

## Chapter 4

Lender	APR	Current Balance	Monthly Payment
VISA	15.9%	\$4,150	\$58
MasterCard	12.9%	\$3,645	\$73
Retail card	18.9%	\$4,595	\$115
Installment Loan	17.5%	\$1,990	\$50
<b>Total</b>		<b>\$14,380</b>	<b>\$296</b>

### Debt Reduction Report

#### Complete Debt Summary

Number of Debts	4
Start Month	April 2010
Payment Plan	Immediate
Payoff Strategy	APR
Balance Owed	\$14,380
Monthly Payments	\$296
Pledge Money	\$50
Payments + Pledge	\$346

#### Minimum Payment from Statement

Debt-Free Date	April 2192
Months Required	2185
Total Interest Paid	\$72,333
Total Money Paid	\$86,713

#### Minimum Payment Held Constant

Debt-Free Date	December 2028
Months Required	225
Total Interest Paid	\$14,209
Total Money Paid	\$28,589

**Money Saved                    \$58,124**

**Time Saved                        163 years 4 months**

<u>Debt Blaster without Pledge Money</u>		<u>Debt Blaster with Pledge Money</u>	
Debt-Free Date	November 2016	Debt-Free Date	April 2015
Months Required	80	Months Required	61
Total Interest Paid	\$9,169	Total Interest Paid	\$6,645
Total Money Paid	\$23,549	Total Money Paid	\$21,025
<b>Money Saved</b>	<b>\$63,164</b>	<b>Money Saved</b>	<b>\$65,688</b>
<b>Time Saved</b>	<b>175 years 5 months</b>	<b>Time Saved</b>	<b>177 years 0 months</b>

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Here's a brief explanation of the various repayment strategies described in the Debt Reduction Report:

- Minimum Payment from Statement:** This example shows how much you would pay, and how long it would take to get out of debt, if you made only the issuer's required minimum payments each month. As explained above, your minimum required payments decline as your balance goes down, stretching out the debt for a long time.
- Minimum Payment Held Constant:** Here's how long it would take to pay off your debt if you continued making the minimum payments currently required by your statement. This corresponds with Robert and Kim Kiyosaki's instructions about dividing the balance by the current minimum payment. It's faster than paying the declining minimum payments and will save you money in the long run.
- Debt Blaster without Pledge Money:** This describes how long it would take you to pay off the debt if you turbocharge your payment plan as we described. You stick with the same total monthly payment that you must make now, but as you pay down some debts you put the "extra" amount above the minimum payment toward the highest rate debt until it's paid off, and so on.

- **Debt Blaster with Pledge Money:** If you can add some extra money toward your total monthly payment you'll get out of debt faster. In this example, we added just \$50 per month but saved much more than that in interest.

What you're doing here is creating a tsunami effect. It will seem very slow at first, but as soon as you start paying off a debt or two your plan will pick up speed and you'll start seeing dramatic effects!

Here is an excerpt from an interview where Gerri Detweiler, our contributing editor and the host of Talk Credit Radio, asked Scott about his strategies for getting lower credit card rates:

**Gerri:** Scott, you know, I think there's a sense these days that sometimes people feel lucky they even have a credit card and have a credit line. So really, what are issuers willing to do now in terms of negotiating with customers?

**Scott:** *Well, you know, it's still true that banks need profitable customers to be profitable. So as consumers, we do hold the cards so to speak because we decide where we spend our money. And even if interest rates aren't the best for banks, they still make money by charging merchant's fees.*

**Gerri:** There are a lot of people that are still paying pretty hefty interest rates, given the fact that these banks are paying practically nothing to borrow this money.

**Scott:** *Yeah, that's absolutely true. It's not like the banks are going to lower the interest rates just because they're getting a better deal. The only time banks are going to give out really good rates are to credit cardholders who have excellent credit scores and have had a relationship with the bank for years.*

**Gerri:** For a long time, there was no downside to asking for a lower rate. Then we went through a period about I'd say, 2009, when it actually got a little bit risky because sometimes it would trigger an account review and (your issuer) would say, "Oh gee, well you have a lot of credit card debt, we'd like to lower your credit limit," and that lowers your score and when your score goes down your other (credit lines may) get lowered. So tell me, where we are and where have we been in this process?

**Scott:** *Well you're absolutely right, it might've been a little riskier before but if you're paying high rates and if you're getting gouged for a lot of fees, it's important to stop that. So it's always important to call the banks and try to negotiate better rates and have fees waived. Today, you know, the swing is now towards more credit card usage in the last few months. There had been many reports that people are now using their credit cards more, certainly during this holiday season. So once again, the banks have to decide if they're going to give good deals to people or if they're going to let people just transfer the balances or use (other) cards during the season.*

**Gerri:** Let's talk about what you do if you feel that your credit card rate is too high. What do you think is too high these days?

