

# Take Control of Your Debt

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## *Take Control of Your Life*

By Ken Gibert

[Your Legal Leg Up](#)

Here's a secret that isn't a secret: however much money you make, if you can't live within your income, you will slip into debt and become a slave to your creditors or be wiped out financially. You must take control of your finances to have control of your life. And you must have control of your life to take control of your finances. This report and the materials in it are dedicated to helping you gain, or regain, these basic forms of control. They are part of a system that will provide you the tools, both legally and – dare I say it? – “spiritually” to restore your independence. If you have bills that are getting out of control, these materials will help you get them back into control. If you are being harassed by debt collectors, you need actual legal tools to deal with them, and those tools are here.

To be specific, the materials in this report include an article on controlling expenses and debts; an article on your right to demand verification or validation of a debt and two samples of letters you can use to force a debt collector to verify the debt; and an article about communicating with the debt collector and a sample “cease-communications” letter. Those are simply tools you can use. To use them most effectively, and especially if you are or become involved in litigation, you will want to consider this report as part of a larger system designed to set you free.

The next section – “Some Plain Talk and an Introduction” is a necessary part of the materials here. In some ways it is the most necessary and important part. Please don't skip it to get to the “information” or examples. The section that follows is designed as part of our system to prepare you for what is to come. It's the “blueprint” or “secret design” of our program.

## **Some Plain Talk and an Introduction**

You have probably found these materials through my website, [Your Legal Leg Up](#). If you have spent any time watching my videos or reading anything I have written, you probably know that I believe that *debt collection is a social justice issue*. In other words, I believe that the super-rich use the debt collection process to grind down the poor and extract money from them. They use social conventions and people's honest good faith against them to get them to roll over and to keep them from fighting back to protect what they have. I encourage people to understand that the legal system is a “jungle” where the law of “club and fang” rules: the debt collectors will take your money if they can with very few qualms about “justice,” and you should defend yourself in just the same spirit. You should try to win. You should try as hard as you can to win.

No doubt about it.

Hear me, though. I'm not saying to lie or cheat. By all means play by the rules – the rules of court – but play to win. Debt collectors buy debts for pennies on the dollar with the purpose of extracting money from people with debt problems. They buy that debt with the intention of using the legal system against you. They do not care whether you can afford to pay, and they don't even care whether you really owe the money, for that matter. You are in the jungle, so defend your life.

## Where Financial Hardship Begins

That said, I do believe that financial hardship begins – for many people in the United States at least – with their attitudes and beliefs (i.e., “spiritually”). You do not need to agree with me about that in order for these materials to work for you, however. In the short term at least you can require the debt collectors to validate debts and leave you alone, and ultimately you can even fight off a legal suit, without ever agreeing with me about what landed you in hot water. By the time you get through with this process – win or lose – you will know that the debt collectors can't easily push you around ever again, and that will give you an amazing feeling if you're anything like most of the people who have successfully used the system. The *long-term* solution of actually restoring your peace of mind and financial security will probably require a different sort of growth, however, but I believe you will naturally move in that direction as you begin to flex your legal muscle.

You do have the power to change the things you don't like in your life.

## No Free Lunches – Some Legal Realities

There are no free lunches. My website and materials are designed to help you take charge, and it is our purpose to help you do that as easily and with as much chance of winning as possible, but you will have to do the work. There are two things you must be aware of in this process.

**First**, and contrary to what some of the slick and fast-talking sales pitches you may hear elsewhere would have you believe, *there are no guarantees that the materials we provide will work to extract you from debt.*

Why is that? It is simply because if the debt collector has the necessary evidence and the desire and wherewithal to use it, and if the debt is yours, they will be able to get a judgment against you. That doesn't happen often because of the way the system is set up, but it *can* happen, and in reality, that is exactly what should happen – in that limited situation. In other words, there is nothing “magical” about our materials that would override the basic idea that people with the skill, evidence and determination to win will win. There are no magic words to make a lion stop stalking a gazelle, and none to make the debt collector stop stalking you.

I see some crazy things out there – things like advice to write that you “refuse service of the summons and the benefits of the court's jurisdiction” (at a 45 degree angle with a felt-tip pen, no less), among other things – these kinds of advice are designed to take money from desperate people. **If people guarantee results in the legal system they are lying to you.** You don't need to be that desperate.

