



## **Paying Off Debt**

Maybe you do not have lots of debt issues or are spending within a comfortable range. Knowing your debt to income ratio is vitally important to keep financial goals in line with your spending.

### **Credit Card Tips**

¢ Beware of skip-a-month payment offers. Remember, you still pay interest on your outstanding debt, and your total interest costs continue to rise.

¢ While cash advances can look attractive, keep in mind that interest usually accrues from the moment you accept the cash. If you add in transaction fees, the annual interest on cash advances can be more expensive than you think.

¢ Be prepared for credit card theft. Keep a list of your credit card numbers in a secure place. The list should include the name and phone number of each card issuer. Report lost or stolen cards immediately. If you report the loss before a thief uses the card, you cannot be held liable for any purchases made with the card. If a thief uses a card before you report it missing, the most you will owe on each card is \$50.

¢ What is a grace period?

The amount of time, usually 20 to 25 days, during which you don't have to pay interest on purchases made with a credit card, if and only if you have no outstanding balance on your card.

Credit cards usually offer consumers a grace period. But many consumers don't realize that if you owe anything at all from a previous bill, you start paying interest from the moment you make a purchase. If you were wrong, don't be embarrassed. Eight out of 10 consumers surveyed who knew they had a grace period didn't know how it worked.

¢ **When is the minimum the maximum?** If you pay the minimum monthly payment when you pay your credit card bill, you are paying the maximum interest. In fact, when interest is compounded, you could end up paying interest on your interest! The minimum payment might be convenient if it's all you can afford. But, whenever possible, pay as much as you can. If you have an 18.5% interest rate card, it will take you more than 11 years to pay off a debt of \$2,000 if you only pay the minimum balance due each month. During this time, you will pay interest charges of \$1,934, almost doubling the cost of your purchase. This calculation is based on making a payment that is 1/36th of the outstanding balance or \$20, whichever is greater.



# Your Credit Score

The information in your credit report is used to calculate a statistical credit score, usually ranging from 350 to 850. Credit scores help lenders decide who is most likely to repay in full and on time. This reduces the risk of losing money. Consumers with higher scores may qualify for loans with the best terms and lowest interest rates. Scores below 620 may mean higher loan costs. To improve your score, concentrate on these points:

- Pay ALL your bills on time.
- Keep balances low on credit cards and other revolving credit.
- Use a few credit cards consistently over time, rather than switching to a new card often.
- Apply for and open new accounts only as needed.

Are you in over your head? Are you spending more than 17% of your net income on non-mortgage debt? If you are at 20%, any minor financial crisis could send you over the limit and you may begin to use credit cards to purchase everyday necessities.



You can read more about credit scores at <http://agrifecdn.tamu.edu/urbantarrantfcs/files/2010/06/Know-Your-Score.pdf>

Getting out of debt takes a lot of self-discipline, but you can do it. You can solve most credit problems in two to three years if you are patient and stick to your plan until you pay all of your debts – no matter what. A plan to reduce debts gives you a sense of control. Paying a little back is better than just worrying or doing nothing. Many creditors are willing to work with you on your problems if you notify them **BEFORE** bills are due and have a good plan. Do **not** avoid creditors.

If you are serious, **STOP USING CREDIT NOW**. Find ways to increase income, reduce debts and create a written debt repayment plan. Remove credit cards from your wallet, make sure that they are not easily accessible and vow not to use any other form of credit except in an *extreme* emergency.



# Creating Your Written Debt Plan

Having a written debt plan is an important step on our journey to managing your debt. This can be accomplished by following the steps below.

Begin by listing each creditor along with the total debt balance owed, the monthly payment due, months left to pay, any overdue amounts and the interest rate you are paying. Use the chart provided in this issue or blank pages you keep in your credit files to record this information. Be sure to list all debts other than your regular mortgage or rent including the following:

- ¢ Credit cards - including charge and department store cards
- ¢ Car loans
- ¢ Personal loans
- ¢ Rent-to-own agreements
- ¢ Educational loans
- ¢ Home improvement loans
- ¢ Checking account overdrafts
- ¢ Overdue utilities or housing

During the next week decide how much you will pay each creditor and how long it will take to pay each creditor. Try to set up a plan to be out of debt within five years. These methods may give you a few ideas about how to decide:

**Low Balance Method.** Pay off bills with the lowest balance due. For example, if you owe only two more payments on your car or refrigerator, you may want to hurry and pay those off. Then the money you used for those payments can go to pay off other debts. Which debts do you have that you can pay off in two or three months?

**High Interest Method.** Pay off those debts with the highest interest rate first. Interest charges can be very costly. Interest on some credit cards can be more than 20%. Paying off those debts with the highest interest rates can free more of your money to pay on other loans. Which of your debts have the highest interest rates?

