

**THE DEBT-FREE SOLUTION™:
GET OUT OF DEBT . . .
AND STAY OUT OF DEBT**

One of the most important keys to living smart and finishing rich is leading what I call a “Debt-Free Lifestyle.” These days, however, doing this can be a real challenge. According to a recent *USA Today* article, by the time the average college student gets out of school, he or she has three credit cards and is close to \$3,000 in debt. For adults, the figures are worse . . . much worse. All told, American families currently owe a total of roughly half a *trillion* dollars in credit-card debt. That works out to nearly \$8,400 per household. It’s truly a war out there—and the credit-card companies are winning.

In this chapter, you’re going to learn a series of concrete steps that will enable you to regain control of your finances. Specifically, I am going to share with you a 13-point action plan designed to get you out of credit-card debt. I am also going to show you how to protect your credit record. And, finally, I’ll provide you with letters to send to the credit-card companies and agencies that track your credit records in the event you find errors.

EVEN “BLACK BELT” SHOPPERS CAN GET OUT OF DEBT!

If it sometimes seems as if you are drowning in credit-card debt, believe me—I know how you feel. I’ve been there. You know how some people get black belts in karate? Well, I used to have a black belt in shopping.

If you’ve read my previous books, you know that when I was a freshman at the University of Southern California, one of the first things I did was sign up for a bunch of credit cards. I couldn’t help myself. When I registered for my dorm room the first day at school, right next to the student ID table was

another table where some people were giving away “free gifts” (like clock radios, dictionaries, and bike locks). All you had to do to get one was sign up for a credit card. So I did.

Of course, I told myself I’d use these cards only for “emergencies.” Funny thing, though—emergencies turned out to be easy to have.

Pretty soon, I was going on weekly shopping trips that left me owing thousands of dollars in credit-card debt. I remember being so upset by my credit-card bills that I would literally get dizzy when I opened them up each month. It took me the better part of two years to get myself out of the debt hole I had dug for myself, but I managed to do it—and so can you.

What follows is a step-by-step action plan designed to get you out of debt and repair your credit record if you have a problem. It’s exactly what I would advise you to do if I were to come to your house and personally coach you.

A 13-STEP ACTION PLAN TO GET OUT OF CREDIT-CARD DEBT

STEP ONE

Determine if you have a credit-card problem.

There are many different rules of thumb to determine if you have a credit-card problem. Some experts insist that if you are making only the minimum payments on your credit-card bills, you definitely have a problem. Other experts use formulas like the one that says that you’re in trouble if you’re spending more than 20 percent of your income paying off credit-card debt. Then there is Steve Rhode, the founder of the nationally recognized debt-counseling organization MyVesta.org. In his view, if you think you have a problem, then you do.

I happen to agree with Rhode. When it comes to debt, there aren’t any simple rules or formulas. The guideline you should use is how you feel about your situation.

So how do you feel?

The following simple exercise will help you figure this out.

To begin with, get out all your credit cards and all your credit-card statements and put them on the dining room table. (If you are married or have a partner, try to get them to do the same with their cards and statements.) Now fill in the following blanks to . . .

FIGURE OUT HOW MANY CARDS YOU HAVE

I have _____ [fill in the number] credit cards.

My spouse/partner has _____ credit cards.

My kids (or other dependents living with me) have _____ credit cards.

Taken together, the whole family has _____ credit cards.

Now list each credit-card account and its current outstanding balance, starting with the largest debt and working down to the smallest. In this way, you will . . .

. . . FIGURE OUT HOW MUCH YOU OWE				
Name of Creditor	Account Number	Outstanding Balance	Monthly Minimum Payment	Interest Rate
1.				
2.				
3.				
4.				
5.				

... FIGURE OUT HOW MUCH YOU OWE				
Name of Creditor	Account Number	Outstanding Balance	Monthly Minimum Payment	Interest Rate
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				

The total amount of debt on these cards is \$ _____

The total monthly minimum payment due is \$ _____

Now that you know how many cards you have and how much credit-card debt you have, indicate whether you feel the following statements are true or false.

