DEBTOR BEWARE

Free Aid Ousts Adjusters

By MIRIAM OTTENBERG
Star Staff Writer

Across the nation thousands of people are freeing themselves from the mire of debt and avoiding the stigma of bankruptcy without paying fancy fees to commercial debt adjusters.

They are lucky enough to live in the 63 metropolitan areas and medium-sized towns where a community answer has been found for the individual's debt problems. The answer: Nonprofit, free or nominal-cost debt counseling services sponsored by a cross-section of community leaders.

Where these services are in full operation, the so-called "counselors" who make a business of debt management leave town for lack of customers. That's what The Star found in surveying more than a dozen cities with community counseling services.

A measure of the effectiveness of these services is the virulence of attacks against them by the commercial debt adjusters. The head of the nation's largest commercial adjuster network calls the nonprofit services "diabolical in terms of any understanding of finance and the free enterprise system."

The Star's survey showed why debtors shun the commercial adjusters when nonprofit services open. The fact that these services are free or nominal cost is only one reason. Here are others:

1. Instead of being "counseled" by salesmen for the commercial debt adjuster, the debtor is advised and, where necessary, his debt payments are pro-rated by such experts, as longtime credit managers, budget counselors or retired bankers.

2. While in many places—including Washington — most creditors refuse to do business with the commercial pro-raters, any creditor will go along with a nonprofit community service which is largely creditor-supported and numbers creditors as well as consumers on its board of directors and advisory committee.

3. Duns cease and repossessions and garnishments are avoided when creditors are informed by the counseling service that the debtor is working his way out of debt with the help of the service.

4. The debtor knows that every dollar he can manage to put on his debts is going to the people he owes—and is not being held back by a commercial adjustor who takes his own cut first.

5. The community's counseling service is frank with the debtor from the start. Unlike the commercial adjuster who may convey the impression that he will advance the money to pay all the bills, the nonprofit counselor makes it plain that he's there to help the debtor help himself, that any money paid to creditors will be the debtor's money.