**Scott:** *You know, anything you're paying is too high.*

**Gerri:** Really?

**Scott:** *Unless it's zero. Just look at your credit card statement right now, whatever it is, if it's not zero you want to try to get towards zero, I mean, zero is perfect. I gotta tell you, I haven't paid any interests for like, 15 years already. I mean zero, absolutely nothing.*

**Gerri:** Tell me what your credit score is. It has to be pretty good.

**Scott:** *It's 790. It's been better. Yesterday it was 790, but the best it's ever been is 819.*

**Gerri:** That's out of 850 on a FICO score, so that's still a prime credit score.

**Scott:** *Yeah, it's a good score. Anything over 720 is quite good and you know, I've got 50 credit cards.*

**Gerri:** You still have 50?

**Scott:** *Yes. I used to have like 60 but a whole bunch of them got lost during that credit crunch.*

**Gerri:** Okay, I want to talk about that a little bit later on the show. But let's start with what to do when you talk to your credit card companies. So we've talked about the fact that you do want to negotiate if you're paying more than 0%. You get on the phone, you're a little bit nervous, what do you say to them?

**Scott:** *That's exactly why I wrote my book. Just for a moment about the book because it's important:*

*the reason why I did this is for that very reason. People are nervous, they don't know what to say so what I did was I recorded the banks. You know, how when you call the banks they record us for training purposes? Well I recorded them for training purposes, to train everyone on how to deal with the banks. So the book has a whole bunch of calls - the actual transcripts from the calls.*

**Gerri:** And that's your book - Talk Your Way Out of Credit Card Debt, right?

**Scott:** *Yes, so that way people can read through them and kind of get a feel for what's going to happen.*

**Gerri:** Let me add just real quick, you've made a lot these calls, right?

**Scott:** *Yes, in the book I have 52 but I've made hundreds. I just picked the ones that would represent the basic outcome that you would have.*

*So I would say that, you know, if you're nervous about calling there are many things you can do but you should always call. There's nothing to be nervous about. Just pick up the phone, give them a call and the very first person, let's say for example we're going to, let's say, do something easy like waive a late fee. That's pretty easy to do.*

*If you have a late fee and you're listening right now, after we're done, call your bank, get that thing waived especially if it's your first one. Just call up, talk to the first person - hey, I was looking at my credit card statement, I noticed this late fee, can you waive that fee for me? And I have never heard of a case for a first-time late fee when they didn't waive the fee. They always waive that fee no matter what, throughout the years, they always do it.*

**Gerri:** So you don't have to have some kind of good excuse as to why you were late? You just have to ask for them to waive it?

**Scott:** *Yep, that's correct. And you can make up an excuse if you want but it doesn't matter, they're going to waive it. I've never heard of somebody calling for the first time and not having it waived. And I've made dozens and dozens of calls just for that thing, just for that purpose - having the first late fee*

*waived. Even if you've had a couple late fees in a row they'll still waive one or two of them. They might not waive them all, if you have say 6 in a row it's going to be a little trickier, you know, you might have to call and let them know they're going to get paid. But the bottom line is, if you do something like that, just call up, talk to the first person they'll probably be able to do it.*

*Now when you try to lower interest rates or do more difficult things like multiple late fees, something like that, chances are the very first person you're going to speak to will not be able to do it. So you're going to ask to speak to their supervisor, say, "Hey can I talk to your supervisor?" They're going to say, probably, my supervisor's going to tell you the same thing. And you just say, "Wonderful, I want to talk to your supervisor anyway."*

*Then the supervisor's going to get on the phone, you're going to go through the whole thing again and now we'll see what the supervisor's going to do. If you're just asking, it's going to be difficult. You say things like, well, you want to have a deal breaker ready, something you're going to do when they don't do what you want. So you say, "Listen, I got all these credit offers, I want to transfer my balance so what do you want to do? Do you want to just lower my rate or get rid of this fee or am I just going to leave you and not do business with you and close my account?"*

*Now prior to, say 2009 that you were saying, that worked really well. After that, I definitely heard of cases where people would say they didn't care, they said okay, close my account. And I even had that experience too before my business cards during this time period. They said I didn't use the card but I just bought an airline ticket the month before, it's like a thousand dollars! They're like, well, you didn't use it before that. I'm like, are you kidding me? They're actually closing my account because of it - because of inactivity. I just spent a thousand dollars last month and over the last 10 years I spent almost \$25,000!*

**Gerri:** Okay, so if your issuer says no, you talk to a supervisor then at that point do you give up on that issuer?

**Scott:** *Well, that might be. You know, and if you go through the whole thing, I'm going to close my account and you're persistent. What I like to do too is I'll run the numbers because I use Quicken. I'll just tell them how much I spent, like in that case with the business card. I'll be like, well I spent \$10,000 over the last 5 years and this much of it was interest, of course in my case it's zero so all they're getting is the merchant fees. But they're getting merchant fees on that and interest, and I'm like, you really want to let that go? And again, they're not too bright so sometimes they'll be like "sure."*

