

## “An Introduction to Do-It-Yourself Debt Settlement”

by Kenny Golde

Kenny Golde is the author of “The Do-It-Yourself Bailout,” a guide for consumers on the process of Do-It-Yourself Debt Settlement.

After inheriting \$212,000 in debt when a business partner suddenly passed away, and struggling to make monthly interest payments of nearly \$4000, Kenny pursued settlements on seven different credit cards with six, major U.S. banks.

Over several months, he successfully reduced his debt by over 90%, down to just \$15,000, and had over \$130,000 in debt written off entirely. He wrote “The Do-It-Yourself Bailout” to show others who are also struggling with debt what the process of debt settlement looks like so that they could empower themselves to settle their own debt as well.

His story has been told on the CBS news in Los Angeles, Good Morning Arizona, the nationally syndicated Thom Hartmann radio program, Business Beat Live, Wealth Pilgrim radio, Unlock Your Wealth radio, on AOL’s WalletPop.com, CreditCards.com, Consumers Digest Magazine, and on many other radio and television shows across the country.

For more information on “The Do-It-Yourself Bailout,” visit <http://www.SettleYourCreditCards.com>.

**This is a FREE report.**

**You can give it away to whomever you want,  
post the download link on Twitter, Facebook  
or other social networking pages, or send the  
pdf directly to your email lists.**

### WHAT IS "DEBT SETTLEMENT?"

Debt Settlement is the process of negotiating a settlement on a credit card account (personal or business) for less than the amount owed. For instance, if someone has a \$10,000 balance on an account, he or she might offer the bank \$3500 as a lump-sum payment and in exchange, the bank will "write off" or "forgive" the other \$6500 owed. We can then say that this person has "settled" his or her account for 35% of the balance.

Many people confuse Debt Settlement with Debt Consolidation. They are very different approaches to dealing with debt. Debt Consolidation is the process of combining several credit accounts under one roof, so to speak. For instance, if a person has \$10,000 in balances spread over four different accounts at differing rates of interest, he or she would take out a single, \$10,000 loan, ideally at a lower average interest rate. The benefits to a Consolidation Loan are that the total monthly payment will be reduced (assuming the average interest rate is reduced) and payment will be made to a single entity. However, in Debt Consolidation the borrower will still pay off the entire balance and all interest.

The financial advantage to Debt Settlement is two-fold. First, there is the initial savings of the written off amount; and second, there is the savings of all future interest that would have been paid on the balance.

Here is some simple math. For that same person with a \$10,000 balance, at a relatively common current interest rate of 29%, the minimum monthly payment on the account will be approximately \$250.00. If one were to make the minimum monthly payment always, it would take 141 payments, or roughly 14 years to pay off the entire account and at that time, total payments would equal approximately \$35,000.

By paying \$3500 up front to settle the account, not only is the \$6500 of the current balance written off, but another \$31,500 in future interest is saved, bringing the adjusted, dollar-for-dollar payment amount to just 10% of the total, potential payments.

Before pursuing debt settlement, there are a few things to consider.

First, there is the issue of the upfront payment. One of the perks of a credit card (or at least, the lenders would have us believe that it is a perk) is that loans can be paid back in small, monthly payments. While this does stretch out the balance in one's savings account, many people now realize that the added interest (especially a high interest rate over time) often outweighs the perk of being able to make monthly payments.

Nevertheless, for many borrowers, the idea of coming up with 25-35% of their balance upfront to make a settlement is a daunting one. You will have an opportunity to read more about making up front payments on debt settlements in one of five, FREE REPORTS available at the end of this report.

Another factor for someone considering Debt Settlement is that it does affect one's Credit Score. You will also have an opportunity to read more about Debt Settlement and Credit Scores in the FREE REPORTS at the end of this report.

