

DEBT ADJUSTING BUSINESS

STATEMENT OF RONALD L. SNELLINGS, DIRECTOR, MEMBER SERVICES DIVISION, NAVY
FEDERAL CREDIT UNION

BIOGRAPHY

For the record, my name is Ronald L. Snellings. I am the Director of the Member Services Division of the Navy Federal Credit Union and have served in this capacity since July 1961. Prior to that time, I served as Assistant Branch Manager of the American Security and Trust Company. I am a member of the Board of Directors of the Metropolitan Area Credit Union Management Association, a member of the board of directors of the Consumer Credit Association of Greater Washington, and an associate member of the International Consumer Credit Association. I am also Certified Consumer Credit Executive and a Certified Public Accountant.

I have worked in the field of consumer finance in Washington, D.C. for more than 15 years and have had considerable exposure to the local consumers' debt problems. I am a native Washingtonian.

I. INTRODUCTION

As an experienced credit grantor and counselor in consumer finance in the District of Columbia, I wish to give favorable testimony on behalf of House Bill H.R. 9806.

II. REASONS FOR ELIMINATION

There are ten reasons for prohibiting the business of debt adjusting in the District of Columbia as proposed by House Bill H.R. 9806.

1. The fee charged for such services—often 10 or 12 percent of each payment in addition to an initial conference fee of \$25—adds to the burden the debtor already bears and actually postpones the date when he will be debt-free.

2. The benefits received by the consumer from this arrangement are extremely questionable. Debt adjusters lend no money; make no attempt to counsel; do not assure that the debt plan devised will leave their victims enough money to live on.

3. By promising quick results which can't be delivered, the debt adjuster deters the debtor from seeking the financial counsel which he so badly needs.

4. Educational efforts are nonexistent by the professional pro-rater in Washington.

5. Deceptive and misleading advertising are used to obtain clients.

6. Credit grantors will not cooperate with professional debt adjusters due to the lack of adequate counseling and the reputation maintained in the community.

It will be stated by opposers to your bill that credit grantors cooperate because they accept the professional debt adjusters remittances. It is true that my organization accepts these checks. However, we do this because our attorney has instructed us to accept remittances from "all third parties for partial payments" as it is a normal business practice of the credit union such as—wives remittances for husbands, mothers for sons, insurance companies, banks, attorneys and many others.

7. 25% of the consumers need counseling only, as opposed to pro-rating. The paid professional is interested in pro-rating only since his fees are based on the amount of debt funds he handles.

8. Licensing of professional debt adjusters brings to mind some concern. Almost every skilled or professional person requires some experience and/or education before he can be licensed. Qualifications of "trained counselors" in use by the professional debt adjuster is questionable.

9. Reformulation of family financial money management is not possible through the professional debt adjuster without detailed budgetary counseling, educational efforts, and a direct contributory effort by the consumer. The consumer without improving his spending habits, will redevelop the same problem since he has learned little from his professional debt adjuster.

10. The District of Columbia represents a safe refuge for two professional debt adjuster due to the many surrounding states which have outlawed the profes-