**Most Important Method.** Pay debts that are most important to your credit rating or to keep your family safe. For example, you need to pay rent or mortgage or you will not have a place to live. If you don't pay for utilities, they will be cut off. You may need to make a payment on the car to keep it from being repossessed. You may need to pay on a loan to prevent your wages from being garnisheed. Other debts may not be as important and can wait a while. If you owe on store and bank charge cards, try to make some payment on them each month. Sometimes you can put medical bills on hold for a while, but notify the doctor or hospital of your plans and your intentions to pay in the future. Which of your debts are most important?

**Percentage Method.** You may choose to pay a percentage of each bill due. This is particularly effective for credit card bills. Paying only minimum balances due may keep you in debt for a long time. Paying 10% of each credit card bill should have them all paid off within one year. If you can afford to pay only 5% of each credit card bill, you can still be debt-free within two years. If you can't afford to pay at least the full minimum payment due on important monthly bills, try to pay as large a portion as possible. Prorate your credit payments. For example, if your income is \$800 per month, you can safely afford to use 20% of \$800 (or \$160) for paying debts. If your credit payments are \$210 per month, you could divide the \$160 (what you can afford) by \$210 (what you owe) and pay about 75% on all your bills (\$160 divided by \$210 is 76%). If your car payment is \$100, you would pay 75% of \$100 (or \$75). If your store charge payment is \$75, you would pay \$56. Keep in mind, however, that not paying the full amount as agreed can affect your credit rating.

**To use the percentage or prorating method,** you need to know how much you can afford and your total monthly credit payments:

**New Plan Method.** You work with your creditors to set up a new payment plan for your debts. This idea works well with utility companies when you have high winter bills and lower summer bills. Which creditors do



# How can you pay off your debt?

The first thing to do is gather all your bills. Then prioritize repayments. Credit card companies require a minimum payment each month. Paying only the minimum, can take an extremely long time to clear your balance. Plan to do more than “just the minimum”.

Choose strategies to cut our debts as soon as possible.

- ¢ **Pay high-rate cards first** (see below)
  - ¢ **Pay off cards with the smallest balances first** (see below)
  - ¢ **Stop making new charges** - take ALL credit cards out of your wallet, lock them up at work or hide from yourself
  - ¢ **Stay flexible** - If you find that you set unrealistic spending limits, REVISE your spending plan the next month
  - ¢
- Keep your oldest best card - make sure one card you keep for emergencies has the BEST interest rate AND has longevity.

Once you have a plan, you have taken the first step to reducing your debt. Now the work begins - Don't Give Up on Yourself - Being Debt Free is Worth It!

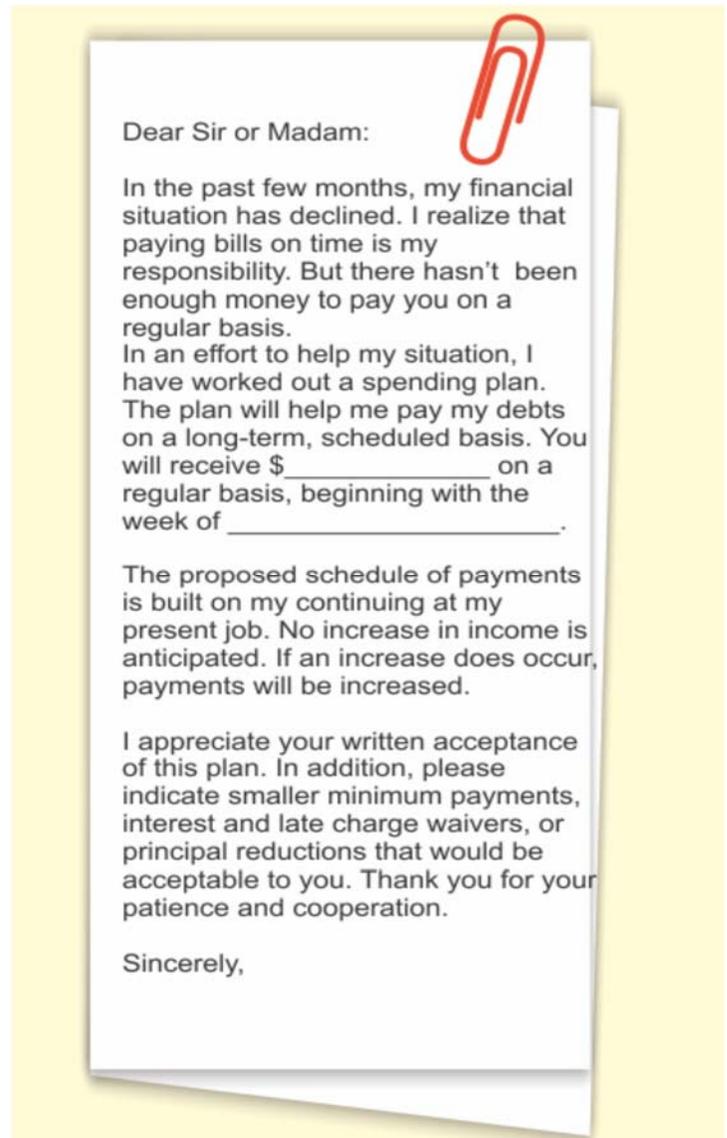
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## Contacting Creditors

After writing your payment plan, it might be time to contact your creditors. Phone creditors first, explaining your situation. Be prepared to explain why you have fallen behind, your current income, and how you plan to bring this debt up to date and keep it current. Don't wait for creditors to contact you! They will be more likely to work with you if you contact them before bills are due. Some credit card companies may ask that you 'wait until you're a 3-6 months behind', which is not beneficial to the customer. This is why it is important to have your own paper trail with the creditor's that you are working with to keep everything documented. You may also want to contact creditors in writing.

