



An evaluation of the consumer credit counseling service in Missoula, Montana
by Cynthia Elizabeth Bryson

A thesis submitted to the Graduate Faculty in partial fulfillment of the requirements for the degree of
MASTER OF SCIENCE in Home Economics
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Abstract:

The intent of this study was to evaluate the Consumer Credit Counseling Service, Inc. of Missoula for effectiveness. Evaluations were made by clients, businessmen, and the board of directors.

The typical client was found to be a couple married for 8.7 years, parents of 3 children, earning \$7,000 to \$10,000 annually, and having an indebtedness of between \$3,000 and \$5,000. The husband was a high school graduate 33 years of age with full-time employment. His marriage partner was 28.7 years of age, was also a high school graduate, and was not employed outside the home.

Installment buying was listed by a majority (68%) as the major cause of indebtedness. Unemployment was not rated as a major factor in excessive debts.

The client response indicated a high degree of effectiveness. Ninety-nine per cent stated they would recommend the counseling service to others; 92 per cent said they had been assisted in money management; 87 per cent indicated they were more knowledgeable concerning borrowing money; and 79 per cent stated they had a greater understanding of types of credit.

The vast majority of the business participants indicated satisfaction with the operation of the counseling service and the financial benefits they had received. The board of directors evaluated the program as one of great service to the entire community and one in which many individuals and firms benefited indirectly from its services.

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SERVICE IN MISSOULA, MONTANA

by

CYNTHIA ELIZABETH BRYSON

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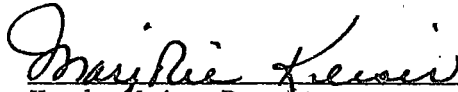
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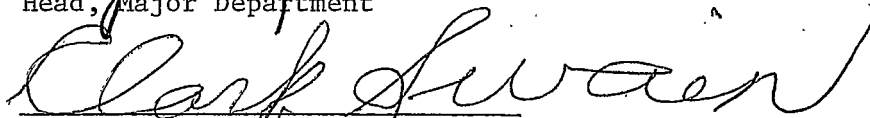
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ABSTRACT

The intent of this study was to evaluate the Consumer Credit Counseling Service, Inc. of Missoula for effectiveness. Evaluations were made by clients, businessmen, and the board of directors.

The typical client was found to be a couple married for 8.7 years, parents of 3 children, earning \$7,000 to \$10,000 annually, and having an indebtedness of between \$3,000 and \$5,000. The husband was a high school graduate 33 years of age with full-time employment. His marriage partner was 28.7 years of age, was also a high school graduate, and was not employed outside the home.

Installment buying was listed by a majority (68%) as the major cause of indebtedness. Unemployment was not rated as a major factor in excessive debts.

The client response indicated a high degree of effectiveness. Ninety-nine per cent stated they would recommend the counseling service to others; 92 per cent said they had been assisted in money management; 87 per cent indicated they were more knowledgeable concerning borrowing money; and 79 per cent stated they had a greater understanding of types of credit.

The vast majority of the business participants indicated satisfaction with the operation of the counseling service and the financial benefits they had received. The board of directors evaluated the program as one of great service to the entire community and one in which many individuals and firms benefited indirectly from its services.

CHAPTER I

INTRODUCTION

The "Buy Now - Pay Later" philosophy has become an accepted way of life. In his message to Congress on February 16, 1967, the President of the United States said:

"Consumer credit has become an essential feature of the American way of life. It permits families with secure and growing incomes to plan ahead and to enjoy fully and promptly the ownership of automobiles and modern household appliances. It finances higher education for many who otherwise could not afford it. To families struck by serious illness or other financial setbacks, the opportunity to borrow eases the burden by spreading payments over time." (Hall 1968, p.11)

Although this has provided great freedom for many, it has brought about a growing concern because of the numerous over-extended credit obligations. One disquieting discovery has been that debtors seeking help are not just the poverty level debtors (those earning \$3,000 or less annually) but increasingly are those in the middle-class earning bracket (Coha, 1967). Katona (1964) stated that the stage of its life cycle rather than income seems to determine whether or not a family buys on credit. Installment debt, for example, has been found to be a middle and upper income phenomenon associated with younger people.

