

Credit Card Debt Reduction Plan

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Table of Contents

Introduction	3
Face the Facts	3
Do Your Homework	4
Improve the Odds	4
Revisit Your Available Resources	4
Applying Your Payments: Snowball vs. High Interest First	5
The Snowball Method.....	5
The High Interest First Method.....	5
Stick to the Plan	6
More Answers and Support	6
Appendix I: Balance Transfer Tips	7
Appendix II: Re-aging Delinquent Accounts	8
Appendix III: Sample Budget	9

Introduction

Credit cards come in handy for emergencies as well as for many things that we'll probably regret later. If you're like most of us you're not exactly using cash to [pay your way through college](#). With around \$85 billion in new [student loan debt](#) projected this year you're definitely not alone. With the average graduate already owing \$20,000 in [student loans](#) tacking on additional [credit card debt](#) - and payments, is the last thing you need.

The American Bankruptcy Institute reveals that 20% of the people who filed for bankruptcy in 2007 were college students. That's worth restating. Out of every 5 people declaring bankruptcy one is a college student. If you're carrying credit card debt you need to read this article. It may hurt a little now to get rid of your credit card debt but being credit card debt free later can be life-changing. There are no easy fixes but if you're dedicated this plan is will help you.

Face the Facts

The fastest way to get into credit card debt is to ignore your own financial situation. It's easy to push financial problems aside but things don't get better on their own and debts left unexposed unattended fester into monsters guaranteed to creep up on you later. Getting the problem in front of you will help you actually cope with it better. Step one is to start a budget. If you don't have a budget, you need to create one to track your income and expenses and you need to look at it often. You can download a free budget template at <http://www.studentplatinum.com/budget-template/>. You may freely use and distribute this budget or use it as a template for creating your own.

A simple budget should list your monthly expenses including minimum credit card payments, food, gas, rent, utilities, etc. It should also list all sources of income including student loan disbursements. You should also have a section that lists more detail about your loans and credit cards. You should always be able to accurately state how much total debt you have. If you can't you are hiding monsters.

Your budget will show you how much you owe and how much you make and how much is left over each month. This left over money is what we'll be working with to slay your credit card debt. If the money left over is a negative number you need to immediately figure out where in your budget you can cut back or if how to increase your income. This is your top priority. Using your credit cards to make up this difference is extremely likely to put you in serious and long lasting credit trouble including bankruptcy.

URLs hyperlinked above:

pay your way through college - <http://www.howtogetin.com/pay-for-college/>

student loan debt - <http://www.studentloanconsolidator.com/firstaidkit/>

student loans - <http://www.studentloanetwork.com>

credit card debt - <http://www.studentloanconsolidator.com/firstaidkit/>

Do Your Homework

What are the interest rates for each of your credit cards? When are the payment due dates? How much credit do you have available? If you can't readily answer these questions you need to do your homework and find out. The next step in getting on top of your credit card debt is to determine and record your credit card detail. You can call the phone number of the back of your credit card and ask about regular APR, credit limit, minimum payment, payment due date and current balance. You should organize your credit card information into some format where you can track it each of these items. If you downloaded the budget template we've provided for you, we've already set up a table for you.

Improve the Odds

Now that you've got your credit card details in front of you, you should try to get them a little more in your favor. You have the right to call your credit card's customer service number and request a lower interest rate. Explain that you're trying to pay down your debt and that a lower interest rate will help you do this. If you have a good payment history with the company, many will lower your rate and if they do thank them and call back in a month and ask for an even better rate, the worst they can say is no. If they won't help you out, you might consider a balance transfer to a lower interest card. For more on balance transfers see Appendix I.

If they won't work with you because of late payments, going over your limits, etc. You may have the right to request that they "re-age your account" especially if it's your first offense. Re-aging means they wipe the penalties off your account and put it back where it started. They won't offer this to you, you have to ask. For more on re-aging accounts see Appendix II. For these and other things you should call your credit card company about, read our article: [5 Things Your Credit Card Company Doesn't Want You to Know](#).

