



**EASY DEBT
BUSTER**

**PRESENTED BY:
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TABLE OF CONTENTS

Chapter I

[Introduction to settling all your Credit Card debt for Pennies on the Dollar](#).....3

- [How did we get here?](#).....4
- [Turn the tables on the Banks](#).....5
- [How debt has you over a Barrell and what to do about it now](#).....6
- [How to take advantage of the 10-20-70 Budget Plan](#).....8

Chapter II

[Customizing your Personal Debt Reduction Plan](#)11

- [Snowball method](#).....11
- [Is Bankruptcy for you?](#)13
- [The facts about Debt Consolidation](#)15
- [The Credit Counseling Trap](#)17
- [Debt negotiation can save you a bundle](#)18
- [How to do what's best for you](#)21

Chapter III

[How to do Debt Settlement yourself](#)22

- [The benefits of the do-it-yourself approach](#).....25
- [Will settling my Debts hurt my Credit Score?](#)27
- [Debt Settlement - the ins and outs](#)28

Chapter IV

[How to deal with each type of creditor](#).....29

- [Sure-Fire strategies](#)31
- [Your account history, an industry insider's view](#)32
- [Before you begin](#)33
- [Working the Plan](#)35

Chapter V

The step by step process37

- The First months.....37
- How to do Proactive Phone Calls39
- Yay... You settled your first Debt!42
- How to keep Records to protect yourself46

Chapter VI

Settling your Debts after charge off48

- How to Deal with Collection Agencies48
- How to Outsmart the Collectors52
- How to Deal with Collection Lawyers55
- How to Settle with A Company Who Purchased Your Debt59
- Debt Settlement A to Z63
- How to Negotiate Like A Pro63
- After you settle67
- Do I Have to Pay Income Tax on Forgiven Debt?70
- How to Get Your Credit Back73

VALIDATION LETTER76

VALIDATION LETTER FOLLOW UP77

AFTER SETTLEMENT - STOP COLLECTION ACTIVITY78

CHAPTER ONE - INTRODUCTION TO SETTLING ALL YOUR CREDIT CARD DEBT FOR PENNIES ON THE DOLLAR

Welcome to Debt Busters. The best insider information from long time professionals. Working in banking, finance, legal and collections. So, you can clobber the debt that is weighing you down.

With the information in this informative and instructive manual... you will know more than those expensive debt settlement companies. Who advertise on TV, the radio and online.

Not only will you save a bundle with this do-it-yourself manual. You'll also avoid being sued by the banks. Which they do as soon as they know you are working with a debt settlement company.

The fact is - YES you can negotiate your way out of debt. This works for credit cards, medical debt and even taxes you owe but cannot afford to pay.

This manual will cover everything you need to do in step-by-step detail. To eliminate credit card debt. It is easy to follow. And simple to execute. When you know how. And you will!

You get everything you need to eliminate your debt. Without a bankruptcy, expensive credit counseling or debt consolidation.

And this manual especially helps you avoid debt-settlement companies. Where most of their clients never achieve anything. Except throwing away money they can't afford to lose. You don't need to hire anyone to negotiate away your debts. With this manual you can do it all yourself.

Thousands of smart consumers, like you, have settled their debts themselves. For pennies on the dollar. Now you can take full advantage of this do-it-yourself approach. To finally climb out from under a mountain of debt.

HOW DID WE GET HERE?

Credit card debt is now higher than it was before the great recession of 2008. But why?

Did an entire country of consumers become ill responsible?

Some did. Biting off more than they could chew. Trying to keep up with the Joneses. Emotional spending (and eating).

But the single biggest problem spurring credit card debt is something you don't even see. It is your buying power is constantly eroding.

For example, for \$1 worth of goods and services in 2000, by 2017 you would need \$1.46. In other words, you need more money to buy the same stuff.

Eroding of your buying power is like the frog in a pot of water that slowly comes to a boil. By the time the frog knows he is in trouble, it is too late.

This affects all of us. It's why you have trouble paying for unexpected car repairs. Funding your children's education. Keeping up with rising insurance costs. Everything you buy costs more in real dollars every year.

So, you did like most others. Charge it. Then one day you realize you may never be able to pay off your credit card balance.

Not only is your buying power eroding. But the interest rates credit cards impose make you their slave for life.

The U.S. Federal Reserve says the average American can't handle \$500 in emergency expenses. Those who can charge it. And won't have \$500 for the next emergency.

The fact is, today it is difficult for the average American household to make ends meet. The financial industry knows that and preys on everyone. High credit card interest rates. Tying up home equity to pay off credit cards. Payday loans. You

name it and they will offer it at an interest rate that guarantees you never get out of debtor prison.

Even if you find no way out and your only solution is bankruptcy. Watch how many new credit cards offers you get in the mail when the financial industry finds out you are debt free.

Why would they do this? Because the financial industry not only makes a mint on usury interest rates. They make a ton of money on late fees, overdraft fees and penalties. It is in the financial industry's best interest to extend credit to those who can't pay. Because they can clobber them with fees which then makes it even harder to pay.

All the while, you are trying to provide for yourself and your family. Yet your buying power erodes every year and will continue until you die.

TURN THE TABLES ON THE BANKS

The banks want you to have a high balance. And they want you to pay late. The worse off you are, the more money they make. Unless you can break free.

And they make it hard to break free. In 2005 a new bankruptcy law made it much harder for consumers to declare bankruptcy.

Then look what happened. Once the banks had tougher bankruptcy laws on the books, they expanded credit like crazy. This was a contributing factor causing the Great Recession of 2008.

Bottom line is, the banks rigged the system, so it would be easier to take advantage of you.

But you don't have to file for bankruptcy to get out from under credit card debt. This manual will show you how to beat the banks at their own game, without claiming bankruptcy.

HOW DEBT HAS YOU OVER A BARRELL AND WHAT TO DO ABOUT IT NOW

Some people overspend and now realize they are in deep. Others lost a job or had a big medical problem and are now way behind on their bills. Still more got nothing after a divorce. No matter how you got here, there is a way out.

The average credit card debt per U.S. household in 2018 is almost \$10,000. Most people feel they can keep up with the monthly payments on \$10K.

But what they don't realize is, the interest on the balance will eat you alive. If your credit card interest rate is 18%... it will take you decades to pay off the card making minimum monthly payments.

And pay one day late or exceed your balance at any time, and they sock you with fees. Even raise your interest rate to 25% to 30%. Everything is designed to keep you in debt the rest of your life.

Pay late on one card and your other cards will find out about it and raise your rates there too. Suddenly you suffer with higher interest rates. All designed to keep you under the bank's thumb.

Worse, when interest rates rise on all your cards, your minimum monthly payment goes up. Making it next to impossible for you to even pay that. As you struggle, the banks keep slicing your cash flow with late fees and over balance charges. Think about that. They raise your rates, which increases your debt. Then charge you a fee because your balance went up. Loan sharks wish they had it this good.

Many of you reading this may have already been a victim of these usury practices. And may have been carrying balances for years with decades more of interest and fees to come.

Here's the simple math that is in the banks advantage. If you make minimum payments on \$10,000 in credit card debt racking up high interest rates... it could take you 20 years to pay it off. Meaning it will cost you almost \$60,000 to pay off the \$10,000 debt. No wonder so many Americans feel stuck. It's because they are!

Most people standing in line at the mall for a sale, or waiting to catch 'bargains' on Amazon Prime Day ...

Do not realize that putting that bargain on their credit card can increase the cost of the item by 5-6 times! Buy something on sale for \$100. Put it on the credit card. Make minimum payments and the real cost of that item turns out to be \$500 to \$600.

Now this is the credit card trap the banks have set for you. This doesn't even factor in your buying power is eroding every year. What costs \$1 today will cost more next year. Yet your salary isn't increasing to keep pace with your eroding buying power.

Everything is rigged so the fat cats make a bundle. While you struggle to feed yourself. Repair your car. And live everyday scared of what you would have to do if you had unexpected medical bills.

Instead of you paying \$500 over time for a \$100 item, you could not buy the item and invest the \$500 in stocks. Then your money would work for you.

But the way it is all set up is, you pay out the wazoo. And they make big profits and are the ones who can invest in the stock market to achieve wealth. While you lose sleep over your debt.

That same \$500 you gave to the credit card company for a \$100 item... would be worth \$2,500 to you if you let it sit in the stock market for 20 years.

The banks don't only rob you right now. They rob your future too!

Your \$10K credit card debt is a \$50K problem if you carry the balance and make the minimum payment.

HOW TO TAKE ADVANTAGE OF THE 10-20-70 BUDGET PLAN

Yes, your buying power is eroding year over year. And yes, the fat cat bankers rigged the system against you.

But, by budgeting smarter you can achieve the positive cash flow. Money you need to fund an emergency stash. Pay off your debt or settle it for pennies on the dollar like we'll show you later in this manual.

Your first step to financial freedom is... understanding and employing the 10-20-70 budget plan.

The 10 stands for, saving 10% of what you earn for an emergency fund. So, an unexpected bill doesn't end up costing you way more. When you charge it and then get overwhelmed with interest and fees.

Getting in the habit of saving 10% of everything you earn is vital to creating your own personal wealth.

Sure, when you are in debt over your head, it seems impossible to save anything. In the coming paragraphs we'll show you easy areas to cut spending, so you can save.

And remember, the key to debt settlement is to make a cash offer for pennies on the dollar. For your outstanding debt. To accumulate those funds, you've got to save it.

Next let's talk about the 20%. This is the part of your budget to service debt like car payments and credit cards. Even though your current debt requires way more than 20% of your income... when you settle your debts for pennies on the dollar, you can get your debt service percentage back in line.

The 70% is the money you use for everyday life. To run your household. Take care of your family.

Right now, you can't save 10%. And debt payments take up way more than 20% of your income. Worse, the only way you fund the 70% you need to live on is... to

put it on credit cards until you've reached your limit or gone over it and got saddled with fees.

Let's review the 10 – 20 – 70 plan to get your out of debt.

SAVE 10% of every dollar for emergencies. Or for this manual, to make settlement offers to close the balances on your credit cards.

NO MORE THAN 20% of your income should go to service revolving debt.
70% OF YOUR INCOME is what you live on. This covers rent or mortgage, food, utilities, insurance, etc.

The easiest way to keep up with your spending is to download an app for your phone. Below is a review of the best budget apps at the time of this writing.

<https://www.google.com/search?q=budget+apps+for+iphone+and+android&oq=budget+apps+for+iphone&aqs=chrome.2.69i57j0l5.8400j0j7&sourceid=chrome&ie=UTF-8>

Once you keep up with your spending for a couple of months. You'll be surprised to see where your money goes.

Here's some of the everyday things that suck more money from a budget than you can imagine.

- **Going out for coffee** costs thousands more a year, than getting a \$50 cappuccino maker for your home
- **Happy hours** cost you way more than inviting friends over to share a bottle of wine, six pack of beer or do-it-yourself cocktails
- **On the go snacks** eat up a lot more money than buying protein bars at the store and keeping them handy at work or in your car
- **Pets cost a bundle** and sure everyone loves them, especially if you have kids. Be reasonable. Do you really need more than one cat or dog? Costs add up fast.

- **Cell phones** have more gotcha costs than credit cards. Shop around for the best plan. And watch your bill for sneaky stuff you don't know what it is for.
- **Personal care** like spas, nail salon, tanning salon and haircare – all add up. There are alternatives that cost less. Like schools that train these workers. They will provide services for less because you are working with students.
- **Entertainment** can suck a lot of your budget. Concert ticket prices are through the roof. And so are prices for a cocktail while there. Sometimes the most fun will be at a smaller club where you can see an up and coming band for \$10. Going to an NFL game can set you back a car payment. Invite friends over and cook out and party in front of the wide screen.
- **Eating out** can cost thousands a year. Research your market for specials. Go on Groupon for deals.
- **Insurance** costs are programmed to creep up every year. Because they know the average consumer won't shop around. Do get competitive quotes every time you get a rate increase.

