
How To Settle Your Debts

Without Committing Financial Suicide

A Southern Mountains Press Book/July 2004

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How To Settle Your Debts

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INTRODUCTION

How This Book Will Help You

After you read this book there will be a major difference between you and 99% of the millions of people who are suffering with debt and insolvency – you will be able to get a fresh start without having to destroy your future in the process.

Read This Book Before You File for Bankruptcy!

This book will show you how insolvency can be overcome without having to utilize the degrading and often self-defeating alternative of filing bankruptcy. It's a survival guide for individuals and businesses faced with the dilemma of being deeply in debt. You will learn how to escape from the mess that you're in while still preserving your dignity, your ambitions, your hopes and your dreams.

Bankruptcy can be destructive! It can do more harm than good and should only be used if it's absolutely necessary to protect assets like your home from seizure or to prevent a business from being closed. Most people who file bankruptcy do so for reasons that can be resolved in much less destructive ways.

When you file bankruptcy unnecessarily, you perform economic hara-kiri. It's like being an "ex-con" - even though you've done the time the label won't go away and it's unlikely that you will ever be able to get credit again at reasonable rates. In addition, it will probably prevent you from cashing in on that business opportunity you've been waiting for or that new job opportunity or promotion or even the approval to purchase that home or condo you wanted. If your primary needs are to ease the burden of credit card or other unsecured debt or to stop the stress caused by bill collector harassment, you can accomplish them without bankruptcy.

You Can Overcome Debt Without Causing Harm

Once you understand the strategies and learn the techniques provided in the chapters that follow, you will be able to reverse your insolvency and give yourself a fresh start. And this can all be done using methods that will not adversely affect your future. You will learn how to evaluate and understand your own financial predicament and how to use this understanding to select and implement an appropriate course of action to deal with and ease your financial difficulties.

You will also learn how to confront the lenders who entrap you into high interest debt and how to challenge their enforcers – the bills collectors, the attorneys and the entire debt collection establishment – who often use abusive, intimidating and sometimes illegal tactics when they attempt to collect debts.

Debt Collection Secrets Revealed

In this book I reveal secrets that are the essence of the debt collection establishment; factors that influence bill collectors when they decide which debts to pursue vigorously, which to pursue lethargically and which too simply back off and abandon. You will learn:

- How the profit motive and the “bang for the buck” mentality affects the debt collection process and how to use it to your advantage.
- How the “Godfather Principle” (“make an offer that makes no sense to refuse”) is used to settle debts.
- How the use of basic negotiation skills and leverage will guarantee your success.
- How creating doubt as to the collectability of a debt will cause bill collectors and creditors to lose interest.
- How challenging the validity of a debt will diminish collection efforts.
- How attacking a bill collector’s competence, persistence and routine will get him to back off.
- How using your rights can turn the tables on bill collectors and put them on the defensive.

- How you can counterattack and beat creditors and bill collectors at their own game.
- How settlements and workouts can be used to minimize credit damage and to clean up damage already done.
- How debts can be settled with attorneys even after lawsuits are filed and judgments are obtained.
- How secured debts can be settled even under the threat of repossession or foreclosure.
- How federal and state tax debt can be settled.
- Why business debts can be settled with greater ease than consumer debts.

Don't Commit Financial Suicide

Before you pull the plug on your future and file bankruptcy, use this book to assess your financial situation and to see if there's a better way to deal with your debts. You owe it to yourself and to your family. **Keep in mind that most people who file bankruptcy don't need to!**

Also, you must keep in mind that **no matter how you choose to deal with your debts, the effort will be wasted unless you take control of your life and commit to live within your means.** You must stop spending what you don't have or you will be back in the identical situation before you can say financial irresponsibility.

This book does not provide solutions for individuals who cannot control their spending habits and their inclination to be continuously in debt. In such circumstances it may be best to obtain assistance from a psychologist to discover the underlying causes of this problem.

Author's Pledge and a Note of Caution

Before I go any further I want to assure you that, in most situations, unsecured debts can be settled and insolvency resulting from them can be reversed without the enormous price you must pay when you file bankruptcy. However,

if your problems involve defaulting on a mortgage or other secured debts, it may be wise to seek out expert advice from a qualified bankruptcy attorney before you decide how to proceed.

In the first section of this book we will talk about some things that you should know about debt and about the risks you take when you don't pay your debts.

CHAPTER 1

The Conspiracy Theory

There is a conspiracy to take the shirt off your back.

