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The Michigan League Cooperative Budget Service was the first non-profit cooperative financial counseling agency established in this country. It was established almost three years ago by a group of credit unions in the Detroit area. Several developments brought it into being. While I was with the Michigan Consumer Association I made a spot survey of the clientele of the city's largest commercial debt amortization office and discovered that one out of every three of its clients was a credit union member. I challenged the credit union movement to take care of its own people. At the same time, within local credit unions, particularly the large ones with paid personnel, an awareness was developing of the increasing time and expense entailed in unraveling the financial problems of some members.

A review of the problem in the community over a period of months revealed that it would be advisable, both in terms of management efficiency and quality of service, to set up an agency to specialize in financial counseling to which local credit unions could refer their problem families. A small group of large credit unions subscribed some $20,000 to subsidize the agency until it could become self-supporting through a fee-for-service structure.

Starting in August 1961 with one counselor and one secretary-bookkeeper in a downtown office building, the agency has expanded to six counselors and two secretarial staff utilizing six part-time locations scattered around the outskirts of the city. This feature was the result of a disclosure that many of the families referred to MLCBS were not keeping their appointments. Follow-up interviews with a number of these families revealed that many of them had not journeyed to downtown Detroit for many years for any reason. The neighborhood locations have negated this referral problem to a minimum.

The struggle for solvency has been a challenging one. It was necessary to change the fee-structure three times in the first year of operation to approach self-sufficiency. Actually MLCBS was eleven months old before experiencing its first month of "profitable" operation--a balance of seventy-five cents in the black to be exact. Its fee-structure has finally stabilized and consists of an initial interview fee of $10 and a $3 a week service charge. This amounts to about ten per cent of the sum of the debts being amortized for a family.

MLCBS's experience underscores the fact that financial counseling is an expensive operation. Initial interviews to untangle a family's financial affairs, resulting from too many installment purchases, is a time-consuming affair. Three hours is the average time required, but six is not unusual in some cases. Negotiating programs of payment with individual creditors can also be a trying experience. Undoubtedly part of MLCBS's cost-of-operations problem stems from its policy of employing only competent personnel to provide high quality service to families whose problems place them beyond the help of a commercial counselor. Its salary schedule is considerably above that of commercial counselors in the area. Even so, the cost of its service to the consumer of 10 per cent of the amount being amortized compares favorably with the 18 per cent figure being charged by the one responsible commercial counselor in the city. Twenty-five per cent is not an unusual charge by other "operators" in the area, and I use that term deliberately.

To date MLCBS has interviewed more than 1000 families and has set up amortization programs for almost 90 per cent of them. It has paid off debts to creditors totalling nearly a million dollars. It is recognized as a positive force in the community.

Our limited time suggests that this is probably a good place to begin our discussion between members of the panel. As a commercial financial counselor, Mr. Patton commented that if a community fund subsidized him to the tune of $50,000 he could service some 400 families or more without charge. My question to him is: Would such an approach enable commercial counselors to serve the families they now turn away who lack sufficient funds to pay for the service? My acquaintance with the business suggests it is not unusual for commercial operators to turn away 50 per cent of the applicants for this reason.

My question of the representative of the credit union movement, Mr. Lins, is this: How realistic and practicable is it to contemplate the intensive training in a matter of weeks of numerous counselors at the local credit union level to care for the problems of their own members? The experience of the Michigan League Cooperative Budget Service would label the idea that "anyone can do it" a myth that should be dispelled. Indeed, it is finding the "art" of negotiating with creditors for a client so refined a skill that it deserves a higher salary classification. Gaining the confidence and cooperation of creditors in a proposed plan for a debtor is a crucial phase of every program, and I wonder if creditors can be expected to spread their confidence and cooperation among an unlimited number of local credit union officers, particularly in a large city.

Our legal counsel on the panel has presented the case for the wider use of Chapter XIII among overextended debtors. Mr. Eisendrath indicated that various fees and expenses going to the trustee in a particular plan amount to 10 per cent of the debt being amortized. This suggests that as small an amount of indebtedness as $3000 would cost the debtor about $300 plus a lawyer's fee of at least $200, a total of $500. As a promoter of the wider use of Chapter XIII nationally a few years ago, I must confess my enthusiasm for this approach was dampened considerably when I came to recognize the high cost to the indebted consumer that was involved. Our experience at MLCBS suggests that a program for a similar amount would cost the consumer about half that amount. Does not the cost of Chapter XIII to the consumer, then, in part explain its limited use as an alternative to straight bankruptcy?

