



online resources

Be sure to check out the special online features for this week.

- **Free Credit Report:** Learn how to get a free copy of your credit report online every year.
- **National Do Not Call List:** Stop those annoying telemarketer calls with the U.S. National Do Not Call Registry.
- **Prescreen Opt-Out:** End all of the “pre-approved” credit offers that fill up your mailbox by automatically turning away any company that tries to check your credit without your knowledge.
- **Identity Theft Protection:** Find out about the only ID theft protection that Dave recommends.

Review of the Last Section

1. What are the six steps to getting out of debt?
2. What are the seven Baby Steps (in order)?
3. Why is it important to complete Baby Step 1 before moving on to Baby Step 2?

Discussion and Accountability

1. If you have ever been contacted by a collector or creditor, what emotions did you experience?
2. In what way is *emotion* a collector’s best weapon?
3. Have you ever let a collector set your family’s priorities?
4. What are the “Four Walls”? Why is it important to always pay necessities first before paying your creditors, such as credit card companies?
5. True or False: A collector can garnish your wages at any time.
6. Have you or someone you know been the victim of identify theft? How has that impacted your/their life?

Homework

1. **Review your credit report.** You can get a free copy from each of the three credit agencies once a year. Check it for accuracy immediately!
2. **Financial Peace Revisited:** Read chapters 9 and 22.

Answer Key

Credit	Nothing	9:00 p.m.
Score	Division	Work
Debt	Documentation	All
Winning	Persistent	Lawsuit
7	Hobby	Negotiations
10	Remove	Take
Inaccurate	Certified	Wages
79%	Entire	Paper
25%	Complaints	Club
30%	Plan	Pro
22%	Money	Rata
Annually	Salespeople	\$10,000
Fraud	Telemarketers	10
Victim	Turnover	Lose
Police	Emotion	Judgment
Report	Necessities	Slow
Theft	You	Pay
Nothing	8:00 a.m.	

Set Your Goals for the Week / Gazelle Focus

I will check my credit report for accuracy by this date:

Also this week, I am going to ...

Sample Pro Rata Plan Letter

Date: February 22, 2006

From: Joe and Suzie Public
123 Anystreet
Anytown, ST 11111

To: Mega Credit Card Company
999 Main Street
Big City, ST 00000

Re: Joe and Suzie Public # 1234-5678-9012-9999

Dear Collection Manager:

Recently I lost my job. My wife is employed in a clerical position. We have met with a financial counselor to assess our present situation.

We acknowledge our indebtedness to you of \$6,000 and fully intend to pay you back in full. However, you are one of six creditors to whom we owe a total of \$42,968. We owe minimum payments of \$782 each month. We are not able to meet these minimum payments at the present time, and we will not go further into debt to meet these obligations.

We have put together a cash flow plan based on our take-home pay of \$2,340 per month (see the enclosed copy of cash flow plan). Since we have two small children and no disposable income, we cannot make a payment to you at the present time, but we do not intend to go bankrupt.

We are asking for a moratorium on payments for the next 120 days. We will keep in close contact with you, and as soon as possible, we will begin making payments. If possible, we further request a reduction in interest during this time.

We are aware that this is an inconvenience to you, but we must meet the basic needs of our family first. We fully intend to pay our creditors all that we owe them. Please be patient with us. If you have any questions please contact us at 600-555-9876.

Thank you for your consideration of our present situation.

Sincerely,

Joe Public

Suzie Public



Sample Creditor Letter

Date _____

(From)

(To)

RE: _____

Dear _____,

I am writing to formally request that, in accordance with the 1977 Federal Fair Debt Collection Practices Act, your firm (or any agency hired by your firm) no longer contact me at my place of employment, _____.

Please take note that this letter was mailed certified mail, return receipt requested, so that I will have proof that you are in receipt of this letter should legal action against you become necessary.

I am willing to pay the debt I owe you, and I will be in touch soon to work out arrangements.

Feel free to contact me at my home between _____ a.m. and _____ p.m. at the following number: _____, or by mail at my home address: _____.

