

November 06, 2011

SUZE'S BOOKS & KITS
HELP / LOGIN / SIGN-UP

SUZE ON TV & RADIO

SEE SUZE LIVE

RESOURCE CENTER

SUZE'S TOOLS

THE SUZE SHOW

Managing Debt

[back to previous page](#)
[back to main topics](#)

PRINTER-FRIENDLY PAGE

Interview with CCCS

The following is a transcription of an interview that was conducted by Caryn Dickman, a friend of mine who writes a wonderful newsletter on how to get out of debt and Tina Powis-Dow the Director of Education and Marketing for the CCCS office in Oakland, California. I thought you would find it interesting and helpful.

CD: I have a lot of people calling and writing me from all over the country and they are in financial debt way more than they ever thought they could be. And they want out. They don't trust just going anywhere. People ask about things they've seen on television and want to know if these organizations are legitimate. From all of my research found that Consumer Credit Counseling Services has provided sound, legitimate, extremely helpful information, and for many, a way out of their financial situations. So I want to try to help people, tell them as much as they need to know, answer just about as many questions that can possibly come up with so that they can make their own decision as to whether to use CCCS services.

TPD: Let me explain who Consumer Credit Counseling Service is and I'll give you the peripheral background and try to explain more about who we are. We were started in 1966, this office started in 1966. We've been in Oakland since then and we don't plan on moving anywhere else. We have grown to 12 different offices now. We got offices basically all over Contra Costa, Alameda, Solano counties, although we do take appointments by phone as well. Our hours are generally from 7:30 in the morning until about 6:00 at night depending on what the day of the week is. If it's Wednesday or Thursday we have evening appointments. We also have Saturday appointments. Again we can do phone counseling - it's just as easy as having somebody come in person - it really doesn't matter. It's really what's best for the client. And eventually next year we'll be able to do counseling over the internet.

CD: If when you do that will that be outside of Oakland or outside of the East Bay area?

TPD: We do telephone counseling outside of the East Bay area.

CD: So people from any part of the country can call?

TPD: Sure. We're happy to give them information. We have a staff of about 16 customer service people who just answer questions. So if somebody just has a quick question that they want to ask, you know, I don't understand what this is on my credit report, they can answer it. Nine times out of ten the counselors don't need to see the credit reports to get an idea of what it looks like because we generally get the same questions over and over again. But if not, we ask the person to fax over the credit report and take care of it that way. Again we do counseling over the phone. We've got 16 counselors so if somebody from New York wants to have a counseling appointment we'll be happy to do it. If they feel more comfortable going to an office in New York then we refer them to the CCCS in New York, whichever is more convenient for them. That's all we really care about.

Basically what we do here is we have a course service which is financial counseling, that's free of charge to everybody. The counseling takes about an hour. Our primary purpose in the financial counseling session is to take a look at somebody's income and their outflow and to figure out the best way to kind of get a handle on where the money is going and why it's going there. So what we try and encourage people to do is to start writing down what all their debts are, where all the money is going. That's usually the biggest barrier that we have to overcome because people just don't know where their money is going. All of a sudden they know they're in trouble, they know creditors are calling or they know they don't have enough money but they don't know why. They don't know what happened. There are sometimes cases, obviously of divorce, where you can see how the money disappears. You can also see if you've been downsized, you know, that there's no money there. So those are conditions under which there are influences they are not necessarily something where you spent more than you had, you can actually see what's going on. We still ask those people to write down what's happening but it's easier because you know what's going on.

Once they've written everything down, what we ask them to do is to take a look at some of our materials. We have a booklet called Cheapskate Choices and it has all this information on how you can actually go about downsizing some of your spending, to look at it in a different light. We have some clients who come in and say "But I have to have" or "I deserve". We say, "yeah, okay you do deserve but that's not where your income is right now. And that's okay. We can get you to that point but we need to take these baby steps right now." That's basically what happens at the counseling session.

Another thing we do in a counseling session is to take a look at some of these debts. Who are your creditors? What's going on right now? Are you behind? Can we get you caught up? Can we negotiate with your creditors? Can we lower the interest rates? Can we get rid of the late charges so that if you're paying \$15 a month on your minimum balance and you're constantly getting late charges well you're definitely not paying anything. You're not even paying the interest. So what we'll do is to talk to them about that and see what we can do. If we can't put somebody on a debt management plan. If it makes sense we try to do that. About 30% of the people who come in here, we do recommend going on a debt management plan.

CD: Can you talk to us a little about what a debt management program is?