Revisit Your Available Resources

If you want to get your credit cards off your back you need to make more than the minimum payments and we'll discuss a strategy here in a moment. First review your budget to calculate your combined minimum payments on all credit cards and also how much money is left over in your budget each month. Re-evaluate your expenses to determine how much money you can free up. If you always just pay the minimum you'll always be paying!

You're now going to be setting aside a lump sum for credit card payments. You'll pay this set amount every month until they are all paid off. To get this number add all your credit card minimum payments up. Next add the extra money you found in your budget to that number. This becomes your credit card payment every month until you're out of debt. The more you can live without, the faster you will get out of trouble. Dedicate as much as you can but be realistic too, it won't do you any good to pay too much and then miss an auto loan payment because you were short funds.

URLs hyperlinked above:

5 Things Your Credit Company Doesn't Want You to Know -<http://www.studentplatinum.com/credit-card-education/5-things-your-card-company-doesnt-want.php>

Applying Your Payments: Snowball vs. High Interest First

Armed with your list of credit card information and your new total credit card payment amount (minimum payments plus extra), you're ready to choose your repayment strategy. Most people attempt to pay a little extra on each card. This is not the best strategy as it will get you nowhere fast and be very discouraging. There are two much better strategies out there. The two schools of thought for repayment strategy both have you pay the minimum payments on all cards except one to which you apply all the rest of your available credit card payment money.

The Snowball Method

The Snowball Method focuses on paying off the cards with the lowest balance first. Simply put, you apply all extra payment funds towards the card with the smallest balance in order to pay it off in the shortest time possible. Then when it's paid off, you apply the total amount you were paying on the first card to the next lowest balance card. This means you are applying more and more money to increasingly larger balances making them shrink faster as your money snowballs. The drawback is that you may pay more interest in the long run if you larger balances have a higher interest rate. The big benefit of this approach is that psychologically it will make you feel like you're winning and help you stick to the plan. We recommend this method for students because your credit card debts are probably low enough that the additional interest won't be enough to make up for the danger you might face with having to keep up with numerous payments.

The High Interest First Method

The High Interest First Method is similar to the Snowball Method in that you will choose one card to maximize payments towards while paying the minimums on the rest. When the first is paid off you move all the payment funds onto the next one, in turn accelerating that one. The difference is that you will choose cards by their interest rate paying off the highest interest rate cards first. This may result in you having more individual debts for a longer time but in the end you'll have paid less interest. Either method will work just fine as long as you're dedicated and it motivates you.

Stick to the Plan

The reason we had you first create a budget was so that you would have the information in front of you to assess your resources and also to help you stick to the plan. Once you've set aside a certain amount of funds to pay towards credit cards you can't just go off and spend without looking at your budget or you'll be back where you started. It's also OK to tell other people such as your friends and family about what you're doing. This will help them understand when you want to rent a movie and stay in some weekend and they'll respect you for being responsible and handling your finances.

More Answers and Support

StudentPlatinum.com provides you with reliable [student credit card](#) information, [debt management](#) advice and quality [student credit card applications](#). Please feel free to [review our articles](#) and participate in our [student credit forum](#), where you can discuss credit cards and debt management and ask questions of our staff. Please stop by and let us know what you think.

URLs hyperlinked above:

StudentPlatinum.com - <http://www.studentplatinum.com>

student credit card - <http://www.studentplatinum.com>

debt management - <http://www.studentplatinum.com/credit-card-help/>

student credit card applications - <http://www.studentplatinum.com/student-credit-cards>

review our articles - http://www.studentplatinum.com/credit_card_education/

student credit forum - forum.studentplatinum.com

Appendix I: Balance Transfer Tips

One way to save some money each month or speed up the rate at which you pay down your [credit card debt](#) is to take advantage of a low interest [balance transfer](#). Credit card companies are crazy about offering low interest balance transfers. Why shouldn't they be? They get an opportunity to make money from fees and interest on money that you were loaned by another company.