One final and general question for the entire panel is in order. By inference at least, little has been said this morning by anyone that would suggest that straight bankruptcy is a reasonable route for a submerged debtor to pursue under any circumstances. A superficial survey of some bankrupt families in Michigan a few years ago indicated that a number had gone bankrupt to wipe out one particular credit contract or purchase that was thought to be unjust. Obligations to other creditors in these cases were voluntarily reinstated by the debtor following bankruptcy. This raises for consideration the question: Under what circumstances is straight bankruptcy a plausible, perhaps commendable, solution to recommend to a client?

In January 1959, the Credit Union National Association began the

Through error the title for pages 21 and 22 was not listed on the copy:

FAMILY FINANCIAL COUNSELING - A CREDIT UNION ACTIVITY

by
Harold A. Lins
Family Financial Counseling Specialist
Credit Union National Association

with highly skilled professional resource persons. All materials are supplied by CUNA for such courses. A teacher's manual was produced by CUNA in 1963 for the use of highly trained professionals in the field of psychology, social work or other counseling personnel. A second manual was produced and made available to Leagues dealing with a centralized budget counseling agency. Resource material for this manual was obtained and written in co-operation with the Michigan League Budget Service, a subsidiary of the Michigan Credit Union League.

In 1961, 72 training programs were conducted with 4,017 participants, for a total of 20,000 hours. 1962 showed a sharp increase in all statistics. There were 201 programs with 8,033 in attendance and 57,305 hours of training. In addition, a one-week residential school was held at the University of Wisconsin with a participation of 44 volunteer and full time credit union personnel. The 1963 statistics are down somewhat because of staff changes; however, the individual training hours are higher. There were 161 programs with 5,571 participants and 48,251 training hours.

The 1964 CUNA Family Financial Counselors School is a two-week program of highly concentrated educational sessions covering the psychological aspects of counseling and special subjects on consumer topics. The overall objective is to increase the effectiveness of on-the-job performance, improve existing skills in gathering and impart information which will assist the counselee in obtaining the maximum from the total family income.

LEAGUE COUNSELING SERVICES

(Making Credit Unions Distinctive Among Financial Institutions)

A Spectrum of Activities

*Productive Counseling

**Preventive Counseling

Remedial Counseling

Rehabilitation Counseling

	Credit	Union	Centralized	Services	Normal Collection Procedures	Skip Tracing	
	Productive and Preventive Counseling	Remedial Counseling	Remedial Counseling	Debt Adjustment			
Member Joins	Prevents overindebtedness before it occurs and teaches effective money management. Ensures "good" loans and a cohesive group	Prevents recurrence of overindebtedness. May involve consolidation of loans.	Prevents recurrence of overindebtedness through personal counseling & education on a more expert level	Pays the bills by stretching the payments to creditors. Usually no loan is involved.	Can be done by League service or by attorneys.	Last resort when all counseling, debt adjustment & normal collection procedures have failed.	"Write it off" the books
			Members are referred to this service.				

Counseling | Collection

Most of the job is done here	Used when credit unions are unable to do job	Next to the final resort

For Whom	For all members	Represents 35% of the loans	Represents 3% of credit union members and one billion dollars annually	Represents 4.78% of loans	Represents .22% of borrowers
Involves	*1. Consumer information a. Distribution of literature b. Consumer classes **2. Better loan interviewing and problem solving		1. Debt adjustment and pro-rating at beginning of delinquency and before bankruptcy. 2. Rehabilitation of member (psychologically and educationally) back to the credit union.	1. Possible referral back to central counseling center (perhaps in another league).	
League_Cuna Services	1. Training programs for credit unions' officials and staffs 2. Consumer Information Programs		1. Organization of centralized debt-counseling centers 2. Special training programs beyond those given previously to credit union officials and staffs. Only for a "few."	1. Continued special training to include rehabilitation techniques as well as collection procedures. 2. Education of credit union officials.	