T F I have too many credit cards.

T F I'm carrying too much debt.

T F I'm comfortable with how many credit cards I have and the amount of debt I'm carrying.

T F I'm still not sure how I feel.

(If your answer to the last statement is “true,” ask yourself what you would say if you *were* sure.)

STEP TWO

Pay down your debt systematically.

The best way I know of to pay off credit-card debt is what I call the Debt-Free Solution™.

The Debt-Free Solution™ is about momentum. It's about getting all your cards, one after another, “gone.” By “gone,” I mean you've paid off the balance you owed and you have closed the account. In other words, gone.

If you want to keep a card or two for emergency purposes or to build a credit record, that's fine. But the rest of your plastic is going to be DOLP™—which stands for Dead On Last Payment.

So let's get DOLPing!

The first thing you do is take out all your credit-card statements and calculate their DOLP numbers. Here's how you do that. Take the current outstanding balance on each statement and divide it by the minimum payment that particular card company wants from you. The result is that account's DOLP number.

For example, say your outstanding Visa balance is \$500 and they want a \$50 minimum payment. Dividing the total debt (\$500) by the minimum payment (\$50) gives you a DOLP number of 10.

Once you've figured out the DOLP number for each account, rank them in reverse order. In other words, the account with the lowest DOLP number is first, the one with the second-lowest number is second, and so on. The table below shows what your list should look like.

THE DOLP™ SYSTEM: CREATING A STRATEGY TO PAY DOWN DEBT

Account	Outstanding Balance	Monthly Minimum Payment	DOLP Number	DOLP Ranking
Visa	\$500	\$50	10	1
MasterCard	\$775	\$65	12	2
Sears Card	\$1,150	\$35	39	3

By creating this list, you now know which credit card can be paid off the fastest by making minimum payments. Now, does this mean you should make only minimum payments? Absolutely not! Ideally, your payments should be a lot higher than the minimum. How much higher? That depends on how much you can afford.

Whatever you can afford to pay above your total required minimum payments for the month should be applied to the card with the lowest-ranking DOLP. In the example above, this would be Visa. Every penny you can afford to pay beyond the total required minimum should go into that card until you've DOLPed it. Then you would focus on the card whose DOLP ranking is 2—in this case, MasterCard.

You should continue doing this until you've DOLPed your way to being debt-free. This is the Debt-Free Solution™.

Seems easy, right? Well, it's not. It may take you months, maybe even years, to pay off all your credit-card debt. But the Debt-Free Solution™ is simple in that it allows you to figure out the most efficient order to pay off your cards.

Many experts will suggest that you pay off your cards in a different order, one based on the interest rate each card charges. I disagree. As I'll show you later, it's actually quite easy to get a credit-card company to lower the interest rate it charges you on your debt. If you do this correctly, you should end up with pretty much the same interest rate on all your accounts. So try my DOLP system, and get debt-free.

STEP THREE**Get your credit-card company to lower your interest rate.**

There's an amazingly simple way to make paying off your credit-card debt easier: Just call your credit-card company and ask for a lower interest rate.

Go back and take a look at the first step in this exercise, where you listed your credit cards. Did you write down what interest rate you are being charged on your credit-card balances? How are you doing? Are you paying too much interest?

As I write this, the average U.S. credit card charges an annualized interest rate of just under 20 percent. What's amazing about this is that you can easily get new credit cards with rates of 10 to 15 percent, and many companies offer rates below 10 percent. To find out the current rates being offered nationwide, go to www.bankrate.com or look in *USA Today* or *The Wall Street Journal*.

CALL YOUR CREDIT-CARD COMPANY TODAY

Here's how to go about getting your credit-card company to give you a lower interest rate.