When you start to run your life like a business, and track expenses – you'll land on thousands in found money. You can use to settle your debts.

Cut back in some of these areas and you'll put more money in your pocket every month.

But first, your goal is to settle your credit card debt for pennies on the dollar. To come up with those funds, you save 10% of what you earn. And you'll also put into savings the 20% you would otherwise pay to service debt. In a short period of time, this 30% savings per month will snowball into a reasonable offer. For your bank to extinguish your credit card debt. In return for a lump sum settlement of pennies on the dollar.

And to make sure you can stash away 30% a month, you've got to get your living expenses to no more than 70% of your income.

Yes, it will be tough at first to adhere to the 10-20-70 budget plan. But once you do, you are on your way to financial freedom.

CHAPTER TWO - CUSTOMIZING YOUR PERSONAL DEBT REDUCTION PLAN

Turn on the TV, listen to radio while driving or log-on to the Internet. And you are likely to hear and see lots of ads all promising to help you get debt free.

But are they all the same? Will anyone of them work for everyone? Here's the breakdown.

SNOWBALL METHOD

If you can pay your minimum payments plus 20%, you may want to consider the 'snowball' method. This strategy is also referred to as a 'roll up'.

Let's illustrate with simple numbers. If your minimum payment on a credit card balance is \$100, make out your check for \$120. That 20% extra is what snowballs your debt reduction.

Paying \$500 in minimum payments over several credit cards? Add an extra \$100 a month to that \$500 to service debt and you can take advantage of this debt reduction strategy.

As we discussed in the last chapter... paying ONLY minimum payments keep you enslaved to credit card debt for decades. By adding an extra 20%, you can speed up the payoff time to less than 5 years, depending on your interest rate.

Your best bet is to start with the credit card with the smallest balance. Make your minimum payments plus 20% until this card has a zero balance. Then move on to the next smallest balance.

Getting that first card paid off gives you a big psychological boost. You now feel in control. No longer having your feet held to the fire by the big banks.

Some people using the 'snowball' method make the mistake of starting with the highest interest rate card. Remember, interest rates change. One late payment or

employment interruption... can allow the banks to jack up your interest rate on another card. Or worse, all your cards.

So, start your debt reduction journey with one small step. The card with the smallest balance.

Remember, for this to work you must pay the minimum payment plus 20% extra every single month. Then math can work for you, instead of against you.

But here's the big shortcut that gives this method the 'snowball' name.

Let's go back to the \$500 minimum payments you make over several credit cards. An extra 20% is \$100.

Instead of spreading the \$100 over all the credit cards, you apply it ALL to the card with the smallest balance. This will be the first and fastest card you pay off.

Then you move on to the next smallest balance card and repeat the process. This time with even more money.

Since you don't have the minimum monthly payment on the card with zero balance. You take it and apply it to the next card in line plus that card's minimum payment and 20% more.

See how this works? Every time you pay off one card, using your same cash flow you can now make bigger payments to the next card.

The next card gets its minimum payment plus 20%. And you add the minimum payment you would have made to the card you paid off.

This is the snowball effect in full force. When you get a card paid off you have more cash flow to apply to the next card you want to pay off.

Repeating this process over and over, you can eliminate your entire credit card debt in as little as 4 to 5 years. Instead of carrying debt for decades if you make only the minimum payments.

This technique works best for those of you with credit card balances less than \$30,000. Over that amount the sheer size of the balance makes everything more difficult. Yes, you can handle very large balances. But it will be harder.

IS BANKRUPTCY FOR YOU?

Remember in chapter one we discussed how the big banks lobbied to get laws passed in 2004. To make it harder to declare bankruptcy.

Still for some consumers it may be the best option. Here's what to expect.

A Chapter 7 bankruptcy extinguishes your unsecured debts. If you have a lot of equity in your home, only part of it may be exempt from your creditors. In some states your homestead is 100% exempt. That's why some people move to another state before filing Chapter 7 bankruptcy.

Some state laws even say your equity in your car can only be a certain amount. If it is more, that must go toward creditors.

Family heirlooms, jewelry, even guns - the laws vary from state to state on what you can exempt from creditors.

Anything you transfer to a family member... must happen a certain number of months or years before you declare bankruptcy. Otherwise the court can 'claw back' that asset.

Let's say there is a painting worth thousands of dollars. When you go to fill out the forms to declare Chapter 7 bankruptcy you will be asked... "have you transferred any assets in the last (certain number of months or years.)"

If you say yes, you'll have to state the asset and the time of the transfer. The court wants to know.

That's why you are well advised to get all the facts about bankruptcy for your state. You may be able to protect family property by planning. So, when the court asks if you transferred any assets within the last 12 months you can say NO. Because you transferred the asset 15 months ago.

There is nothing dishonest about this. You are operating within the law. The same laws that allowed the big banks to enslave you with debt.

The new, harder bankruptcy laws forced on the public in 2005... steer most consumers to file Chapter 13 bankruptcy.

While Chapter 7 extinguishes all your unsecured debt, Chapter 13 makes you pay some of it back. To the bankruptcy court every month until you emerge from Chapter 13.

The least amount of repayment you'll be allowed to make will be around 50%. If you have a lot of equity in your home or a good paying job, the court may demand you pay 80% of what you owe. Some people are shocked to find the court determines they must pay back ALL the debt.

Even if you file Chapter 7 bankruptcy... the court may determine you have too much income and make you change the filing to Chapter 13. Meaning you'll have to pay off a significant portion of your debt.

Some savvy consumers take steps to reduce their income. The 6 months before filing bankruptcy so they have very little income to report to the court.

This is easy if you suffered a job loss and must tap unemployment and other social services to survive.

If you are broke and have few assets and little income... that's the time to file Chapter 7 to get rid of all your unsecured debt.

The day the bankruptcy documents file at the court, you're on to a new debt free life.

A couple of weeks later you'll have to attend a meeting with a court appointed trustee to go over your filing. Then your unsecured debt is gone. It's that simple.

Yet, lawyers charge a lot for you to file bankruptcy. You can expect to pay from \$1,500 to \$3,500.

Today there are lots of companies online that will give you access to the forms you need to file bankruptcy. And they charge from \$100 to \$300 dollars for this service.

You follow the prompts much like you would online tax software. Then it compiles all the data and emails you the forms to print out.

You then take them to the Federal court in your area. Pay another couple hundred bucks to file them. And all your unsecured creditors are in your rear-view mirror.

(put affiliate links here)

For Chapter 7, it will take about 6 months to get a final letter from the court setting you free.

If you file Chapter 13, you will stay under the supervision of the court for years. And they will tell you that you can't go to movies, eat out... etc. They will even tell you how much you can allow for a monthly car payment.

You want to stay out of being under the thumb of the courts when filing for Chapter 13.

It's much better to plan way ahead to qualify for Chapter 7.

Everyone's situation is different. Get all the facts before you act. For some people, bankruptcy is the best option.

THE FACTS ABOUT DEBT CONSILDATION

Be warned. A lot of advertising you'll see about 'debt consolidation' is lawyers. They want to handle your Chapter 13 bankruptcy.

As we discussed Chapter 13 bankruptcy puts your life and budget in the hands of the courts for years. Worse, you'll continue to slave away until your creditors are paid. Sometimes 100% of what you owe.

What debt consolidation is - you get one big loan to pay off all your credit cards. If you get a home equity loan to consolidate your debts... the interest rate will be less than what you would pay to carry the balances on your credit cards.

The biggest mistake consumers make here is, they run back up their balances on the credit cards. Putting themselves in even more debt than before the 'consolidation' loan.

Your best bet is to close the credit card accounts after they are paid off with the consolidation loan.

And unless you can get a lower interest rate loan from tapping the equity in your home. You can expect to pay a much higher interest rate from a 'finance' company.

Often the finance company will charge as much interest as your credit cards. So, this type of loan makes no economic sense.

Keep in mind, these finance companies aren't interested in making you a loan. If you have total debt over \$10,000 and up. Even if they do, the interest rate will be too high for you to make any headway.

For debt consolidation to work, you'll need home equity. Then you'll need the discipline to close the credit card accounts you paid off.

One big advantage of a home equity loan is the interest is tax deductible. This will help give you more cash flow to manage your life. And pay off your debts.

Your home equity loan at a lower interest rate will help you reduce debt faster. Providing you don't run back up your credit cards.

If you don't have home equity, you may be able to get a finance company to give you a consolidation loan. But the interest rate available will not help you pay off your debt any faster. And if you keep your credit cards, you'll likely end up with more high interest debt than you had before.

THE CREDIT COUNSELING TRAP

Did you know that most of the so-called 'credit counselors' receive funding from the banks?

Yes, the same folks who rigged the system, so you have a pile of debt. Now want to charge you to get 'advice' on how to get out of debt.

Worse, 80% of people going into credit counseling never get anywhere. But they paid for advice to stay stuck.

Yet some of these heads of credit counseling firms make six-figure salaries. While preying on your being vulnerable.

Both State and Federal authorities are cracking down on credit counseling abuse. But that has not kept new companies from popping up every day. And advertising their solution as a fix for your debt problem. At a price you can't afford anyway.

One thing the credit counselors can do to help you. Use their relationship with the banks to lower your interest rate. This alone will speed up the time it takes you to get out of debt.

If you get involved with a credit counseling firm, here are the traps to watch out for.

It will negatively affect your credit. Your credit report will show you have a credit counselor. And that will drive down your credit score.

You will have to pay off your balances in full. If you are already struggling to make minimum payments... a credit counselor can't create more cash flow. Yes, they can lower your interest rates in most cases. But you'll still have to make monthly payments you now have trouble doing.

Miss a payment and you'll get kicked out of the program. Then the credit card companies will come after you as if you are a deadbeat.

And remember, 80% of people entering the a credit counseling program never finish anyway. Why? Because the firms advertise they can get you out of debt in several years when in fact it can take as long as 9 years. Most people give up and are not better off.

Unless you get a reduction in the size of the monthly payments... credit counseling makes little sense.

DEBT NEGOTIATION CAN SAVE YOU A BUNDLE

Yes, you can settle your unsecured debts for pennies on the dollar. When you know how.

Debt negotiation or debt settlement - both terms are interchangeable. And this approach lets you turn the tables on the banks. Puts you in charge. Let's you call the shots. Instead of having your feet held to the fire by high interest rates. Rates that spiral your balances out of control.

Unlike bankruptcy, credit counselling and debt consolidation - debt settlement is private. Not part of the public record that anyone with an Internet connection can find.

With debt settlement, you'll get the best of both worlds. Reduction in interest rates. And flat out reduction in balances owed.

While credit counselors or consolidation loans can help lower interest rates... debt settlement helps lower your balance too.

Everyday throughout America, someone is negotiating with a credit card company. Often to accept 50 cents on the dollar to settle the debt. Do your homework and follow the instructions you'll learn in this manual. And you may be able to settle debts for as little as 10 cents on the dollar.

Now I'm sure you are asking yourself, why would the bank issuing my credit card agree to settle my balance... in return for a lump sum equaling pennies on the dollar. Here's why.

The first reason why is, if you declare bankruptcy... the bank stands to only get a percentage of the balance if you go Chapter 13. Or zero money if you file Chapter 7.

The banks know, they are likely to get more of the balance by settling with you. Once you are in the bankruptcy court they will get far less or even nothing.

Even if they ignore you and turn your account over to a collection agency. They too know it's in their best interest to settle for an amount less than the full balance.

Knowing bankruptcy and collections agencies will leave them with less... banks are willing to negotiate. Allowing you to settle for less than the full balance owed.

The banks also know that what they are 'giving up' is the mountain of interest they sock you with. They can still make a profit on your account by settling for pennies on the dollar.