TPD: A debt management program is when we negotiate with the creditors to reduce the interest rate or to eliminate them altogether. A lot of creditors, because they're going through Consumer Creditor Counseling Service, will go ahead and completely eliminate the interest rates. This is really great. We try and creditors caught up so that they're no longer paying in arrears. In other words if as Joe Consumer were to call the creditors and say, "let me work out a payment arrangement" - sometimes what they'll do is say, "okay fine, we can do that and we'll lower your payment but your account is going to continue to age." So you're constantly going to be behind. Most of the time when going through Consumer Credit Counseling Services you don't have a problem because we negotiate that by saying we don't want any of this in arrears stuff, we don't want the person to be continually showing as behind. I want them brought up to date as of today. When we sign the contract I want the interest rates either eliminated or reduced and this is what we do. Sometimes we have to get nasty with creditors.

CD: Then does the client pay CCCS every month or can they continue to pay themselves?

TPD: Well what happens is they give us the money, they're not actually paying us, they're actually giving us the money and we put it in a trust account. And it sits in the trust account until Thursday of every week. We make payments on Friday mornings. And we usually do it by ACH, so it's automatic. What we're also offering our clients now is, if they're comfortable with it, we're taking the money directly out of their accounts so they don't have to send in payments, they don't have to worry about going to the cash machine and getting their ATM swiped or anything else.

CD: In that respect when you get a credit report it would say that the accounts are being paid by CCCS.

TPD: A credit report will never show us because we don't report to the credit report agencies. Everything we do is confidential. It is between us and the client.

CD: What about the company that's owed money?

TPD: Right. Now what the creditors will do sometimes is that they will put a line in the credit report saying paid through a Consumer Credit Counseling Service. The reason why it's a good thing when this happens is because we really don't want the client to accumulate any more debt. And sometimes what will happen is, because somebody's habits haven't changed and their skills haven't developed yet, they will go and try to get more credit. In that case having this line on their credit report is good because they know not to give them any more credit until it's paid off.

CD: And when it's all completed then if they do want to reapply for credit can they get it? These are the kinds of things that keep people from wanting to use your services, they're afraid that they won't be able to ever get credit again.

TPD: If they choose to reapply that's not a problem. We have a pool of creditors that we work with that actually want to give credit back to our clients.

CD: What about debit cards? Do you teach people and encourage people to use them?

TPD: Absolutely. I think the debit cards are great but you have to make sure that you write everything down. You really have to track it. With cash it's a lot easier because it's either there or it's not. With a piece of plastic the plastic itself is not going to go away. So it feels physically like there's something there even though you may have a negative balance in your account.

CD: My question with debit cards is for example if you go to the grocery store and they put it in, does it clear immediately?

TPD: Immediately.

CD: So in a way it is almost like cash.

TPD: It's exactly like cash. You can do it for \$12.46.

CD: And let's say you put in \$12.50 and you don't have \$12.50 in the account, will it bounce?

TPD: Yes. But again you have to write it down because if you're writing checks that at the same time that you're doing your ATM then that's when you could start overpaying. Another problem is that if you deposit checks into your account and you have not considered the fact that it may be held for a little while, then you can also have a problem if you're only using the debit card and you're not using checks that would just fine. The problem is you can't pay the electric company and your rent, for example, with a debit card, at least not yet you can't.

CD: I understand the need to write things down but I can't tell you how many letters, phone calls, and people know that have come to my house for help and they pull their out checkbook out which is rolled into a ball. The only thing that's neat is their bank reconciliation statements because they haven't even opened them. They're terrified or immobile to even attempt to figure out their finances themselves. I tell them to contact their CCCS office in their area and depending on where they are in the country the responses vary greatly. At least one person has called me to tell me that they told her to go bankrupt and she was absolutely against that course of action. My question is what is the point at which you advise people to go bankrupt?

TPD: There is a point and quite frankly sometimes - we never say you have to go bankrupt. What we do say is you may want to contact a lawyer, that is one of your options. Another one is that you can fight your way out of this situation and we can also show you how to do that.

Basically what happens is if somebody can't meet the basic living expenses, forget about the debts, if they can't pay the rent and they can't manage their food and they can't manage their basic taking care of their personal selves then that's when we say to them you're going to have to look into some other way of taking care of this because there's not enough money here to make it even with our recommendations. We try to explore all options like having people move in with their family. Maybe that's not even an option. Maybe there's just no other way. That's when we'll say it's time to go ahead and see a lawyer. We have a referral list of places to go in this area that's very reasonable and you get good help.

Sometimes, however, I have had clients say that's absolutely not acceptable. And I say fine, let's figure out another way of doing this. Let's figure out how I can help you and what I can do. There are tons and tons of jobs available right now. Are you willing to work two jobs? Are you willing to go and get some training so that you can get a better paying job? We have this huge referral book and our counselors are really well trained - some of them have been doing this 30 years so they know what's available.