First, call the company and ask them to tell you your current effective annual rate. Don't be confused if they quote a rate "over prime"—as in, "Your rate is just 9 percent over prime." This doesn't mean your rate is 9 percent; it means your rate is 9 percent *plus* whatever the so-called prime lending rate happens to be. As of this writing, the prime is at 4.75 percent—which would make your effective annual rate 13.75 percent.

Once you know your real rate, ask to speak with a supervisor. Do not—I repeat, do not—ever try to negotiate a lower rate with the first person who answers the phone. Explain to the supervisor that you just received a new credit-card application from a competing company that is offering a much lower interest rate—and that unless he can match or beat the competitor's rate, you intend to transfer your balance today. The credit-card business has become so competitive that in most cases the supervisor will agree to lower your rate on the spot. It's been my experience that if you're currently paying around 20 percent, you should have no trouble getting your rate lowered to less than 14 percent.



FIVE-STAR TIP

When you call a credit-card company and ask to speak to a supervisor, you should be aware that there are often many levels of supervisors. So if the supervisor you get the first time around doesn't give you what you want, ask to speak to that supervisor's manager. And don't forget to get everyone's name. If you're told company policy forbids giving out last names, ask for an identification number. Not only will this enable you to keep track of whom you spoke to, it will also make the customer-service people wary of offending you. Generally speaking, as long as you are polite and reasonable, they will probably try their best to satisfy your request because ultimately they want to keep your business.

Another way to get a credit-card company to lower your interest rate is to offer to consolidate all of your credit-card debt with them. Consolidating your debt at one company is generally a good idea. If nothing else, it means less paperwork for you, since now you have only one credit-card company to deal with (and write checks to), making it that much easier to focus on getting debt-free. Doing this can be as easy as calling your credit-card company and reporting that you just received an offer to consolidate all your credit-card debt on a competitor's card. Tell them that the competitor is offering you a lower rate, but add that if they can match the offer, you'll consolidate your credit with them. Again, make sure to speak with a supervisor when you do this.

STEP FOUR

Run your credit report.

Now that you've taken an overall look at your debt situation, you need to go deeper. The best way to do that is to have a credit report run on yourself. A credit report is like a report card on your financial behavior. But a bad score on your credit report can be a lot worse than bad grades in school. When you apply for a mortgage so you can buy a home, the banks will never ask you what your GPA was in high school or college. But they will instantly run a credit report on you to find out what kind of financial grades you've been getting. Your financial grade is what's known as your credit rating, and if it's bad, you may wind up having to pay thousands of dollars a year in higher interest payments. If it's terrible, you may not get the loan at all.

HOW TO FIND OUT WHAT'S IN YOUR CREDIT REPORT

There are three main companies that keep track of consumer debt and assign credit ratings—Equifax, Experian, and TransUnion. As of this writing, all three will provide you with a preliminary report on your creditworthiness for about \$9. (If you have been denied credit in the last 60 days and believe it is due to an inaccurate credit report, you can get your report for free.)

To get a copy of your report, you should contact the companies directly.

Equifax Information Services, LLC

P.O. Box 740241

Atlanta, GA 30374

www.equifax.com

Helpful phone numbers:

1-800-685-1111 (to order your credit report)

1-888-766-0008 (to place a Fraud Alert in your credit file)

Experian

P.O. Box 2104

Allen, TX 75013-2104

www.experian.com

Helpful phone numbers:

1-888-397-3742 (to order your credit report by phone or to report fraud)

1-888-397-3742 (to request a copy of your report by mail)

TransUnion Corporation

Consumer Disclosure Center

P.O. Box 1000

Chester, PA 19022

www.tuc.com

Helpful phone numbers:

1-800-888-4213 (to order your credit report)

1-800-916-8800 (to review your TUC report with a customer-service representative)

In addition to providing credit reports, the Web sites of all three companies offer a variety of services for consumers, including glossaries of credit terms,



FIVE-STAR TIP

Before you send a request in writing to any of these companies, check its Web site or make a phone call to make sure the mailing address is still current. For some reason, they seem to change their P.O. boxes all the time.

articles about managing credit, tips for protecting your ID, and explanations to help you understand your credit score.