The sample letter shown is written in a way that business people recognize. Adapt the letter to your needs. Place the return address at the top of the page, list your address, your telephone number, the date and your account number. Before you make any changes in your payment plan, make sure that you receive a confirmation in writing from the company that they accept your plan. Otherwise, you could inadvertently put your account and your credit standing in jeopardy by having a charge off or settlement to your account and that negative information stays on your credit report for at least 3 years. Be sure to send the letter in a manner that you will receive a signature confirmation. Begin your own paper trail, so that you are covered in writing. This is **NOT** a time to do things via email, not knowing for sure who, if anyone will get back to you. Before you dispute a negative item on your credit report, understand ALL credit laws in total. Unfortunately, scam artists share half of the law and consumers end up in far worse positions.

Sample Letter of Dispute/Checklist: <http://agrilife.org/dollarsandsense/files/2017/04/Dispute-Checklist-Dispute-Letter.pdf>



# Week 4 Action Steps

Choose several of the action steps below that you can complete this week.

01

Continue tracking your spending and using your spending plan. It is ok if you are still collecting receipts and making a list of your expenditures, however, set a date to begin following your spending plan and review expenses to fill in spending leaks.

02

Complete either the PowerPay statement or list your debts to see how long it will take you to pay off any credit cards or loans

03

Plan a strategy to pay off your debt, make it a written plan

04

Complete – how much debt can you afford

05

If you don't have credit and want to start your credit history, make a plan to apply for a credit card or small loan from your bank in your name.

06

Did you order your credit report? If not, review, save or print off your report at the ONLY free website [www.annualcreditreport.com](http://www.annualcreditreport.com), only one, for example, print off or save the Experian credit report. Need additional reminder? Sign up for Credit Check Up Campaign. <http://dollarsandsense.tamu.edu/credit-check>. August the same with TransUnion and December Equifax and then repeat, that way you can monitor your credit report yourself.

07

Review your goals that you have written down, is there anything that needs to be adjusted? Or do you need to add any additional goals? Married or engaged, have a conversation with your partner about your financial goals, makes marriages happier.

The Texas A&M AgriLife Extension Service is a unique education agency with a statewide network of professional educators, trained volunteers, and county offices. It reaches into every Texas county to address local priority needs. Texas A&M AgriLife Extension offers practical information for families: raising children, housing and environment, eating well, managing money, and staying healthy.

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The majority of the content in this newsletter was adapted with permission from University of Arkansas Agriculture Cooperative Extension Service

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## Garlic Lime Chicken

- 3 tablespoons olive oil
- 3 boneless, skinless chicken breast cubed
- 1 teaspoon ground cumin
- 1 zest lime
- 4 cloves garlic
- 1 jalapeno pepper sliced
- 2 limes juiced
- 1/4 cup chopped fresh cilantro
- 3 cups cooked brown rice

Wash your hands and clean your cooking area

In a large skillet, heat olive oil on medium high heat.

Add chicken; allow to cook 3-5 minutes without turning.

Sprinkle cumin over chicken and turn; allow to cook additional 2 minutes.

Reduce heat to medium low and add lime zest, garlic and jalapeno. Stir to distribute flavors.

Cook for 2-3 minutes. Turn off heat. Pour lime juice over chicken.

. Remove chicken from skillet and place over bed of brown rice. Sprinkle cilantro on top.

### Nutrition Facts

Serving Size 3 ounces	
Servings Per Container 6	
Amount Per Serving	
<b>Calories 250</b>	Calories from Fat 80
% Daily Value*	
<b>Total Fat 9g</b>	<b>14%</b>
Saturated Fat 1.5g	8%
Trans Fat 0g	
<b>Cholesterol 35mg</b>	<b>12%</b>
<b>Sodium 35mg</b>	<b>1%</b>
<b>Total Carbohydrate 25g</b>	<b>8%</b>
Dietary Fiber 2g	8%
Sugars 0g	
<b>Protein 16g</b>	
Vitamin A 2%	Vitamin C 10%
Calcium 2%	Iron 6%
*Percent Daily Values are based on a 2,000 calorie diet. Your daily values may be higher or lower depending on your calorie needs:	
	Calories: 2,000 2,500
Total Fat	Less than 65g 80g
Saturated Fat	Less than 20g 25g
Cholesterol	Less than 300mg 300mg
Sodium	Less than 2,400mg 2,400mg
Total Carbohydrate	300g 375g
Dietary Fiber	25g 30g
Calories per gram:	
Fat 9 • Carbohydrate 4 • Protein 4	

