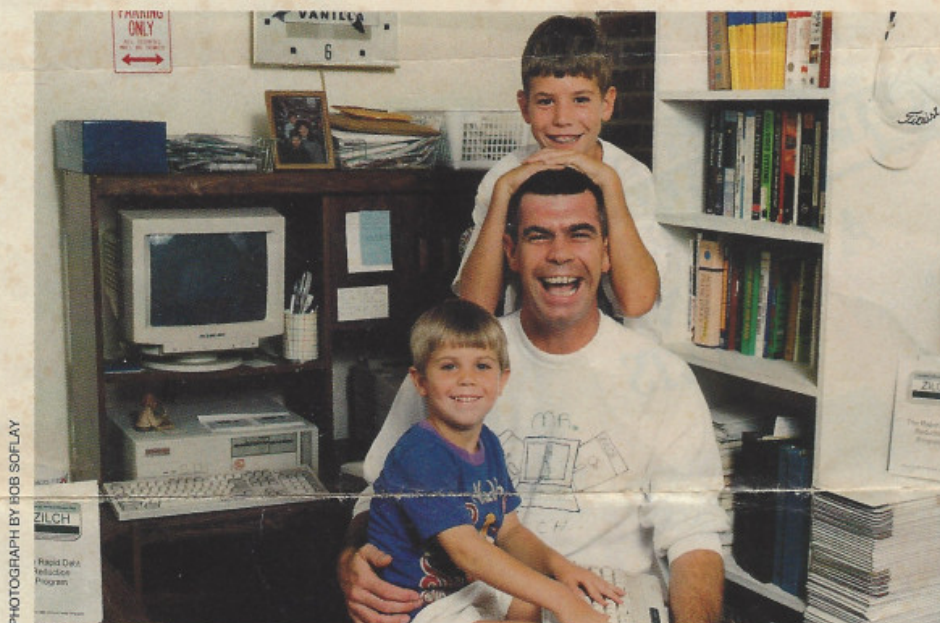


Reducing Debt to 'Zilch'

A Marine staff sergeant's computer program helps credit card users get out of trouble



PHOTOGRAPH BY BOB SOFLAY

Michael Riley (with sons Shane and Derrick) developed "Zilch" to help a friend pay off his debts.

By Madilee C. Wnek

If credit card debt threatens to take you under or if you're just tired of the never-ending monthly bills, Marine Staff Sgt. Michael J. Riley may have the solution.

The 35-year-old computer specialist works as information systems management office chief in charge of the local area network for Marine Corps Station Beaufort, S.C. But in his off-duty hours, he has created "a rapid reduction program" for paying off credit cards.

Called "Zilch," the program quickly and easily organizes your debts to show you in simple report form how to pay off your charge cards months or years ahead of schedule and how much time and money it will save you to do so.

"I know from experience just how difficult it is to stop using credit cards and to concentrate on getting rid of credit card

debt," Riley says.

The program so impressed Bankcard Holders of America (BHA) of McLean, Va., that the private, nonprofit consumer organization contracted with Riley for a customized version of Zilch, to help consumers become debt-free.

"The average person carries eight to 10 pieces of plastic, with a total balance of \$3,300," says BHA Executive Director Ruth Susswein. "If you make minimum payments on those cards at typical interest rates, it will take nearly a decade to pay them off at a cost of \$2,179 in interest." And that's without adding any new purchases.

Riley also markets the MS-DOS software on his own, but he's donated the program to family service centers at Marine Corps bases where he's been stationed, as well as to some public libraries.

Using the Program

Zilch works this way: it prioritizes your credit card bills and sets up a schedule for paying them off—first the cards with the smallest balances and the ones with the highest interest rates. You pay at least the minimum on each monthly bill.

The key to success with Zilch is paying off one credit card and then applying the money that was going to that creditor to the next bill, and so on, until everything is paid.

Riley says most people, when they pay off one card, spend that money on something else rather than apply it to what they still owe on other cards. "My program calls for putting all your credit cards together and treating them as one big debt; the outgo is the same each month," he says.

One young Marine and his wife, successful Zilch users, owed \$5,000 on four credit cards and \$2,000 on a personal loan. They set aside \$200 a month for the cards, and as they paid off one debt, they added the money to the next card's payment. They also paid \$100 a month on the loan.