**Secondly**, doing it yourself actually means *doing* something. *By yourself!* If you are going to take steps to protect yourself, and I definitely recommend that you do, then you must be aware that you will have to

*learn* some new things along the way. And you will also have to *do* some new things. **Anyone who tells you that you won't have to do anything to make the debt collectors go away is lying.**

If you have the money to hire a lawyer or some sort of debt service to do these things for you, of course you could hire it out, although even then you'd be surprised at how much work you have to do as a client. What you don't have to do as often as a client when you "hire it out" is worry about whether you are doing the "right thing" under the law.

There are two kinds of "right thing" to consider. There's question of whether you are trying to do ***what the law allows or requires*** and whether the law does what you want it to do. A good lawyer can take a lot of the guess-work out of that question for you. Likewise, our system will do that too: we'll tell you generally the laws you need to consider and what to do. For example, these materials will tell you that if you instruct the debt collector to "cease communications" with you it must do so with few exceptions. And the materials also provide you a letter designed to do that for you. A lawyer could do that for you, but using our materials you can do just as good a job for a lot less money.

The other kind of "right thing" is a little harder to provide. And that is the answer to the question of ***should you use certain tools or attempt certain things in the law***. The main purpose of a legal education is to help lawyers answer that question – or rather to help you answer it – and they can provide you some comfort and seem to be in control of the question. Still, the answer ultimately lies in the control of the client, and you still have to worry about it to some extent. *It is to make up for your lack of a lawyer that our materials go to such lengths to explain things to you. That is what makes our materials different and better than everybody else's in the final analysis.* You could hire a lawyer to explain things to you, but if you are going to do this yourself, you are going to have to do some learning. We are in a unique position to do the teaching.

Our materials are designed to make the process of learning and doing as easy as possible, but we are not here to, and cannot, provide you legal advice. You must plan to do the work necessary – we cannot tell you what to do in a specific instance or proofread your documents. We will of course be happy to answer questions about the materials in general, though. If you bought these materials under the impression that everything would be done for you, please return them now for a refund.

That's the trade-off. There are no free lunches, and **anyone who tells you that you can take control of your life without doing some work is lying to you.** If someone told you that you could get much, much stronger without ever exercising or working out, would you believe them? Nothing happens by magic. These materials are about *power*, the power to take back control of your life from the debt collectors or anything else holding you back.

*I want your commitment to do what you need to do and to learn what you need to learn in order to do this right.* I want that to be a part of our understanding of the bargain between us, and also and much more importantly to be part of your strength going forward.

# I - Control Your Debts

This article is not comprehensive but rather is a list of questions and strategies you can use to start examining, eliminating and reducing your debt. Look for other ideas, too.

## Why Are You in Debt?

Start with the most basic question: why are you in debt? Is it purchases?

Consider the reasons why you are in debt, starting with the times when you let the lure of shiny new toys, exciting nights on the town, or simple convenience, control you. Here are some questions to consider:

1. Do you only buy things you really want – and that you keep wanting? Or
2. Do you buy things you later wish you hadn't?
3. Do you buy things to mask your own insecurities or to "make up" for something?
4. Are you using buying things as a drug to comfort yourself?
5. Do you feel you have to compete financially with your friends, neighbors, or family members?
6. Are you trying to impress anybody with your possessions?
7. What is it that compels you to buy something right now?
8. Why don't you have enough self-control to buy it later or maybe not at all?
9. Is there a better way to spend your money?

These are questions that should be answered even before you can attempt to reduce your debt with any kind of budget or financial system. It is easier to stick to a budget if you stop buying things that you really don't need or want first.

Was your problem with money caused by loss of a job or some financial or other catastrophe? Of course there is insurance for most kinds of catastrophes and perhaps even more importantly life choices and priorities that will be important to consider, but which are beyond the scope of these materials. If you are ready to begin the inquiry about why you made the choices you did, you can read our book, *The Ultimate Choice*. For the present, it goes without saying that you must try to bounce back from whatever happened.

## How Much Debt Do You Have?

It is important that you be fully aware of how much debt you actually have no matter how painful it is to look carefully at this aspect of your finances. Take a sheet of paper, write down the amounts of all your debts and total them. Keep this total amount fixed in your mind. Pain and pleasure are powerful motivators, and if the idea of all that debt is causing you pain, it will help you take aggressive measures to change your behavior and start on the elimination path.