By the end of 1967, consumer credit outstanding totaled \$99.2 billion as compared with \$45 billion in 1957 (Booth, 1968). Eisendrath (1967) reported that bankruptcies had risen from 18,510

in 1948 to 208,390 in 1967, a 700% increase. The number of personal bankruptcies have shown a significant increase yearly reflecting the large number of families in extreme difficulty. Hall (1968) believes that in addition to every family experiencing bankruptcy, 20 more are being squeezed in the debt vise.

It has been generally recognized that over-extension of personal credit can be damaging to the economy as well as to the individual family unit. Alfred Hackbarth, director of education for the National Foundation for Consumer Credit believes that acute debt problems reflect in community problems many ways:

"An employer sees its effect in reduced production, a greater than normal accident rate, and absenteeism. A family may see its effect in physical and mental health problems and increased medical expenses. Psychologists and marriage counselors call over-indebtedness the number one cause of divorce."

Recognition of the far-reaching economical effects and concern for both family and community has led to rapid development of family credit counseling services. When a credit counselor works with a debt-ridden family, the purpose is two-fold:

1. To assist in establishing a feasible budget which will liquidate present family debts but allow the family to live in an acceptable manner.
2. To educate family members in areas of money management.

It is of utmost importance that clients be taught the basic

principles of sound money management for it is estimated that almost 20% of bankrupts are repeaters who will seek bankruptcy again after the statutory waiting period of 7 years has expired.

The methods used to achieve the desired goals vary between counseling services, depending to a large degree on both the counselor and the counselee. Since there is no standard means to measure the success or failure, it is important for each counseling service to evaluate its effectiveness periodically.

Purpose of the Study

The first Consumer Credit Counseling Service in Montana began in Missoula in 1967. The purpose of this study is to evaluate the effectiveness of this counseling service.

It is believed that the degree of success realized by the program is directly related to the effectiveness of the counselor. The degree of effectiveness will be determined by:

1. Increased client knowledge in money management.
2. Increased client knowledge in lending agencies and in their practices.
3. Increased client knowledge in credit purchasing.
4. Length of time clients have stayed with the program.
5. Recommendation of counseling service by clients to others in financial difficulty.

6. Reaction as to degree of success.

Hypotheses

The following hypotheses were established to be investigated in this study:

1. There will be a significant relationship between the amount of indebtedness and
 - a. Length of marriage
 - b. Size of family
 - c. Level of education of husband
 - d. Annual family income.
2. There will be a significant relationship between the cause of indebtedness and
 - a. Length of marriage
 - b. Size of family
 - c. Level of education of husband
 - d. Annual family income.

The chi-square test, at the .01 level of significance, was selected for the study. This means that there are 99 chances out of 100 that the hypothesized relationship did not happen by chance.

Definition of Terms

Budget. A plan for a specific length of time set up to balance total expected spending with total available income or money to spend.

Client or Debtor. A person or couple using the services of a debt counseling service.

Counselor. A person who advises and assists a client in planning and administering a suitable budget to liquidate his debts and in money management education.

Consumer. A person who uses or extracts the values and services from products made for the use of individuals.

Consumer Credit. The credit of the people of a community, when used to finance the goods and services they themselves consume.

Credit. The confidence in a purchaser's ability and intention to pay which causes others to do business with him on terms of trust.

Creditor. The person or institution to whom money is due.

Debt Consolidators. A person or organization who commercially consolidates all debts so that one regular payment will allow the consolidator to distribute the pro-rated amount to each creditor.

Garnishment. The collection of debts from pay of employees, directly from the employer.

Installment Buying. The purchase of an item where the debt is paid in several equally divided payments. The client is charged a service fee and enters into a contract with the creditor.

Mortgage. Is the written pledging of valuable property by an individual to assure payment.

CHAPTER II

REVIEW OF LITERATURE

When wisely used, credit can enrich a person's life and contribute to a higher standard of living such as is enjoyed by thousands of Americans today. Many could not enjoy items which we consider to be necessities, much less the luxuries, if they could not buy on credit. As a result, consumer credit has soared in America.