Before you transfer your credit card balances around you should make sure you understand the important details. Always keep in mind that credit card companies are in business to make money and they make boat loads of it from fees and interest. You're responsibility is to read the fine print and ask questions. That way you can make the transfer a smart financial decision rather than a poor one by paying fees and a much higher interest rate than you expected.

Before accepting any balance transfer offer, be sure you can answer the following questions:

1. How long does the introductory rate last? If the introductory [APR \(annual percentage rate\)](#) ends before you are able to pay off the card you could very quickly lose any benefit you gained.
2. What is the card's APR after that teaser rate expires? If the APR after the teaser expires is still better than your current card, great! If it's higher, you need to seriously consider whether or not you can pay this off before the regular APR starts.
3. Does the teaser rate apply to transferred balances or new purchases or both? If you cut up your old card after transferring the balance, what will happen if you need to use the card?
4. Does that card have an annual fee? This isn't necessarily bad, just make sure you know and take it into consideration when calculating your savings by transferring your debt.
5. What about late fees and over-the-limit fees? Hopefully you never see these but it's a good idea to know what they are in a worst case scenario.
6. Are there any balance-transfer fees? Some issuers charge transaction fees as high as 4%, a 4% fee on a \$5,000 balance would be \$200!

Make sure you read through the credit card offer carefully as the information can be hard to decipher. You should be aware that many offers wave fees for "initial balance transfers" only. This means that fees are only waived when you first accept the card and complete the initial balance transfer form. After that, every other balance transfer is treated as a cash advance and is subject to cash advance fees.

URLs hyperlinked above:

credit card debt - <http://www.studentplatinum.com/credit-card-help/>

balance transfer - <http://www.studentplatinum.com/credit-card-education/balance-transfer-primer.php>

APR (annual percentage rate) - http://www.studentplatinum.com/credit_card_education/aprversapy.php

Not everyone who gets an offer qualifies for the super-low rate. While an offer may boast a 3.9% teaser rate that bumps up to 17% after six months, a person may qualify for a card with 7.9% teaser and a regular annual percentage rate of 21%. Also realize that it may only take one slip-up for that super-low rate to disappear. For example, a card with a 9.99% APR might jump to 21.99% after one tardy payment.

If you've answered all the questions above and are comfortable with the transfer, than [fill out the application](#) and be sure to fill out the balance transfer portion completely and accurately to ensure there isn't a delay. When the new card approves your transfer request they will send an electronic (or sometimes paper) payment to your old account which may take anywhere from two to four weeks. It's a good idea to make the minimum payment on the old card while waiting for the balance transfer to take effect to ensure you don't get hit with a parting late fee. In a worst case scenario the old card will owe you some money and you can call and hassle them for a change!

Appendix II: Re-aging Delinquent Accounts

Re-aging a past-due account means your creditor sets the account due date back to current. If you are a few months behind on your payments your creditor may agree to re-age your account thus wiping out those missed payments! This sounds great and it's possible that many lenders will do this for you if you've otherwise been a good customer. Not all creditors are willing to do so however, and they must follow federal guidelines when deciding whether or not to re-age your accounts. Creditors may only re-age your account once in a 12-month period and twice in a five-year period for credit card accounts.

To be considered for re-aging:

- You must demonstrate a renewed willingness and ability to pay;
- Your credit card account should be at least 9 months old;
- You need to make at least three consecutive minimum monthly payments

Creditors don't have to re-age past due accounts and some creditors will never re-age accounts, some will only re-age an account one time and other creditors follow the federal guidelines that allow once in a 12-month period or twice every five years. It simply depends on the creditor's re-aging policy.