Why This Debt Dilemma?

We live in a society that is drowning in debt right up to and including our national treasury. Being in debt has become a way of life. Nowadays, a person or a business that is not in debt is a rarity. We are encouraged to spend beyond our means by an economic system that's not only fueled by debt, but where going into debt is often the only way that we can grow our business or expand the scope of our personal lives. So inevitably we give in to temptation and take advantage of the numerous opportunities that are provided.

There are times when debt is incurred for reasons that are justifiable or beyond our control. But most of the time, with the help of the system, we become indebted due to our own greed, ignorance and irresponsibility.

The "debt traps"

A large part of the problem is a monstrous conspiracy that is being perpetrated upon the consumer. These are the cons and schemes that are masterminded by lenders to sucker us into high interest debt. Dun & Bradstreet, a major debt collector and a giant credit reporting company, recognized this conspiracy against the consumer by saying:

“Many consumers fall into a DEBT TRAP not entirely of their own making. They are lured by over-eager sellers, easy credit, plastic money, the attraction of small monthly payments and the buy now pay later syndrome.”

These “Debt Traps” are set because of the enormous income moneylenders earn from the interest they charge to those who

pay for what they purchase over time. Many retailers earn more from interest on their charge accounts than they do from selling merchandise.

With interest rates exceeding 20%, charge cards and credit cards have become the most lucrative area of the money lending business. Yet, it wasn't too long ago that charging such rates was a crime called usury and you could go to prison for it.

This enormous potential for profit has credit card companies, banks, finance companies, large retailers and others who offer charge account credit conspiring in their back rooms to entrap us into high interest debt. They maneuver us into using more and more credit that curiously keeps increasing as our balances approach their limits. As long as our payments continue and their sophisticated computer programs don't flag us as at risk to default, we're enticed and assisted into digging ourselves deeper and deeper into debt. Though they put forth a righteous front, these "Legalized Loan Sharks" literally plot to take the shirts off our backs.

How they entrap us

Below are some examples of schemes and devices that lenders use to lure us into high interest debt. I bet they sound familiar.

The mystery of unsolicited credit — You're in debt over your head (\$20,000) with several charge cards borrowed to the limit. You're paying them off at an average rate of 20% - that's more than \$4,000 a year in interest alone and you can barely make the minimum monthly payments.

It's the end of October; the holidays are fast approaching and guess what comes in the mail? It's an unsolicited "pre-approved" invitation to accept a new credit card (Gold, or Platinum no less) with a \$7,000 credit line and a bonus offer of "no payments until March and a low 9% interest rate until June. Just sign and return".

What it doesn't say, at least not in the same bold print, is that after June 1st the rate goes up to 21%. So "shop till you drop" with their blessing, or at least until you drop the seven "Gs." Coincidence? Did Santa come early this year? Certainly not! The "Legalized Loan Sharks" know exactly how to get you.

Blank checks and balance transfers — Lets not forget those blank checks you get from your credit card lenders every month or so with your name and address smartly printed on them just urging you to write your own loan and incur more debt at 20% plus. How about those offers you get - it seems like I get one every day - to transfer other credit card balances and pay lower rates (at least for a while or until one of your payments is late - watch the fine print). They do this to put their card in your wallet or in your purse. They know that if you have it you'll probably use it and those charges will be at their regular loan shark (20% plus) rates.

15% off and discount coupons if you open a charge account — Have you noticed how many retailers offer substantial discounts on purchases for the day that you open a charge account? What's the catch? Why are they so generous? The answer is that they know that in most cases you will pay off those purchases at the minimum and they will make back the 15% and more from the interest charges you incur. In addition, many of those who open charge accounts will continue to use them indefinitely and pay the 20% plus service charges. By the way, that sales person who got you to open the account gets a special extra bonus.

How about all those coupons — When retailers send you discount coupons they're often restricted to purchases that you charge on the store's card. Why? Because they want you to be indebted to them, they have all become finance companies because that's where the money is!

Advertising slogans — Then there's the final indignity, all those very clever slogans that lenders use to encourage us to spend, spend, spend, spend. You know the ones I mean, like American General's, "*Live the life you imagined*" or "Visa, *it's everything you want it to be*". And then there's MasterCard's "*There are some things that money can't buy. For everything else (you guessed it) there's MasterCard*". Citibank's slogan puts it very bluntly by simply saying, "*Live richly.*" What a joke! But, unfortunately, the joke is on us.

