

Debt Freedom
Session 2 – Confess Debt Freedom

Debt freedom is more than just an idea!

Courageous Commitment *“Be strong and very courageous. Be careful to obey all the law my servant Moses gave you; do not turn from it to the right or to the left, that you may be successful wherever you go.” Joshua 1:7*

Strategy and Technique 

Behavior Change Spend Less... Save More...
Attack Debt

Visualize

- What would your lifestyle be like if you were truly debt free?

- What could you do with the money that you're now spending on servicing your debt?
 - Spend it?
 - Give it?
 - Save it?
 - Invest it?

Confess

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| <ul style="list-style-type: none"> • What are you willing to do to become debt free? <ul style="list-style-type: none"> • Reallocate discretionary spending to pay off debt? • Postpone something you want to do now? • Work overtime or get a part-time job? • Use savings? • Learn some new debt payment strategies? | <ul style="list-style-type: none"> • What are you willing to do to remain debt free? <ul style="list-style-type: none"> • Pay cash or don't buy it? • Change your spending habits? • Destroy credit cards? • Change certain friends and associates • Pray for strength, wisdom and guidance? |
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"Submit yourselves, then, to God. Resist the devil, and he will flee from you."
James 4:7

Declare

I will be debt free (except for home mortgage) by: _____
(Realistic Date)

I will be totally debt free by:

Your Debt Freedom Pledge!

Debt and You

- How are you using debt now?
 - Discretionary spending?
 - Make ends meet (food, clothing, shelter, medical)?
 - Appreciating assets?
 - Depreciating assets?
 - Experiences, vacation and fun?
 - Education?
 - Christmas or birthday gifting?
 - Start a business?

Debt and You

- What are you best (and most realistic) alternatives to debt
 - DON'T buy it!
 - Pay cash for it!
 - Downgrade your expectations!
 - Delay your gratifications!
 - Work for it!
 - Get gifted for it!

Debt and Your Credit Rating

- Your debt-to-income (DTI) ratio:
 - Total monthly debt divided by total monthly income
 - Monthly debt = \$1,200
 - Monthly income = \$4,000
 - DTI = 30%
- Why is DTI important?
 - DTI > 40% is harmful to your credit rating
 - Won't be eligible to borrow, or
 - Borrowing costs (interest rate) will be much higher than usual
- Only 2 ways to improve your DTI
 - Increase your income or reduce your debt!

Debt and Your Credit Rating

- Your credit score (FICO) is calculated based on weights
 - 35% - payment history (on-time payments are good)
 - 30% - amounts owed (keep utilization below 30%)
 - 15% - length of credit history (longer is better)
 - 10% - new credit inquiries (recent inquiries is bad)
 - 10% - types of credit (varied mix is good)
- Credit categories used by banks
 - Super Prime 760-850
 - Prime 660-759
 - Sub Prime 500-659
 - Punitive Missed payments, exceed limits
 - Promotional New customers

Debt Behavior and Your FICO

- Maxing out your card
 - Costs 10-45 points
- Skipping a payment cycle (30-45 days late)
 - Costs 60-110 points
- Debt settlements or short sales
 - Costs 45-125 points
- Foreclosure
 - Costs 85-160 points
- Bankruptcy
 - Costs 130-240 points

Confess Debt Freedom

Summary

- Must believe and declare debt freedom before you see it.
- It takes work to **become** and **remain** debt free
- There are alternatives to debt
- DTI and FICO impact your freedom

Next Session

- *Freedom Oil*: essential resource
- Debt snowball: a key tool
- Execution strategies
 - Credit cards
 - Installment
 - Mortgage
 - Auto loans
 - Student loans