### Put Away Your Credit Cards

- Put away your credit cards and make a commitment not use them except with necessary. If you don't think you can do this by yourself, put them somewhere where they are inconvenient to get. The thing you don't want to do is cancel your accounts, as closing accounts which are old

(accounts which are 60 months old are valuable) can have a negative impact on your credit score, plus maintaining accounts that have credit access which you are not using can have a positive impact on your credit score. But - - in order for this to work, you must withstand any temptation to spend the credit.

## **Some Financial Common Sense**

### **- Pay Off High Interest Loans and Credit Cards First**

Some people look at all their credit cards and don't like seeing that money is owed on them. They draw a bead on each individual credit card and try to pay off the *smaller* balances first in order to get that type of relief. According to a study done by a consumer behaviorist at the Olin Business School at Washington University in St. Louis, people like closing accounts. That is, they will close a small debt account that has a low interest rate at the expense of paying down a larger loan with a higher interest rate. Throughout a series of debt-management experiments, the researchers found that participants consistently paid off small debts first, even though the larger debts had higher interest rates.

That may not be the best approach. Instead, you need to look at the math. Are there fees and over-limits involved? Taking all the total financing costs into account is the key.

In general, if you have some extra money at the end of the month, you should put that extra money on the loan with the highest interest rate. That will lower the amount of interest you will pay on your whole debt and save you money in the long run, although this advice assumes that there are no minimum service fees. If there are, you must consider this as part of the financing cost. The real rule you should follow is to minimize the total service and interests fees you pay, regardless of how many account balances you maintain. It's the total you must keep in mind. Doing this will reduce the total amount you must pay and shave months or years even off your debt payments.

Pay just the minimum on the balances with lower rates. After you finish paying off your highest interest rate card, move on to the next highest interest rate card. Roll over the amount you paid each month from your first card to pay off this one. Don't be tempted to use the money elsewhere! You must stay disciplined. You'll pay off the second card even more quickly. Continue this strategy until all your debts are paid.

## **Warning**

The above advice refers to debts that you can see paying, or firmly believe you can soon repay. If you think you cannot pay them, you will need to think more strategically about managing damage, and this may include selectively not paying on debts.

## **Contact Your Credit Card Company**

If you find yourself unable to pay your bills for reasons that are temporary and that you believe will be corrected, you can communicate with your creditors! Be honest, and explain your financial situation. Ask them to reduce your payments or the interest rate. Be advised that doing so may give the debt collectors longer to report you or even to sue you, so this is an action you should consider carefully. Avoid making promises you can't keep.

## **Transfer Balance to a Lower Interest Card**

Another possibility is to obtain a lower interest credit card and transfer the balance of the high interest card to that one. Make sure to read the fine print when making this transfer, and pay attention to transfer fees and what happens after the "trial period." Try to stick with a card that starts off with a low interest rate that does not increase. Again, this will create a new statute of limitations and reporting period, so do not make any promises you cannot keep.

## **Negotiate a Better Interest Rate with Your Creditor**

Try negotiating a better interest rate with the credit card company. Let them know about your situation and tell them that if they do not work out some new terms with you, you may have no choice but to file bankruptcy. More often than not, a creditor would rather work out a deal with their customer than to completely lose the entire account.

## **Roll Your Debts into a Second Mortgage**

If you own your home, you might consider a debt consolidation loan. This kind of loan is a second mortgage on your property which allows you to consolidate your debts into one payment. This type of loan has some big advantages and some big disadvantages. The advantage is that it will probably have a much lower rate of interest. The disadvantage is that if you cannot pay it, the debt collectors could kick you out of your house, and you will not have the protections of bankruptcy. For that reason and because people who are having debt problems often underestimate risks, I rarely suggest this possibility.

## **How to Stay Debt Free**

Now that you've reviewed some of the personal reasons you've found yourself in debt and taken some steps to attack your debt, it's time to develop a plan to determine where all your money is going, and develop a healthy financial strategy

Here's a simple method on the way to developing a plan which may help.

### **Step 1**

Take a sheet of paper, and write "Master Budget" at the top. On one side, list all your relatively fixed expenses (mortgage/rent, telephone, electric, water, gas, car, credit card minimums, etc.) .