Here's how it works. You've been using a certain credit card for 3 years. All the while carrying a balance. A significant part of your balance growth isn't stuff you bought. It's the interest piling on.

So even though on paper it looks like the bank is accepting 50 cents on the dollar to extinguish your debt... they've are forgoing some interest profits. While they made lots of interest profit on you the previous three years.

Debt settlement is faster than all other methods for you to get out of debt. The only faster method is Chapter 7 bankruptcy. And remember, the banks have rigged the game so fewer Americans can qualify for Chapter 7.

Here's how debt settlement works.

Let's say you have \$25,000 in credit card debt. And your minimum monthly payments are about \$800 a month.

Every month you are hard pressed to come up with that \$800. Much less any extra payments to reduce your debt.

And like 70% of Americans, a sudden repair bill or health scare and your finances are on the rocks.

What to do? The answer is in the first step of debt settlement strategy.

Instead of making that \$800 monthly minimum payment, you put it in a savings account instead. And do that every month, watching the balance grow.

This account will allow you to make lump sum offers to your creditors. In exchange for accepting pennies on the dollar.

After 6 months of banking \$800 a month, you'll have \$4,800. You then start making offers of between 30-50% of balance owed to certain credit cards.

Once you settle a card, you keep setting aside \$800 a month. Until you build up another balance to offer a creditor to settle for less.

How do you decide which credit card to settle with first? Easy, the one that gives you the best deal.

Then you rinse and repeat. Stash away money into savings every month. Until you have another hoard of cash to make another settlement offer.

Keep in mind, the banks will try and scare you from using the debt settlement approach. Why? Because they know it puts you in control. If you continue to carry a balance, they are in control.

And before you fall for any of the TV or radio ads promising to do debt settlement for you. Remember you will be paying them for something you can do for yourself. When you know how. And you will with this manual.

HOW TO DO WHAT'S BEST FOR YOU

Being in debt causes sleepless nights. Arguments among family members. And the emotional weight of never seeing light at the end of the tunnel.

Set your feelings aside for a moment. And focus on simple math. Math can work for you, in the case of debt settlement. And it can and is now working against you via sky high interest rates.

Here's the math to consider so you can determine what is best for you.

If you can pay your minimum monthly payments plus an extra 20%... and do it each month without fail, then the 'snowball' method we discussed before will work for you. It will take at least 4 years to get debt free. But you will get there.

If you have home equity to access. And can get a loan at a much lower interest rate than your credit cards, then this will work for you. But you can't in turn run back up the credit cards or you'll end up with twice as much debt as you started with.

If you want to use a credit counselor, you will still need to make the minimum monthly payments. Your interest rates may be lower, thus helping you speed up the time to pay off your debt. But you will still have to struggle with the minimum monthly payments. That you are having trouble making now. Remember, 80% drop out and never complete the program.

If you follow this manual, you can settle your debts for pennies on the dollar. And be debt free in as fast as 2 years.

If you are at the end of your rope like unemployed. Or a senior citizen trying to get by on Social Security... then bankruptcy may be your best solution because you can take advantage of Chapter 7. This will eliminate your debts.

Stay focused on the math to determine what is best for you. Then sleep on your decision so you can arise fresh and not make any decision based on emotion.

CHAPTER THREE - HOW TO DO DEBT SETTLEMENT YOURSELF

If you have too much debt... settling with your creditors yourself is a better option to a Chapter 13 bankruptcy.

Remember from the previous chapter, the banks have rigged the system. To force as many consumer bankruptcy filings into Chapter 13. Meaning you will go into a court supervised multi-year payback of your debts.

Settling with the banks yourself is the better alternative. You don't want the courts tell you how much your car payment should be and every other penny you spend.

If you are so far in debt that you can't see the light of day... Chapter 7 bankruptcy is a better alternative than do-it-yourself debt settlement. Because you don't have the cash flow to set aside any money to make settlement offers. So, you get rid of your debts with one fell swoop.

Many of you reading this may be senior citizens facing a health crisis. If so, postpone filing bankruptcy if you can. So, you can get rid of the mountain of medical debt that is certain to come.

Because of our spiraling healthcare costs in America... medical debt is the number one cause of bankruptcy.

Keep in mind, when you decide to go the way of do-it-yourself debt settlement... your goal is to keep negotiations open and on-going. Otherwise your creditors may file a lawsuit against you.

If you hire someone to do debt settlement for you, most of your creditors will sue you.

Your best option is to let creditors know you are having problems. What your real financial situation is. And that you can pay part of your balance, but not the full balance.

As we discussed in the previous chapter, the banks want to settle. They don't want you to know that fact.

From the month you stop paying the minimum monthly payments on our credit cards...

You have about 6 months before they place your account into collections.

They will try and collect for about a year.

After that, your account will likely go to an attorney in your area. And you will be sued.

That's why your do-it-yourself debt settlement plan needs to happen within 18 of beginning the process. When you follow the steps in this manual, you'll be able to do that.

Even if you don't settle all your credit cards before one or two get placed with a collection attorney... it still doesn't mean you won't be able to settle the debt.

When you show your real financial condition and the collectors see you can't pay the balance in full. They will work with you to settle. Because they know if they force you to declare bankruptcy, they run the risk of receiving far less.

Your goal is to settle most, if not all your credit cards balances within 18 months. If a couple stretch beyond then, you can settle with the collectors.

If most of your credit cards go 18 months without settlement, you'll have to file Chapter 13 bankruptcy.

If a job loss or medical emergency occurs during your 18 months of trying to settle your debts... you will likely qualify for Chapter 7 bankruptcy and can get rid of all your debts.

During the first 6 months after you decide to go into debt settlement... you must set aside your minimum payments in a savings account. This will be your war

chest. The money you will use to make offers to settle credit card balances for pennies on the dollar.

For every dollar you save, you can settle twice that much debt. Let's say you bank \$3,000 over 6 months. Use this to settle \$6,000 in credit card debt. It may be one card or spread over two cards.

If you play your cards right and the bank understands you have very little funds. They may agree to settle for as little as 30 cents on the dollar. In this case, your \$3,000 can will settle as much as \$9,000 in credit card debt.

Still, it will take you longer than three years to settle all your debts. If you only stash away the minimum monthly payments. And odds are some of the credit card companies will sue you before then.

Before you decide to do debt settlement... determine where else you can lay your hands on some money to build up your war chest faster. Here's how most people add to their savings to settle debts.

If you can;

Take out a home equity loan,

Borrow against a retirement account,

Borrow against a life insurance policy,

Sell stuff you no longer use on places like Craigslist, eBay, Amazon... and other specialty apps that deal with clothes, tools and collectibles.

Finally, some friends and family may loan you some funds to help.

You want to target settling all your outstanding credit cards within a year and a half. Some people do take longer. But there is a big risk of getting sued.

Another important reason to settle faster is, to keep the balance from growing. The punitive interest and fees pile on.

Once your debt is beyond 6 months, it will be charged off. And usually the late fees and interest will stop accumulating there.

Bottom line is, debt settlement puts you in charge. And once you are, the math works for you. If you continue to struggle to make minimum payments, the banks have the math rigged against you.

THE BENEFITS OF THE DO-IT-YOURSELF APPROACH

The banks flat out don't want you to know. That they do, in fact, settle credit card debt for pennies on the dollar every single day.

When you first start your DIY debt settlement. Bank representatives will treat you like you are a moron. That you have no business telling them you are in dire financial straits. And yet want to do the right thing and pay something to settle your debt.

In this manual, we'll show you how to not only bypass those obstacles... but also move things along until you settle your debt for 40-50% of the outstanding balance.

Every how-to in this manual has worked before. And will work for you when you follow the steps.

The main benefit of doing debt settlement yourself is, you save a lot of money. If you hire a 'consultant' and they are everywhere these days...

You can expect to pay about 30% of what you'll 'save' to the consultant. For example, if you owe \$6,000 on a credit card... and a 'consultant' gets you a settlement for \$3,000 to clear the balance - you'll pay the consultant \$1,000 for their service. Meaning you will have put out \$4,000 to settle that \$6,000 debt. \$3,000 to the credit card company and \$1,000 to the consultant.

It can get worse, some 'consultants' will try and charge you up front. And this does not guarantee they will be successful. Beware!

Today most of the companies you see advertising want to charge you up front. Avoid at all costs.

Better to keep these fees in your pocket so you can make more settlement offers sooner.

Because you are having financial troubles, the banks keep piling on interest and fees. And consultants want to charge you fees to get out of debt. It's all a no win, unless you follow this manual and settle yourself.

Here's another big catch. The banks are not happy there are thousands of 'debt settlement' companies. As soon as they find out you are working with one, they pretty much sue you. Another good reason to DIY.

The banks would rather settle with the consumer. The banks know money you pay 'consultants' is money they could get. So, proceed like we teach you, and you can, over time, settle your debts with the banks.

Many consumers are surprised, after stopping paying their credit cards... that after a couple of months the bank mails an offer to settle. They know it is in their best interest to work with consumers.

Today it's in your best interest to know the insider techniques you can use to work with the banks.

The so-called consultants know these settlement offers will come too. So, after they get your upfront fee to represent you, they sit back and wait for the bank to mail a settlement offer. Then show the consumer what a 'great' job they did. Something you can do yourself.

Now let's talk about taxes. Yes, you may have to pay taxes on the forgiven debt. But most of you reading this can prove a negative net worth. In most cases, this will help you avoid paying taxes on the forgiven debt.

Another thing you'll need to get over is dealing with the constant threats of legal action. In almost every correspondence or phone call with your creditor... they

will threaten legal action. But deep down they know that forcing you to declare bankruptcy is the last thing they want you to do.

Threats of lawsuits are scare tactics. This manual will teach you how to play the game. And use their own tactics in your favor.

WILL SETTling MY DEBTS HURT MY CREDIT SCORE?

As your creditors will try and scare you with the threat of lawsuits... they will also make you feel as if you'll never have a good credit score again. Nothing could be further from the truth.

Because you are in over your head in debt. And your percent of credit not used is close to zero, your credit has already suffered.

Your credit score will recover. People do it all the time.

Until you get out of debt, your credit score is the last thing you need to worry about. And you have no hope of improving it until you get your debt level way down or eliminate it completely.

Even if your payment history on your credit cards are always on time... if your debt to income ratio is too high, your credit score will be low.

Make getting out of debt your goal. Then your credit score will rise again.

Remember, the entire system works to keep you in debt forever. A high credit score with high debt is useless.

Plus, the system works to load up debt on people with good credit. You are being misled with the intention to keep you paying high interest rates for life.

Yes, during the debt settlement process your credit score will drop. But once you get debt free, you can clean up your credit. And then watch new credit card offers flood your mailbox once you get debt free.

When you start the debt settlement process, you are trading a temporary drop in credit rating... in return for getting out of debt.

Here's another way of looking at it. Say you have \$30,000 in credit card debt. And you settle them all for 50 cents on the dollar. For your temporary drop in credit score you got \$15,000 in balance forgiveness. Sound like a good deal? You bet it is!

DEBT SETTLEMENT - THE INS AND OUTS

Don't fall for the scare treatment about not filing for bankruptcy. For some people it makes perfect sense. They have little assets, but lots of debt. In this case Chapter 7 wipes the slate clean.

The type of bankruptcy you want to steer clear of is Chapter 13. Here the courts start supervising your funds for as long as 5 years as you pay back your creditors.

Instead of Chapter 13, you are better off with the DIY debt settlement model. Along the way one of your creditors may file a law suit. But by then you will have settled other credit cards. And will be in a much better position to close out the final one through negotiation.

The best way to avoid getting sued is to do debt settlement yourself. The minute the banks find out you hired a consultant. They place your account with a local attorney to collect or sue.

