

# RESTRUCTURING OF DEBTS



FINANCIAL AND DEBT COUNSELLING



# RESTRUCTURING OF DEBTS

Restructuring your debts can clarify your financial situation. The total amount of debts, your income level and your life situation all affect which debt restructuring option works for you. Financial and debt counselling services can assist you in choosing the suitable option. In addition to restructuring, it is important to pay attention to everyday expenses and consumption habits, in order to stop the accumulation of debt.



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## Discuss with the creditor

- If you cannot pay a bill or a debt, contact the creditor.
- Negotiate with the creditor on a new payment plan that has, for example, a longer payment period, smaller instalments, a lower interest rate or a grace period. A payment plan can also consist of several different options.
- You can also negotiate on a composition with the creditor. A composition means that the creditor forgives the entire debt or parts of it, such as late payment fees and expenses. A composition is voluntary for the creditor.

Tell the creditor openly why you are unable to pay the bill. If your ability to pay has deteriorated due to illness, incapacity for work or another reason beyond your control, you can invoke the principle of social force majeure. This may give you more time to get your finances in order.



**TIP:** Try to agree on a payment arrangement that you can afford and will be able to comply with.

## Snowball method

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- The snowball method can accelerate repayment and save costs.
- Negotiate the smallest monthly instalments possible for the debts and make use of available payment-free months.
- Debts are paid by the smallest monthly instalments and, at the same time, the smallest debt is paid off as much as possible.
- Once the smallest debt has been repaid in full, start paying off the second smallest debt monthly as much as possible.
- Keep paying off debts until all debts have been repaid in full.

## Restructuring loan

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- It is possible to consolidate debts by taking out a restructuring loan.
- A restructuring loan is used for paying off separate loans, leaving you with just one loan to repay.
- You may be able to negotiate a longer payment period and a lower interest rate for the restructuring loan than for the original loans.

You can ask for a voluntary restructuring loan from any bank or credit institution. Remember to compare the interest rates and costs of loans. It may be difficult to obtain a voluntary restructuring loan if you have a payment default entry.

## Enforcement

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- It is possible to pay debts through enforcement. If you wish, you can ask to transfer the collection of debts to enforcement.
- The enforcement authorities are neutral and protect the rights of both debtors and creditors.
- Enforcement ensures that you are left with a protected portion for living expenses after the payment of debts.

## Social lending

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The wellbeing services counties offer social lending to their residents, for example for balancing their finances, breaking the circle of indebtedness or necessary household purchases. Each wellbeing services county defines its own lending criteria and repayment terms. Ask your wellbeing services county for more information.

## Voluntary restructuring loan

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- For a voluntary restructuring loan to succeed, it is important to restructure the entire debt situation.
- A voluntary debt adjustment is based on a mutual agreement and requires consent from all creditors.
- The creditors are given a proposal for a new repayment plan, which they can accept or reject.

## Guarantee for a restructuring loan by the Guarantee Foundation

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- A guarantee for a bank loan for paying off the debts.
- Requires that the overall situation of the debts can be restructured.
- The maximum amount for the loan is €34,000 (for couples €45,000).
- The maximum repayment term is 7 years.
- A payment default entry or enforcement is not an impediment to obtaining a guarantee.
- Requires ability to pay.

You can obtain a guarantee from the Guarantee Foundation if your life situation is stable and the reasons for indebtedness are under control or no longer exist.



## Debt adjustment of a private individual

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- Debt adjustment is applied for in a district court.
- If debt adjustment is granted, a payment scheme will be drawn up for you.
- The duration of a payment scheme is usually 3–5 years. If you retain your owner-occupied home during the debt adjustment, the duration of the payment scheme may be longer.

There are certain conditions and impediments to debt adjustment. If you wonder whether you can be granted debt adjustment, contact financial and debt counselling. A financial and debt counsellor evaluates your situation and provides further information about debt adjustment. If an adjustment appears to be possible for you, the counsellor helps you apply for debt adjustment. Debt adjustment can be granted to entrepreneurs on certain conditions.



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