The Administrative Office of the United States Courts reported that consumer installment credit increased 342% in the sixteen-year period of 1950 through 1965 (Freison, 1969). It is not surprising that this great expansion of consumer credit caused concern among many leaders throughout the nation. As Hall (1968) stated, "It has become generally recognized that the results of overextension of personal credit can be disastrous to individual families."

Need for Credit Counseling Service

The effects of individual debt problems are often far-reaching and costly. The consumer overloaded with debt is a burden to others as well as to himself. When such problems become acute, they become community problems. Adversely affected are creditors, employers, the debtor's family, and the community in which he lives.

Social Relationships

Worry over debt can affect a family's health. The National Foundation for the Consumer Credit Counseling Service (1968) found that the "battle of the budget" at home is rapidly becoming the number one cause of divorce. Landis and Landis (1968) reported that in a 1967 study of divorced persons, married couples, and a marriage counseling group, finances were listed in either first or second place as a cause of their problems in marriage. They also found approximately one couple in five had never satisfactorily agreed upon finances although the couples had been married an average of five years.

No direct relationship has been found, however, between those separated or divorced and financial problems. Dolphin (1967) reported in "Characteristics of the Financially Distressed" that there is no higher rate of divorce or separation among the financially distressed than in the typical community. This was supported by Hall's study (1968) when he found that the usual marriage was of ten or more years and that the rate of separation and divorce was not significantly different among debt-ridden families from those of the population as a whole.

Debt problems are reflected also in employment. Various studies show that the over-indebted person is a poor worker.

Ruch (1953) stated that "Man functions as a whole, and his home life affects his working life." An employee's efficiency can decrease, reduce production and, on occasion, cost him his job as well as make him a greater than normal accident risk. Debt worries can affect physical health, cause time out from work, and increase medical expenses. They can also cause a breakdown of personal pride in the individual and damage personal well-being (Patterson, 1968).

Rise in Credit

Consumer credit has soared since World War II. The National Foundation for Consumer Credit, Inc., reported that during the sixteen-year period (1950 through 1965) when consumer credit rose 342%, the population increased only 28% and personal income 109%. This increase in credit occurred because consumer credit permitted people to enjoy items at the same time they were paying for them. Cheyney (1967) reported that most adults use credit many times in their life and that nearly 65% of the major durable products reach the family by credit. The New York Times (1968) reported that in 1967, 63% of the non-farm families owned their own homes, 93% owned a television, 21% owned an air conditioner, 30% owned a clothes dryer, 12% owned a dishwasher, 79% owned an automobile, 25% owned two automobiles, and almost all of these were bought on

the installment plan.

The National Consumer Finance Association (1970) reported that by the end of 1969, consumer credit outstanding totaled \$122.5 billion. Consumers paid \$94.6 billion toward retirement of the installment debt.

Bankrupts

The Administrative Office of the United States Courts reported that personal bankruptcies increased from 1950 to 1965 in the United States by 552%. Elizabeth Hanford of the President's Committee on Consumer Interest, reported in 1969 that personal bankruptcies mounting at a disturbing rate have accounted for approximately 92% of all bankruptcies filed.

The National Consumer Finances Association (1970) reported that the number of bankruptcies grew from 132,177 in 1962 to 191,709 in 1967; however, in 1968 they decreased to 181,241 and in 1969 to 169,427 making it the second yearly decline after 16 years of increase.

The Association also reported 85 bankruptcies per 100,000 persons in 1969, down from 92 in 1968 and 98 in 1967, but up from 82 in 1964. The ever-increasing numbers have focused public attention on the problem and it has become a growing concern to credit grantors, the legal profession, legislators, and social workers.

Bankruptcy is attractive to many because it provides protection. Morgan (1967) stated that threat of garnishment, loss of job, or an unbearable burden of debts permits any individual to declare bankruptcy under federal law. Conversely, it also may cause serious family problems. Taking bankruptcy may give the person a feeling of guilt or of failure which sometimes reflects in other family areas and work. Hermann (1966) believes it may also force the person into applying to less reputable credit grantors who charge a higher rate of interest.