### **Step 2**

Now estimate how much you spend on various expenses like food, eating out, entertainment, things for the house, school, clothing, car repair, gasoline, etc.

### **Step 3**

Track all your expenditures for one month. Be very detailed on your categories and keep track of every cent. For example, one category might be "Eating Out." Under this heading, write down the date, description, and the dollar amount for each time you eat out, including junk food or snacks - everything. At

month's end, total each category, and you'll know exactly how much you spent on everything. Don't worry if the fact that you are tracking expenses changes your habits a little bit – ultimately that's what you want, right? If you don't know where your money is going, how can you expect to control it?

After you've totaled your categories, transfer them and their respective expense totals to your "Master Budget" spreadsheet.

#### **Step 4**

List your take home income after taxes on your "Master Budget." You might want to develop two different budgets based on your two pay periods. Should you pay the phone bill on the 1<sup>st</sup>, or would it be better to pay it on the 15<sup>th</sup>? What some people find is that one pay period usually has a tighter budget than the other because you have to pay the bigger bills like your mortgage, rent, car payments, etc. You must simply do what makes the best sense to do.

#### **Step 5**

Now you need to prioritize. You have to balance your income and expenses so you stay within your budget. Take a long hard look at your expenses and see how you can reduce them.

Consider, for example, the category of "Entertainment." which may include dinners out, movies, movie rentals, junk food, cafes, or other items. Let's say you're currently spending \$75 per week on entertainment. That's \$300 per month. Maybe you should only spend \$100 and use \$200 to make a larger payment on one of your high-interest credit card bills? If you do that, you will rapidly improve your economic situation.

You may be shocked to realize how much you spend on little things. For example, if you spend \$3.00 per day on gourmet coffee, that's \$60 per month just on coffee. What is that accomplishing for you, really? And is there a way to get the same pleasure less expensively? It is better if possible to make satisfying trade-offs rather than sacrifices. Otherwise, you may just give up on your budget completely. Instead, try to find ways to make sure you have just as much fun and pleasure – and there is real pleasure to be had in saving money and watching your situation improve. At some point that will become significant, but if possible it's a good idea to avoid the feeling that you are "giving up" pleasures as much as possible.

As you are budgeting, ask yourself what you can change – where you can save money without reducing your fun. Ask yourself how to have more fun in your life generally. Most people don't get enough fun, in my opinion, and building more fun into your life will make everything easier. It is the same with friends – relationships add immeasurably to your enjoyment and well-being. Lots of time people spend money to make up for not having enough of them.

Take pleasure in building your future.

#### **Step 6**

By now, your Master Budget should list every category where your money goes and where it should go. Keep track of where the money is actually going. Think of each category page as a mini-account log where each dollar you spend must be categorized and deducted from its appropriate category account

balance until this becomes automatic. You will be surprised how quickly this happens – we are creatures of habit – you can use that to your advantage.

## Step 7

And finally, I'm sure you've heard of the idea that you should "pay yourself first." What that means is that you take a fixed percentage of what you make off the top and pay it "to yourself." That is, you put it into a special account or place and keep it only for purposes of advancing your financial life and no other purpose. If you have a lot of debt, this will have to be a small amount, but I recommend that you let it be something, even if it's only a few dollars.

Strictly speaking, this might not be economically the smartest thing to do, as it is not necessarily likely that you will find anything to do with the money that pays as well as the interest on your credit cards is costing you. But psychologically I have found this is a very powerful thing to do. It is positive and hopeful and profoundly fulfilling to watch the money grow. And having a fund that you actually dedicate to building your future will ease the transition into that future – so that when you eliminate your debt you will still have goals in front of you.



## II - Requiring Validation - A Consumer's "Secret" Weapon

In my opinion, requiring that a debt collector validate or verify your debt when they first contact you is underused as a weapon. It's easy and free for you to do (and isn't hard for them to answer, either), but surprisingly often it can lead to the debt collector walking away and leaving you alone.



### **The Fair Debt Collection Practices Act (FDCPA)**

The Fair Debt Collection Practices Act (FDCPA) gives someone being harassed by debt collectors several useful tools. One of the best of these tools is requiring verification.

