

Case Study – Debt Negotiation

The Challenge

Alyson Ferris from Debt BeGone Unlimited is very good at her job of debt negotiation. She can get most small businesses to agree to a 65 cents on the dollar settlement with no interest. Alyson usually can get the larger franchised companies to agree to a lower interest rate and sometimes a lower balance. Her clients are very happy with the results.

However, Alyson spends way too much time putting together presentations for her clients. These are best guess estimates of what she can negotiate on her clients behalf, based on her seven years of difficult debt negotiations.

“I wish there was an easier and less time consuming way to show my potential clients what is possible,” she said.

The Solution

Ferris purchased the Zilch Professional – Debt Reduction software from ZilchWorks.

This program is very powerful and easy to use. You literally just fill in the blanks and push a button. This tool takes into account all of the details surrounding a clients debts, interest rates, current payments, outstanding balances, etc... and quickly and easily turns it all into a month-by-month detailed debt elimination plan.

Zilch Pro, as it is affectionately known, is designed for financial professionals. It creates two versions on the Payoff Summary Report. The first version of this report is basically a **'Here's how bad it is'** report. It details how long it will take the client to get out of debt if they keep going in the same direction.

The second version of the Zilch Pro Payoff Summary Report is a 'Here's how good it can be', type of report. This lets you really play up the 'Look what we can do for you' angle.

"It's amazingly simple", said Ferris. "My clients just simply get it. I can actually see the lights go on in their head."

The Results

Debts Before Negotiation

<u>Creditor Name</u>	<u>APR</u>	<u>Starting Balance</u>	<u>Monthly Payment</u>
Bob's Mart	21.00	985.42	30.00
Mastercard	19.80	1,705.00	51.00
Fingerhut	19.70	1,305.98	39.00
Visa 1	15.90	2,341.00	70.00
Visa 2	12.90	1,250.00	38.00
Auto Loan	10.90	5,843.00	315.00
Dr. Jones	0.00	850.00	50.00
Totals		14,280.40	593.00

Debts After Negotiation

<u>Creditor Name</u>	<u>APR</u>	<u>Starting Balance</u>	<u>Monthly Payment</u>
Bob's Mart	0.00	600.00	20.00
Mastercard	6.89	1,705.00	35.00
Fingerhut	0.00	913.50	25.00
Visa 1	7.90	2,341.00	58.00
Visa 2	8.79	1,250.00	32.00
Auto Loan	10.90	5,843.00	315.00
Dr. Jones	0.00	600.00	25.00
Debt BeGone	0.00	150.00	25.00
Totals		13,402.50	535.00

Differences

- Several interest rates have been reduced
- Monthly payment is \$58 less
- Total balance is almost \$878 less
- Includes a Debt BeGone fee of \$150

How It Works

Enter the debts into Zilch Pro as they were before the debt negotiations took place. Choose the 'Annual Percentage Rate' Payoff Strategy. Click the 'Sort' button. Notice how the debts have been prioritized from highest APR to lowest APR.

	Creditor Name	APR	Current Balance	Monthly Pmt
1	Bob's Mart	21.00	985.42	30.00
2	MasterCard	19.80	1,705.00	51.00
3	Fingerhut	19.70	1,305.98	39.00
4	Visa 1	15.90	2,341.00	70.00
5	Visa 2	12.90	1,250.00	38.00
6	Auto Loan	10.90	5,843.00	315.00
7	Dr. Jones	0.00	850.00	50.00
7	Totals		\$14,280.40	\$593.00

Click the 'Debt Reduction' button on the bottom right portion of the screen. Zilch Pro will do hundreds and of calculations in a split second and take you to the 'Debt Reduction' screen.

See the next page.

Normal Payoff Method: This is the what happens when only the minimum payments are made each month. Notice the time required to get completely out of debt is 11 years 8 months.

Accelerated Payoff Method: This is the what happens when you follow the debt repayment plan created using the Zilch Professional Debt Reduction software. Notice that the months required has dropped from 140 to 29. This plan will have you out of debt in 2 years 5 months.