Please give this matter your immediate attention.

Sincerely,

(Signature)



Sample Credit Bureau Letter

Date _____

(From)

(To)

RE: _____

In reviewing the attached credit bureau report issued by your agency, I have detected an error. The following account(s) is/are reported inaccurately:

Company Name: _____
Account Number: _____

Under the provisions of the 1977 Federal Fair Credit Reporting Act, I hereby request that your agency prove to me in writing the accuracy of the reporting of this account. Under the terms of the Act and succeeding court cases, you have 30 days to prove such accuracy or remove the account entirely from my report. I ask that you do so.

This letter was sent certified mail, return receipt requested. I expect a response within the 30-day period. Should I not hear promptly from you, I will follow up with whatever action necessary to cause my report to be corrected.

Please feel free to call me if you have any questions. My home phone number is _____, and my office number is _____.

Sincerely,

(Signature)



Sample Cease and Desist Letter

Date _____

(From)

VIA: Certified Mail, Return Receipt Requested

(To)

RE: _____

Dear _____,

You are hereby notified under provisions of Public Law 95-109, Section 805-C, the FAIR DEBT COLLECTION PRACTICES ACT to CEASE AND DESIST in any and all attempts to collect the above debt.

Your failure to do so WILL result in charges being filed against you with the state and federal regulatory agencies empowered with enforcement.

Please be further warned that if ANY derogatory information is placed on any credit reports after receipt of this notice, that too will result in action being taken against you.

PLEASE GIVE THIS MATTER YOUR IMMEDIATE ATTENTION.

Sincerely,

(Signature)



Sample Removal Letter

Date _____

(From)

VIA: Certified Mail, Return Receipt Requested

(To)
Mail Preference Service
Direct Marketing Association
P.O. Box 282
Carmel, NY 10512

RE: Unauthorized direct marketing and pre-approved credit card offers

This letter is your formal notice to remove my name from all direct marketing and pre-screening databases. I do not wish to receive any unsolicited offers, especially from credit card companies.

Not only do I request that my name be permanently removed, but I also request that my phone number and address must likewise be permanently removed. My correct information is as follows:

- (Complete Name)
- (Full Address)
- (Phone Number with Area Code)

Thank you for your immediate attention to this matter.

Sincerely,
(Signatures)

Request For File Disclosure Form

REQUEST FOR FILE DISCLOSURE
CREDIT BUREAU OF NASHVILLE
604 FOURTH AVE NORTH - P.O. BOX 190589 - NASHVILLE, TN 37219-0589

Reason for File Disclosure Request _____

Referred by _____ Was credit refused? yes no

I hereby request the Credit Bureau of Nashville to disclose to me the contents of my credit record. I understand that if I have been rejected for credit within the past sixty (60) days as the result of credit information contained in my credit record, there will be NO CHARGE for this disclosure, otherwise there will be an \$8 charge for an individual disclosure or \$10 for both myself and my spouse.

Name _____ Phone No. _____
Spouse's Name _____
Present Address _____
City _____, State _____ Zip Code _____
Former Address _____
City _____, State _____ Zip Code _____
Date of Birth _____ Social Security No. _____
Employed By _____
How Long? _____ Position _____
Former Employment _____
Spouse's Date of Birth _____ Social Security No. _____
Spouse's Employment _____
How Long? _____ Position _____

I hereby authorize the Credit Bureau of Nashville to review my credit record with me, to make any necessary investigation of my credit transactions and to furnish to its subscribers reports based thereon. In consideration of its undertaking to make such an investigation I authorize any business or organization to give full information and records about me.

I am the person named above and I understand that federal law provides that a person who obtains information from a consumer reporting agency under false pretenses shall be fined not more than \$5,000 or imprisoned no more than one year or both.

Signed _____ Date _____

Telephone Number _____ Ext _____ where I can be reached during normal working hours.

AUTHORIZATION FOR DISCLOSURE OF SPOUSE'S CREDIT RECORD
I, _____, certify that I am presently married to _____, and am acting in his/her behalf in reviewing the credit record information concerning him/her maintained by the Credit Bureau of Nashville.