The newlyweds expected to be paying on the bills forever, ►

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but, using Zilch, wiped out all the debt in a little over two years, saving about \$2,000 in the process.

"It's best not to add any new debt," says Riley, but being married and having three children under 13 has taught him that people sometimes get caught up in impulse buying and other times a purchase is necessary.

So the flexible program allows users to quickly and easily update the report, adding the new expenditures. "You just have to get back on track instead of letting frustration make you forget the whole thing," Riley says.

Designing the Program

Riley's debt management program originated by chance in 1987 while he was stationed at MCAS Cherry Point, N.C.

A Marine for a decade, he had moved from aviation support equipment to computers when a friend asked for his help in controlling his debt, which included seven credit cards, two or three department store cards and doctor bills, together totalling \$16,500.

"A chaplain had given my friend an idea about how to prioritize his debts, so I used a spreadsheet program already on the market to enter the credit information and produce a plan of payment," Riley recalls.

But it took almost five hours—too long, Riley decided. He sat down and wrote what he calls "a really crude program" to do the same thing.

"It took me a month in my spare time to design, but only five minutes to enter the credit data and do a report," he says.

Though nowhere nearly polished enough for general use, Riley says he used it for nearly a year to get his own credit in order. Then he stuck it in a drawer and forgot about it for a couple of years.

He retrieved it in 1990 after he completed a college course in Turbo Pascal, a faster, more efficient computer language.

TIPS FOR REDUCING DEBT

Bankcard Holders of America Executive Director Ruth Susswein says credit card holders are being caught in a trap.

"Minimum monthly payments have been dropping while interest rates have been rising, so we need to use this time as a wake-up call to do something about the ballooning debt on our credit cards," she says.

She offers these tips for reducing debt:

- ◆ Figure out exactly how much you owe.
- ◆ Develop a spending plan to determine how much you can afford to put toward your credit card bills each month.
- ◆ Stop charging and pay cash.
- ◆ Pay as much as possible on the card with the highest rate first.
- ◆ When you pay off one card, add that payment to the card with the next highest rate, and so on.
- ◆ Refuse offers to skip payments or pay nothing if the minimum is prepaid.
- ◆ Send in your payment as soon as you get your bill.

—M.C.W.

Over the next year, he used it to write Zilch. "That's when I decided to market the software to help other consumers master their credit problems," he says.

Benefiting Consumers

In the process of promoting his new debt reduction program, Riley sent a copy to BHA. The organization now uses a customized version of the software to provide a personalized debt management report to consumers as part of a "Debt Zapper" kit, which also contains a list of low-interest credit cards and tips on reducing credit card debt.

The "Debt Zapper" customer simply furnishes BHA with information on each of his credit cards: outstanding balance, current interest rate and minimum payment required, along with the total monthly amount he is prepared to pay on the credit card bills (at least the minimum on each card). The information is sent to BHA, which holds it in strictest confidence.

BHA then sends him a printed Debt Zapper report, set up in sections, just like

the reports Zilch provides to users who own the software.

The first section details how much he should pay each month on each of his credit cards until the entire debt is eliminated. The second shows what the remaining debt will be each month on each card following the Section 1 schedule. The third summarizes time and money savings when he pays off the debt on schedule.

"We've had more than 10,000 requests for the kit so far," says Susswein, noting that when BHA first offered the program to its own members, it was shocked to learn that among the 500 respondents the average credit card debt was \$13,500, and one person had \$125,000 in credit card bills.

Yet members failed to realize, she says, that such debt could jeopardize their futures, if, for instance, they lost their jobs.

Riley, who has sold hundreds of copies of Zilch, says users regularly write to thank him for designing the program. He's working to make it available in retail stores and plans a Windows version within a year.

But for right now, he says, "It makes me feel good that I can help somebody get out of debt." ■

To order Zilch, write to Michael J. Riley, P.O. Box 9138, Beaufort, SC 29904-9138. The software is in DOS for IBM and Tandy computers. System requirements: DOS 3.0 or higher, 256K RAM. Cost is \$29.95, plus \$4 for shipping. Military Lifestyle readers can send along a copy of this article and receive a \$5 discount.

The BHA Debt Zapper kit is available from Bankcard Holders of America, 524 Branch Drive, Salem, VA 24153; (703) 389-5445. Cost is \$15. Readers with overseas addresses but without an APO box should add an additional \$2 for postage.