In spite of the large number of debt-ridden families, there is hope that with help they can liquidate their debts. Robert Dolphin (1967) stated that 30 to 50 percent of those filing for bankruptcy could have liquidated their debt within a 3-year period. This was supported by studies conducted at Michigan State University, Ohio State University and Oregon State University. Twinem (1967) reported that in these studies, 25 to 45 percent of all personal bankrupts could have paid their debts out of future earnings if they had been properly advised and suitably inspired.

It is estimated according to Eisendrath (1967) in "The Primrose Path from Easy Credit to Bankruptcy" that almost 20% of bankrupts are repeaters who will seek entrance into the court again for a new bankruptcy after the statutory waiting period has expired. Since bankruptcy is allowed only once every seven years, the high pressure

sellers often regard a bankrupt as a good credit risk and so they repeat the cycle which returns them once again to the bankruptcy courts (Morgan, 1967). The credit counseling services now operating throughout the United States are the principal "remedial" weapons in the fight against bankruptcy.

Credit Counseling Services

Where do people who are experiencing financial difficulty go for sound advice? Most are too apprehensive to seek out their creditor to discuss the situation and request that special payment arrangements be made. Some go to a minister, friend, or business acquaintance, none of whom are usually trained in family money management (Coha, 1967). An impartial third party who is trained in money management is needed. Often a session or two with a trained counselor will provide adequate guidance for the client. Many families need only sound advice to rehabilitate themselves as valued participants in the community and become sound business risks.

There are two major types of counseling services for debt-ridden families. One is a profit-making counseling service which assesses the client a fee in proportion to the debts listed with the firm. The other is a non-profit organization which may be sponsored by communities, groups, or a business firm. These counseling

services advise the client in money management and liquidation of debts usually free of charge.

The "no consumer charge" concept was adapted from the credit counseling program in Phoenix, Arizona where in 1958 the citizens of Phoenix had organized the first community-based, non-profit credit counseling program (Hall, 1968).

National Consumer Credit Counseling Service

In 1971 Gibson stated that there were more than 120 non-profit services in 35 states and Canada operating under the insignia of the Consumer Credit Counseling Services.

History

The forerunner of the Consumer Credit Counseling Service was the National Foundation for Consumer Credit, Inc. which began operations in 1943. The Board of Trustees of this organization approved the program for the Consumer Credit Counseling Service in November 1961 and the program was made available nationally in March 1962 (Hackbarth, 1969).

The first family counseling agency to use the certified name and insignia, Consumer Credit Counseling Service, was located in South Bend, Indiana and began operations in August 1963. Salina, Kansas; Kansas City, Missouri; Salt Lake City, Utah; Atlanta, Georgia; Charleston, South Carolina; and Cleveland, Ohio opened

their Consumer Credit Counseling Services in 1964 (Hackbarth, 1969).

Purpose

The National Foundation for Consumer Credit, Inc. (1968, p.5)

states that a counseling service can:

1. Reduce the number of personal bankruptcies by providing sound alternate programs.
2. Minimize the garnishment and assignment of wages and salaries.
3. Relieve employers of bothersome and expensive participation in these procedures.
4. Assist individuals and families in credit difficulties by recharting their financial program, returning their accounts to current status, preventing loss of credit standing.
5. Restore self-reliance, confidence and family well-being; at the same time strengthening the economic fabric of the community.
6. Reduce absenteeism, accident risks, and generally increase worker efficiency and self-respect.
7. Educate consumers, including consumers of tomorrow, in the intelligent use of credit.

Education has become the keynote for the more financially secure counseling services. A number have initiated educational programs for low-income families, counselors, and employees.

Donald Jordan, Chairman of the Board of the National Foundation for Consumer Credit, Inc., stated that in 1969-70 their organization developed a new study unit for high school use and had also conducted an experiment with low-income family education. According to Jordan (1969), bankruptcy filings had decreased 6.7% in 1969 from 1968 on a national scale. It is believed that the increase in credit counseling services has contributed to this decline. Jordan

estimates that approximately 250,000 overextended American families have been counseled and advised by the Consumer Credit Counseling Service.

