Useful Services Performed

A professional debt counsellor helps debtors to budget and schedule their debt repayments, while providing relief from unfair or harassing creditor collection tactics. In so helping the debtor and his wife to budget and to practice financial discipline, the counsellor chooses sides. He fights for his client, since his basic responsibility is to their interests—though the end purpose of repaying all debts benefits the creditors. The usual results of a professional relationship—bills are paid off, money is returned to the creditor, and the debtor enjoys a learning experience that he carries with him in the future. He is no longer a financial refugee, he regains his self-respect by learning what too many other people, too many of us, take for granted—an ability to control his own finances.

Counselling as an Alternative to Bankruptcy or Additional Debt

Without debt counselling, many are forced into bankruptcy. In the past thirteen years, while the U.S. economy has enjoyed its most prosperous decade in history, the annual personal bankruptcy rate has increased 503 percent. Debt counselling *is* an alternative to bankruptcy, and its disruptive effects on employment, family life, and loss of pride. Like the lesser known and more costly Chapter 13 wage earner procedures, it is a method of paying your way out of debt. Much is made of the fact that debt counsellors do not advance their own money to debtors so as to pay off existing and past due obligations. That is absolutely correct! We believe that individuals already overburdened with bills and debts *cannot borrow their way out of debt.* It is too costly a solution when the highest interest charges of consolidation loans are considered. We know, because so many of the debts included in the schedule of debts we deal in, are consolidation loans. Furthermore, many debtors are by their very overextended condition poor credit risks and therefore ineligible for such loans. The many credit interests in this country prosper by keeping individuals indebt. We can only survive by resisting these interests and helping the debtor out of debt.

Why Can't the Debtor Help Himself?

You may wonder, as I did before learning answers through experience with our clients and creditors, why a debt counsellor can succeed where the individual debtor fails. Surprisingly, perhaps, our average clients are not uneducated, unemployed and poverty-stricken. Nor are the non-white minorities overly represented. Our "typical" client, fully employed, under 30, average income of $5,000, and with three or four dependents, is not much different from the celebrated profile study made of the average bankrupt. This typical debtor, and the many far more affluent clients we help, need the services of a counsellor to help them budget, deal with their creditors, and avoid repeating these problems in the future. This individual cannot always, or even often, help himself. Where the debtor himself attempts to rearrange his repayment plan with his many creditors, he frequently finds that despite the willingness of certain creditors to go along with him, each one still wants the assurance that no other creditor will receive preference. Quite frequently, therefore, the creditors will not allow such an adjustment. Yet, our experience has enabled us to bring about a workable repayment plan.

Debt counselling services in a sense are similar to those performed by employment agencies. In that field, certain persons will not suffer the embarrassment of applying for a job and being turned down, or of having to accept $1.75 an hour instead of $2.00 because of the relative bargaining positions. The creditors can exert similar leverage on the debtor, in the absence of experienced debt counsellors, that an employer can put on a prospective employee. The professional debt counsellor, like the experienced employment counsellor, can assist in the search for equality in dealing. Today, you no longer hear talk, so common only short years ago, of outlawing employment agencies. Yet, the cry to abolish commercial debt management continues. In the years to come these voices will also disappear in the wake of satisfactory experience under regulatory statutes.

Inadequacy of Non-Profit Counselling

In addition to reasons I've given, it is clear from the very provisions of H.R. 9806 that even proponents of such prohibitory legislation recognize the need for debt management services. If this bill were passed, commercial debt counsellors would be outlawed—but the services could be performed by attorneys or by non-profit or charitable organizations. I would like to emphasize that these