You'll have from 12-18 months from the time you stop paying your cards to get some of them settled. After that time, you can expect your remaining creditors to end up with a local attorney. But play your cards right and follow what we'll show you in this manual, and you can settle with that attorney too.

When you start, you must set aside the minimum monthly payments you would send to the banks. Into a savings account to fund your settlement offers.

If you have extra money you can tap such as any type of loan or by selling something, add that money to your war chest too.

Here's a pro tip. Your best deals will come before your account goes into charge off, 6 months after you stop paying on the card. The reason why is, the debt hasn't ballooned with interest and late fees.

CHAPTER 4 - HOW TO DEAL WITH EACH TYPE OF CREDITOR

Most of you reading this will have most of your debt on credit cards. And they do settle accounts for less than face value. You need to know what to do.

What you'll learn is how to manage your debt settlement process. Within the banks collection process.

We know after you are a month behind, they will send you a nice letter reminding you to pay. Every month thereafter, the letters will get tougher. Have more threats about lawsuits or negative credit rating.

Keep in mind, your process will work within what we know the banks will do and when they do it. Because it allows you to work in their system but to your advantage.

At strategic times during the banks own internal process, you can get a juicy deal to settle your debt. As crazy as it sounds, the banks won't settle until your account reaches close to 6 months of being delinquent.

After about 4 months of not paying, some of the banks will start to mail you settlement offers. Then you can counter, based on your financial condition. Then settle the debt for less than you owe.

The debt 'consultants' know this too. And they will charge you up front. Then wait 4 months until you get settlement offers from the bank. And show you what a good job they did. You don't need that.

Besides credit card debt, you may have an outstanding balance with a retailer. You bought a washer/dryer on time. Or use a department store card to make everyday purchases. To clothe your family and provide other necessities.

You won't have as large a balance with this type of debt as you will with credit cards. In some cases, the balance may be small enough to pay off. If it's \$1,000 or more, then settle these accounts last. Focus on your credit cards first.

Other types of debt are personal loans you may have with a bank or credit union. They too will settle, but not all of them. Most of the time they will refinance your debt, so you can keep up with the monthly payments.

There is nothing you can do about a student loan. This is yet another rigged game. As the student loan programs increased over the last several decades... backed by the Government, the colleges raised their tuition. Preying on unsuspecting college students. Who are also getting credit card offers in the mail. Many college students graduate with both student loan and credit card debt.

Because of the expanding default of student loans. The Government will at some point have to step in and give relief. Right now, declaring bankruptcy won't help you escape a student loan.

If your car gets repossessed, they will sell it for less than you owe. Then try to get you to pay the rest. You can negotiate this too in your favor.

Then there is the number one cause of bankruptcy in the U.S., medical bills. Unlike credit cards, your chance to settle medical debt is AFTER they send it to a collection agency. Doesn't make sense. But the healthcare industry marches to its own tune.

Some of you reading this may have already received a judgement against you for unpaid bills. You can still settle these. Why? Because they know they will never be able to collect from 8 out of 10 people. They will make a deal to get something.

If you have judgements that are now garnishing your wages. Or a creditor did a levy and took money out of your bank account, your best bet is to consult with an attorney.

Finally, there is no debt negotiations for court ordered child support. If your financial situation changed, you can go to court and get your child support reduced. But that decision is up to the court.

SURE-FIRE STRATEGIES

When entering into debt settlement or even bankruptcy... consumers often believe they can keep one of their credit cards. Protect it so they have a card for everyday use. Is this a good idea?

For debt settlement, you can keep one card. For bankruptcy you can't because all cards will cancel it as soon as you file.

Here's how to do that. First, the card you want to keep cannot be at a bank where you are trying to settle other debts. Even if you have that card now... you must keep an eye out for the fact that your bank may merge with one of the banks who settled with you. Then they may cancel your card. Raise the interest rate. Or reduce your credit limit.

Second, any card you keep out of the debt settlement process needs to have a low balance. Your goal of debt settlement is to reduce your debt load. It makes no sense to keep a card with a high balance. Even if you think you can make the minimum payments. Remember, once you cancel other cards... this high balance card may jack up your interest rates. Because of your recently lowered credit score.

Third, the interest rate on the card you choose to keep doesn't matter. Even if your interest rate is low now, once you enter the debt settlement process the bank will raise it. Often way over 20%.

While you are negotiating with other cards to settle for pennies on the dollar... they may question that you have a credit card with a low balance and room to charge. This current info is available on your credit report.

If they question you, say you are having lots of financial problems. And are trying to keep one credit card intact for emergency purposes.

Be ready for super aggressive collectors. Who will demand you tap the other card's cash advance for money to pay them. Your response is, hey I can't do that

when I know I'm having financial problems and can't pay them back. That's fraud. As soon as you use the 'fraud' word they will leave you alone.

Finally, you need to keep one card and one card only. If you target creditors for settlement, like only the cards with high interest rates... and hope to hold on to a few other cards, you will not be able to complete debt settlement.

YOUR ACCOUNT HISTORY, AN INDUSTRY INSIDER'S VIEW

The longer you've had a card, the easier it will be to settle. Why? Because they've already made money hand over fist on the interest rate and late fees.

But, you will meet great resistance to settling a balance if the card is new. And you charged up to your credit limit. They haven't made much from you yet. They have very little wiggle room to haggle with you over the outstanding balance.

Also, don't go take any large cash advances from any of your credit cards... before you enter into debt settlement. They will view this as you trying to game them. And they won't settle with you at all.

Same is true for recent balance transfers. You are getting offers all the time to transfer your balance. To take advantage of an introductory interest rate that is low. You can't do this and then come back and attempt to settle the balance for 50% of what's owed.

If your creditors think you are trying to put one over on them, they won't settle with you at all. You'll get sued in court.

Any cash advances or balance transfers must be way before you enter into debt settlement. You can't do them a month or two before you start the debt settlement process.

Some people make the mistake of paying off small accounts. Like department store charge cards. Again, your creditors will see this and view it as an ability to pay. They won't likely enter debt settlement talks with you.

BEFORE YOU BEGIN

Do these steps first, to ensure you complete your debt settlement program.

If you have a checking or savings account with the same bank that issues any of your credit cards. You'll need to move your bank account. If you don't move the account, then at least move your money and keep a very low balance. This low balance will back up your claims of financial distress. A key to getting creditors to settle with you.

Here's why; the bank can view your balances and if they see a lot of cash, they will want it. And be less likely to settle.

There is also fine print of your credit card agreement. That will allow the bank to outright tap your checking or savings account. For the delinquent credit card with the same bank.

Even if your checking or savings account is not with any bank issuing any of your credit cards... you will want to set up a separate account. This account will only be for your debt settlement program. Why?

Because most of your settlements will be over the phone via electronic check. If the creditor processes the payment early... or makes a mistake and submits an amount greater than agreed. It won't wreak havoc with your regular checks for rent or car payments. And cause you to bounce checks for living expenses.

If you don't have access to a fax machine, get an online fax service. This speeds up the settlement process. Most of the settlement offers you get from the banks will have a deadline. Mailing a letter will eat up several days of that deadline.

Beware some creditors will say, we'll we can't offer you a settlement offer before we charge off your account... but there isn't time to get a letter in the mail. You can side step their trick saying, that's o.k. here's my fax number.

Most of your settlement offers will come toward the end of the month. When the bank is trying to show all the revenue they can. Play to this. Tell them to fax you the offer and you will call back and give them the info to take a check by phone.

(link to online fax service affiliate)

You'll also need a way to screen your calls. The banks' computerized calling system will dial your number 10-30 times a day. If you are delinquent on 5 cards, that's more than 100 calls a day. You need a way to screen them out.

Don't make the mistake of sending the bank a cease and desist letter, so they will stop calling you. Yes, they will stop calling you. And they will immediately sue you.

You want to screen your calls. Because you never know when a settlement offer will come. Yet most will come toward the end of the month. Especially the end of the month after your 5th month of being delinquent.

Some people make the mistake of moving and trying to hide from their creditors. Again, you'll miss the time sensitive settlement offers as the mail forwards. Or returns to the bank as undeliverable.

You also don't want to change your phone number. You cannot stay in the loop and play the game you must play if creditors can't reach you. Remember, settling your debt will take lots of back and forth over time.

Worse, if you move or change your number... your creditors will then start calling your place of employment. And your family and neighbors.

To win at debt settlement, there is a constant back and forth. We will detail later what to say. As well as what to write in letters.

Let them call you all they want. Screen by caller I.D. and if it's a creditor calling, let it go to voice mail. They will leave a message. And you'll be happy the first time you hear they have accepted your settlement offer.

When you listen to the voice mail, keep a log of the message the creditor is leaving. This is crucial to determining how close you are to receiving a settlement offer. Their messages will offer clues.

You won't be dodging your creditors. You'll call them back at your convenience and use a script we'll cover in detail later.

You never want to take their call live. Because you want the time to prepare what you will say when you call them back.

As they see you are communicating in good faith, it will help you move along in their internal process. You'll soon receive a settlement offer.

Many people today use their wireless phone as their only phone. Especially someone who is reducing expenses because of financial reasons.

You can get an APP to screen your calls. You enter in your friends and family phone numbers and only calls from them will ring your phone. Calls from others will go straight to voice mail without ringing your phone.

[\(link to apps here\)](#)

One more tip. When you call creditors back, only call from the number you want them to have. Call from any other number and their computer system will start hounding you there too.

[WORKING THE PLAN](#)

One of the most asked questions by those new to the debt settlement process is... which account to settle first?

The answer is, to do debt settlement, you'll stop paying on all your credit cards. And continuing to communicate with all your creditors. Settlement offers will come at different times during this process.

If you stop paying one card and attempt to settle, they will look at your credit report and see you are paying others. For your plan to work, you stop making the minimum payments. And stash that money in a special account you will use to make settlement offers.

Then you first settle with the creditor offering you the best deal. For example, one card you owe \$10K and another you owe \$8K. Both have offered to settle for \$4K. The better deal here is the \$10K because you are settling for 40 cents on the dollar.

Some misinformed consumers believe... closing all their accounts before beginning the settlement process is the way to go. This is not true. Your credit won't look better. And the late fees and interest will still pile up. This is not part of your plan.

Others fear talking to their creditors. we suggest you never answer when they call. You only call back and use the scripts you'll find later in this manual.

Still, people believe they can do this process by email or mail. Not true. You want to regularly speak to your creditors repeating a broken record... yes, I'm having lots of problems and doing the best I can right now.

Sooner or later, they will bring up settling the account. You can then counter offer over the phone. And negotiate until you get a deal.

If you have more than one account with the same bank... sometimes you can combine them and make one settlement offer. Other times the accounts may be handled with other divisions. Sometimes they will combine them. If they don't, get your first settlement offer and then call back and ask to combine them all with the same offer.

Most of the time, consumers won't have enough money on hand to settle many accounts at once. In this case, settle the accounts one by one.

Another point to remember. Before you start the debt settlement process. Get a copy of your credit report from ALL 3 reporting agencies. You want to see what your creditors will see when they determine whether to settle with you.

Sometimes people are surprised to see an old account still shown as active on your credit report. Remember, for your creditors to understand you are in dire financial straits... they must see all your accounts are in default. If you keep one card, explain that you need one to rent a car and other emergencies.

CHAPTER FIVE - THE STEP BY STEP PROCESS

THE FIRST 3 MONTHS

Your debt settlement process will occur in chunks of time. First let's talk about the first three months. This is the time where you've stopped making payments on your credit cards. And are depositing the minimum payments into a special account you will use to settle with the banks.

If you are reading this manual and your debts are already way past due... still take to heart the instructions for the first 90 days. You will find it helpful in dealing with creditors, no matter how old the debt is.

When you begin, the first three months will be a waiting period. The banks will send you threatening letters as well as voice mail. This is all designed to make you panic. So, you'll pay them money you don't have. Or treat them differently than other creditors.

