

Sixty To Zero

My journey to pay off \$60,000 of debt in 3 years

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Oct 02

[Credit Card Debt, September, 2009](#)

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It was a really crazy end of summer and beginning of the school year, so I've had little to no time to update the blog. My debt reduction plan has slowed to a crawl over the last three months, and I've only made minimum payments in that period. The good news is that my current interest rates are very reasonable, with 5.99% being the highest of the 3 active accounts. I've been paying roughly \$625 per month in payments with a roughly 92% payment efficiency. That means \$575 per month is going towards principle reduction, and \$50 in interest.

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Jul 16

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This month, I was unable to achieve my full commitment of \$1500 towards reducing debt. I achieved just less than half of that. The biggest factor was the purchase of a used car, which we needed now with 5 working drivers at home and only 3 cars.

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Jul 16

[401k Loan for Debt](#)

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I've written before about using a [home equity loan or line of credit](#) (HELOC) to transfer debt away from credit cards. Last month, I discovered another possibility for those with a 401k account at work. Most 401k accounts let you take a loan against the funds, usually up to around 50% of the value in your account. For me, there was also a \$125 origination fee. I have to say up front that experts I admire generally frown on this strategy. There's a good discussion of this issue at [Poorer Than You](#) , and Liz

Pulliam Weston over at MSN Money claims this is one of the

[7 most common 401\(k\) blunders](#)

. Here's what her article says:

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Jun 22

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Raise FICO

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About a month ago, I received an alert from my Equifax service that my FICO score had dropped 16 points... argh!!! I logged in and found that my most recent credit application from early May had triggered an inquiry limit, and flagged me as a consumer desperately seeking credit. Well, it is true that I have applied for credit more over the last 2 years than in any period of my life, but it has not been in desperation. Over the last 2 years, I've purchased a home and a townhouse, both for rental purposes. I opened several credit card accounts, including one each from Home Depot and Lowes, to help finance and improve the properties. All these accounts had very attractive initial interest rates, so it made a lot of sense from a pure financial and accounting standpoint. My initial seed money for the purchases came from a home equity line of credit (HELOC), and I've since refinanced the first home I purchased. My two rentals are doing well and turning a small profit, and I have significant equity in both properties. Yet the vagaries of the FICO formula conspired to make me look desperate. As I've mentioned before, the FICO formulas don't know or care what your income is or what assets you own, they simply look at trends in your credit habits and try to predict the future based on large-scale patterns of those with similar credit habits. Some will be helped by these calculations, while others will appear to be a greater credit risk than they really are.

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Jun 12

The Latest Scam

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Over the last week, we've received numerous phone calls from Kohl's, the department store we occasionally shop at. We last received a call last December when my wife's account was overdue. But we know we're current on the account, so we did not answer the phone. We figured it must be a telemarketing campaign, especially since they never left a message. Finally, curiosity got the best of my wife, and she answered the phone last night. Well, it seems they were just reminding us that this month's bill is due in a few days, and they offered the service of paying over the phone. My wife found out there is a \$10 charge for pay-by-phone, so she declined and let them know she'd pay over the web in a day or two.

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Jun 04

HELOC for Debt

Consolidation

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I have 2 accounts that have come off of introductory interest rates recently, and now stand at 13% (Discover) and 15.9% interest (Bank of America). I have seen my average interest rate jump from a superb 2.4% up to mediocre 12.6%. Usually, I wait for a new balance transfer deal

to come around, but I haven't had one good enough to take advantage of. I have a Citi balance transfer offer of 0% for 9 months, but it requires a 3% fee up front. Adjusting for the fee, the actual annual percentage rate is about 4%. Citi also will offer me 2.99% for 15 months with the same 3% up-front fee. That equates to about 5.4% annualized interest.

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May 31

[Credit Card Debt -](#)

[May, 2009](#)

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Its been a while since I've written. My debt reduction plan has taken a bit of a hit the last 2 months. First, I was trying to refinance the house, and had locked in at 4.875%. I decided to not roll expenses into the loan, which meant I needed to come to closing with some cash. I decided to stick with minimum credit card payments for the month of April. Well, my plans unraveled when my FICO dipped to 698 due in large part to Bank of America slashing my credit limit from \$24,000 to \$6,500. Also during this period, I needed to move a balance from my ESPM/WaMu card, coming off of a 1.87% intro rate up to 29.99% which WaMu had recently increased from the previous 22% rate. The transfer got complicated. Chase bought WaMu, and since I have a United Mileage card with Chase, they agreed to move my credit limit over to my Chase card. But first, I had to clear the WaMu balance for that to happen. I split the balance between BofA credit card (consuming most of what was left of my credit limit there), and transferred the remaining \$6500 to my Capital One card at 5.99%. I then successfully moved my credit limit from the old WaMu card to my Chase card. Unfortunately, through the quirks of credit reporting, Chase failed to report my new credit limit during the month. Basically, the FICO calculation saw my credit limit drop another \$12k because of the consolidation. The net of it is, I was not able to refinance because of a total FICO drop from 722 at the time of locking, down to 698. The drop was exacerbated by a number of credit inquiries I made, including shopping for the refinance, and 2 unsuccessful attempts to get a HELOC on my rental property. I have to say I am very frustrated with the financial/credit system, as my financial position altogether has actually improved due to the stock market recovery, yet my FICO dropped a significant amount. As many of you know, the FICO calculation does not consider your assets (stocks, 401k, home value), your salary, or even whether you have a job at all in its calculation. This is one of its main flaws, but there are many others too numerous to discuss here.

The other area which has set back my debt reduction plan is that I needed to purchase another vehicle. I have a child that just turned 16 and needs a car to drive to practices and work. I wanted to buy a cheap yet reliable car, and I found a 2001 Mazda Protege with 85k miles for \$4650. This is my second Protege, and I'm confident this is a good deal and the car will go forever. I didn't want to finance the car. So instead, I was able to scrape together savings from skipping my extra credit card payments. At this point, I have successfully paid for the car by missing Apr, May, and most likely June extra payments to credit card companies. That puts me roughly three months later in my debt-free date, but I feel its worthwhile to avoid having another car payment.

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May 01

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Here's my credit card debt summary for the month:

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Apr 18

[Never Waste a Crisis](#)

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Is anybody else baffled by the huge profits announced recently by Wells Fargo, JP Morgan, and other big banks? I was scratching my head for a while. We've just been through the worst financial system meltdown our country has ever seen, including massive bailouts as a last-gasp effort to keep many banks operating as viable businesses. How can impending insolvency suddenly change to massive profits, in the span of a few short months?

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Mar 31

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[Mar, 2009](#)

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Its been a busy and eventful month for me. I achieved a short term milestone, as I had planned, to break under the \$40,000 credit card debt level. I thought this would bring a sense of accomplishment, but the joy was small and short-lived. \$39,204.92 is my new number, and I guess it still looms large. Still, as I write this, I do feel a moderate level of achievement. The plan is working, as I've carved away about \$24,000 from my highest debt level.

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