Some creditors will re-age past due accounts if you agree to enter a debt-workout program or debt-management plan. There are thousands of credit-counseling and debt-consolidation companies looking to make a quick buck and are guilty of shoddy service and sky-high fees and others are huge scams. Be very careful of using credit services.

Finally only ask for re-aging if you are certain you'll be able to keep up with the payments. In other words, don't waste your re-aging opportunity! It's better to wait until you can truly keep up the payments before approaching your creditors and asking them to re-age your account. When asking creditors to re-age your accounts, be sure to get it in writing!

URLs hyperlinked above:

fill out the application - <http://www.studentplatinum.com/student-credit-cards>

Appendix III: Sample Budget

You can download our interactive spreadsheet for free at <http://www.studentplatinum.com/budget-template/>. This tool will help you get on track and put this plan into action. The spreadsheet is customizable and contains formulas that automatically calculate your available cash flow so that you can manage payments easier.

A sample of the free PDF version of the interactive budget can be found on the following page

Download a PDF version of the template (previewed below) here:
<http://www.studentplatinum.com/budget-template/>

For support visit <http://forum.studentplatinum.com>

StudentPlatinum.com Student Budget Template

January		February		March	
Rent	Rent	Rent	Rent	Rent	Rent
Groceries	Groceries	Groceries	Groceries	Groceries	Groceries
Gas	Gas	Gas	Gas	Gas	Gas
Heat	Heat	Heat	Heat	Heat	Heat
Electricity	Electricity	Electricity	Electricity	Electricity	Electricity
Cable	Cable	Cable	Cable	Cable	Cable
Gym	Gym	Gym	Gym	Gym	Gym
Cell Phone	Cell Phone	Cell Phone	Cell Phone	Cell Phone	Cell Phone
Car Payment	Car Payment	Car Payment	Car Payment	Car Payment	Car Payment
Credit Card 1	Credit Card 1	Credit Card 1	Credit Card 1	Credit Card 1	Credit Card 1
Credit Card 2	Credit Card 2	Credit Card 2	Credit Card 2	Credit Card 2	Credit Card 2
Credit Card 3	Credit Card 3	Credit Card 3	Credit Card 3	Credit Card 3	Credit Card 3
Stafford Loan Payment	Stafford Loan Payment	Stafford Loan Payment	Stafford Loan Payment	Stafford Loan Payment	Stafford Loan Payment
Private Loan Payment	Private Loan Payment	Private Loan Payment	Private Loan Payment	Private Loan Payment	Private Loan Payment
Savings	Savings	Savings	Savings	Savings	Savings
Spending	Spending	Spending	Spending	Spending	Spending
Paycheck	Paycheck	Paycheck	Paycheck	Paycheck	Paycheck
Paycheck	Paycheck	Paycheck	Paycheck	Paycheck	Paycheck
Paycheck	Paycheck	Paycheck	Paycheck	Paycheck	Paycheck
Paycheck	Paycheck	Paycheck	Paycheck	Paycheck	Paycheck
Loan	Disbursement	Disbursement	Disbursement	Disbursement	Disbursement
Income	Income	Income	Income	Income	Income
Bills	Bills	Bills	Bills	Bills	Bills
Result	Result	Result	Result	Result	Result