CD: Is the training free?

TPD: Sometimes it's free, it depends on the situation. If somebody, for example, is on welfare right now, we know we can go through the county and we can help them get the training for free. If they've been downsized there is usually a way we can figure out how to get it for free or very low cost. Sometimes we'll say it's going to be a matter of just getting a few more credits or getting into a training program. And sometimes it means incurring a little more debt. But sometimes that debt will really pay off. If you have somebody who is a nurses' assistant who can become a registered nurse, it's going to make a huge difference. If you have an ASL interpreter (American Sign Language) and you can become certified, it's also going to make a huge difference. You'll be making \$3 or \$4 an hour more.

On the other hand we have this booklet called Cheapskate Choices where we will make recommendations on how to look at housing for example. Can you room with somebody? Can you house share? The market is incredibly tough for housing right now but there are tons of places that are willing to do co-ops. We present ideas about possibly moving back with family, friends or siblings for a temporary period of time.

CD: If someone is not in this part of the country and is interested in that booklet can they write to you and get a copy of it?

TPD: Absolutely. We'll send it off. I'm always willing to share my materials. Right now we have about 30 different classes. And we have workbooks for all these classes. What we've decided is to make the workbooks incredibly detailed so that we can go ahead and send them out as pieces on their own.

CD: Do other CCCS offices offer these classes or is this unique for this office?

TPD: Some do and some don't. It depends on the education director.

CD: A lot of them work through the churches.

TPD: Yes and social service organizations too.

CD: So they operate differently?

TPD: Yes. Some people have a lot of funds and some of the CCCS's don't. You'll find agencies that are usually a little bit bigger and have a little more funds have more education programs. The ones that are smaller and don't have very much money or don't charge fees, they don't have enough to keep the education programs going. So they just concentrate on getting people out of the emergency situation.

CD: Maybe we should talk a little bit about the fees.

TPD: Sure. All the classes are free. The education material, it's free. The counseling session is free. For the debt management plan, it's \$0 to \$20 and it depends on your debt load. It is 8-12% of your debt up to the maximum which is \$20. Nothing'll ever be charged more than \$20. However, let's say you're in that situation where you just don't have anything left over, we're just going to charge you. Obviously we want to get you on to the program, sorry you're going to need \$20 more a month - I mean that's just ridiculous. So what we try and do is keep it as low as possible. I think the average is \$15 a month which is a little bit higher than last year and that's only because people's debts have increased. We've seen debts increase. Last year the average was about \$18,000 and this year it's \$24,000.

CD: Why do you think it went up? Wasn't the economy better this year? Wouldn't you think it should go down?

TPD: When people get a raise they generally spend more without even thinking about it.

CD: I've read that when you get a raise don't assume you have anything more. Take the extra money and immediately put it into some kind of savings account so you have something.

TPD: You're absolutely right.

CD: Another question I wanted to ask is how is coming to CCCS different than companies using collection agencies?

TPD: Collection agencies work for the creditor. We're working for the client. That's the biggest difference. And basically what we do is we're not trying to get the creditors money back. That's not our purpose. Our purpose is to help you by giving you the tools that you need in order to gain control so that you can sleep at night, so that eventually you can start saving money, so that you can get out of debt, so that you can have an emergency fund, so that you don't have to constantly be worrying about this same problem over and over again. A collection agency's primary purpose is to get money back, they don't care how it's done.

CD: Who pays them?

TPD: They get paid from the creditor. What happens is most organizations have their own internal collection agency. And basically the way they work is that they're paid a salary, for example, \$24,000. Then of course they get commissions on top of that \$24,000. So they get paid by collecting money from you. So the more they collect obviously the more money they make.

CD: Okay so when you go to a creditor and you say you have a client that wants to pay it off, just get rid of all the interest, why would they chose to let that happen as opposed to letting their own collection people go after them?

TPD: Well because a lot of times what happens is their own collection people have tried and failed. That's usually what happens. Basically there are a couple of reasons why. One is that our program has been more successful than their collection departments. The reason why it's generally been more successful is because we're on the clients' side. Also the creditor would rather get some money back than none at all because a lot of people when they come here they're so distraught they're at that point where they're on the verge of bankruptcy. Also we do get money from the creditors. About 75% of our funding does come from creditor contributions. But please remember they are contributions. We're not getting paid. It's also cheaper for them to use a non-profit organization because its tax deductible and it's voluntary. They have to pay their employees, that's not an option.

A question I hear fairly often is "Is this going to pay my credit report?" And basically the answer is it's up to your creditor. Usually it's that line that says paying through CCCS. Is that negative? Some people look at it as negative and some people think of it as something positive because you're doing something about it and taking control.