### **The Right to Verification**

Under the FDCPA, the first written communication from a debt collector must inform the consumer of his right to require verification of the debt (if the request is made within 30 days). Verification, or validation requires the collection company to go back to its source, the original creditor, make sure that the consumer being contacted is the correct person to seek the debt from, and that the debt is valid. Until the debt is validated, the collector may not take any further action on collecting the debt, and at least all the cases I've seen have included within that restriction any reporting of the debt to the credit reporting agencies. If the debt collector proceeds without verifying the debt first, you have a right to sue it.

### **The Requirement Is Absurdly Easy to Fulfill**

The obligation is not very significant – a phone call will do, perhaps even as little as a checking of the computer tape or digital record. And yet even this minor obstacle will make the collection company go away surprisingly often. Perhaps the debt collectors view the early assertion of consumer rights as a warning of trouble to come.

## **Forming Good Habits Early On**

And for the consumer, forming the habit of asserting legal rights seems to be an important step in bringing the whole debt situation under control. Out of this small acorn can grow a strong tree of financial security.

## **How to Require Validation**

The way to require verification is very simple. When you receive a debt collection letter you simply write back to the debt collector and tell it you dispute the debt and request immediate verification. No special wording is required – nor is any special delivery (like registered mail), but I always suggest that you in fact send the request by registered mail, return receipt requested, so you will be able to *prove* that you wrote the letter, sent it, and that it was received by the debt collector. It is also a good idea to keep a copy of the actual letter that you send, too.

## **What If They're Just Calling You?**

But what happens if you're just being telephoned by the debt collector? Under the FDCPA, a phone collector is required, within five days of the first contact, to send you, in writing, a notice of your right to dispute the debt and request verification. Failure to do so is a violation of the FDCPA that gives you the right to sue the company. And note that every communication from the debt collector should also have what we call the "mini-Miranda" disclosure, that "this communication is from a debt collector and any information you give may be used to collect a debt."

## **Require Verification from EVERY Debt Collector**

Every debt collector is different, and each one is required by law to provide you the right to dispute the debt and require verification. But by "debt collector" I mean the company that is harassing you, not the individual who happens to be calling you for that company.

Get in the habit of standing up for your rights, starting with the right to seek verification. Debt collectors are looking for the easiest way to make their profit, and standing up for your rights lets them know you won't be easy.

Two forms that could be used for debt verification are attached. Remember that your actual rights to verification are considerably more limited than as might be suggested by the first example, but it won't hurt anything to include the full thing, and there might even be some advantage in it. The second one is legally sufficient but perhaps less satisfying to send.

### III - Example 1 of a Letter Demanding Verification

Date  
Your Name  
Your Address

Collection Agency  
Agency address

RE: Account No. \_\_\_\_\_

To Whom it May Concern,

I am sending this letter to you in response to a notice I received from you on (*date of letter*). I dispute this debt pursuant to the Fair Debt Collection Practices Act, 15 USC 1692g Sec. 809 (b) and request verification.

This is NOT a request for verification or proof of my mailing address, but a request for verification made pursuant to the above named Title and Section. I respectfully request that your office provide me with competent evidence that I have any legal obligation to pay you.

Please provide me the following:

- What the money you say I owe is for;
- Explain and show me how you calculated what you say I owe;
- Provide me with copies of any papers that show I agreed to pay what you say I owe;
- Provide a verification or copy of any judgment if applicable;
- Identify the original creditor;
- Provide all records of activity on this account, either alleged borrowing, billing, or payments made;
- State when you claim I, or anybody acting on my behalf, last made a payment on this alleged account, and its amount;
- State when you claim this account became in default;
- Prove the Statute of Limitations has not expired on this account;
- Show me that you are licensed to collect in my state; and
- Provide me with your license numbers and Registered Agent.

Please state whether your offices have reported invalidated information to any of the three major Credit Bureau's (Equifax, Experian or TransUnion), and if so, when was this reported and what was said. Be advised that this alleged debt is disputed in its entirety.

If any negative mark is found on any of my credit reports by your company or the company that you represent I will not hesitate in bringing legal action against you for the following:

- Violation of the Fair Credit Reporting Act
- Violation of the Fair Debt Collection Practices Act
- Defamation of Character and other common law remedies as applicable.