*But if that's the problem, if that happens you have many options. At Credit.com there are a whole bunch of credit cards you can turn to get lower rates and I would start there and start looking for a new bank if you don't have one. But if you do, the best place to turn to transfer your balance when banks don't do what you want are to the other credit cards that you have, that you've had for awhile. Like I've said, I have 50 cards, people think it's ridiculous, you know. If I use them all Gerri, today's show would be about bankruptcy and how to get out of it, because I cannot use all those cards and pay them all.*

*So what happens is I have so many cards with a zero balance that if anyone of the few cards that I'm using gives me trouble and then they don't do what I want when I want call up to try to negotiate better rates and better deals, then I'll just call all the other ones - and its the same kind of negotiation. I want to now shop for another rate but I've got a lot of calls I can make. So I'll call one bank, "Hey I want to transfer my balance to you, I'll transfer \$10,000 right now but you got to give me zero or 1% or whatever's better than what I'm getting now." And I'll just go through all of them until someone does that, but I have a lot of options. That's why I like to have a lot of open lines of credit.*

## Chapter 13

### Ratings Codes

When you get your report, most of the information will likely be spelled out in plain English. But the codes that have been around for years are still sometimes used so it's helpful to know what they are.

Open Account (usually must be paid in full in 30, 60 or 90 days)	O
Revolving Account	R
Installment Account	I
Mortgage	M
Line of Credit	C

Numeric codes for current payment status:

Payment Status	Code
Not rated, too new to rate, or not used	00
Paid as agreed	01
Paid 30 days late, or not more than one payment past due	02
Paid 60 days late, or two payments past due	03
Paid 90 days late, or three payments past due	04

Paid 120 days late	05
Making regular payments under a wage earner bankruptcy plan or credit counseling plan	07
Repossession	08
Voluntary Repossession	8A
Legal Repossession	8D
Payment to a Repossessed Account	8P
Repossession Redeemed	8R
Bad Debt; Charged off Account	09
Collection Account	9B
Payment to a charged off account	9P
Unrated	UR
Unclassified	UC
Rejected	RJ

All three services offer a free copy of your report every year. (Of course, if you aren't in their systems they won't have a report on you.) To obtain a free report contact:

Chexsystems: 1-800-428-9623 or [ConsumerDebit.com](http://ConsumerDebit.com)

Certegy Check Systems, Inc.: 1-866-543-6315 or [AskCertegy.com](http://AskCertegy.com)

Telecheck/FirstData 1-800-366-2425 or [FirstData.com](http://FirstData.com)

## Chapter 14

### The Truth About FICO Scores

Following is a transcript of an interview from Talk Credit Radio with Gerri Detweiler. In it, Tom Quinn, a credit scoring dispels common myths about FICO scores. Tom Quinn worked at FICO for 15 years and his initial focus there was on creating and delivering credit score and credit-related educational initiatives at the time where the public was just starting to learn about credit scores. He later developed, launched and grew MyFICO.com, the company's consumer driven initiative to provide consumers with direct access to their FICO scores. He's a nationally-recognized authority on the inner workings of credit scoring models.

Gerri: *Tom, I want to play a little game here. I want to talk "Fact or Fiction" when it comes to credit scores. We see so much information out there, and a lot of times it's wrong, it maybe incomplete, or it may just be misleading. So I'm going to throw some statements at you that I've seen and then I want you to tell me whether they're fact or fiction. Are you game for that?*

Tom: *Sure, sounds like fun.*

Gerri: *Ok. So the first one is – fact or fiction? Every time a person applies for credit it costs them 5 points off their credit scores. True or false?*

Tom: *That is false.*

Gerri: *So what's the truth about it?*

Tom: *Basically, whenever a lender touches your credit report or if you're seeking credit, then they usually will pull your credit report to understand your credit risk, and an inquiry is posted. So there are all these different kinds of inquiries out there.*

*For example, if you come home today and have a pre-approved credit offer in the mailbox, a lender probably pulled your credit report to do that and then there's a certain code associated with it that can be identified as a promotional inquiry. Or, if you get a message on your credit card statement saying, "because of your great credit behavior we're raising your credit line," they probably pulled a credit report to do that as well and then an inquiry will be posted. If you go and try to pull your own credit report at myFICO.com for example, an inquiry is posted.*

*So the good news is, all those inquiries are tagged or identified separately so that the model can really isolate those credit inquiries that are related to you seeking credit than when you've actually applied for credit. When you apply for credit, what research shows is that people who applied for credit are riskier than people who haven't.*

