

Do it Yourself Credit Management



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With a little dedication and prior planning, it is possible to reduce your debts on your own. Why pay debt counselors and consolidation agencies fees for things you can do yourself? this publication shows you the tricks of the trade and the fastest way to reduce your debts on your own.

Step 1: Evaluate your debts

Collect all your financial documents and print out your [credit reports](#) to see exactly where you stand. This is an important step toward debt recovery and one that people are often scared to take. On a piece of paper, write down the balances, interest rates, and monthly amount due for each of your debts. Include your auto loans, personal loans, payday loans, credit cards, and other debts. You should also make note of any annual fees on your credit cards. You don't need to include your mortgage loan or student loans at this time. These loans have relatively long terms and low APRs so it is better to focus on paying off your other debts first. If you have an overwhelming amount of debt, you may want to consider a [Credit Repair Program](#).

Step 2: Look at your budget

After you have collected the information about your debts, you should take a look at your monthly budget. Write down your monthly income after taxes and subtract your rent/mortgage payment from this amount and other monthly expenses such as childcare, student loan payments, insurance, utilities, and groceries. Once you have subtracted all of your expenses, calculate how much you have left to pay off your debts. If this amount is too small, look for ways to reduce your spending. Consider turning off your cable subscription or carpooling as ways to cut back temporarily. The more you can pay towards your debts each month, the sooner you will be debt free.

Step 3: Make a plan

Now that you know all about your financial situation, it's time to create a plan for reducing your debts. Use your information to fill in the following chart. Subtract your minimum debt payments (Step 1) and monthly expenses (Step 2) from your monthly income after taxes. The remaining amount should be used to pay off the debt with the highest interest rate and the highest balance.

	Example	Your Plan
Monthly income after taxes	\$2,800	\$
Minimum debt payments (1)	- \$1,800	- \$
Monthly expenses (2)	- \$400	- \$
Remaining amount goes to the debt with the highest rate and balance	= \$600	= \$

Continue this cycle each month until the debt is paid off and then move on to the next highest rate/balance account. This may seem like an odd process, but it is the fastest way to reduce your debts. During this time, you should not add any new charges to your credit cards. Also, try to increase the amount you pay toward the most expensive debt each month. Track your progress with a chart like this:

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Payment Goal	\$600	\$600	\$625	\$625	\$650	\$650
Actual Payment						

Step 4: Start negotiations

While you are starting to follow your repayment plan from Step 3, you should contact your creditors and lenders to see if you can improve the terms on your debts. You may be able to lower your interest rates or negotiate a reduced settlement on some debts by speaking with the customer service department. It is especially easy to negotiate the terms of debts that are charged off (dismissed) by the creditor or in collections already. However, when you do pay off an old collection it re-ages the account and lowers your credit score. You should negotiate with the collection agency for a **Pay For Delete Agreement**. (A copy is included in the appendix). Also think about moving some of your credit card debts to new accounts with lower interest rates. Moving a balance to a credit card with a 0% introductory rate for 6-12 months can help you save a lot on

interest. Just be sure to keep each of your credit card balances below 35% of the credit limits to avoid damaging your credit score.

Step 5: Follow-through

Do your best to meet your payment goals each month. It's okay if the amount you put toward your most expensive debt each month varies. Just try to consistently put as much as possible toward your debts. Signing up for an automated payment system and keeping a chart of your progress on the refrigerator can help you stay on track. When you reach major milestones, be sure to celebrate your success. Before you know it, you'll be debt free!

The Bankruptcy Option

During this time, you should also investigate whether **Bankruptcy** is a viable option for you. If your creditors are not willing to negotiate with you, you really should give Bankruptcy a closer look.

When you have more debt than you can possibly pay off, the bankruptcy system is there to help -- and with [The New Bankruptcy](#), you'll find the clear and user-friendly information, advice and forms you need to get through the entire process.

Appendix

Pay For Delete Letter

Date

Collection Agency

Address

City, State, Zip

Re: Collection Account for Original Creditor,

Creditor, Account # _____

Collection Agency Account # _____

To Whom It May Concern:

This letter is to inform you that the validity of this debt is disputed. I am not sure of the account number, as I have never heard from you regarding this account. The account number I have is the one listed on the letter I received.

In the spirit of compromise, I am willing to pay this account **\$000.00**, if you agree to the immediate deletion of this account from any and all credit reporting agencies (Equifax, Experian and TransUnion). The purpose of this settlement is merely to have this item removed from my credit files. It is not to be construed as an acknowledgment of liability for this debt in any form.

If you agree to the terms and accept this agreement, certified funds for the settlement amount of **\$000.00** will be sent to **Collection Agency** in exchange for full deletion of ALL references regarding this account from my credit files and full satisfaction of the debt. As certified funds will be used for payment, there shall be no waiting period regarding the deletion of this account from the credit reporting agencies.

Collection Agency agrees to delete ALL information regarding this account from the credit reporting agencies WITHIN TEN CALENDAR (10) DAYS following receipt of payment as specified above and will not discuss the terms of this settlement with anyone, excluding your client on this account.

If contacted by any third party, including Credit Reporting Agencies, **Collection Agency** will not acknowledge that any settlement offer was made, accepted or executed and will, in fact, deny knowledge of any such account.

If you agree to the above terms, please prepare a letter on your company letterhead explicitly agreeing to the same terms as the above settlement offer and have it signed by an authorized representative of **Collection Agency**. It will be implied that this letter shall constitute a legally binding contract, enforceable under the laws of my state.

Your response must be postmarked no later than 15 days from your receipt of this settlement offer or this offer will be withdrawn and I will request full validation of this alleged debt, as provided for by the Fair Debt Collection Practices Act.

Please address all correspondence regarding this account to:

(Print your name here & SSN here)

(Print your address here)