

Credit counselors get bigger - and stronger

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ALAN YOUNGBLOOD/STAFF PHOTOGRAPHER
Pebbles Vance, right, a team leader with GreenPath Debt Solutions in Ocala, works with Group Leader Amanda Walker in the Ocala office on Monday.

After 23 years, Consumer Credit Counseling Service (CCCS) of Mid-Florida has merged with GreenPath Debt Solutions. GreenPath, like CCCS, is a nonprofit that provides credit counseling, financial education and debt management services for clients who need help.

Based in Farmington Hills, Mich., GreenPath took over operation of CCCS' offices in Ocala, Gainesville, Lake City and Inverness. GreenPath is licensed to provide debt counseling services in all 50 states, but these are the company's first offices in Florida. Before the merger, GreenPath counseled Florida clients over the phone and the Internet.

GreenPath has kept all 15 local employees and added an additional credit counselor to both the Ocala and Gainesville offices.

Major creditors want to do business with fewer companies, so CCCS needed to merge with a much larger company, said Rick Tuman, external relations director for the Southern region and former president and CEO of CCCS. Tuman said that major creditors now will more readily work with the local offices, so clients will get better interest concessions on their debts.

Behind the merger

CCCS considered seven organizations as merger partners. GreenPath's client referrals, technology and face-to-face business model helped seal the deal, Tuman said.

GreenPath offers technology that CCCS couldn't afford. Now clients can access their account information from home, much like online banking, Tuman said.

GreenPath's human resources and information technology departments are bigger than the entire staff of CCCS, he said.

GreenPath did not merge with a lot of other businesses to get big. It grew from the inside and just recently started merging with smaller businesses, Tuman said.

GreenPath was looking for an established, similar agency to expand its presence into Florida. CCCS was just what it was looking for.

Both agencies are members of the National Foundation for Credit Counseling. NFCC agencies are accredited, their counselors are certified, and their services are free or low-cost.

Some clients are referred to GreenPath by creditors; however, most are referred by satisfied previous and current clients, said Tuman. GreenPath also has walk-in clients.

Individual clients aren't the only ones helped. Helping individuals get out of debt helps the community at large, Tuman said.

To collect debts, creditors must raise costs. When a house is foreclosed on, other houses in that neighborhood are devalued. Banks can only do so many repossessions before they must raise interest rates. Credit would be much cheaper if everyone paid their bills on time, he said.

How it works

As a nonprofit, GreenPath does not charge for a debt counseling session, Tuman said. During the consultation a counselor develops a customized budget based on the client's income, expenses and financial goals.

GreenPath does charge a fee, up to \$50 monthly, if the client chooses to start a debt-management program. The fee is regulated by the state, Tuman said.

In the program, GreenPath takes all unsecured debt and works with creditors to reduce interest rates, waive late and over-limit fees, and develop payment plans. This means more money is used to pay off debts instead of just paying interest.

The client makes one affordable payment to GreenPath, which in turn pays the creditors.

With a debt-management plan, creditors know they will regularly receive a payment. Therefore they are willing to reduce interest rates and waive fees — terms that an individual could not negotiate on his or her own, Tuman said.

GreenPath receives a percentage back from the credit companies for helping clients make timely payments. Most companies pay around five to eight cents on the dollar, but some do not pay anything.

How much money, if any, credit counseling companies receive from creditors is purely up to the individual creditor, Tuman said. The money is not taken out of the client's payment.

The credit companies are willing to pay the counseling companies because the creditor does not have collection expenses for that customer.

GreenPath is also funded by foundations, companies and creditors that offer grants to nonprofits like GreenPath, which provide financial education to the community.

Stark problems - and numbers

David Clifton, a GreenPath debt counselor in Ocala, said loss of income is the reason most people are looking for debt-relief programs.

In February, Marion County's unemployment rate was 15.4 percent. The Alachua County unemployment rate was 8.8 percent and the state rate was 12.2 percent.

"They are forced to use credit cards to survive," he said. Many people do not have a savings account to fall on when they lose their job. Most of Clifton's clients have already exhausted their savings.

He also has seen older adults and seniors go into debt to help their grown children. Grandparents will often step in to pay for things because they don't want their grandchildren and children to go without after a loss of income.

Clifton helps clients repay their debts with budget counseling and debt-management plans. Every debt situation is different and there are several options to consider, Clifton said. Loan modifications and bankruptcy are options, but Clifton said he tries to help clients avoid bankruptcy.

U.S. bankruptcies increased 14.2 percent in January and February of 2010 from the same period in 2009, according to Kristine Schultz, a GreenPath communications specialist. Florida bankruptcies increased 27.6 percent from January and February 2009 to the same period in 2010.

In Florida, GreenPath saw a 44.6 percent increase in Chapter 7 and Chapter 13 bankruptcy filings from 2008 to 2009. Nationally, GreenPath saw a 32.1 percent increase in clients filing for bankruptcy from 2008 to 2009.

In 2009, 29.6 percent more Florida residents set up GreenPath debt-management programs than in 2008, according to Schultz.

GreenPath also tries to keep people out of financial trouble in the first place.

Employees work to counsel and educate the community with finance workshops and spread the word that, just like their cars, people's personal finances, such as credit ratings, need tune-ups.

A little preventative medicine now goes a long way to ensure that you are not stranded later, Tuman said.

About GreenPath Debt Solutions

- Founded in 1961
- Has 42 offices in seven states
- Contacts: 1-800-550-1961; www.greenpath.com
- Ocala office: 1525 N.E. 22nd Ave.



Richard Tuman, director of external relations with GreenPath Debt Solutions in Ocala, shows just one of the containers of shredded credit cards the agency has accumulated over the years in the Ocala office.

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