### WHAT ABOUT BANKRUPTCY?

When I was \$212,000 in debt, I considered bankruptcy. I actually visited a bankruptcy attorney. He told me about the differences between Chapter 7, 11 and 13 bankruptcy (details on the subjects can easily be found online, or better yet, by consulting with a bankruptcy attorney yourself). What I realized was that I could pursue debt settlement as a possible alternative to bankruptcy; meaning, if I could successfully settle my debts and have more cash leftover when finished than I would if I filed for bankruptcy, then I would have come out financially ahead of bankruptcy (which I did). Conversely, if I pursued debt settlement and was unsuccessful at reaching satisfactory settlements, bankruptcy would always be an option.

I figured, I had nothing to lose in pursuing debt settlement prior to filing bankruptcy, but again, everyone's case is different.

### IS DEBT SETTLEMENT THE RIGHT CHOICE FOR ME?

I would never presume to tell someone they "should" pursue debt settlement. I do not do so in "The Do-It-Yourself Bailout" and I will not do so here. However, I will give you more things to consider to help determine, for yourself, whether debt settlement is the right choice for you.

First, do the math.

Calculate your total debt, the interest you are paying on each card, and the monthly payment you are making. Use an interest calculator\* to determine how long it will take you to pay off your balance at your current monthly payment and how much it will cost you, including interest, to do so.

Next, evaluate your available and potentially available cash for settlements. Include your cash assets and income. Cash assets could be savings, stocks and bonds that could be liquidated, vehicles or property that could be liquidated, or anything of value that you feel might better be put toward debt settlement than its current state or use. Add to the equation your monthly expenses.

Then ask yourself this general question: based on my total debt, my total assets, my income and expenses, how much money do I feel I can a-little-less-than-comfortably put toward debt settlement?

I say "a-little-less-than-comfortably" because in all likelihood making any debt settlement payment will not be comfortable. I settled one account with a \$76,000 balance for \$25,000. I promise you, writing a check for \$25,000 from my very limited savings (and I had no income at the time) was not comfortable at all. However, I felt that the \$51,000 savings plus saving all the future interest was worthwhile, despite the discomfort.

Here is an example:

Let's say a person has \$20,000 in credit card debt, \$15,000 in total cash-available assets, and earns \$40,000 per year. His or her post-tax income (not accounting for deductions), will be approximately \$25,000, or roughly \$2,000 per month.

---

\* Interest Calculator: <http://www.bankrate.com/calculators/credit-cards/credit-card-payoff-calculator.aspx>

At a median interest rate of 20% and a monthly payment of \$500 (25% of your this person's income!), it will take 67 months to payoff the account (more than five years!) and will eventually cost \$33,500. And for all of that time he or she will be living on only \$1500 per month.

Now, let's suppose that this person can reach a negotiated settlement of \$7000 on that \$20,000 in credit card debt (35%). It will take just less than half of the \$15,000 in cash assets to payoff the settlement. That shortness of breath you may be feeling right now is the less-than-comfortable experience I told you about, and most people will stop there. They will have many reasons why they cannot spare that cash from savings and keep making their \$500 per month payment for 67 months.

But we're doing all the math. This person will no longer have a \$500 per month credit card payment. If he or she puts the same \$500 per month into the bank that s/he was putting toward credit card payments, the bank account will be back up to \$15,000 in 16 months, about a year and a half. This person will have saved \$13,000 in written off debt, now have zero debt and his or her full monthly income to live on without making future interest payments.

So, do your own math and then ask yourself, is Debt Settlement right for you?

#### WHAT IS "DO-IT-YOURSELF" DEBT SETTLEMENT?

Just as it sounds, Do-It-Yourself Debt Settlement is the process of calling up your banks yourself and negotiating settlements on your debt, as opposed to hiring, paying and relying upon a third-party agency to do it for you.

There are pros and cons to using an agency and whether or not do to so differs for everyone. The biggest drawback is the expense. Assuming the company you may choose is reputable (you may have heard on the news that many are not), you will pay a fee for their services, usually an upfront fee or possibly a percentage of the total amount of debt you have that they settle for you.

If you do-it-yourself, there is no fee.