You relax those first three months and follow the process we'll lay out for you.

When you first miss your payment, you will get polite reminders. As the months pass, the letters and calls will become more threatening. After 3 months, they will cancel your card.

Even if you are having settlement discussions with a creditor... their computer-generated letters and calls will continue. All while you are trying to work out a settlement.

Once your card goes to charge off... a collection agency will then flood your mailbox and voice mailbox with threats.

This is what to expect. And this is what to do.

You will open and file the letters. You never know when one of them will be an offer to settle for pennies on the dollar.

You won't take any of their calls. Instead you'll have a call screening system. It's easy to log-on the Internet and rent a phone number that goes straight to voice mail. Here's one such provider...

[\(link of carrier\)](#)

After you get the number, go online to your card account and update your phone number with this number. Then all the computer calls will ring here. Some of these services will also allow you to receive faxes that they will then email to you.

You will call your creditor back a couple of times a month. Before the call you will prepare your script as we will show you later.

To your creditors, you are staying in communication. And trying in good faith to work things out.

You are positioning yourself to have an opportunity to settle. And those opportunities start to come after 3 months, but before the 6 months charge off.

The first 3 months you are putting yourself in a position to receive a settlement offer. All while you are placing the minimum payments in a special account. To later make settlements for pennies on the dollar.

In the beginning your creditors will tell you they won't settle. A month later they may say they never settle for less than 80% of what's owed. After month three you'll start to get offers to settle for 50%. And you can often negotiate these to 40% or even lower.

That's why you call your creditors about twice a month. Or once every 2 weeks. You are waiting out what we know they will do. Start offering to settle your account for less than the balance owed.

Staying in touch will also reduce the calls your creditors will make to your place of employment. Or calling your family. Even neighbors.

When you follow the scripts, we'll present later... you'll be able to routinely speak to your creditors. And not feel intimidated at all.

HOW TO DO PROACTIVE PHONE CALLS

You launched the debt settlement process. Updated your accounts online to reflect your special voice mail number. And now the calls are coming.

After the first couple of weeks, you'll call all your creditors back. When you do, you need to have a written statement to describe your dire financial situation.

Tell the truth. Even if it is as simple as ... "over the years I've accumulated more debt than I can ever pay off."

If you've suffered job losses. Or medical emergencies. Or any situation that drained your finances, tell your creditors.

It's best to write down your statement. Because once they get you on the phone, they will try and scare you into making a payment.

Instead, you read your statement. They will counter. You read your statement again. And you repeat your current financial situation. You want to make it clear that you do not have the money to service the debt.

Practice your statement so it doesn't sound like you are reading. You want to present yourself as a consumer in dire financial straits. And that is the truth.

They will continue to call and send letters the first three months. You keep calling them back every other week. And tell them there are no updates to your financial mess.

During the first three months, don't ever mention you are trying to settle the debt for less. Also, do not mention that you may have to file for bankruptcy.

All you are doing is being persistent. Reminding all creditors that you do not have the money to service your debt. And are doing the best you can. As a courtesy you are updating them, and the update is always the same. You don't have the money. And are trying to work things out.

The safe thing to say during the first three months after you stop paying your cards is...

"Hi, I know you've been trying to reach me. Right now, I'm having a financial crisis. And can't make my payments. I'm trying to turn things around. And want to update you as a courtesy."

The rep for the creditor will then ask you, what financial crisis you are having.

That's why you want to have your answer handy. Tell the truth. Out of work. Medical bills, Divorce. Explain your current financial situation.

Keep it short and to the point. Call them back, update them, then get off the phone.

Don't reveal your current income, employer or any other personal information. Speak in general terms. Your back is to the wall. And you are trying to work things out. And will call back soon.

Often the rep will tell you they can lower your interest rate and payments for 6 months, to help you make it through. But this does little to lower your balance. You will still be in over your head. Politely decline. And tell them you will continue to try and turn things around. Plus give them an update over the phone in a couple of weeks.

They may push you to speak to a credit counselor. Again, politely decline. Repeat that you are in financial trouble. But will call back as you make efforts to fix your situation.

On a future call they may try to steer you to a credit counselor again. Tell them you have already looked at credit counseling. And cannot make the required payments. So that is not an option.

Some smart people only call their creditor using a phone card. This will mask their caller I.D.

Any number you call from will be captured by the banks computers. Then that number will start getting calls.

You want to keep the calls going to a special prepaid cell phone number... voice mail number or any number you can get online that will receive voice mail messages.

After 90 days your account will start to ripen for settlement. Before then nothing will happen. Play the game.

If you've built up your settlement cash, you can float the idea with the creditor after 90 days. Even 120 days.

What you say is... "as you can see, I'm having great financial difficulties. And have been reporting to you on a regular basis. I'm still having a hard time. The best I can do now is to make some time of settlement offer to clear the balance."

Some will push back and say they don't settle. Others will entertain your offer.

By the time your account gets 5 months past due, they will see in their system that you have offered to settle. And will consider it before your account is charged off at 6 months past due.

During the months, and months of calling them back... keep your comments general about your financial situation. Job loss, medical emergencies, family problems - whatever.

Never tell them where you work or how much you make. Don't tell them you are saving every month to make settlement offers.

Never reveal to your creditors that you are using this manual as a blueprint on how to settle your debts. You want to always appear as another consumer who has more debt than they can service.

YAY... YOU SETTLED YOUR FIRST DEBT!

The first credit card balances you settle will usually come after 3 months of nonpayment. And before 6 months, when the account is charged off.

Why are these times critical? Because the bank doesn't want to do a charge off. It has negative impact on their profits.

So, after 3 months they will start to entertain settling the account for less. Some will even send you a letter offering to settle, before you ever bring up the topic.

The bank wants to recoup something before they are forced to charge the balance off after 6 months. Doesn't mean a collection agency or attorney won't be coming after you. They will.

But from the banks' perspective, they want to pretty up their books. By not recording charge offs. And that's why they will settle between months 3 and 6.

If you've been stashing away your minimum monthly payments into a special settlement account... you'll be ready after month 3 to take advantage of settlement offers as they come along.

When the bank automatically mails a settlement offer after 3 months, don't pay it. Instead call them to confirm.

Let's say you're owe \$10,000 and your creditor mailed you a letter offering to settle for \$4,000. When you call, mention the dollar amount. Never speak in percentages, even though we refer to them often in this manual.

Only talk about dollar amounts. Get them on the phone and say, "I got your letter offering to accept \$4,000 to settle my account."

If you mention percentages, they creditor will think you are trying to get over on them. When you talk dollar amounts... the creditor thinks you are approaching the situation based on how much cash you have. They like to think they are getting every available dollar.

When they confirm over the phone the settlement letter they mailed you, have them note on your account. This backs up your understanding of exactly what the settlement offer is. And when it expires - your deadline for getting them the money.

For even more back up, ask the creditor for a confirmation number about the settlement offer. Then note it on your records.

Often the automatic settlement offers will average around the 70% range. Here's how to negotiate it lower.

If you've got several months to go before the 6 months charge off period... sometimes all you need to do is wait for a better offer. They do it all the time.

You can also call and offer a lower amount. Again, let's use the \$10,000 balance. And your settlement offer is for \$6,000.

You call and say you don't have \$6,000. But can scrounge up \$4,000. You have \$5,000 in your settlement account. You offer lower first.

If they don't accept, they may try to get you on a payment schedule for the full \$6,000. Tell them you can't. Because you are enduring serious financial stress and won't be able to make the payments. In fact, you are doing everything you can to keep from declaring bankruptcy.

You then counter by telling them, what is the lowest settlement amount available to you right now? Often, it will be 50% of what you owe.

Most of the agents on the phone can offer 50%. You don't need to ask for their supervisor. They already have built in authority to settle for 50% of the balance owed.

If they offer you 50% or lower, then ask can you do it in two or three payments. If your account is past 6 months and now with a collection agency, they generally won't agree to payments. They'll demand a lump sum.

Asking for a payment plan to settle the balance... helps the creditor see your serious financial straits. If you quickly agree to send them, say \$5,000 - then they will think you are trying to game them. And may review your ability to pay while also withdrawing the settlement offer.

Giving yourself extra time to pay... gives you longer to keep building up cash in your settlement account. This frees up cash to settle other, smaller accounts. Because you want to get as many done as you can before the 6 months charge off period.

If they won't let you settle with two or three payments, then don't commit. Tell them you must look to see if you will be able to scrape together the entire amount now.

But you do want them to fax you a letter with the specifics of the settlement offer you just covered over the phone.

Some of your accounts may never send you a settlement offer first. So, you'll call them sometime between months 3 and 6 and make them a settlement offer over the phone.

When you call, have a script hand like this...

Hi, I'm calling about my account. As you see in your system, I've been calling regularly to keep in touch about my financial crisis. Things aren't getting any better. Right now, my goal is to avoid going bankrupt. With that in mind, I'm calling to work out a settlement.

Most of your creditors will come back saying they will accept 70% of what you owe as settlement. Then you respond that the amount is far out of your reach. But you could come up with (mention dollar amount, never percentage). And that you will continue trying to turn things around and call them back as soon as possible.

The dollar amount you mention is your starting offer. You have begun the negotiation process.

Pro tip - your starting offer should never be more than 25% of the balance. Using our \$10,000 balance from above, you will offer \$2,500 to settle. And be clear that is all the money you have right now.

Then a couple of weeks later, you call them again. Sometimes they will come down from their initial offer to something you can afford to pay.

The closer your account gets to the 6 months charge off period, 50% settlements are the norm. Often even lower.

After charging off, a collection agency won't be so quick to settle for less than 50%. Because they are getting a percentage of the money they recover. Your best deals will come before the charge off period.

Until the 6 months charge off period, call your creditor every 2 weeks and make you offer again. Tell them again that you are in financial trouble and doing the best you can. Remind them you are trying to avoid a bankruptcy.

Until they give you a dollar figure you can work with, tell them you can't possibly meet their offer. But will call back to keep them up to date about your situation.

Never increase your offer. Make it and let them tell you yes or no.

Never talk in percentages, just round numbers like \$2,000, \$2,500, \$3,000 etc.

Never let on to the creditor that you are working from a manual on how to settle debts. You want to always appear like another consumer... who is way in over their head and trying to avoid bankruptcy.

Sometimes your creditor will tell you they have to speak to their manager and will get back to you. That's good. It means they are considering your offer. They may say yes or make a better offer than they did before.

Don't feel like you must accept their offer. If you don't have that amount ready, then you can't accept their offer. You want it to always appear you only have a certain dollar amount on hand.

Tell them you are sorry. You don't have that much money. And will be in touch later.

It's a good idea to let them know you are making offers with other creditors to help you avoid bankruptcy. This reinforces the fact that you only have so much money. Sometimes your creditor will make you a generous offer to get something now. Instead of you paying it to another creditor who gives you a better deal.

Never feel intimidated to agree to an amount you can pay. After they put a settlement offer in writing and you agree but fail to live up to... things will only get worse like an immediate law suit.

Follow the steps and you will soon be saying yay, I just settled my first account!

[HOW TO KEEP RECORDS TO PROTECT YOURSELF](#)

No matter what the creditor agreed to over the phone... unless you've received said agreement in writing, you have no deal.

Because you are settling a debt for less than face value, you must get the details in writing. Or run the risk of getting surprised later. When the creditor applies your payment to the balance and then sues you for the rest.

Don't fall for an often-used trick. They will tell you the settlement letter is in the mail and you can go ahead and make the payment now. Until you have the settlement letter, do not make any payments.

Then there are honest mistakes. With millions of transactions daily, one wrong keystroke can wreck your deal. The only way to protect yourself is to get it in writing before you send in the money.

Still other creditors will try and run a game on you. They will say your settlement is only good for the next couple of days or no deal. And try and make you believe there isn't enough time to mail you a letter. That's why you got an online fax service. So, you can counter with, here's my fax number. Send me the settlement letter. And I'll call you back with bank draft information. To complete the payment before the deadline.

