

goes to one and says, "I am having difficulty, and instead of paying you \$12.50 a month I would like to pay you \$10 a month so at least I am paying you every month and I can support my household."

Of those twelve creditors that creditor is interested in but one: himself. He doesn't want to agree to take \$10 from this debtor unless he has full assurance that other creditors have cut their payments in a corresponding manner. So we have seen many times—I have a close personal friend—like myself, a graduate of Northwestern—here again, an educated man—who attempted to do this with his creditors but the first creditor wouldn't agree to it. Very few will unless they know all creditors are going to take the same cut.

I think in those two cases—first, the fact that these people, while educated, they don't maintain a control of their finances. I doubt if there is anybody in this room except myself and perhaps Mr. Rabino-witch, who actually keeps a family budget at home. They don't do this. They are televised into extending themselves.

Secondly, they can't deal with their creditors on an equal basis; they need some leverage between themselves and credit.

Mr. JACOBS. I would like you to comment on my suggestion that your analogy may not be on all fours. The question about whether a man receives \$1.50 or \$2.50 is usually not resolved by an employment agency, but by a union of workers in his job situation. It seems to me the leverage in that case is not so much that somebody else speaks for him but because somebody else speaks for him and a thousand other employees similarly situated. The leverage is that they are collectively bargaining.

In the debt management industry you are not collectively bargaining. Each time you bargain, I presume, you bargain for one person or one entity. So the ultimate power, the ultimate counterbalancing interest to the creditor is no greater than it was before the client came to you, except in terms of knowledge of the law and the rights of that individual. Power in the area of bargaining is no greater, regardless of who represents the individual debtor. So I don't think that precisely answers my question.

It seems to me that when the debt management company approaches the creditor for extension of credit, he could say no to the debt management company just as quickly as he could to the individual debtor without fear of any greater pressure than the individual debtor could bring to bear. It seems to me the individual debtor who is well informed, and even further informs himself, could contact the 12 creditors and try to make the same arrangement with all of them at once, just as easily as the debt management company.

Do you think my criticism of your analysis is valid?

Mr. HOLLAND. Our experience doesn't bear that out. I can say in my first exposure to the industry in 1959 that they had just opened an office in Chicago and some of the creditors at that point were not acquainted with the debt management industry, but it was only a matter of a few weeks where the creditors realized that we, in dealing with them, were handling the entire debt structure of an individual and had as our sole purpose to work them out of debt and to deal fairly, first with our client, but certainly fairly with the creditors. And we found that they will cooperate with us where they will not cooperate with the debtor.