



POSTED: APRIL 11, 2010



Credit counseling service gets boost in downturn

BY SUSAN TOMPOR
FREE PRESS COLUMNIST

Jane E. McNamara, president and CEO of GreenPath, still runs into people who have no clue what GreenPath does even though the outfit employs 500 people in Michigan.

"They say 'Oh, GreenPath, what is that? Do you recycle?'" she said.

Well, in a manner of speaking.

The Farmington Hills-based nonprofit consumer credit counseling service, which turns 50 next year, has gotten a boost from the economic bust.

As people lost jobs, saw wages cut or got crushed by falling house prices, they've had to re-envision how to handle money. Many have turned to credit counselors or debt-management programs, such as those offered by GreenPath, to dig their way out of trouble.

This year, a change in federal law means that credit card statements now include telephone numbers to reach credit counselors, such as GreenPath. Credit card statements now are required to spell out how long it could take to pay off your debt if you only make the minimum payment each month and never charged again.

For some consumers, the prospects aren't pretty.

"Now it's there in black and white. How do you ignore it?" McNamara said. "I'm hoping that people reach out to get help rather than file for bankruptcy."

What the group does

GreenPath Debt Solutions is a nationwide organization that assists consumers with credit card debt, housing debt and bankruptcy concerns.

GreenPath's clients owed an average of nearly \$27,000 in unsecured debt in 2009, up about 25% from 2008. Clients on average had an annual income of nearly \$42,000. GreenPath, formerly called Credit Counseling Centers, now handles nearly 12,500 debt-management programs for Michigan clients.

GreenPath manages nearly 32,500 debt-management programs nationwide.

Many people pay fees to go into a debt-management program because they want a way out from those credit cards that have annual rates of 25% to 30%. The nonprofit credit counselor -- which often receives funding from the credit card industry -- is able to negotiate rates closer to 10% to 15%. Rates can be much lower in hardship cases.

Some households could save \$300 in interest each month in such programs -- and the minimum monthly payment might shrink by \$75 or so.

Creditors may waive late fees or over-the-limit fees and stop debt collection activity.

Falling home values costly

McNamara, who started out as a counselor and became president and CEO in 1997, said she grew concerned more than 10 years ago about what would happen to consumers if home values fell dramatically.

The rush to refinance -- and tap into equity built in the house to pay off debt -- worked for a while. But home prices fell and it became harder for homeowners to unload that debt.

"They pulled equity out two and three times," she said.

Now home equity is gone and many may owe more on the house than it is worth.

While statistics show that Americans are reducing their debt, McNamara noted that consumers are not always paying off their bills. Many are reducing debt by walking away from their mortgages.

GreenPath Debt Solutions has 42 full-time branch offices in Michigan, New York, Wisconsin, Illinois, Indiana, Florida and Arizona and delivers licensed services throughout most of the U.S. over the Internet and telephone.

Debt-management program fees vary by state.

GreenPath said its average fee is about \$36 a month; the maximum is \$50 per month. The maximum onetime setup fee is \$50.

Consumers on a debt-management program are going to have to close most of their credit cards. Closing lines of credit could ding your credit score. Some creditors may view participation in a debt-management program as a negative.

Gerri Detweiler, a personal finance adviser for Credit.com, said she'd still recommend GreenPath as a source for consumers dealing with debt. But she also noted that some consumers could have trouble because they owe so much debt that they won't be able to pay it off in five years with interest, as is required by a debt-management program.

GreenPath notes, though, that many creditors now have hardship debt-management program concessions that can lower interest to as low as 1.75% when the debt is overwhelming.

Trouble is, many people aren't just dealing with debt; they've now had pay cuts, too.

Many laid-off workers cannot reinvent themselves fast enough, McNamara said. GreenPath said about 25% more Michigan clients said they had experienced a reduction in income last year, compared with 2008.

More than 8,000 Michigan residents called GreenPath for the first time in 2009 at least partly because of a job loss -- that's up 42% from 2008.

"It's been bad," she said. "We are very busy."

Contact SUSAN TOMPOR: 313-222-8876 or stompor@freepress.com