Be Proactive

Decrease unauthorized direct mail marketing (including pre-approved credit card offers) and unwanted telemarketing calls!

- **PRE-SCREENING OPT OUT**

Phone: (888) 567-8688

Website: www.optoutprescreen.com

- **NATIONAL DO NOT CALL REGISTRY**

Phone: (888) 382-1222

Website: www.donotcall.gov

You can write a letter and request to be removed from direct marketing databases for five years. Be sure to include your name, home phone number, address, and your signature. If your address changes, you must make another request.

- **FOR DIRECT MAILINGS:**

Address: Mail Preference Service
Direct Marketing Association
P.O. Box 282
Carmel, NY 10512

Website: www.dmaconsumers.org

- **FOR TELEMARKETING:**

Address: Telephone Preference Service
Direct Marketing Association
P.O. Box 1559
Carmel, NY 10512

Website: www.dmaconsumers.org



Credit Bureaus

The FACT Act amendments to the Fair Credit Reporting Act require the nationwide credit bureaus to provide consumers, upon request, one free personal credit report in any 12-month period. You may contact the Central Source online at www.annualcreditreport.com or by calling toll free (877) FACT ACT. Free copies are also available if you have been denied credit in the past 60 days and the creditor used their services.

- EXPERIAN

Phone: (888) 397-3742

Website: www.experian.com

- EQUIFAX CREDIT BUREAU

Phone: (800) 685-1111

Website: www.equifax.com

- TRANSUNION CREDIT BUREAU

Phone: (877) 322-8228

Website: www.transunion.com

- FEDERAL TRADE COMMISSION

Phone: (202) 326-2222

Address: 600 Pennsylvania Avenue, N.W.
Washington, D.C. 20580

Website: www.ftc.gov

Publishes a brief, semi-annual list (March and September) on card pricing by the largest issuers for \$5 per copy. Offers a number of free credit-related publications.



Facts You Should Know

- Payment history on your credit file is supplied by credit grantors with whom you have credit. This includes both open accounts and accounts that have already been closed.
- Payment in full does not remove your payment history. The length of time information remains on file is:

Credit and collection accounts – Seven years from the date of last activity.

Courthouse records – Seven years from the date filed, except bankruptcy Chapters 7 and 11, which remain for 10 years from date filed.

- A divorce decree does not supersede the original contract with the creditor and does not release you from legal responsibility on any accounts. You must contact each creditor individually and seek their legally binding release of your obligation. Only after that release can your credit history be updated accordingly.
- There may appear to be duplicate accounts reported in your credit file. This could be because some credit grantors issue both revolving and installment accounts. Another reason is that when you move, some credit grantors transfer your account to a different location and issue another account number.
- The balance reported is the balance on the date the source reported the information. Credit grantors supply information on a periodic basis, so the balance shown may not be the balance you know it is today. If the balance reported was correct as of the date reported, it is not necessary to reinvestigate the balance on that account.



“And if anyone wants to sue you and take your shirt, let him have your coat also. Whoever forces you to go one mile, go with him two. Give to him who asks of you, and do not turn away from him who wants to borrow from you.”

– Matthew 5:40-42
(NASB)

“Do not withhold good from those to whom it is due, when it is in the power of your hand to do so. Do not say to your neighbor, ‘Go, and come back, and tomorrow I will give it,’ when you have it with you.”

– Proverbs 3:27-28
(NKJV)

Lawsuits

Eventually, if you are making no payments and have cut no deals, you will get sued.

Typically, lawsuits for under \$_____ are filed in General Sessions Court (or small claims court), which is a fairly informal proceeding.

Before you are sued, you will be served by the local sheriff’s department and typically given _____ days notice of the court date.

In court, if the debt is valid, even if you fight, you will _____. From that date you will generally have 30 days before the _____ becomes final and garnishments or attachments begin.