The screenshot shows the 'Debt Reduction (DebtConsolidation1)' software interface. It features three main summary panels: 'Complete Debt Summary', 'Normal Payoff Method', and 'Accelerated Payoff Method'. The 'Normal Payoff Method' panel shows a debt-free date of August 2016, 140 months required, \$6,585 in total interest, and \$20,866 in total money. The 'Accelerated Payoff Method' panel shows a debt-free date of May 2007, 29 months required, \$2,801 in total interest, and \$17,081 in total money. A 'Money Saved' of \$3,785 and 'Time Saved' of 9 years and 3 months is also indicated. A bar chart titled 'Length in Months' compares the 140 months for the Normal method and 29 months for the Accelerated method. The interface includes a 'Payoff Strategy' section with options for pledge money and a future debt-free date, and a 'Financial Profile' sidebar with buttons for 'Financial Profile', 'Payment Schedule', 'Balance Report', 'Payoff Summary I', and 'Payoff Summary II'. At the bottom, there are buttons for 'Go Back', 'Report Builder', 'Calculate', 'Time', and 'Interest'.

Complete Debt Summary		Normal Payoff Method		Accelerated Payoff Method	
No. of Debts	7	Debt Free Date	Aug 2016	Debt Free Date	May 2007
Start Month	Jan 2005	Months Required	140	Months Required	29
Plan	Immediate	Total Interest	\$6,585	Total Interest	\$2,801
Strategy	APR	Total Money	\$20,866	Total Money	\$17,081
Balance	\$14,280	Time Required	Yr 11 Mo 8	Money Saved *	\$3,785
Payments	\$593			Time Saved *	Yr 9 Mo 3
Pledge Money	\$0				
Pmts + Pledge	\$593				

Next we are going to look at the 'Payoff Summary I' report. This is the **'Here's how bad it is'** report we talked about earlier.

Click the button labeled 'Payoff Summary I'.

See the next page.

Prepared for:
Mr. & Mrs. Gilbert Dundea
27 Penny Lane
Anytown, USA 98765

Date Prepared: 1/29/2005

Payoff Summary Report

<u>Pay Off</u> <u>Priority</u>	<u>Creditor Name</u>	<u>APR</u>	<u>Starting</u> <u>Balance</u>	<u>Monthly</u> <u>Payment</u>	<u>Interest</u>
1	Bob's Mart	21.00	985.42	30.00	912.52
2	MasterCard	19.80	1,705.00	51.00	1,713.00
3	Fingerhut	19.70	1,305.98	39.00	1,212.97
4	Visa 1	15.90	2,341.00	70.00	1,629.61
5	Visa 2	12.90	1,250.00	38.00	532.09
6	Auto Loan	10.90	5,843.00	315.00	584.97
7	Dr. Jones	0.00	850.00	50.00	0.00
Totals			14,280.40	593.00	

Payoff Summary Totals

Debt Free Date Aug 2016
(11 Yrs 8 Mos)

Total Interest Paid \$6,585
Total Money Paid \$20,866
Months Required 140

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Now enter the debts as they are after the debt negotiations took place. **Make sure to include your Debt BeGone fee.** Choose the 'Annual Percentage Rate' Payoff Strategy.

We are also going to add back the \$58 in the form of 'Pledge Money'. Pledge money is an extra amount of money that gets added to the debt repayment plan each month as an accelerator.



Click the 'Debt Reduction' button on the bottom right portion of the screen. Zilch Pro will do hundreds and of calculations in a split second and take you to the 'Debt Reduction' screen.

See the next page.

Normal Payoff Method: This is the what happens when only the minimum payments are made each month. Notice the time required to get completely out of debt is 4 years 10 months. This is because of the negotiations that were done.

Accelerated Payoff Method: This is the what happens when you follow the debt repayment plan created using the Zilch Professional Debt Reduction software. Notice how this plan will have you out of debt in 2 years 1 month.

The screenshot shows the 'Debt Reduction (DebtConsolidation2)' software interface. It features several panels and controls:

