal available 24/7 to help you keep track of your progress
- Online resources such as articles,budgeting tools, and comprehensive guides

ClearOne Advantage has 12 years of experience helping thousands of clients resolve their debt.
We are proven, reputable, and trustworthy, which is backed up by:

- 5,000+ high satisfaction ratings on Trustpilot
- Better Business Bureau accredited with an A+ rating
- Accredited member of the Consumer Debt Relief Initiative (CDRI)
- Over 500 employees dedicated to your success
- A proven track record resolving over $1 Billion in debt for our clients
- Our 100% limited satisfaction guarantee