CD: Another question you must get a lot is "when I walk in here are you going to rip up all my credit cards?"

TPD: When you walk in here no. If you chose to go on the debt management program then what we will ask you to do is cut up all your credit cards.

CD: Every single one of them?

TPD: Every single one of them. However, if you do have your own business or if you have an emergency or there may be an exception kind of thing, sometimes we let you keep one.

CD: What happens in situations of divorce? The man, who is usually the bread winner, ups and leaves and his wife is left with all the debt. What advice do you give to people in that situation?

TPD: One thing I would do is if you're contemplating a divorce or you think your spouse is, make sure you start closing out all of the accounts. It's not enough to cut up your credit cards if you leave the accounts open, that's very important.

CD: What is the average amount of time that people stay on the program?

TPD: Basically how we do it is we don't like people to be on the program for more than five years. We want to get them out of debt in five years. That's our goal. The average length of time is 3-1/2 years with an average debt load of \$22,000.

CD: I keep coming back to questions about the credit report. Once you are done paying it off, does that come off?

TPD: Generally things stay on your credit report for seven years. Now what we have done is showing it as a zero balance and that's it.

CD: In some ways I would imagine it might not be bad to have it there because it shows that you are responsible enough to take care of yourself and go and get help when you need it?

TPD: That's true. It depends who's looking at it. Now usually what happens is two years after somebody has completed the program and they've accumulated enough credit so that they are starting to look real good then they're pretty well off to go ahead and get a lower interest rate loan for a car or to go ahead and get a mortgage.

CD: How often do you have "repeat offenders"?

TPD: The rate is not high. Unfortunately we don't have solid numbers, we'll have much better numbers next year because we're implementing a program where we get better numbers.

CD: I don't know much about it but have you heard of debtors anonymous?

TPD: Great organization. Based on Alcoholics Anonymous, again it's wonderful. I have lots of clients that absolutely swear by it. It's very encouraging. It is very spiritual, so if you have somebody who's not into that it may not be the best way to go but if somebody's open to it, it's a wonderful organization.

CD: Do you find that the majority of people who come here have problems because of an addiction to spending money?

TPD: No I don't. What I really find is the number one reason why people have so much debt is because they don't have the skills or they didn't implement them. So, in other words, they're not tracking where their money is going. They don't have a spending plan. And they don't have their goals. It's like they're driving around and they've got no map and they have no idea where they're going. You need to do all this planning and preparation.

CD: Do you ever suggest people use programs such as Quicken Deluxe?

TPD: Absolutely. There's a program that we use called the Debt Analyzer where you can actually plug in all of your debts and it will come up with a report saying, this is how long it'll take you to get out of debt. Now we do use that for clients sometimes when they do have enough money to pay off their debts and they don't need us to negotiate for them because they're really making enough money to pay off everything. Then we suggest that particular program. We do charge \$20 for the first time it's run within a 12 month period and \$10 for the second time.

CD: What about people who are not in trouble but they have very high rates on their credit cards and they want to lower their rates?

TPD: We have a list of low rate credit cards.

CD: And they do it themselves?

TPD: Sure they can either change them over or we can teach them how to negotiate with the creditors to do it themselves.

CD: I got a phone call this morning from a woman who said that she went to a credit service place, which obviously wasn't hers, and she was turned away because she's not in credit card debt.

TPD: That wasn't here. That's one of the problems if you go to some of the CCCS offices unfortunately that might happen. They don't have the budgets to manage it. As I said if you want to refer some people here we don't charge them anything, we'll send them information. As a matter of fact I'm redoing a piece called How to Downsize your Debt and in it it has the low interest credit cards and how to negotiate with your creditors to reduce the interest rates, and how not to pay the minimum payment on your credit cards.

To learn more about CCCS and the educational opportunities available to you, call CCCS toll free at 1-800-501-SAVE.

Partial list of CCCS booklets and handouts:

- Cheapskate Choices
- Dealing With Debt
- How To Read Your Credit Report
- Credit CPR
- How To Downsize Your Debt
- How To Have A Financially Sane Holiday
- How To Contact Your Creditors
- Money Control Workshop (Sessions 1, 2, 3)
- Reconciling Your Checking Account
- Money Personality Quiz
- Psychology of Debt
- Myths About Credit
- Identifying And Ordering Priorities
- Your Money Mind
- Managing Your Money When Times Are Tough
- Control Overspending
- Building A Better Credit Record
- The Secrets To Having Heaps of Money
- Women & Money
- You And Your Money - The Basics
- How To Reestablish Your Credit
- How To Manage The Financial Aspects of Divorce
- Raising A Money Smart Child