STEP FIVE

Scrutinize your credit report for any and all mistakes.

A little-known secret about credit reports is that they are often filled with errors. Here are some examples of the kinds of mistakes that show up on credit reports all the time:

1. Your name, address, or phone number is wrong or out of date.
2. Your Social Security number is wrong.
3. Your birth date is wrong.
4. Your marital status is wrong or out of date.
5. Your payment record is wrong. (A credit-card company may claim you made a payment late when, in fact, you made it on time. This happens all the time, and if it's not corrected, it can actually hurt you and your credit record.)
6. Credit accounts you consider closed are listed as still being open. (This often happens when you haven't used an account in years but never "officially" closed it. Since having too many open accounts can hurt your credit score, you should always make a point of formally canceling credit accounts you no longer use. You do this by contacting the company directly and asking it to close your account and notify the credit-

reporting agencies. When I first ran my own report, it showed me having about a dozen accounts—most of them from my “black belt” shopping days. Even though I hadn’t used most of these accounts in years, I had to go back and get them officially closed.)

7. You are listed as having credit cards that you never applied for. (This is usually the result of fraud—something that, unfortunately, is happening more and more these days. This is one reason why it’s so critical to run these reports on yourself at least once a year.)

STEP SIX

Know your legal rights.

If you have credit-card debt, you have basic rights that are guaranteed under the law. In particular, there are two laws you should know about: the Federal Fair Credit Reporting Act and the Federal Fair Debt Collection Practice Act.

The Federal Fair Credit Reporting Act

This act requires the credit agencies listed earlier to provide you with a free credit report in the event you are denied credit based on your report. You have 60 days from the time you find out you’ve been denied credit to make a written request for your report.

The law also says that if you find errors in your report and notify the credit agency of them, the agency must respond to your complaint within 30 days. What’s more, if it turns out that the information it has was wrong, the agency must either correct it or delete it from your record.

The Federal Fair Debt Collection Practice Act

If you are behind in your payments, this is a law you want to know about. It was enacted specifically to stop the credit-card companies from unfairly harassing you.

This act is very clear. Among other things, it forbids debt collectors from contacting you directly without your permission. If you don’t feel like talking to them, you can require them to speak with your attorney. Debtors are also forbidden to call you before 8 A.M. or after 9 P.M. And if you instruct debt collectors not to call you again, the law says they can’t! Instead, they have to communicate with you in writing. What’s more, they are not allowed to threaten you by suggesting that they will raise the interest rate on your debt or add special debt-collection fees.

HOW TO STOP THE HARASSMENT

If you are currently being harassed, this law provides you with remedies. Go online to www.ftc.gov to find instructions on how to inform the authorities that your rights are being violated. You should also send a letter to the debt collector who is harassing you. Here's what it should say:

Dear _____ [insert debt collector's name]:

I am writing to you to inform you that your agency, _____ [insert collection agency's name], is violating my rights under the Federal Fair Debt Collection Protection Act.

The violation[s] occurred on _____ [insert dates]. They consisted of the following: [provide brief description of the harassment].

I am requesting that you immediately cease this harassment and violation of my rights. I am sending a copy of this letter to the Attorney General of _____ [insert your home state] and the Federal Trade Commission.

Sincerely,

CC: State Attorney General
Federal Trade Commission

STEP SEVEN

If you find a mistake, challenge it.