And they can get a settlement letter faxed to you quickly. Because they already have templates at the agent's fingertips. They just put in your info, then fax.

When you get the settlement letter, double check the details. The most important ones are the amount you are to pay and by what date.

Here's what the letter must have.

It must be on the bank letterhead.

It must have the date they send it and your account number. If they assigned you a different account number after you went into collections... then the letter must cite the original account number too.

The letter may or may not have the full balance stated. That's o.k. if the amount you are settling for and the account number are clear.

The letter does not need to be signed by the creditor. But it must be on their letterhead.

In addition to having your account number and amount you are to pay. The letter must be clear that this is a settlement. Or even have the words settlement in full.

If they give you a due date that cannot be met, ask for a new letter with a reasonable due date.

When you pay the settlement amount, it will be check by phone. Remember we told you to open a special account for settlements. Never use your regular checking account where you pay rent, car payments, etc. Why?

Because if they make a mistake they can send checks bouncing and causing you many headaches.

After you get your settlement letter, you call the creditor. They will ask you the routing info from your checking account. And to confirm the amount on the settlement letter.

When complete, ask them for a confirmation letter and write it down in the file you have for this creditor.

Then go online the next day to see that the transaction went through your account and for the right amount. If there is no activity after several days or there was a mistake, call the creditor immediately. Refer to your original settlement letter. And confirmation number when you made the payment over the phone.

Once you have completed the settlement process with all creditors... close your special account used for this process.

CHAPTER SIX - SETTLING YOUR DEBTS AFTER CHARGE OFF

How to Deal with Collection Agencies

After your credit card has been delinquent for 6 months, it will be charged off by the bank.

Then they will assign it to a collection agency who gets paid from a percentage of what they collect.

The bank still owns your debt. But they will let a collection agency spend money trying to collect it. The collection only gets paid if they collect something.

It is not unusual for the bank to move your debt from collection agency to collection agency as the months go by. You may be contacted by several collectors all trying to get a percentage of what they get you to pay.

They only get paid if you pay something. And then they only get a percentage with the rest going to the bank that assigned the debt to them for collection.

While we suggested you call the banks every two weeks during the first six months before charging off... now you only call about once a month.

If you don't call them at all, they will start calling your friends and family. Even neighbors.

When you do call, state your situation. Much like you did with the banks during the two months before charging off. You are having a financial crisis and trying to keep from declaring bankruptcy.

Even though you call them once a month, they will still flood you with letters and calls. You'll have these calls go to your voice mail you set up to do the settlement process.

When you offer to settle with debt collectors, you'll experience a lot more push back. They are hardnosed because they make a percentage of what they collect.

But at the end of the day, they will settle. Especially when they believe they will get nothing if you end up in bankruptcy.

Here's some tips for dealing with these super aggressive collectors.

Only have very short phone conversations. No matter what they say to try and trick you to staying on the phone, you repeat like a broken record...

I'm doing the best I can. There's no way I can pay this in full. Here's how much I can pay today. If we never make a deal, I may have to declare bankruptcy.

They will try and trick you into telling them more info than they have on hand. Like how much assets you have. Your salary. You don't have to tell them anything. Keep repeating the broken record of your story about being in financial distress.

These collectors will seem downright rude... when compared with your conversations with the banks. Be cool and keep repeating the same thing. Get them on the phone, say your piece. Then politely tell them you'll call back next month.

If they mistreat you in any way... and they will, hang up on them. They are trained pit bulls. Muzzle them by cutting off the conversation.

They will threaten legal action to try and get under your skin. Don't fall for it. Repeat your statement about being in financial distress. And wanting to settle your debt.

In fact, the Fair Debt and Collections Act law was passed because of abusive tactics... of 3rd party collection agencies. They will still try and skirt the law or come as close as they can without breaking the law.

Here is what they CAN'T do...

Call you at work when you said you can't receive personal calls at work.

Call you at inconvenient hours like before 9am or after 9pm.

They can call your friends and family trying to locate you. But they can't tell them about your personal situation.

They can't make false statements like threats of jail or acting like they are an attorney.

They can't send you forms that represent legal forms but are not.

If you feel they violated your rights... tell them you are contacting your state's Attorney General. And it's easy to do. Go to your state's website. Fill out a form online describing the collector's abusive tactics.

All the while keeping your end goal in mind. You want to settle for pennies on the dollar. They do it all the time.

When you first get their collection letter, it may contain an offer to settle. But it will be high like 70-80% of the outstanding debt.

Pro tip - call them the last week of the month. This is when they are more likely to settle. Counter their 70-80% offer with 25%. And negotiate from there.

Remember, don't mention percentages to them. If you owe \$5,000, then offer to settle for \$1,250 instead of saying 25%.

They will come right back and say they never settle for less than 70%. They will even say the creditor will only let them settle for 70%. Both statements are flat out lies.

You continue your broken record. You say the amount they want is out of your reach. You are trying to avoid bankruptcy. \$1,250 is the best you can do right now. Then tell them goodbye for now.

Soon they will call you back with an offer better than the 70% they told you was the best they could do. Or they may mail you a better offer.

Time is on your side. The collection agency knows the more time that goes by, the less likely they are to collect.

And the collection agencies only are assigned the account for three to six-month periods. Time is on your side. If they don't settle, the account will be placed with another collection agency.

After a couple of months, you will be able to get a settlement for 50% or less. And your best deals will come the last week of the month.

Some of these pit bulls will try and call your boss. Other family members or your neighbors.

If they mention anything about your debt to them... they have violated the Fair Debt and Collections act and you can hold them liable.

If they ever call your work and get you on the line, repeat the following...

I cannot receive personal calls at work. If you call me again I will contact my state's Attorney General... as well as the Federal Trade Commission to report your unlawful activity.

This will stop them dead in their tracks.

How to Outsmart the Collectors

Once your debt is past the 6-month charge off period... and in the hands of 3rd party collectors, you can expect them to ratchet up the pressure. Here's how to sidestep it and stay calm.

Their goal is to fill you with fear. Then you will act emotionally. That gives them the advantage.

What they are trying to do on every call is to get a payment right then. And they will only apply it to the balance owed. While ignoring your plea to settle. Because you don't have the money.

Their big weapon is to threaten to sue you. Because most people fear going to court. Even having a process server deliver court papers.

They hope your fear will spur you to do something you can't afford. Because they will make a nice commission on everything they collect.

The fact is, the last thing they want to do is sue. Why? Because the collection attorney would get the commission, not them.

It's also important to note that the Fair Debt and Collections Act... prohibits a collection agency from threatening legal action. Unless the bank has authorized them to sue.

If the bank wanted to sue you, they would have placed your debt with a collection attorney. Not with a collection agency.

To comply with the Fair Debt and Collections Act... the collection agency will make veiled threats. Here's an example.

"Mr. Jones, if you don't make a payment of \$200 by close of business today - we will notify the bank you are refusing to pay. And advise the bank to take further action against you."

They are trying to scare you. But armed with this manual and your plan... you can ignore their carefully worded vague threats.

Even though you have spelled out your situation. That you are having a financial crisis. And are trying to avoid bankruptcy by offering to settle the debt. They will still make vague threats every time you speak to them on the phone. And their voice mail messages will pressure you.

Their pressure tactics are also designed to keep you on the phone. Hoping you will defend yourself. Don't fall for it. Repeat your broken record response about financial hardship. And trying to scrape together the money to settle the account... without having to declare bankruptcy.

They will often respond that you do not qualify to settle the account. Again, this is a scare tactic to knock you off your game plan.

They will say based on your credit score and payment history, you don't qualify to settle. They will demand you borrow from life insurance, refi your home... whatever to come up with the money.

They are lying. There is no qualification process for doing a debt settlement. It's another of their tactics to try and make you nervous. To get you to act emotionally and allow them to have the upper hand.

You can throw the ball back in their court by saying, "well I'll then work with my other creditors to settle. As I'm trying to avoid bankruptcy." Then hang up.

By the end of the 3rd month, the collection agency knows the bank will pull the assignment from them. And try another collector. Suddenly, they will start talking with you in earnest about settling the debt.

Even then, they will still try and pressure you with something like this...

We've got the bank to agree to settle for 50% of the balance owed. Providing you make payment by the end of this month.

Still some collectors will try and coach you into making payments. They will say you'll have to pay taxes on the forgiven debt. And you'll have a black mark on your credit report like a bankruptcy.

Don't fall for it. In your financial situation, your goal is to get out of debt. And a payment plan still has you in debt.

As we've mentioned before, in dire financial situations... there is often no taxes owed on forgiven debt. And your credit will recover starting with the day you are debt free.

No matter what collection technique they throw at you, stay with your game plan. Repeat your financial crisis. Say you want to settle. If they can't, then you'll be working with other creditors for now.

Then you may get a different call from another rep in the same collection agency. This one will blitz you with more pressure than you've ever felt before.

Anytime any collector gets nasty... tell them you will report them to your state's Attorney General. And the Federal Trade Commission. This will shut them down.

Even better, tell them you are recording the call. They know if they say anything outside of the law, you can sue their pants off.

All you are doing is letting the collector know you are up to speed on the law. And will not hesitate to report them for abusive collection tactics.

Still some collectors will tell you to go ahead and file for bankruptcy. Because their client has 'bankruptcy insurance' that will pay your account. Another bold-faced lie.

They don't want you to declare bankruptcy because they will get little if anything.

All their tactics are to gain an emotional edge. And knock you off the game plan you've learned in this manual.

How to Deal with Collection Lawyers

While you are in the settlement process, and knocking down one debt after another, some will take a long time.

After the 6 months charge off period... and another 6 to 12 months of rotating your account with several collection agencies. You'll find yourself getting calls and letters from a lawyer in your town or state.

Don't panic. This is just another collection agency, but this one is run by a lawyer.

They DON'T want to sue you. They want to collect to get a piece of the action.

Before your account ever gets to a collection attorney... some collection agencies may try and get you to believe they are lawyers.

Typically, they will leave you a message saying...

"This is attorney Jones and I'm at the courthouse about to file a suit against you. When I receive judgement, I'll garnish your wages. You can avoid all that by paying up now."

The collector is flat out lying. They are not an attorney. They are trying yet another scare tactic.

If your account gets assigned to a collection attorney... they hardly ever call you themselves. Instead you'll hear from a collector at the law office.

You can shut down the fake attorney calls by calling them back and asking specific questions. Ask them what state they are authorized to practice law in. And even ask for their Bar license number. This will shut them up once and for all. Unless your account gets rotated to another collection agency... who will try the same tactic.

If you do get a letter from an attorney, look to see if the law office is in your state. Lawyers are authorized only on a state by state basis. If they are out of town, their threat to sue is meaningless. They will still have to find a lawyer in your state.

If they are out of state, treat them like a collection agency. Call and tell your story about financial distress. That you are trying to avoid bankruptcy. And have the funds to settle for 40% of the balance.

When the bank assigned your account to an out of state collection attorney, they are hoping to scare you. Most people do get upset when they get letters from lawyers threatening legal action.

These out of state collection attorneys will put up a tough front. Say they only settle for 80% of the balance.

You tell your same broken record story. And after several months, the bank will assign your account to someone else. Who will settle for 40-50% on the dollar.

Now let's deal with what to do if your account gets assigned to a collection attorney in your state.

First, the least you'll be able to settle is for 50%. Most of the time it will be between 60-70%. If you have the money, you can start the negotiation process.

Since they can and will sue you, it is harder to settle for less than 50%... like you could with the original creditor before the 6 months charge off period.

If you've followed the debt settlement process outlined so far... you will have most of your accounts negotiated and settled by now. One or two always drag out. And lawyers always demand more.

If you don't have enough funds on hand to meet the attorney's demands for 60-70%, then you will have to stall for time.