*But the good news is, inquiries don't cost a whole lot of points in the big scheme of things. How you pay your bills and how you manage your debt is really what's counted in the score and so inquiries will add a little bit of predictive value on top and may result in a couple points lost here or there. But the way the inquiry logic works, a couple of things: your inquiry is shown on your credit report for the last two years but that model's only looking at inquiries in the last 11 months. So those a little older than 12 months, for example, aren't counted.*

*And there's a capping logic. Basically, the way the model works, is once you've reached a maximum number of inquiries for that particular score card, whether you have one more on top of that or 15 more on top of that, they don't count extra against the score. So, in the big scheme of things Gerri, inquiries get a lot of attention focused by consumers but they really don't cost that million points. Really focusing in on paying bills on time as well as managing your debt levels is really what's going to drive the score.*

Gerri: *Okay now, let me ask a related follow-up question to that, Tom, does it matter whether you're approved or not for that credit card? Just the fact that if they declined you, does that hurt your credit score?*

Tom: *Well, the lender does not report to the credit reporting agency whether you were approved or not. The fact that a lender made a decision to deny your applications for credit, that denial activity or action is not reported so it would have no impact on someone's score.*

Gerri: *Okay. So it doesn't matter if you were denied or approved. It's just the inquiry that could affect your credit score depending on the type of inquiry that it is.*

Tom: *That's correct.*

Gerri: *Let's get another question. Fact or fiction? A bankruptcy will haunt my credit scores forever. I hear this a lot, Tom, from people who are thinking about bankruptcy and they're terrified what it will do to their credit. Does it stay on there forever?*

Tom: *The answer is false. The Fair Credit Reporting Act has rules and guidelines that the lenders and credit reporting agencies must follow regarding how long information stays on a credit report, especially information related to past due behavior, delinquencies, charge-offs and bankruptcies. And most information is required to be purged off of your credit report, negative information, after 7 years. The bureaus are very diligent about policing that.*

*For bankruptcies, some are off after 7 years and some are off after 10 years, so there's a little bit of variation for bankruptcy. The reason bankruptcies cost so much on the credit score and result in a big loss of points is because they're extremely predictive. If you're building a model and you see profiles that have a bankruptcy on their credit report the likeliness of them having*

*future delinquencies is very high. So that's why bankruptcies do result in a significant point loss. But they don't haunt you forever – that's the good news.*

*The score is forgiving and as that bankruptcy ages off of your profile, it has less impact on the score as long as your new information shows you're paying as agreed. And then, after 10 years, that bankruptcy will be deleted from your credit report and the score would never know it existed. Let's say, you've got a bankruptcy 11 years ago, it would never know it existed. It does fall off the credit report. It no longer has impact on the score.*

Gerri: *True or false? A short sale has less of an impact on my credit score than a foreclosure.*

Tom: *Yeah Gerri, I'm hearing this question a lot or seeing a lot of misinformation out there about this and I don't know where it started. But the perception that a short sale has less impact on the score than a foreclosure is false. Actually, FICO recently published some information on some studies they've done to let the consumer population have a better understanding of the potential impact of a short sale or a foreclosure have on a credit score. And basically what their research has shown is that the amount of points lost for having a short sale or a foreclosure is about the same.*

Gerri: *Well, so the take away that I hear is that the short sale versus the foreclosure, your credit score is not the main consideration there. There are other financial decisions you need to make, and it's certainly serious in either case, but it's not one versus the other in terms of preserving your credit score.*

Tom: *Absolutely. Anybody who's making a decision about short sale, foreclosure needs to balance a lot of factors in that decision process. The credit score being one, but not the only*

*one. But in terms of the credit score the impact of a foreclosure versus a short sale on the score is going to be about the same so that information should at least help them understand the impact on the score-related aspect of that decision process.*

*Gerri: Here's one I've heard a lot over the years. True or false? Going to a credit counseling agency will hurt my credit scores.*

*Tom: In general the exact answer is false, it does not hurt your credit score but it could impact your score depending on what action has taken place. So let me give you a little more background on that answer or it may seem a little bit ambiguous.*

*Whenever you enter into a relationship with a credit counseling agency, the lender, if you're interacting with the lender, may report on your credit obligation when they report to the bureau. There's a code they can submit that says that you are in credit counseling services with that particular trade line or credit obligation.*

*The fact that you're engaged with consumer credit counseling services agencies in and of that itself will not impact the score. So the score does not look for that particular code and say, you know, this is negative, I should ding the score because he or she is with a counseling agency.*

*However, if in your interactions with that consumer credit counseling agency and their interaction with your lenders they are able to negotiate, for example, settlement of the debt.*

*Let's say you, with a credit card, you owe \$10,000 but through your interactions with that counseling agency you're able to get that card issuer to agree to accept \$5,000 payment and close the account out versus the \$10,000 you owe. Then the lender will normally report that the account had some type of partial payment settlement agreement or was not paid in full because*