The information in your credit report is not set in stone—especially if it's wrong. Not only are the credit-reporting agencies usually willing to correct mistakes, they are legally obligated to do so when you point them out. Here's what to do to get a credit report fixed if you find a mistake:

1. Credit reports come with what's called a "request of investigation" form. If you believe there are inaccuracies in your report, fill out this form and send it to the address indicated on it. When you send in your request of investigation, make sure to accompany it with written proof of the inaccuracy you are disputing (e.g., receipts, canceled checks, proof of payment, etc.)
2. At the same time, you should also write a letter to the company whose charge you are disputing, and send a copy to the credit agency. For example, when Michelle and I first ran our own credit reports, we found that Michelle's credit record contained a report from a hotel that claimed she had an unpaid bill of less than \$200 from six years earlier. So we contacted the hotel, sorted out the error, and then followed up with the credit agency (providing them with all the necessary documentation) to get the error off her credit report. (Even though it involved only a small amount of money, it was worth the trouble, since nothing hurts your credit rating worse than unpaid bills.)
3. Watch the calendar. By law, the credit bureau must complete its investigation within 30 days of receiving your written request. Have a follow-up letter ready to go out on Day 31 if the problem has not been solved (sample letters can be found starting on page 78).



FIVE-STAR TIP

I'm not going to mislead you. Clearing up credit report errors takes time and can be a headache. It took Michelle and me about a full year to get our credit reports cleaned up, and we had a pretty straightforward situation—more than a dozen "dead accounts" listed as still open and about a half-dozen other errors. Trust me on this—making sure your credit report is accurate is worth the time and effort, because an inaccurate report can cancel out years of hard work and planning.

STEP EIGHT

Find out your FICO score.

Fair, Isaac & Co. is a little-known firm based in San Rafael, California, that has developed the most influential credit-rating system around. What they do is take

your credit reports and, based on such factors as your payment history, how much you owe, and how long you've been borrowing, assign you a number. This number—known as your FICO score—can be used by anyone who is trying to decide whether they should loan you money. FICO scores range from 300 (really bad credit) to 850 (ideal borrower). About 720 is average—which is to say, pretty solid. While FICO is not the only credit-scoring system in use, it is the most widely used, playing a role in three out of every four U.S. credit applications.

Until recently, FICO scores were secret. Only lenders had access to them. But these days Fair, Isaac is a bit more forthcoming. If you go to www.MyFico.com, you can purchase 30-day access to your FICO report for \$12.95. Even more important, the firm offers information on how to improve your FICO score. It may strike you as funny that this firm can score us, then sell us our score, and then offer us tips on how to improve our score. But there's no getting around it—FICO scores have an impact on your ability to get the mortgage and loan rates you want. Just look at the table below, which shows what kind of 30-year fixed mortgage rates different FICO scores qualify you for. So I would spend the time to check yours out and make sure it's as high as you can make it.

Your FICO Score Can Cost or SAVE You Thousands

FICO range	APR
720–850	6.507%
700–719	6.632%
675–699	7.170%
620–674	8.320%
560–619	9.344%
500–559	9.882%

Source: MyFico.com (6/22/02)

STEP NINE

If you are drowning in debt, get help.

Debt problems are the worst. They can cripple your spirit, break your courage, threaten your marriage, and even ruin your health. Fortunately, for those of you who feel overwhelmed, there are places you can turn to for help. Unfortunately, there are also more than a few companies that try to take advantage of people with debt problems. Not a day goes by that my e-mail inbox doesn't fill up with

“fix your credit” offers. There are even infomercials on TV that purport to show you how to get out of debt.

As a rule, fraudulent debt-counseling services overpromise and underdeliver.

Here’s What Reputable Debt Counselors Can’t Do:

- They can’t “erase” a bad credit problem.
- They can’t get you “out of debt.”
- They can’t provide a quick fix to your problem.

A debt-counseling or -consolidation service that implies it can do any of the above is lying to you. Chances are it took you years to get into trouble with credit-card debt. And chances are it will take you years to get out of it.

Here’s What Reputable Debt Counselors Can Do:

- They can help you figure out how and why you got in debt in the first place.
- They can help you figure out whom you owe and how much.
- They can help you come up with a plan to pay off or consolidate your debts.

Two highly regarded debt-counseling agencies are **Consumer Credit Counseling Services** and **Myvesta.org**.