At ANY TIME during the process, you may settle with the creditor or their attorney in writing. If you are not able to reach an agreement, you can file with the court a “_____ motion,” called a “pauper’s oath” in some states.



Credit Sharks In Suits

Pro Rata Debt List (Form 11)

Income \$3361
 Necessity Expense - \$3161
 Disposable Income = \$200

Total Debt: \$2,000
 Total Minimum Payments: \$310

Item	Total Payoff	Total Debt	Percent	Disposable Income	New Payment
J.C. Penney	100	2,000	= 5% (.05) X	200	= \$10
Sears	200	2,000	= 10% (.10) X	200	= \$20
MBNA Visa	200	2,000	= 10% (.10) X	200	= \$20
Citibank Visa	300	2,000	= 15% (.15) X	200	= \$30
Discover	1200	2,000	= 60% (.60) X	200	= \$120
_____	_____	_____	= _____ X	_____	= _____
_____	_____	_____	= _____ X	_____	= _____
_____	_____	_____	= _____ X	_____	= _____
_____	_____	_____	= _____ X	_____	= _____
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_____	_____	_____	= _____ X	_____	= _____
_____	_____	_____	= _____ X	_____	= _____
_____	_____	_____	= _____ X	_____	= _____

You can find a blank version of this form in the Financial Forms section of this book.



Pro Rata Debts (Instructions)

“Pro rata” means the fair share, or the percent of your total debt each creditor represents. This will determine how much you should send them when you cannot make the minimum payments. Even if you cannot pay your creditors what they request, you should pay everyone as much as you can. Send the check for their pro rata share, along with a copy of your budget and this form, every month. *Do this even if the creditor says they will not accept it.*

Do you need to use the pro rata plan?

First, use your monthly cash flow plan to determine your total disposable income. Simply write down your income on the line at the top of the form. Then, write down the total you spend on necessities (not including consumer debt) each month. Subtract the necessity expense from the income, and you are left with your disposable income. This is the money you have to put toward your debts.

Second, add up your total amount of debt, not including your home, and write that in the blank provided. Below that, write in the total of the minimum monthly payments on all your debts. If the total of your minimum payments is greater than your total disposable income, you need to use the pro rata plan.

For example, Joe and Suzie have a total debt of \$2,000, with a combined total minimum payment of \$310. However, this family only has \$200 in disposable income each month, which means they do not have enough money to make the minimum payments. So, they will use the pro rata plan to give each creditor their fair share of the family’s \$200.

How to Use This Form

This form has six columns:

1. **Item:** the name and type of the account.
2. **Total Payoff:** the total amount due on the account.
3. **Total Debt:** the combined total of all your debts.
4. **Percent:** the portion of the total debt load that each account represents. You can calculate this by simply dividing the Total Payoff by the Total Debt for each line.
5. **Disposable Income:** the amount of money you have left after paying necessities.
6. **New Payment:** the amount that you will now send to each creditor. You calculate this by multiplying the numbers in each line’s Percent and Disposable Income columns.

The pro rata plan helps you to meet your obligations to the best of your ability. Of course, your creditors will not like receiving less than their required minimum payments. However, if you keep sending them checks, they’ll most likely keep cashing them. We have had clients use this plan, even when sending only \$2, who have survived for years.


Pro Rata Plan

Your plan should include as much prompt repayment of debt as possible, but YOU must set your priorities of repayment.

Do NOT let a collector use your credit report as a

_____.

When you are unable to pay the minimum payments, use the _____ plan.



“I’ve never been poor, only broke. Being poor is a frame of mind. Being broke is only a temporary position.”

– Mike Todd

“A light purse is a heavy curse.”

– Benjamin Franklin



Always set your priorities by the Four Walls:

1. Food
2. Shelter
3. Clothing
4. Transportation



“Better not to vow
than to vow and
not pay.”

– Ecclesiastes 5:5
(NKJV)

“A good name is to be
chosen rather than
great riches, loving
favor rather than
silver and gold.”