January		February		March	
Rent	Rent	Rent	Rent	Rent	Rent
Groceries	Groceries	Groceries	Groceries	Groceries	Groceries
Gas	Gas	Gas	Gas	Gas	Gas
Heat	Heat	Heat	Heat	Heat	Heat
Electricity	Electricity	Electricity	Electricity	Electricity	Electricity
Cable	Cable	Cable	Cable	Cable	Cable
Cell Phone	Cell Phone	Cell Phone	Cell Phone	Cell Phone	Cell Phone
Credit Card 1	Credit Card 1	Credit Card 1	Credit Card 1	Credit Card 1	Credit Card 1
Credit Card 2	Credit Card 2	Credit Card 2	Credit Card 2	Credit Card 2	Credit Card 2
Credit Card 3	Credit Card 3	Credit Card 3	Credit Card 3	Credit Card 3	Credit Card 3
Stafford Loan Payment	Stafford Loan Payment	Stafford Loan Payment	Stafford Loan Payment	Stafford Loan Payment	Stafford Loan Payment
Private Loan Payment	Private Loan Payment	Private Loan Payment	Private Loan Payment	Private Loan Payment	Private Loan Payment
Savings	Savings	Savings	Savings	Savings	Savings
Spending	Spending	Spending	Spending	Spending	Spending
Paycheck	Paycheck	Paycheck	Paycheck	Paycheck	Paycheck
Paycheck	Paycheck	Paycheck	Paycheck	Paycheck	Paycheck
Paycheck	Paycheck	Paycheck	Paycheck	Paycheck	Paycheck
Paycheck	Paycheck	Paycheck	Paycheck	Paycheck	Paycheck
Loan	Disbursement	Disbursement	Disbursement	Disbursement	Disbursement
Income	Income	Income	Income	Income	Income
Bills	Bills	Bills	Bills	Bills	Bills
Result	Result	Result	Result	Result	Result

January		February		March	
Rent	Rent	Rent	Rent	Rent	Rent
Groceries	Groceries	Groceries	Groceries	Groceries	Groceries
Gas	Gas	Gas	Gas	Gas	Gas
Heat	Heat	Heat	Heat	Heat	Heat
Electricity	Electricity	Electricity	Electricity	Electricity	Electricity
Cable	Cable	Cable	Cable	Cable	Cable
Cell Phone	Cell Phone	Cell Phone	Cell Phone	Cell Phone	Cell Phone
Credit Card 1	Credit Card 1	Credit Card 1	Credit Card 1	Credit Card 1	Credit Card 1
Credit Card 2	Credit Card 2	Credit Card 2	Credit Card 2	Credit Card 2	Credit Card 2
Credit Card 3	Credit Card 3	Credit Card 3	Credit Card 3	Credit Card 3	Credit Card 3
Stafford Loan Payment	Stafford Loan Payment	Stafford Loan Payment	Stafford Loan Payment	Stafford Loan Payment	Stafford Loan Payment
Private Loan Payment	Private Loan Payment	Private Loan Payment	Private Loan Payment	Private Loan Payment	Private Loan Payment
Savings	Savings	Savings	Savings	Savings	Savings
Spending	Spending	Spending	Spending	Spending	Spending
Paycheck	Paycheck	Paycheck	Paycheck	Paycheck	Paycheck
Paycheck	Paycheck	Paycheck	Paycheck	Paycheck	Paycheck
Paycheck	Paycheck	Paycheck	Paycheck	Paycheck	Paycheck
Paycheck	Paycheck	Paycheck	Paycheck	Paycheck	Paycheck
Loan	Disbursement	Disbursement	Disbursement	Disbursement	Disbursement
Income	Income	Income	Income	Income	Income
Bills	Bills	Bills	Bills	Bills	Bills
Result	Result	Result	Result	Result	Result

1. Enter your bills or estimated bills in the top section of the top left quadrant
2. Enter your weekly income or estimates in the bottom of the top left quadrant
3. The top left quadrant covers one quarter, update it each quarter
4. The top right quadrant is the monthly breakdown of expenses, update monthly
4. The top right quadrant helps you make sure you can pay things on time
5. The bottom left quadrant tracks credit cards, loans and their details
6. You can increase the payments in both your budget and credit card area to pay your debts faster
7. If your budget does not balance you need to cut expenses, increase income or get help fast!

DEBT	RATE	PAYMENT	LIMIT	BALANCE / DEBT	AVAILABLE
Card 2					
Card 3					
Card 1					
Private Loans					
Stafford Loans					

* Credit card payments are minimums. Credit Credit cards and loans are in suggested payoff order by interest rate.

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