CCCS is an offshoot of the National Foundation for Credit Counseling, the nation’s oldest national nonprofit organization for consumer counseling and education on budgeting, credit, and debt resolution. It has more than 1,300 local affiliates around the nation. You can find one near you by telephoning (toll-free) 800-388-2227 or by going online to www.nfcc.org.

Like CCCS, Myvesta is also a nonprofit agency devoted to helping people solve their credit problems. It specializes in assisting people who owe a *lot* of money. According to cofounder Steve Rhode, the average Myvesta client is on the hook for more than \$100,000 in consumer debt. So if you find yourself with tens of thousands of dollars in debt, you may want to check with them first. You can get more information about Myvesta by calling 800-680-3328 or visiting www.myvesta.org.

When you contact one of these agencies, your first goal should be to find out as much as you can about what they can and can’t do to help you. One important question to ask is whether using their services will hurt your credit rating. And before you sign on with anyone, check with the local chapter of the Better Business Bureau to see if they have any complaints logged against them.

As always, the key to success is: **Learn It, Write It, Live It.** So if you know you need help sorting out your debt problems, make a commitment to yourself to get yourself that help by a specific date, and then write down that date below.

I will get professional help for my debt problems no later than [insert date]

_____. Signed _____

STEP TEN

If you are in a credit-card hole, stop digging!

I meet people all the time who tell me they have big debt problems—and then turn out to have half a dozen credit cards in their wallet. If you have problems with credit-card debt, you need to stop carrying your credit cards. Why? So you can't use them! When I was a “black belt” shopper, I tried every trick in the book to stop spending money. The only one that worked was to stop carrying my credit cards. Once I had to pay for everything with cash, my spending went way down. Try leaving your cards at home for two weeks and see how your spending changes. I think you'll be pleasantly surprised.

STEP ELEVEN

Stop all those credit-card applications from filling up your mailbox.

Chances are that hardly a week goes by without some new offer for a credit card arriving in the mail. If you have good credit, you could receive as many as one a day. It's mind-boggling how relentless these credit-card companies are. Unfortunately, it's not enough simply to throw these applications in the trash. You've got to shred them first. Otherwise, a thief might get hold of one, apply for the card in your name but with his address, and be off and running with your credit.

The best course is to stop the credit-card companies from mailing you applications in the first place. You can do this by visiting www.stopjunk.com, a Web site devoted to helping consumers get their names removed from mailing lists. You should also call the **National Opt-Out Center toll-free at 888-567-8688** and tell them you want to be taken off all of their credit-card mailing lists.

And if you're really serious about getting your name removed from the junk mailers' databases, write to the three major credit bureaus we discussed earlier (Equifax, Experian, and TransUnion) and tell them you do not want to be on any mailing lists for preapproved offers of credit.

STEP TWELVE

If you are married or have a partner, work on your debt problems together.

Nothing will ruin a relationship or end a marriage faster than a debt problem that won't go away and keeps getting worse. After I wrote *Smart Couples Finish Rich*, I received countless letters from couples struggling with this issue. To the many people who insist that it's their partner's problem, not theirs, I say you're fooling yourself. From my experience as a financial advisor and coach to couples, I can tell you this without fear of contradiction: You are in this together.

- Although one of you might be creating the problem, it affects both of you.
- One partner's credit problems can ultimately ruin both partners' credit ratings.
- One partner's credit can affect the couple's ability to get a mortgage.

Don't put off dealing with this issue. Run a credit report on both of you today! Then set up a time to get together and discuss how you are doing on this issue. As I say in *Smart Couples Finish Rich*, couples that plan together, stay together.

STEP THIRTEEN

Protect yourself from fraud.

Identity theft and other credit-card scams are becoming increasingly common. Don't think it can't happen to you. To make sure it doesn't, take the following actions the moment the situation warrants.