Escalating Indebtedness and Insolvency

Often we refuse to recognize our money problems until they smack us right in the head. This indifference is encouraged by many sources of immediate, almost automatic credit and other devices that allow insolvency to creep up on us and go undetected for quite some time.

Cash from financing such as charge accounts, credit cards, ready credit, write your own loans, overdraft protection and cash from depleting assets including automatic transfers from savings and investment accounts can be used easily and automatically to supplement earnings. Thus, even if you've overextended yourself, you may still be able to keep up payments and maintain your lifestyle for quite some time.

But inevitably, sooner or later the bubble will burst. Your savings and your other assets will disappear and your ability to get additional credit will max out and the cash you need to meet your obligations will fall short. That's when the real trouble begins.

The disease of escalating indebtedness must be recognized and stopped. The longer it takes, the more widespread it will become, the more complicated and painful it will be to cure and the more damage it will do. It's like neglecting a toothache until the pain becomes extreme. Instead of a simple filling you'll probably need a root canal or an extraction.

The goal of the "Legalized Loan Sharks" and their "Credit Traps" is to maximize your debt just short of default, to stretch us to our limits and squeeze out all they can. They do this knowing that some consumers will default. However, to them the lost revenue is simply a cost of doing business like rent or telephone expenses. They budget for it and they set up collection procedures to keep it under control and to minimize it.

This aggressive approach to credit granting creates billions of dollars of additional revenue from consumer debt at 20% plus. The interest they earn far surpasses the revenue they lose due to defaults. Yet, if you are one of the unlucky ones who should happen to fall through their net and default, you're no longer a

valued customer. You're a "deadbeat", a phenomenon that they have helped to bring about. You have bills you can't pay and you become trapped in what appears to be a hopeless financial situation. But, as you will see, it's not hopeless.

There Are Ways Out

As you will learn in subsequent chapters, in most situations, especially those where the problem primarily involves unsecured debts, **you hold the trump card**. That's because you control the money and money is what this is all about. When you break it down, there are four ways that you can deal with unsecured debt and the insolvency it may cause:

1. **You can pay** — You may be able to free up some cash to pay off enough debt so that your monthly payments become manageable. This can be done by selling or refinancing assets you may have or by taking steps to reduce your cost of living.
2. **You can walk away** — If you're judgment proof (you have no assets or income that creditors can take) and if your credit reputation is not important to you, you can just stop paying and walk away. And, believe it or not, there's not much that your creditors can do about it.
3. **You can file bankruptcy** — It's the quickest and the tidiest way to get rid of your debts, *but it's not a painless way*. Filing bankruptcy can legally set you free (discharge) from most debts (some tax debts and secured debts excepted). But the damage it will do to your credit and to your future financial and business life will be tough to overcome.
4. **You can negotiate your way out** — This is my way and what this book's about. Not that I invented it; let's just say that with this book I've perfected it. You can often survive the crisis of debt and insolvency by voluntarily obtaining relief from your creditors. You can substantially reduce your financial burden in a relatively short period of time and greatly limit damage to your credit and to your general reputation. You will get a fresh start without having to deal with the damage caused by filing bankruptcy.

Wrongful Debt

Have you ever received a bill for services that was way out of line or that was not your obligation? Have you ever purchased merchandise that did not have the characteristics claimed or that did not meet the quality standards advertised or just something that was simply defective? I bet you have! Were you able to resolve the problem fairly? Probably not and even if you were, it was most likely with great difficulty.

It's not uncommon to incur debts that are bogus or unjust. Often, you simply don't get what you pay for. The worst part is there may be little or nothing you can do to correct the problem. You've heard the saying - "Caveat Emptor" - "let the buyer beware". Well, that's how it works; what you see is not always what you get and what's been promised may not be what's delivered.

Time and again predicaments such as these are not decided on the merits and the burden to achieve satisfaction is almost always on the purchaser. Even when there are warranties, they can be difficult to enforce. The strategies outlined in this book also apply to dealing with individual debts that for one reason or another should not be paid or that should be settled for a lesser amount.

You're Still To Blame

Conspiracies to "trap" you into debt notwithstanding, you still must realize that you have allowed this to happen and that you must accept primary responsibility for it. Let's face it; no one was holding a gun to your head when you purchased that home theater system that you knew you couldn't afford. Thus, for this book to be of true value readers must commit to stop spending beyond their means and to stay out debt **starting right now.**

In the next chapter we talk about different kinds of debt and how these differences can affect debt collection and debt settlement negotiations.

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