Here's how to do it, you write them and ask them to verify the debt. They will have to mail you that info back. By law, you can ask for the debt to be verified. This will slow them down and give you more time to come up with the funds. Usually you'll have 30-60 days before they resume normal collection activity.

You can get even longer periods of breathing room by making small payments... in return for them not filing suit.

Let's say you owe \$5,000. You'll send in a tiny payment of around \$100. This is about 2% of the total balance.

All you are doing is stalling for time. Until you can find the money to settle the account later.

Sometimes you can keep the attorney at bay for 10 to 12 months with these small monthly payments.

Still, some of you reading this will get sued. Here's what to do.

A process server will bring you legal papers asking you to appear in court. If you don't answer the suit, meaning you hire a lawyer, then they will get a judgement against you.

Keep cool. Most judgements are never collected. And you can still negotiate.

And the judgement won't be automatic. You will have a certain amount of time to respond to the lawsuit. Then the attorney must file even more paperwork to secure a judgement against you.

Sometimes it will take months for a judgement to snake its way thru the system. So again, you've gained some more time to set aside funds to settle this account.

Once a judgement is entered against you, they will make more legal maneuvers to try and collect.

If you own a home, they will put a lien on it. No, they can't take your home. But when you go to sell it or refinance, you'll have to pay the lien.

They can also levy your bank account. Or garnish your paycheck where you work.

Your goal is to always stall to keep lawsuits from becoming a judgement against you.

As soon as you receive notice that you are being sued... go online and find an attorney who specializes in answering collection lawsuits. Their practice is set up to create boiler plate responses, so you can afford an attorney.

By responding to the suit, you slow down the entire process. Giving you more time to get the funds together to settle.

You can also avoid a judgement by agreeing to make payments for the full balance. If you continue to make on time payments, there will be no judgement against you.

This is known as a stipulation. Meaning if you pay, no further legal action.

Even though you will be paying the full balance, you can do so over at least 3 years. And sometimes up to 5 years. Again, you've got the breathing room you need to come up with the funds.

One reason you can pay off the entire debt this way is... the interest will be much less than half, even one-third of the credit card interest. You've used the legal system to refinance your debt.

Some creditors won't sue you. Instead they will assign your account to an arbitrator. It's only a trick to get you to think they have a legal judgement against you.

The good news is, the process takes months. And that is time you need to come up with funds to make a settlement offer.

The entire legal process is to scare you. But you have a plan. And stay with it until you are debt free.

Most of you reading this will have settled most of your credit card accounts in 6 to 18 months.

To settle most accounts for pennies on the dollar and must pay one or two at a higher percentage, is not going to hurt you.

You will still have cleared your total debt at less than you owed.

How to Settle with A Company Who Purchased Your Debt

During the first 6 months of your debt settlement process... you will have closed accounts with some of your credit cards.

In months 7 to 18, you will have settled more accounts. These with collection agencies and collection attorneys.

Some of you reading this will have an account that ends up being purchased by a 3rd party. This means they now own the debt. And the amount they make is the difference from what they purchased the debt for and what they collect from you.

Don't be surprised if after the 6 months charge off period, that one bank will go ahead and sell your account. Rather than assign it to a collection agency.

No matter how you end up being contacted by a debt purchaser, this section will tell you what to do.

When they buy your debt, it is usually for less than 5 cents on the dollar. So if you have an outstanding balance of \$5,000, they snap it up for only \$250 or less.

Then they assign it to collection agencies to contact you for payment. Or try to collect themselves.

Everything you've learned so far about dealing with collection agencies... will apply to 3rd party debt purchasers.

The fact that they purchased the debt for pennies on the dollar... leaves them lots of room to negotiate a settlement with you.

The first thing you want to do is send them a validation letter. Asking for proof that the debt is yours. This will buy you some time to save up money to make a settlement offer.

Once your debt gets to a 3rd party purchaser... you'll experience the most aggressive and borderline illegal collection tactics to date.

Everything you learned in the previous section about collectors impersonating a lawyer... or making bogus legal threats... all will get worse from 3rd party debt purchasers.

Keep your cool. By now you've settled many accounts. And only have one or two more to go. And you have experience of what to say and when to say it. As well as techniques to slow them down so you can accumulate more funds to make a settlement offer.

Some will go ahead and file a lawsuit. Trying to scare you.

But you have one huge advantage against debt purchasers. When you send them the validation letter... it will take them months on end to get the original creditor to provide proper documentation.

Without proper documentation proving their right to make a claim against you... everything stops cold. All the while you are setting aside funds to make a settlement offer.

But you've got to play your cards right. Anytime someone contacts you about a debt, you have 30 days to dispute it.

So as soon as you get their notice, you send them a certified letter demanding documentation. Paperwork they won't have on hand. And will take them sometime to get from the original creditor.

While they are obtaining proper documentation... they, by law, have stop collection activity.

Something else to keep an eye on. The debt purchaser will try and back date the interest to the 6 months charge off period. Even though they bought the debt a year or so later.

This balloons the balance. And it's another reason to send the validation letter. Because they have zero documentation... allowing them to charge interest the months or years before they purchased the debt.

They will even stuff your balance with made up fees. Again, the validation documentation procedure will end this ploy.

We'll show you how to write a validation letter in the last section of this manual.

Third party debt purchasers... almost never also buy the documentation from the original creditor. Why? To save money.

When you ask them to prove the debt is yours, it slows everything down to a crawl. Even better, it costs them to give you the documentation, edging them to settle.

Most of the time they won't even respond to your validation letter. Then 90 days later, you'll be contacted from a different collection agency. Who is working for the 3rd party debt collector.

What do you do? Send the validation letter again to the new collection agency. Then you get another delay.

Over time, you'll accumulate the funds to settle the account for 50% or less. And since none of the collection agencies are likely to respond to your validation letter... one of them will finally settle with you.

The validation letters bought you the months, even up to a year... that you need to save the funds to make a settlement offer.

Others won't ignore your validation letter. Instead they will send you what seems like an official letter. To disguise they are producing zero validation of the debt.

All you do is send another validation letter. It is within your lawful rights. And until they give you original documentation about the debt, they can't sue you.

In rare occasions, they will deliver you the documentation validating the debt. It doesn't happen often because it costs them money to get the documents.

Also know what the statute of limitations is for your state. Meaning the timeframe, they must file suit to collect the debt.

For the current law in your state, do an Internet search for 'statute of limitations for debt.' Then look for your state and see how many years they must collect.

If you are lucky to find out the state of limitations has expired, you don't even have to worry about paying at all. There is nothing they can do.

But for most of you reading this, you will settle the one or two accounts that have dragged out... and are still within the statute of limitations. Here's what to do.

First, respond to their notice within 30 days by sending your validation letter. This also stops their collection efforts until they verify the debt.

Since we know most of them won't respond, call them after about 2 months. And make a settlement offer.

Start low, by offering to pay 20% to settle. Keeping in mind they will respond with a higher figure. In most cases you can settle for 30-40%.

In those rare occasions they do provide the documentation you requested... you can still settle the debt. At higher amounts like 50%.

If you get sued, you can hire an attorney who specializes in answering lawsuits. And they will request validation the collector doesn't have. This will get the lawsuit dismissed. Or you can settle which is your goal.

DEBT SETTLEMENT A to Z

How to Negotiate Like A Pro

First, never talk percentages. And only let a creditor know that you are in settlement talks with other creditors... when they offer you a settlement offer that is out of your reach.

If you tell any creditor that you only have enough to settle with all your creditors for 35%... you will be revealing how much money you have. How is that possible?

Because every creditor has access to your credit report. They know how much debt you are in.

They don't care that you are in debt. All they see in their mind is you have enough cash on hand to pay them in full. They could care less about the other creditors.

So never lump creditors together... by saying you only have enough to give everyone a certain percentage. It's like waving a red flag in front of a bull.

You are better off making your settlement offer a dollar amount. If the creditor comes back too high, tell them it is out of your reach. And you will be talking with another creditor who you can settle with now.

All the creditors want to be first in line. When you walk away from negotiations for now, they will usually lower their offer.

Let's say you owe \$5,000. And you can afford to settle for 40%. So, you start lower.

You tell the creditor you want to settle the account. They will ask for how much. You say \$1,500. Then they will counter. And you can come up to meet their offer by saying you can do \$2,000 (or 40%).

Here's how you respond. You say...

I might be able to scrounge up enough money to settle the account for \$2,000. Can we settle for that?

You want to always sell the creditor on the fact that you only have a certain amount of money to settle with. And not a dollar more.

That's why you want to talk in whole dollar numbers. If you start talking in exact percentages and using odd numbers like \$2,150... it will go against your story of only having a certain amount of cash on hand.

Now when the creditor comes back and says the best they can do is a certain percentage... then you can respond in percentages.

You say... well 40% is way more than I have. I might be able to pull together enough to settle for 35%. Can you do that?

All you are doing is good old-fashioned haggling. But your position is always the same.

You are strapped for cash. In debt so bad that you may have to consider bankruptcy. But you are trying to do the right thing by offering to settle the account.

Sometimes a creditor will flat out ask you... how many other accounts have you settled?

Only reveal what will help you. In the case above you are negotiating to settle for 35%. If you've settled another account for that amount, tell the creditor. This will prove to the creditor that you are dead serious about settling. To avoid declaring bankruptcy.

Often creditors think settlement offers are a way of holding off a lawsuit. When you prove you've settled another account... they know you will likely follow through with your promise to them if you reach an agreement.

Plus, you've shown them that 35% is a reasonable settlement offer. Because another creditor has already done it.

They may even ask you to send them a copy of where you settled another account for 35%. Go ahead and show them. It proves you are the real deal.

Creditors don't need to ask you if you've settled other accounts. Because it will show up on your credit report and they can see it. But they won't see the amount.

You may be trying to negotiate a lower percentage with this creditor than you've done with others. Here's what to do.

Tell them, yes, I did settle with other accounts.

When they try to pressure you about the percentages, tell them it has nothing to do with today. Because today you only have a certain amount of dollars to settle this account. Period.

Sometimes a creditor will want you to fill out financial forms... disclosing your employment, salary, expenses, etc.

Tell them no. It has nothing to do with today. And right now, you only have on hand enough money to settle with the dollar amount you offered them.

If the creditor continues to pressure you into disclosing financial info. And you feel you must do it to settle this account, then don't use their forms.

Instead do on a single sheet of paper your net monthly income and monthly expenses. And make sure it shows you have little to nothing left over to service debt. After all it does, that is why you are experiencing financial stress.

Don't provide them with your bank statements. Or copy of your recent paycheck. Not even your tax return. A simple one-page sheet you put together to verify that you don't have the money to service debt. Show your net income and expenses.

But only do this if they press you. Most will not.

Other creditors will try and scare you as if they are spying on you. They will recite where you work. How much your mortgage is. And other personal info that is not available from viewing your credit report.

Don't fall for it. They are trying to make you think they know you can settle for more than you are offering.

Continue to stand your ground. Repeat your broken record. You only have a certain dollar amount right now. And you are trying to do the right thing and settle instead of declaring bankruptcy.

Here's another trick some creditors will play. They will agree to a settlement amount.

Then you tell them to fax that agreement. They will say they still have to get their supervisor to sign off. And they only will if you make a good faith effort of several hundred dollars today.

If you make that payment, they will later reject your settlement offer. Instead tell them you are sorry you can't make a payment. But can pay the settlement in full once they fax the letter.

This tactic will often come up with collection agencies. But sometimes it will happen with the original creditor. Often before they charge the account off.

If they can get any payment applied, they can delay charging off the account.

You tell them you will make that payment. Put it as part of the settlement letter they will soon fax.

You can also put the pressure back on them. You say... well I don't have any money in my account now. Friends and family will give me the money, but only after I have a settlement letter.