- 1. If your credit cards are lost or stolen, contact the credit-card companies immediately to cancel the cards.** This may seem obvious, but many people put it off for days, hoping the missing cards will show up. Don't wait; most stolen cards are used within hours of being stolen.
- 2. If you suspect you are the victim of identity theft, call the federal hot line.** The U.S. Department of Justice now has a toll-free hot line to help people whose identities have been stolen. Call **877-IDTHEFT** and let them know what has happened. The Justice Department will share the information with more than 300 law enforcement agencies throughout the United States and Canada.

- 3. If you think someone has found out your Social Security number and is using it fraudulently, call the SSA hot line.** The toll-free number for the Social Security Fraud Hotline is **800-269-0271**. And to minimize the chances of this ever being necessary, make sure your Social Security number is NOT in your wallet, purse, Palm Pilot, day planner, or anywhere else where some unauthorized person could find it.

SAMPLE LETTERS TO HELP YOU TAKE ACTION

LETTER TO CORRECT CREDIT REPORT ERRORS

Before you write a letter to a credit agency informing them of mistakes in your credit report, telephone them and ask exactly where such a letter should be sent. Also ask if there is any particular individual to whom it should be addressed. And when you send the letter, make sure to send it via registered mail.

Date

Name of Credit Agency

Address

RE: Request to correct errors in credit report [insert file number on your credit report] # _____

Dear [insert name] _____:

In reviewing the credit report you sent me on [insert date] _____, I have noticed the following errors.

1. [describe first error—e.g., “You list my date of birth as Jan. 1, 1900.”]

This is incorrect. The correct information is: [be very specific here and accompany it with proof if you have it—e.g., “As the enclosed copy of my birth certificate shows, I was actually born on July 25, 1963.”].

2. [describe second error—e.g., “You list me as having a charge account with Sears.”]

This is incorrect. The correct information is: [be very specific here and accompany it with proof if you have it—e.g., “I closed this account on March 15, 2001. Please note the enclosed copy of the letter I sent Sears instructing them to close the account.”].

3. [describe third error—e.g., “You list me as having made two late payments on my Bank of America home mortgage.”]

This is incorrect. The correct information is: [be very specific here and accompany it with proof if you have it—e.g., “I have made all my mortgage payments on time. Please note the enclosed copy of my latest mortgage statement as well as a letter from Bank of America confirming this fact.”].

Sincerely yours,

[your name]

FOLLOW-UP LETTER TO CORRECT CREDIT REPORT

I noted above that once you inform a credit agency of an error in your report, it has 30 days to respond. Unfortunately, there is a good chance you won't hear from them. You should prepare the following letter to go out via registered mail on the thirty-first day. Try to get the name of a supervisor of the first supervisor to whom you sent the previous letter.

Date

Name of Credit Agency

Address

RE: Second request to correct errors in credit report [insert file number] _____

Dear [insert name] _____:

On [insert date of first letter], I sent you a letter via registered mail requesting you to correct the following errors in my credit report. [insert information listed on first letter]

According to the Fair Credit Reporting Act, you are required to respond to my request within 30 days. For some reason, I have not yet heard from you. Please respond in writing immediately to this second request to correct the above-mentioned errors.

Sincerely yours,
[your name]

LETTER TO CREDITOR DISPUTING MISTAKES

As stated earlier, before you write, call the creditor's customer-service number, tell them you're trying to straighten out an error in your credit records, and ask for the name of the person at the company you should contact. If that's not possible, get the name of the department to which your letter should be addressed.

Date

Name of Credit Card Company or Creditor

Address

RE: [insert summary of dispute—e.g., “Error in my payment record __a/c #”]

Dear [insert name of individual or department]:

I am writing to you today because of an error I found on my credit report. I have enclosed a copy of the report (file #: [insert #] _____), on which I have highlighted the error.

As you will see, the report indicates that [insert brief description of mistake—e.g., “I have an outstanding balance on my account with you of \$500.”]. This is not accurate. The fact is that [describe actual situation and include proof if you have it—e.g., “As the enclosed copy of my canceled check shows, I paid that bill six months ago.”].