*you did not pay as originally agreed the full \$10,000 owed. And that activity or that payment, that settlement indicator, would be considered negative by the score.*

*So that's why I considered it a little bit of a trick question because the fact that you go to credit counseling services will not hurt your score in of itself but the activity that comes out of that engagement, depending on what they are, could potentially impact your score, depending on, you know, the agreements that you reach with your debtors.*

*Gerri: Well the other thing that I think is important to keep in mind Tom is that, with many people going to credit counseling they have a lot of credit card debt and they're probably maxed out on some of their cards and that alone is hurting their credit scores. So paying down the debt and paying off that credit card debt could have a significant, positive effect. Correct? In terms of bringing down those balances on the credit cards?*

*Tom: Yeah it's going to be case-specific, and if you have a profile of a consumer who has a lot of revolving debt that's probably already affecting their score and causing it to be lower. So let's say they reach an agreement with the credit card issuers to pay all that off, once they pay that off they will get incremental points obviously, for those characteristics in the model that are focused on the balances of the credit cards.*

*But if they had no delinquency on their report and now all of a sudden there are these codes that say that they've accepted partial payment in agreements with the lender, they may be losing extra points for that negative information hitting the file for the first time. So it's hard to give a generalized answer on that since it's going to be case-specific in terms of the makeup on that consumer's credit report.*

Gerri: *Okay and I'll add from my viewpoint. With the credit counseling program if you're entering into a debt management program, typically it's a full payment. You pay off the full balance over time and some interest depending on what's negotiated. Settlements usually come when you end up going into debt settlement or debt negotiation rather than just a standard debt management plan or DMP with a credit counseling agency. So there's a distinction there.*

*My advice to consumers: If the main goal is to get out of debt, get that monkey off your back and then focus on your credit scores. Don't let that stop you from getting the help that you need, if you need help.*

Tom: *I agree 100%.*

Gerri: *Tom, when we were talking about bankruptcy, you raised a little issue there that I don't think most people don't know about. I know this is getting a little technical but I'd like you to give an overview of it because I think it's important for people to understand, and that's the issue of difference scorecards. That if I were to go and apply for credit and my neighbors were to go and apply for credit, and then someone down the street's applying for credit at the same exact bank, or we all go to Target and we all open a Target card, it could impact us differently because of the way the FICO system assigns people to different scorecards. Could you just give us a general overview what that means?*

Tom: *Sure. We used to actually joke in FICO that the FICO score is more than a score, it's an equation and it's true. So there's probably this perception out there that there's one mammoth FICO scorecard that everybody gets scored on. But the way modeling works it actually tries to segment the population to meaningful groups or like groups of consumers based on credit information, so that it can optimize the credit predictiveness for likeness-oriented groups.*

*To give you an example, if you have a typical family where you have the grandparents and then you have let's say a couple in their 30's who have children, and then you have someone just starting out, just getting out of college. Well, their credit needs and their behaviors are probably going to be very different so the older couple. The grandparents have probably have less need for credit or less active on their credit because they're in that part of their life where the house is paid off and they're not funding education, funding all these needs of the children so they have less credit, in general.*

*And then you can have a younger couple with children where there are a lot of needs, purchases and activities and etc., buying a house, car, cell phones, the whole nine yards so they're usually more credit active and using credit more fully.*

*And then on the other end of the spectrum, we have someone just coming out of college where they don't have a lot of established credit yet but they need the credit so they're out there seeking credit. So the way they model works is there's actually a system of scorecards and your profile when you're requesting credit will get sent to one of those scorecards based on whether the model sees any previous experience or delinquency.*

***So you'll be scored on what they call "scorecards" that will help specifically for consumer populations that have experience, and missed payment behavior in the past. And if you have no missed payments on your credit report, you may get sent to one of the other several scorecards based on how long you've had credit, missing credit, seeking activity (or debt) for credit, etc. What this allows is the model to do is to be more predictive and score you more fairly where you belong because it's scoring you in essence along with your cohorts against the entire population, and then that allows for a more robust model and a more predictive model which lenders value as they're making credit decisions.***

## Appendix A: Sample Letters

### Sample Letter to Collection Agency Requesting Verification of Debt

Your name and address

Date

Name and address of collection agency

RE: Account number (list account number if given)

Dear Sir or Madam,

I was recently informed that I owe a debt in the amount of \$(list amount of debt).

I don't believe that debt is correct (or I don't know what this debt is for, etc.). Please send me written verification of the debt.

Sincerely,

Your name

## Sample Letter to Debt Collector Requesting They Stop Contacting You

Your address

Date

Name and address of collection agency

RE: Account number (list account number if given)

Dear Sir or Madam,

I have been in contact with your agency about a debt in the amount of \$(list amount of debt) to (list original creditor).

