agency. These critics point out that there is much that the debtor can do for himself and that, in many cities, family welfare agencies, Legal Aid Societies and retail credit bureaus are willing to assume the burden of debt adjustment for the deserving debtor at little or no expense to him.

Under an Ohio law, a debtor can set up a trusteeship through a municipal court which will pro-rate a portion of his income to his debtors at nominal cost. A recent Wisconsin statute enables wage earners to amortize their debts through the state courts Chapter XIII of the Federal Bankruptcy Act permits wage earners less than $5,000 a year to establish trusteeships for the liquidation of their debts, without resort to bankruptcy, over a period of three years, if necessary. Nearly 10,000 such proceedings were filed during 1954.

LACK OF REGULATION

In Wisconsin, there is a licensing law supplemented by rules and regulations governing debt adjustment companies, only one of which operates in that state. Minnesota also has a licensing law. A recent Maine statute prohibits anyone other than an attorney from engaging in this business. In Pennsylvania, the courts have construed the collection agency law so as to prohibit debt adjusters from taking fees from debtors; hence, there are no pro-rate companies in Pennsylvania. So far as NBBB is aware, in other jurisdictions, any individual, hower ill-qualified may set himself up in business as a pro-rater without any restriction or regulation of his operations whatever.

Legislation has been proposed in other states which would prohibit the operation of a debt adjustment business for profit or which would seek to license and regulate the business. The net effect of some of the proposed laws which NBBB has seen would appear to be to lend dignity to debt adjusters as state-licensed organizations while affording little real protection to the public. That would seem to be true of any legislation which:

a) would permit unqualified or unscrupulous individuals to accept money from desperately involved debtors without obtaining the agreement of creditors to participate in a workable pro-rate plan;

b) would permit the adjuster to exact exhorbitant fees, openly or by subterfuge;

c) would permit the adjuster to deduct all or a substantial portion of his fees in advance rather than on a pro-rata basis as service is performed; or which

d) did not provide for competent supervision by a state agency adequately financed and staffed.

A NATIONAL SCANDAL

In this bulletin, the sole purpose of the National Better Business Bureau has been to draw attention to a situation that is fast approaching a national scandal. We do not suggest that all debt adjusters are charlatans. Better Business Bureaus in those cities where debt adjusters have fulfilled their promises to the public to the satisfaction of debtors and the creditor community alike have not questioned the value of the service which this type of business offers.

It is for the lawmakers to decide whether the activities of pro-rate companies should be prohibited, whether they should be regulated and whether the states should provide other facilities for performing debt adjustment services, as in Ohio and Wisconsin. Without presuming to decide these questions, the National Better Business Bureau offers the following observations:

In a vocation which offers any individual the opportunity to handle other peoples' money without regard to his reputation, financial responsibility, experience and other qualifications, and without regulation by or accountability to any public agency, the potentiality for evil is great. The evidence is more than ample to support the view that this potential has been realized by an alarmingly high proportion of debt adjusters under existing circumstances.

Service Bulletin—Prepared for Chamber of Commerce Members of the National Better Business Bureau, Inc., New York, N.Y., July 1967

HAWAII BECOMES 22ND STATE TO PROHIBIT COMMERCIAL DEBT ADJUSTING

On March 30, 1967, Hawaii became the twenty-second state to prohibit the commercial practice of debt adjusting when Governor Burns approved House Bill No. 33. The bill was introduced by State Representative George W. T. Loo of Honolulu.