I therefore request that you immediately correct your records to show [insert what they should say—e.g., “that my account with you is completely paid up”] and provide a copy of this correction to the following credit agencies: [insert list of agencies you want notified]. Please provide me with written proof that this was handled as soon as possible and in accordance with the Fair Credit Reporting Act (FRCA, Sec. 1681(i)).

Sincerely yours,
[your name]

LETTER TO CREDIT AGENCY CLOSING OPEN ACCOUNTS

Once again, phone ahead to get the name of the person or department to whom your request should be addressed.

Date

Name of Credit Agency

Address

RE: Request for correction of errors in my credit report (file #: [insert number] _____)

Dear [insert name of individual or department]:

Upon reviewing my credit report (file # [insert number] _____, dated [insert date] _____), I discovered that it incorrectly lists a number of credit accounts that I had closed as currently being open. Please be advised that the following accounts of mine are not open and should be reported as being closed:

1. [insert name of credit-card company and account number]
- 2.
- 3.
- 4.
- 5.

I have enclosed copies of letters to the credit-card companies again requesting that these accounts be closed. Please correct your records to show these accounts as closed and provide me with written proof of same as soon as possible.

Sincerely yours,
[your name]

REQUEST TO CREDIT-CARD COMPANIES TO CLOSE ACCOUNTS

Date

Your Name

Address

Name of Credit-Card Company or Creditor

Address

RE: Immediate cancellation of account[s] [insert a/c number(s) _____]

Dear [insert name of individual or department]:

I recently reviewed my credit report [insert date and file number]. This report indicates that according to your records, my credit account [insert account number] _____ is currently open.

The fact is that I have not used this account since [insert date when you believe you last used the account]. Please be advised that I am not interested in keeping this account open and that I am instructing you herewith to immediately close this account and report its closure to the following credit agencies: [insert agency names]. Please do not call me with offers to retain this account or open any new ones.

Sincerely yours,

[your name]

SOME FINAL THOUGHTS ON DEBT

I've provided these sample letters to make your job easy. But remember the core idea on which this book is built: ***Learn It, Write It, Live It***. The only thing that will ultimately correct the mistakes you are inevitably going to find on your credit report is your taking action and putting everything I said previously in writing.

So get to work. Make sure to send every letter you write via certified and registered mail. (That way you'll have what the lawyers call a "paper trail"—an indisputable record of you sending your letters and the companies receiving them.) Mark down on your calendar when you need to follow up, and keep a file on your desk with all the relevant information, so you can do so easily with everything at your fingertips.

Of course, all of this takes time, and you can almost count on having to send second and even third letters. But don't get frustrated. Ultimately, this entire process is going to empower you. You are taking charge of your situation, rather than letting others take advantage of you.

Finally, if you are in credit-card debt and you feel helpless, get professional assistance. There is nothing wrong with asking for help. The key with credit-card debt is to recognize that you are ultimately in control and you have the power to do something about your situation.

DON'T WAIT UNTIL YOUR DEBT IS PAID OFF TO START SAVING

The number-one question people ask me is whether they should wait until they have paid off all their debt before they start to save. My answer is "no." I believe that whatever you can put aside each month should be cut in two, with half going to pay down your debt and half being saved for the future (something we'll cover in the following chapters).

The reason for this is very simple. Even if you put every ounce of energy into paying off your debt, it could still take you years to get out of the hole. In the meantime, all of your energy will be going into reducing a "negative," with nothing going into building a "positive." This can be depressing to the point where it can demoralize you.

In contrast, if you can afford to put aside, say, \$300 a month and you put \$150 of it toward your debt and \$150 into savings, you are doing two things at once. You're burying the past while jumping to the future. You'll see progress on getting out of debt and you'll be making financial progress with your savings.

This is bound to motivate you and get you excited about the future. In my experience, money is as much an emotional issue as a numerical one. This approach helps you handle both at once.

Now let's take a look at how to invest for a strong financial future by **PAY-ING YOURSELF FIRST!**