I ask you to stop contacting me about that debt. (You may choose to give a reason: As I have stated I don't believe I owe it, I cannot pay any portion of the debt at this time, I believe it's too old to be collected, etc.)

Thank you,

Your name

## Sample Letter to Debt Collector For Settlement of Debt

Your address

Date

Name and address of collection agency

RE: Account number (list account number if given)

Dear Sir or Madam,

I have been in contact with your agency about a debt in the amount of \$(list amount of debt) to (list original creditor).

Today we agreed that if I pay \$(amount of settled debt) that this debt will be settled in full. You will promptly notify the creditor that there is no balance due on the debt. You will also promptly notify the credit reporting agencies (either that the debt has been settled with no balance due, or that it will be removed from the credit bureau records).

When I receive your written confirmation of these terms of our agreement, I will make the payment we agreed upon.

Sincerely,

Your name

## Sample Letter to Debt Collector For Payment Arrangement

Your address

Date

Name and address of collection agency

RE: Account number (list account number if given)

Dear (name of collector you've been dealing with),

I have been in contact with your agency about a debt in the amount of \$(list amount of debt) to (list original creditor).

As we have discussed, I am making every effort to pay this debt as quickly as I can given my current financial situation.

We have agreed that I will pay \$(dollar amount) on a \$(monthly, weekly or other) basis. I have included the first check (or money order) based on our agreement today. If this is not our agreement, please return the enclosed check and contact me to discuss other arrangements.

Thank you,

Your name

Sample Letter to Credit Reporting Agency **Disputing Wrong Information**

*Note: handwrite your dispute if your handwriting is legible*

Your name and address

Last four digits of your social security number

Your credit report number

Date

Name and address of credit reporting agency

Dear Sir or Madam,

I am disputing the following account listed on my credit report:

(List account details)

It (choose one of the following or modify for your needs: is not my account, is too old to legally be reported, has an incorrect balance, was never late, has been paid in full, etc.)

Please investigate and reply as soon as possible.

Thank you,

Your name

Sample Letter to Lender **Disputing Wrong Information on Credit Report**

*Note: handwrite your dispute if your handwriting is easy to read.*

Your name and address

Your social security number

Your account number (if available)

Date

Name and address of lender or furnisher

Dear Sir or Madam,

I am disputing the following account listed on my (Experian, Equifax, and/or Trans Union) credit report:

(List account details)

It (choose one of the following or modify for your needs: is not my account, is too old to legally be reported, has an incorrect balance, was never late, is paid in full, etc.)

Please investigate and reply as soon as possible.

Thank you,

Your name

## Appendix B: Worksheets

### Worksheet for Tracking Spending

Spending Item	Amount Budgeted	Actual
<b>Monthly Income</b>		
Source:		
Source:		
Source:		
<b>Total Income:</b>		
<b>Taxes</b>		
Federal		
State		
Personal property		
Other:		
<b>Total Taxes:</b>		
<b>Housing</b>		
Mortgage or rent		
Property taxes		
Homeowner/Renter insurance		
Electric		

Gas or oil		
Water		
Trash collection		
Other utilities		
Association/Condo fees		
Landscaping		
Cleaning		
Maintenance/Repairs		
Alarm system		
Telephone – local service		
Telephone – long distance		
Cell phone		
Other:		
Other:		
<b>Total housing:</b>		
<b>Automobile (boat, or motorcycle)</b>		
Payment auto 1		
Gas auto 1		
Maintenance auto 1		
Repair auto 1		
Payment auto 2		
Gas auto 2		

Maintenance auto 2		
Repair auto 2		
Payment auto 3		
Gas auto 3		
Maintenance 3		
Repair auto 3		
Parking		
Public transportation		
Other		
Other		
<b>Total auto</b>		
<b>Food</b>		
Groceries		
Lunch/meals at work		
Snacks		
Kid lunches		
Pizza delivery/carryout		
Fast food		
Meals out		
Coffee/beverages		
Other:		
Other:		

<b>Total Food</b>		
<b>Education</b>		
Tuition		
Books		
Supplies		
Other:		
Other:		
<b>Total Education</b>		
<b>Health</b>		
Doctor visits/copays		
Wellness services		
Prescription medicine		
Over-the-counter medicine		
Dentist		
Vision (including glasses/contacts)		
Supplements		
Other:		
<b>Total Health</b>		
<b>Entertainment</b>		
Movies/Concerts		

Movie rentals		
Cable TV		
Internet service		
Sporting events		
Books		
Magazine subscriptions		
CDs/Music		
Birthday parties		
Holiday parties		
Other:		
Other:		
<b>Total Entertainment</b>		
<b>Insurance</b>		
Disability		
Life		
Credit		
Auto		
Health		
Homeowner		
Private mortgage insurance		
Umbrella policy		
Boat Insurance		