– Proverbs 22:1
(NKJV)

Federal Fair Debt Collection Practices Act

In 1977, a consumer law was passed by Congress called the Federal Fair Debt Collection Practices Act to protect you from unfair collectors. The law technically only applies to collection agencies (not your creditor), but later court cases make most creditors also abide by the FFDCPA.

- The Act states that harassment is illegal, and restricts a collector’s calls between the hours of _____ and _____ (unless they have your permission).
- The Act also allows you to demand that a creditor cease calling you at _____. You should request this in writing by certified mail with return receipt requested.
- The Act even allows you to insist that a creditor stop _____ contact except to notify you of _____ proceedings.
- Do not use a cease-and-desist letter except in horrible situations, because all _____ stop and any hope of a positive resolution is lost.
- No collector or creditor may _____ a bank account or garnish (attach) _____ without proper and lengthy court action, except in the case of delinquent IRS or student loan debt. All such threats are a bluff.

Collection Practices



“Many are the plans in a man’s heart, but it is the LORD’s purpose that prevails.”

– Proverbs 19:21
(NIV)



“There is no dignity quite so impressive, and no independence quite so important, as living within your means.”

– Calvin Coolidge

- The best way to pay debts is with a _____.
- A collector’s job is not to help your overall situation. His only job is to get your _____.
- Collectors are trained _____ or _____.
- They are typically low-paid positions with high _____.
- They are taught in their training to evoke strong _____.
- The way to counteract this technique is to ALWAYS pay _____ first, and then _____ set the order of payment.



“Victory belongs to the most persevering.”

– Napoleon

Correcting Credit Report Inaccuracies

An updated version of the 1977 Federal Fair Credit Reporting Act requires a credit bureau to _____ all inaccuracies within 30 days of notification of such inaccuracies.

To clean your credit report of inaccurate information, you should write a separate letter for each inaccuracy, staple a copy of your credit report to each letter, and circle the account number.

Note: You should also request that “inquiries” be removed. All of these letters should be sent _____ mail with return receipt requested to prove when they receive the letter. If the credit bureau does not prove the accuracy of the account within 30 days, you should request they remove the _____ account from your file.

You will have to be assertive after the 30-day period.

Lodge any _____ with the Federal Trade Commission and your state’s Consumer Affairs Division.



Learn how to check your credit report online for free in this lesson's "Helpful Stuff" online resources.



Of all the identity theft victims who call in to *The Dave Ramsey Show* for help and advice on this subject, approximately one-half know the person who stole their identities. The thief is often a friend or a family member.

- _____% of the credit reports contained credit accounts that had been closed by the consumer but incorrectly remained listed as open.
- _____% listed the same mortgage or loan twice.

You should check your credit report _____, which you can now do for free.

Identity Theft

What To Do:

1. Place a _____ alert on your credit bureau report (stays on for 90 days without a police report).
2. Get a _____.
3. Remember, this is _____. You owe _____ and should pay _____.
4. Contact the fraud victim _____ of each creditor and furnish _____.
5. Be _____ — this will take some time. You now have a new _____.



With a 20% down payment on a reasonable house, two years or more on the job, and two years of paying your landlord early, you will qualify for a mortgage.

Don't fall for the lie!

FICO stands for Fair Isaac Corporation, which developed a score-based rating system that many companies use to measure an individual's credit risk.

While this measurement has become widely accepted, it is a faulty standard that is based on debt, not wealth.

Credit Score

One more myth...

Myth: You need to take out a credit card or car loan to "build up your _____."

Truth: The FICO score is an "I love _____" score and is not a measure of _____ financially.

Credit Bureaus

Account information is removed from your credit report _____ years after the last activity on that account, except for a Chapter 7 bankruptcy, which stays on for _____ years.

Beware of credit clean-up scams. The only information that may be legally removed from a credit report is _____ information.

The National Association of State Public Interest Research Groups (U.S. PIRG) did a survey of 200 adults in 30 states who checked their credit report for accuracy.

- _____% of those credit reports contained mistakes of some kind and _____% of them contained errors serious enough to result in the denial of credit.