

Mr. SISK. We have a quorum call. The House is in session. Let me express my appreciation for your testimony here this morning. I know it will be of help to the Committee. The statement of Mr. Genosky, which he left here as requested will be made a part of the record. We thank you very much.

Mr. RABINOWITCH. Thank you.

(The statement referred to follows:)

STATEMENT OF C. T. GENOSKY, PRESIDENT, FINANCIAL
ADJUSTMENT CO.

PROFESSIONAL CREDIT COUNSELING—PRO RATING

Pro-rating or Professional Credit Counseling is a consumer service and has been in use since the inception of consumer credit.

Available records indicate that it was started as a full time industry in Minneapolis, Minnesota, by Mr. Sidney Chase, now deceased, in the year 1922. Mr. Chase was a former loan man. He saw the economic need at that time and went into it as a full time profession.

It did not get official national recognition until the early 30's when Justice William O. Douglas then a professor at Yale, and Justice Abe Fortas was Editor-in-Chief of Yale Law Review.

A study was made of the bankruptcy system by Justice Douglas on behalf of the Hoover Administration and by Justice Fortas on a study financed by Yale Institute of Human Relations.

The study was made in Chicago, Illinois, where Justice Fortas encountered "accredited adjustment firms." In a statement made at the 34th Annual Legal Aid Conference in Denver, October 1955, Justice Fortas said:

"My observation was, in short, that such institutions had a useful function in our society, and not an exclusive function, certainly not a monopolistic function, but a function, so to speak, that is comparable to a psychiatrist. It was a function which is useful when people or families are sick."

He continued:

"I believe that when an American family gets in debt so that it needs some help it should have available to it a variety of avenues; their problems should be resolved, if possible, free of charge by a social welfare agency, by the advice of legal aid societies, by friends, by anybody who can help them out of the morass, the terrible morass of a hopeless debt situation. I also believe that they should have available to them, trained, honest commercial enterprises like the credit counselors, debt adjusters, as they are called, to whom they could pay a reasonable fee."

In 1935 the Minnesota State Legislature after due investigation decided that professional credit counseling was a just enterprise, necessary to our economy and adopted a regulating bill regulating the industry in Minnesota. Here in the State of Minnesota we have been operating under regulation since. There have been few if any abuses.

After World War II consumer credit rose from six (6) billion dollars outstanding in 1946 to an amount which today is in excess in ninety-five (95) million dollars. It has become such an important part of our economy that over eleven (11) billion dollars are being paid annually by the consumer in interest charges alone.

As the consumer credit rose so also rose the casualties, so also rose the number of professional credit counselors. The industry developed from the one to two man operation or the sideline operation to a full fledged profession. It has changed from the original pro-rating of 20 years ago that of merely "handling bills," to one wherein the counselor analyses, educates, budgets, counsels and advises the family or individual in proper buying and spending in addition to arranging to pay the bills.

There are a number of alternatives for the debtor consumer. It is possible for him:

1. Convert assets to cash to pay all bills in full; or reduce them to a point where the balance of monthly payments can be maintained.
2. Borrow sufficient money to pay the bills provided the re-payment schedule is not in excess of the individual's ability to pay. There are abuses in this aspect both by the over borrower and the over zealous lender.