If your offices are able to provide the proper documentation as requested, I will require at least 30 days to investigate this information and during such time all collection activity must cease and desist.

If your offices fail to respond to this validation request within 30 days from the date of your receipt of this letter, all references to this account must be deleted and completely removed from my credit file and a copy of such deletion request shall be sent to me immediately.

I would also like to request that **no** telephone contact be made by your offices to my home or to my place of employment. If your offices attempt telephone communication with me, including but not limited to computer generated calls or correspondence sent to any third parties, it will be considered harassment and I will consider all appropriate legal remedies. All future communications with me **MUST** be done in writing and sent to the address noted in this letter.

This is an attempt to correct your records, any information obtained shall be used for that purpose.

Sincerely yours,

[signature]

Your Name

## IV - Example 2 of Verification Letter

Date

Your Name

Your Address

Name of Collection Company

Address of Collection Company

RE: Account No. \_\_\_\_

To Whom It May Concern:

I notice that your agency is reporting that I owe you a debt. I dispute this debt and request that you validate this debt as provided by the Fair Debt Collection Practices Act.

Sincerely,

*Your Signature*

## V – Cease Communications Letter

### How to stop the debt collectors from harassing you

Debt collectors often try to wear down the resistance of consumers by repeatedly calling and harassing them. If this is happening, you can easily make it stop. Here's how.

### They're Trying to Harass You

Debt collectors know that they people they are calling do not have much money – their purpose is to move themselves to the head of the line. The way they do this is by attempting to inflict more pain or annoyance on the consumer than other bill collectors. In other words, debt collectors know you only have so much money to pay your bills - *they're competing with each other*. The company that harasses you the most "wins." Sometimes individual debt collectors [claim not to engage in abusive behavior](#), but rather to be the victims of it. I leave the reader to decide how much sympathy these debt collectors deserve, but my point is that, in general, the debt collectors seek emotional engagement - and, also in general - the best thing you can do is avoid it.



### You Can Make them Stop Bugging You

The collectors are not concerned with your priorities or well-being, but you should be, and it is hard to keep a clear head amidst all the noise and all the people trying to use you. Luckily the Fair Debt Collection Practices Act (FDCPA) offers some help. Under the FDCPA, 15 U.S. Code Section 1692(c)c, "if a consumer notifies a debt collector in writing that the consumer wishes [it] to cease further communication with the consumer, the debt collector shall not communicate further...with respect to such debt."

However, the collector may inform the consumer that it's efforts are being terminated, or notify the consumer that it "may or will invoke specified remedies which are ordinarily invoked" (i.e., suing or reporting to the credit agencies). Many people fear that by invoking this rule they will cause the debt collectors to sue them - but this fear is probably misplaced (it is according to my experience). The debt collectors have their own guidelines based on what they expect to collect. If anything, writing a cease communication letter may reduce your chance of being sued because it keeps the debt collector from gathering more information about you.

## **What to Do to Make Debt Collectors Stop Harassing You**

Crucially, if the notification is made by U.S. mail, the communication is complete "upon receipt." In other words, to make sure the debt collector is forced to cease communications, it makes sense (although it is not required by the law) to send the letter by certified mail. That way you have proof that the debt collector received the letter. Any further communication would be in violation of the FDCPA.

When the phones stop ringing off the hook, you will be freer to make decisions according to your own best interests and priorities.

Following is an example of a letter you can use to force debt collectors to leave you alone.

## VI -Cease Communications Letter Example

From:

Your Name

Your Address

To:

Name of Debt Collector Agency

Address of Debt Collector

Date:

RE: Account No. \_\_\_\_\_

Notice to Cease Communications

To Whom It May Concern:

This is to advise you that pursuant to the Fair Debt Collection Practices Act (FDCPA) 15 U.S.C., Section 1692c(c), you are hereby notified of my demand that you terminate all and any contact with me or any member of my family or household regarding any matter relating to or concerning the collection of any alleged debt you are attempting to collect. This notice shall include but not be limited to written or telephonic communication.

Please also be advised that you may not contact me at my place of employment because my employer prohibits me from receiving any such communications.

You may contact me by mail to confirm that you are ceasing communications.

Sincerely,

signature

Your Name

[Send registered mail, return receipt requested, and keep the receipt and a copy of the letter]