Extended warranty		
Other:		
<b>Total Insurance</b>		
<b>Pets</b>		
Food		
Medical		
Supplies		
Grooming		
Other:		
<b>Total Pets</b>		
<b>Clothing</b>		
Professional attire		
Leisure attire		
Hosiery/socks		
Underwear/lingerie		
Shoes/Accessories		
Jewelry		
Dry cleaning/Alterations		
<b>Total Clothing</b>		
<b>Personal Care</b>		

Haircuts/Perms/Coloring		
Manicure/Pedicure/Waxing		
Gym membership/Exercise classes		
Makeup		
Toiletries		
Other:		
Other:		
<b>Total Personal Care</b>		
<b>Child Care</b>		
Day-care/Tuition		
Extracurricular		
Baby-sitting		
Toys		
Gifts		
Summer camp		
Clothing		
Allowance		
Other:		
Other:		
<b>Total Child Care</b>		
<b>Vacations</b>		

Airfare/Gas		
Lodging		
Food		
Souvenirs		
Gifts		
Other:		
Other:		
<b>Total Vacation</b>		
<b>Holidays</b>		
Gifts		
Decorating		
Entertainment		
Other:		
Other:		
<b>Charitable</b>		
Church/Synagogue/House of worship		
Other:		
Other:		
Other:		
<b>Total Charitable</b>		

<b>Miscellaneous</b>		
Cigarettes		
Hobby		
Other:		
Total Miscellaneous		

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**Debt Worksheet**

Creditor	Good Debt?	APR %	New APR	Balance	Minimum payment


**Total Monthly Debt Payment:** \_\_\_\_\_

**How to Use This Worksheet**

Make a copy of this chart since you will have to update it periodically.

**Creditor:** List each creditor in the first column.

**Good debt or bad debt?** Write “Good” next to the debt that is good debt, “Bad” to the debt that is bad debt. Paying off bad debt is your priority.

**APR:** Next list the interest rate. If your credit card has balances with different interest rates, an effective interest rate should be listed. Use that here.

**New APR:** When you call to negotiate a lower interest rate, note the rate the issuer will give you here. If you can’t successfully negotiate, simply use a check mark so you at least know you’ve tried. Try again once you pay some balances down.

**Balance:** List your current balance. On bad debts, stop charging!

**Minimum Payment:** List the required minimum payment here.

Once you have completed this list, decide which debt elimination strategy you prefer to use: 1) eliminating the high-interest bad debt first to save the most in interest payments over the life of these debts; or 2) Robert and Kim Kiyosaki's method of first paying off the debt with the lowest total balance to quickly give yourself success in your debt elimination plan (see Chapter 4). Now highlight the target debt you'll be paying off first. When you have paid that one off, target the next bad debt on your list and pay that one off, and so on until you become debt-free. Now start building wealth!

## Appendix C

### Resources For Success

Visit [BusinessCreditSuccess.com](http://BusinessCreditSuccess.com) for updated resources to help implement the advice given in this book.

### Build Business Credit

Learn how to establish a strong business credit history and build a winning strategy for your business' financing needs at [www.BusinessCreditSuccess.com](http://www.BusinessCreditSuccess.com).

### Counseling

*Credit Counseling Service: For a referral to a credit counseling agency, visit [BusinessCreditSuccess.com](http://BusinessCreditSuccess.com).*

**Debtors Anonymous:** Operated under the same principles as Alcoholics Anonymous, DA helps chronic debtors stop debting. To find if there is a group in your area, or for more information, write: Debtors Anonymous, General Service Office, P.O. Box 920888, Needham, MA 02492-0009. Ph: 781-453-2743; Fax: 781-453-2745; [www.debtorsanonymous.org](http://www.debtorsanonymous.org).

**Debt Negotiation and Settlement:** For a referral to a debt negotiation and settlement firm, visit the SuccessDNA website at [www.SuccessDNA.com](http://www.SuccessDNA.com).

**Financial Recovery Institute:** Financial Recovery<sup>™</sup> Counseling is a structured process that helps clients transform their relationship with money. It seeks to treat the "whole person," including addressing the client's history with, and emotions relating to, money. Visit [www.financialrecovery.com](http://www.financialrecovery.com).

**Housing Help:** For a referral to a company that can help you with options for a mortgage you can't afford, or to refinance a property with little or no equity, visit [BusinessCreditSuccess.com](http://BusinessCreditSuccess.com).

### Credit Reporting Agencies

You can order a copy of your credit report from each national credit reporting agency once a year at [AnnualCreditReport.com](http://AnnualCreditReport.com).

## Debt Collectors

***Debt Collection Answers: How to Use Debt Collection Laws to Protect Your Rights*** is an ebook written by consumer educators Gerri Detweiler and Mary Reed. Visit [DebtCollectionAnswers.com](http://DebtCollectionAnswers.com) for more information.