AFTER YOU SETTLE

You've come a long way. Set forth a plan. Gone through months of back and forth. And now have settled many accounts.

You're not done yet. Now you need to follow up to make sure the creditor did what they said they would do.

If they make a mistake, you got a problem. Careful record keeping will protect you. Keep a folder for each account. Document everything.

Keep a copy of everything. Every payment. Every shipment of payments. Every draft from your settlement account. Every letter they sent, and you sent. And most important, the settlement agreement.

The biggest mistake the creditor often makes is... to not show the account has been settled in their computer. The computer will continue to spit out threatening letters. Assign the account for collection and blast automated collection phone calls.

How does this happen? Simple, they mistakenly entered the money you paid as a regular payment. And not a settlement. A regular payment keeps the account open in the computers. And dump computers continue to do what they were programmed to do.

Even when they record it correctly as settled. They still might not update that status in the computer. Again, automated collections continue until you call them on the mistake.

You must monitor everything. Even after you settle, their monthly statements may still show a balance up to 3 months later.

But don't wait 3 months for their system to catch up. One month is enough. If you haven't received notice that the account is settled, then act and contact them. Assume there is a mistake until they prove otherwise.

Call them and ask for a letter stating you owe them nothing more. Have no balance anymore.

They will usually lean on their system. And say in a couple of months everything will catch up showing you don't owe anything.

Still press them to send you a letter stating you have a zero balance.

If collection activity still comes... it means their system didn't update everywhere it should. That's why you want a letter stating you don't have a balance. To stop the collection activity that the computer system auto generates.

The continued collection process could come from a collection agency, attorney... or even a company that bought the debt for pennies on the dollar. Your documentation will stop these efforts. If you haven't received a letter stating, you don't have a balance... then present your settlement letter.

Soon all the computer systems will reflect the fact that you no longer owe anything. Until then, send your settlement letter or zero balance letter. And if you are not dealing with the original creditor, send them a copy of what you sent their collector.

After all computers reflect you don't owe anything... then it's time to start monitoring your credit report. To ensure everything is recorded as it should be.

Start by getting a copy of your credit report from all 3 of the major credit reporting agencies. You may find the same thing reported differently at each of the credit bureaus.

What should be recorded is the words "account settled for less than full amount."

After all your settlements final. And you have no creditors left to deal with. You can start unwinding your settlement account. Also, the fax service and special voice mail service. Close them all because you don't need them anymore.

Then take the monthly cash flow you were using for debt settlement and put it in an investment account. You want to never be in debt again. And you won't if you save money and invest it. Let money work for you. Instead of debt clobbering you.

Until you learn to save and invest, you will likely become a victim of the debt game again. Credit card offers will still come. And it will be easy to find yourself right back in a pile of debt.

Set up automatic deductions from your paycheck to go into a savings account. Or even better, a stock index fund.

Great investor Warren Buffet recommends novice investors... buy the Standard and Poor 500 index fund. And hold for life. Let the dividends reinvest.

By putting money into the fund every month, you will often be buying the dips. Instead of putting one big chunk of cash in. And then getting nervous because the market when down the next month.

No one knows when the market will go up or down. Put something into it every month. And let your investment grow over time. The same way your debt did.

It's important to note. You will be tempted with a daily Internet barrage of sure-fire systems for investing. Ignore them all. Instead follow Warren Buffett's advice. After all he is the greatest investor of all time. None of the talking heads on TV or system sellers can make that claim. That's why they need you to buy their system. Because they can't make money with it.

Also stay away from insurance products. They sound good. But the insurance sales rep will get as much as a 6% commission, paid with your money, as soon as they make a sale. What good investment would depreciate by 6% as soon as you jumped in.

The only type of insurance you need is term insurance. And health insurance. And later in life, long-term care insurance.

Whole life insurance and annuities help the company selling them more than they help you.

Even though the government has tried to pass laws requiring people giving financial advice to disclose what they will make by steering you to buy their wares...

Their lobbyists kept the law from being implemented. To your misfortune. Because you could be misled. Happens all the time.

Especially keep up with health insurance. One unexpected event could bankrupt you without health insurance to cover.

[Do I Have to Pay Income Tax on Forgiven Debt?](#)

The collectors will try and make it seem like you will. It's another one of their sneaky tactics to keep you in debt.

Here's the IRS facts you need to know.

Anytime a creditor forgives a debt greater than \$600, they are required to report it to the IRS. When they do, they will issue you a form 1099.

The forms in the 1099 series deal with many types of income you may receive that is not a salary as part of employment.

You'll get the form early in the following year. Like you get all your tax forms mailed to you in January. You must include this form when you file your tax return.

Yes, it does seem to add insult to injury. You fought your way out of debt. Now must deal with the possibility of paying income tax on the forgiven debt.

Even if you do have to pay taxes on the forgiven debt, you are still ahead cash wise. Versus carrying the debt with interest piling on. At the end of the day, your debt settlement strategy did save you money.

But if you are insolvent, you won't have to pay any tax on the forgiven debt. And most of you reading this are in way over your head. Bankrupt without a formal declaration.

You owe way more than you have income plus assets. That is the definition of insolvency.

For tax purposes, it's called a negative net worth. You owe more money than you have.

This allows you to take your negative net worth and wipe away the income from the forgiven debt.

Here's how it works. Let's say your negative net worth was \$30,000. After adding up all your assets. And income to live off and service debt. You still owe \$30,000 more than you have.

And through debt negotiation you had \$20,000 forgiven. You can offset the total amount the creditors will report on form 1099.

Your negative net worth figure must be more than your forgiven debt. Otherwise, you won't be able to shield the entire forgiven debt amount. That the creditors are reporting as 'income.'

If you use one of those online tax filing services... they probably won't be able to help you generate the forms to calculate everything we've mentioned so far. In fact, a lot of tax professionals will have to research some how-to before they can help you file your taxes.

Why? It's because everybody is in the 'plain vanilla' tax business. File some quick paperwork and pocket some great fees. Ask them to do homework, it's not something they want to do.

Tell them all to research and file form 982... Reduction of Tax Attributes Due to Discharge of Indebtedness. This will show your negative net worth. To offset the 'income' the creditors reported with form 1099.

If you file your own tax return, you can read all the how-to info you want on the IRS website. Do a search for the instructions for using form 982.

One key point to remember. Your insolvency is figured at the time the debt is settled. Each time you settle another account, you need to put in that file the calculations of your net worth on that day.

Why all the work? Well by the time you get to the last credit card to settle, you may not be insolvent on that day. In the beginning when you settle most accounts, you will owe more than you are worth.

Those of you with student loans can count that money owed to calculate your insolvency. That amount alone will show you are insolvent for every account you settle. For most of you reading this, the student loan amount outstanding is a big number.

Your assets are... money in the bank, money in retirement accounts, equity in your home and equity in your car.

Your liabilities are... everything you owe. Your mortgage. The credit card bills. Student loans. And anything else you owe.

When our liabilities are greater than your assets, you have a negative net worth.

Some of you reading this may also owe taxes. If you are insolvent, the government may very well forgive a part of those taxes. You'll have to file some forms and get approval from the government. But in the end, it will be worth it.

Even if you let your taxes linger until the IRS acts against you like levying your bank account. Call the agent and explain that you are insolvent. They can't take money you need for food and shelter. They must allow you to have enough money to live on.

And once you prove insolvency... you can then begin the process of filling out the forms necessary to get tax forgiveness. Keep in mind it will be a hair pulling experience. Seem to take forever. And always be confusing. After all this is what government does best. But if you are insolvent, the law protects you.

How to Get Your Credit Back

Now that you've gone through the settlement process... you've no doubt heard many collectors tell you that you are ruining your credit. A ploy they often use to try and get any type of payment out of you. To keep you a slave to the debt game.

Yes, your credit score will drop for a while. Then it will recover. And we'll show you how.

And you don't need to hire a credit repair firm. You can do this all on your own. Like you did the debt settlement process.

Now that you don't have any debt. Or at least a large amount of credit card debt. Your credit score rises.

Your debt to income ratio is as important for your credit worthiness as your actual credit score. Since you eliminated a lot of debt, your ability to get credit is now better.

After 7 years, all the old black marks will fall off your credit score. Before that they won't matter as much as your current payment history. You don't have to wait 7 years to start rebuilding your credit.

In fact, after about 24 months... the settled accounts will have a diminishing effect on your credit score. Because fresh information out weighs them.

Here's what to do to get your credit rating up.

To start, get a copy of your credit report from all 3 agencies. Don't panic if your score is very low. You will get it up starting now.

Check each one for errors. Don't be surprised when you find them. The entire credit reporting system is infested with erroneous entries.

These are the two ways you will rebuild your credit. Method one is to dispute negative reports. Method two is to ensure positive payment history is being reported.

For negative entries, here's what you do. You send a letter to the credit bureau. They have 30 days to investigate it. If they can't find the entry is accurate, by law they must delete it.

You only need to send one letter and it can list all the items you take issue with. Keep a copy of this letter.

You are looking to see that all the info about a negative item is accurate. Anything that is not, including the balance, gives you a good reason to dispute the entry.

What you will find is many of the entries will not have the exact info. Or they will be out of date like showing a balance that no longer exists.

Keep a file for each of the 3 credit bureaus. Stay on top of getting all your entries accurate and up to date.

Anytime you have not heard back after 30 days, send them another letter.

And when they do respond, they are to include an updated copy of your current credit report.

The next method is to get new payment history entered on your credit report. And any old accounts with positive info are to stay on your credit report.

You can add new positive info to your credit report by the two following ways. Have someone cosign and make those payments on time. Or get a secured credit card.

A secured credit card is where you make a deposit with the bank for the amount you can put on a card. If you want a card with a \$1,000 limit, you deposit \$1,000 with the bank.

Be aware that some of these types of cards have way too many fees. Avoid them.

And make sure the bank does report your payment history to the credit bureaus. If they don't, find another bank.

That's the credit repair process. Have as much negative stuff removed as possible. While at the same time adding fresh on-time payments.

Within about 12 to 24 months, you can expect to have a good credit score again.

For even faster credit building, check out your FREE bonus that came with this manual.

VALIDATION LETTER

(your name here)
(your address here)
(your city, state and zip here)

(today's date here)

(Collection agency or attorney firm name here)
(their address here)
(there city, state and zip here)

RE: (your account number AND their file number)

Dear (Collection agency or attorney firm name here):

Am in receipt of your communications referencing the above-mentioned account number.

This letter is a formal request that you verify your claim.

With that in mind, please send me the following:

1. The original account agreement
2. The complete record of all transactions
3. And all other documentation that may verify your claim

THANK YOU!

(your name here)
(your signature here)

VALIDATION LETTER FOLLOW UP

(your name here)
(your address here)
(your city, state and zip here)

(today's date here)

(Collection agency or attorney firm name here)
(their address here)
(there city, state and zip here)

RE: (your account number AND their file number)

Dear (Collection agency or attorney firm name here):

Thank you for replying on (date of their letter) to my request for verification of the above listed account.

But your response did not include the following documents:

1. The original account agreement
2. The complete record of all transactions
3. And all other documentation that may verify your claim

Until you forward the above-mentioned documents, my request for verification is still open.

THANK YOU!

(your name here)
(your signature here)

AFTER SETTLEMENT - STOP COLLECTION ACTIVITY

(your name here)
(your address here)
(your city, state and zip here)

(today's date here)

(Collection agency or attorney firm name here)
(their address here)
(there city, state and zip here)

RE: (your account number AND their file number)

Dear (Collection agency or attorney firm name here):

This letter is my formal notification about settlement of the account with (name of original creditor here).

Attached please find a copy of the settlement agreement and proof of payment.

With the above in mind, I now request you cease all collection activity on this settled account. And ask that you notify (name of original creditor) that they assigned this account in error.

THANK YOU!

(your name here)
(your signature here)