- Complete Debt Summary:**
 - No. of Debts: 8
 - Start Month: Jan 2005
 - Plan: Immediate
 - Strategy: APR
 - Balance: \$13,402
 - Payments: \$535
 - Pledge Money: \$58
 - Pmts + Pledge: \$593
- Normal Payoff Method:**
 - Debt Free Date: Oct 2009
 - Months Required: 58
 - Total Interest: \$1,503
 - Total Money: \$14,905
 - Time Required: Yr 4 Mo 10
- Accelerated Payoff Method:**
 - Debt Free Date: Jan 2007
 - Months Required: 25
 - Total Interest: \$1,057
 - Total Money: \$14,459
 - Money Saved *: \$446
 - Time Saved *: Yr 2 Mo 9
- Payoff Strategy:**
 - Annual Percentage Rate: [Dropdown]
 - Use Original Pledge Money of \$58 (Selected)
 - Change Pledge Money to: \$0
 - Pledge Money based on a future debt free date of: 12 months from now or by Dec 2005
- Length in Months:** A bar chart comparing the two methods. The 'Norm' bar is at 58 months, and the 'Accel' bar is at 25 months.
- Navigation:** Go Back, Report Builder, Calculate, Time, Interest buttons.
- Left Sidebar:** Financial Profile, Payment Schedule, Balance Report, Payoff Summary I, Payoff Summary II.

Next we are going to look at the 'Payoff Summary II' report. This is the **'Here's how good it can be'** report we talked about earlier.

The next two pages contain the 'Payoff Summary II' report and the Month Payment Schedule.

Prepared for:
Mr. & Mrs. Gilbert Dundea
 27 Penny Lane
 Anytown, USA 98765

Date Prepared: 1/29/2005
 Payoff Strategy: Annual Percentage Rate
Pledge Money: \$58
 Start Month: Jan 2005

Payoff Summary Report

<u>Pay Off Priority</u>	<u>Creditor Name</u>	<u>APR</u>	<u>Starting Balance</u>	<u>Monthly Payment</u>	<u>Interest</u>
1	Auto Loan	10.90	5,843.00	315.00	584.97
2	Visa 2	8.79	1,250.00	32.00	227.89
3	Visa 1	7.90	2,341.00	58.00	389.06
4	MasterCard	6.89	1,705.00	35.00	300.75
5	Debt BeGone	0.00	150.00	25.00	0.00
6	Dr. Jones	0.00	600.00	25.00	0.00
7	Bob's Mart	0.00	600.00	20.00	0.00
8	Fingerhut	0.00	913.50	25.00	0.00
Totals			13,402.50	535.00	

Payoff Summary Totals

Debt Free Date Oct 2009
 (4 Yrs 10 Mos)

Total Interest Paid \$1,503
Total Money Paid \$14,905
 Months Required 58

Accelerated Payoff Method

Debt Free Date Jan 2007
 (2 Yrs 1 Mo)

Total Interest Paid \$1,057
 Total Money Paid \$14,459
 Months Required 25

Money Saved \$446
Time Saved 2 Yrs 9 Mos

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Page 1
 Date Prepared: 1/29/2005
 Payoff Strategy: Annual Percentage Rate
 Pledge Money: \$58

Monthly Payment Schedule

2005 Payments

<u>Creditor Name</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
Auto Loan	373	373	373	373	373	373	398	398	398	398	398	398
Visa 2	32	32	32	32	32	32	32	32	32	32	32	32
Visa 1	58	58	58	58	58	58	58	58	58	58	58	58
MasterCard	35	35	35	35	35	35	35	35	35	35	35	35
Debt BeGone	25	25	25	25	25	25	0	0	0	0	0	0
Dr. Jones	25	25	25	25	25	25	25	25	25	25	25	25
Bob's Mart	20	20	20	20	20	20	20	20	20	20	20	20
Fingerhut	25	25	25	25	25	25	25	25	25	25	25	25

2006 Payments

<u>Creditor Name</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
Auto Loan	398	398	398	398	101	0	0	0	0	0	0	0
Visa 2	32	32	32	32	329	430	116	0	0	0	0	0
Visa 1	58	58	58	58	58	58	372	488	488	205	0	0
MasterCard	35	35	35	35	35	35	35	35	35	318	523	316
Dr. Jones	25	25	25	25	25	25	25	25	25	25	25	25
Bob's Mart	20	20	20	20	20	20	20	20	20	20	20	140
Fingerhut	25	25	25	25	25	25	25	25	25	25	25	112

2007 Payments

<u>Creditor Name</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
Fingerhut	227	***	***	***	***	***	***	***	***	***	***	***

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As you can see, the Zilch Professional Debt Reduction software makes light work out of creating and presenting detailed debt reduction plans.

Zilch Pro comes with a 'Report Bulder' module that lets you customize the bottom 4 lines of each report. This lets you brand the reports with your company's name, address, phone number and website url.

For more information or to download a free sample of Zilch Pro visit our website:

<http://www.zilchworks.com/>