## Government Agencies

***Consumer Financial Protection Bureau (CFPB)*** regulates many financial services products and enforces consumer financial protection regulations. Visit [ConsumerFinance.gov](http://ConsumerFinance.gov).

***Federal Trade Commission:*** Contact the FTC at [www.FTC.gov](http://www.FTC.gov) or 1-877-FTC-HELP for help with Internet, telemarketing, identity theft or other fraud complaints. Use their extensive website for consumer information brochures, or to read copies of consumer protection laws.

## Kids and Money

Financial literacy is a vital skill for kids, but most learn through the school of hard knocks. Visit [www.jumpstart.org](http://www.jumpstart.org) to learn how you can help support financial literacy education.

## Student Loans

Department of Education's ombudsman service may provide assistance if you have exhausted all your options and cannot pay your student loan. ***Ombudsman.ed.gov***.

***Finaid.org*** provides excellent information about student loans, including options if you default.

***ForgiveStudentLoanDebt.com*** and ***StudentLoanJustice.org*** are grassroots initiatives that are bringing national attention to the issue of student loan debt problems.

***IBRinfo.org*** offers helpful calculators and tools to help you learn whether you are eligible for the income-based repayment program.

The Project on Student Debt is an initiative of the Institute for College Access & Success, a nonprofit independent research and policy organization dedicated to making college more available and affordable to people of all backgrounds. ***Projectonstudentdebt.org***.

## **Websites**

Following are some additional helpful websites. For updates and new additions, visit [BusinessCreditSuccess.com](http://BusinessCreditSuccess.com) for updates.

**CallforAction.org** is an international non-profit network of consumer hotlines affiliated with local broadcast partners. Volunteer professionals assist consumers through mediation and education to help resolve problems with businesses and government agencies.

**CardRatings.com:** Provides free information on low-rate, secured and other credit cards.

**Consumer-Action.org:** You'll get a free list of secured cards, a list of low-rate credit cards, and a variety of other helpful publications in many languages. (Note, you must include the hyphen between the words "consumer" and "action" to get to the correct site.)

**ConsumerFed.org:** The Consumer Federation of America lobbies for consumers' rights and also offers booklets on saving money, buying a home, managing debts, resolving consumer complaints, etc.

**ConsumerWorld.org** is a very comprehensive site with lots of helpful consumer money-saving information.

**Credit.com** is a free website that will help you shop for a credit card, monitor your credit reports and scores, and find answers to many of your credit questions.

**FinancialRecovery.com:** Need one-on-one help to conquer your debt or get your finances on track? The Financial Recovery Institute can refer you to a trained counselor. This is not financial planning or credit counseling, but instead fills the gap between the two.

**Fraud.org:** Home of the National Fraud Information Center, which gives consumers the information they need to avoid becoming victims of telemarketing and Internet fraud and to help them get their complaints to law enforcement agencies quickly and easily. If you suspect telemarketing or Internet fraud, visit their website immediately to file a complaint form.

**NCLC.org.** The National Consumer Law Center publishes helpful books and legal manuals for consumer law attorneys as well as counselors who help consumers. Their book, *Surviving Debt*, is a useful guide if you are having serious financial problems.

**Stretcher.org.** The Dollar Stretcher offers a wealth of money-saving information, and is one of the original websites focused on savvy “penny pinching” strategies.

**TheCollegeSolution.com** offers advice for parents and students who want to avoid racking up huge education debt.

## Appendix D

### PROMISSORY NOTE

#[AMOUNT]

[DATE OF NOTE]

For value received, [*Name of Promisor*], (hereinafter the "Promisor"), an individual [OR a [*State of Incorporation,*]] corporation, promises to pay upon demand to [*Name of individual or company loaning money*], of [*address of individual or company loaning the money*] (hereinafter the "Promisee"), the principal sum of [*Amount being loaned*] of lawful money of the United States of America on the date that is [*Due Date, in months/weeks, etc.*] from the date of this Promissory Note, [OPTIONAL *together with interest on the principal sum set out above at the rate of \_\_\_% per annum, compounded annually.*] The Promisor, reserves the right to prepay without penalty.

As security for the repayment of this Promissory Note the Promisor agrees to grant to the Promisee a lien over all of the real and personal property now or hereafter belonging to the Promisor [*Or such other security as is being put up as collateral for the loan*]. At the request of the Promisee the Promisor shall also provide evidence of such lien in a form registerable under the Uniform Commercial Code.

All remedies hereunder or by law afforded shall be cumulative and all shall be available to the Promisee in connection with this Note until the liability of the Promisor herein created has been paid in full. In the event of any dispute, the prevailing party shall be entitled to attorneys fees and costs. Exclusive venue shall be the [*District, County, State, etc.*].

IN WITNESS WHEREOF, the Promisor has executed this Note the day and year first above written.

**PROMISOR**

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*Signature*