You will have to rely upon them to make the phone calls, write the letters, do the follow-up, and negotiate on your behalf. Again, if they are reputable, this will save you considerable time which may be of great value to you and worth their fee. In my case, I found saving the money to be more valuable than the time (at the time), and also wanted to know what was happening on a moment-to-moment basis. Even the most reputable agency would never have given me updates as often as I would have wanted to have them. Lastly, I felt that no agency, regardless of reputation, would negotiate on my behalf with the patience and persistence that I would. I figured that they had other clients, that it was in their best interest to settle as quickly as possible so as to earn their fee in the shortest amount of time, and that, regardless of how well they claimed to understand my situation, they would never connect as deeply as I did to the fact that settling my debts meant saving my future.

If you do choose to use an agency, I recommend you find one that takes its fee on a percentage basis of payments actually made to your creditors as settlement and avoid any company that wants you to make front-loaded payments of their fee prior to making settlements for you. This will just deplete your cash with no guarantee that any settlements will be made.

### IF I DO, "DO-IT-MYSELF," HOW TO I BEGIN?

Once you have visited a bankruptcy attorney to discuss all your options, done all the math on your debt, assets, income and expenses,, decided that pursuing debt settlement is the right path for you and chosen to do it yourself, here is what happens next:

First, you will need to miss payments on your credit cards.

I know, another big gasp of air. Even among those who get this far, many more give up on debt settlement because of the emotions that they feel when they consider missing a credit card payment. We have been taught through moral conditioning and advertising that missing a credit card payment is a "bad" thing. For an in-depth discussion on how emotion cripples us financially, and how to get past it, download the five, FREE REPORTS at the end of this paper (a \$75 value).

Why do you need to miss your credit card payment? For the real answer you'd have to get someone at one of your banks to tell you. I haven't gotten anyone to tell me for certain, but the current practice among banking institutions is that they will not generally enter into settlement negotiations with someone who is current on their payments. My guess is that they want to do everything they can to keep you current on your payments. Another guess is that they want to test the seriousness of a borrower's financial difficulties and believe that the emotional resistance to missing a payment may, in many cases, be enough to keep a borrower making payments. I have heard it suggested that banks insist a borrower miss a payment before entering into settlement negotiations because that will then give them the right to raise the interest rate (often by two or three times as much) and that will give them leverage in the negotiations.

In short, I cannot say exactly why banks follow the practice of insisting that a borrower miss their card payments before settlement negotiations can begin but in my experience (and so far in the experience of of my readers and the other experts I have gotten to know in this arena), it is the practice.

### WHAT HAPPENS WHEN I MISS A PAYMENT?

Once you miss a payment, or a few payments, you will eventually get a letter and / or a phone call from a collection agent at the bank asking you why you missed your payment.

Once you start getting these phone calls, that is when the door to settlement negotiations is open.

At the end of this report, you will have an opportunity to download another FREE REPORT containing the actual text of a collection agent phone call.

Do not expect negotiations to go quickly. In my experience, it took months to reach a settlement in the range that was right for me. The banks often start as high as 85-90%. Their goal with each phone call will be to upset you emotionally in the hopes that you will settle at a high number, or better yet for them, resume making interest payments on your full balance.

The keys to a successful settlement negotiation are to be patient, to remain unemotional, and to focus on your greater goal of getting out of debt quickly so that your income needn't go to paying credit card interest.

FREE REPORTS

I hope that you have found value in this Introduction to Do-It-Yourself Debt Settlement. If you did, please click below to download five more, FREE REPORTS on Debt Settlement.

<http://www.settleyourcreditcards.com/freereports.html>

These reports will cover:

- **Debt Settlement and your Credit Score**
- **Making up front payments**
- **Removing the Emotion from your finances and debt**
- **The actual text of a collection agent phone call**
- **What you need written in a Debt Settlement Agreement**

<http://www.settleyourcreditcards.com/freereports.html>

Thanks for reading this report. Please feel free to pass it onto your friends who want to learn about debt settlement, post the download link on Twitter, Facebook or your other social media sites, or send it to your email subscribers.

All the best,

Kenny Golde