Consumer Credit Counseling Services in Montana

There are three credit counseling services operating in Montana under the National Consumer Credit Counseling Service. The service was established in Missoula in July 1966; in Great Falls, April 1968; and in Butte, September 1968. Because the service to be evaluated is located in Missoula, only that service will be treated in the review of literature.

Consumer Credit Counseling Service of Missoula

Because of the large number of bankruptcies in Missoula and the number of families seeking financial counseling, a concerned group of Missoula businessmen established the Consumer Credit Counseling Service of Missoula on July 1, 1966. Two officials from local banks who had been involved in credit counseling, and selected businessmen from diversified fields of business formed the board of directors. The Chamber of Commerce made a loan of \$2500 for initial financing. The staff consisted of a full-time counselor and a part-time secretary. The Consumer Credit Counseling Service of Missoula was incorporated as a non-profit organization on April 11, 1967. Initially no charge was made to clients; however, since

June 1970, a charge of \$2.00 per month to each client has been made to defray bookkeeping costs (Heisel, 1971).

Purpose

The Missoula service has a two-fold purpose: to aid debt-ridden families by advice on budgeting and developing an acceptable plan for both client and creditor to liquidate the client's debts; and to prevent debt problems from arising through education of money management and credit use (Heisel, 1971).

Officers

The board of directors consists of 10 members, one of which is a counselor-manager. There is also an Advisory Board of 19 members. The board of directors meets monthly and their duties include the establishment of policy, employment of a manager-counselor, supervision of the counseling service organization, and promotion of the counseling service (Stockstad, 1971).

Business Members

Each participating business is assessed a yearly fee in proportion to the financial benefits received as a result of the counseling service. The membership fee is based on fees budgeted, not on fees collected (Slack, 1971).

The client must complete a "statement of budget" to show the exact status of his financial condition, income, expenses, and obligations (See Appendix D). From this budget information sheet,

a revised budget is prepared, and a monthly payment for each creditor is determined. The total amount the client has available for paying debts and the amount of each debt in proportion to the total debt picture, determines how much each creditor will receive. The client then discusses his repayment plan with each creditor who, upon approval, signs an agreement statement with the client. When all creditors have approved, a joint bank account is established with counselor and client as co-signers. Each month the client writes his checks, records them in his ledger, brings them to the counselor for signature and record of payment, and mails them to his creditors. A special form is used for out-of-town creditors (See Appendix D). Clients are required to go to a cash basis for all purchases (See Appendix D).

The Missoula service has several distinguishing aspects. The board of directors stresses the educational aspect of the program. All clients make their own arrangements with creditors and handle their own money. They do not turn their pay check over to the counselor. In this way clients gain experience in proper methods of handling finances and maintain self-respect as an individual (Slack, 1971).

Counselor

The counselor currently employed in the Consumer Credit Counseling Service of Missoula had previous business experience in

the areas of agriculture, automobile industry, federal and state government. He had been a manager of a business and a board member of a bank. The counselor had resided in Missoula since 1960 and was knowledgeable of the city and surrounding locale (Slack, 1971).

The duties as stated by the counselor were:

1. To counsel clients.
2. To assist clients in establishing a feasible budget and debt repayment plan.
3. To manage the corporation in handling money, keeping records, and making reports.
4. To assist board of directors in contacting business participants.
5. To be an intermediary between client and creditor when necessary (Slack, 1971).

The counselor believed that the most frequent problem he had encountered with clients was convincing them that all purchases must be on a cash basis and that credit cannot be used during the debt liquidation period (Slack, 1971).

Studies of Consumer Credit Counseling Services

Due to the fact that most consumer credit counseling services have emerged in recent years, studies concerning their effectiveness are rather limited. A comparison of studies made of the following credit counseling services is provided: State of Michigan (1959), Columbus, Ohio (1965), Family Service Association of America (1966), Seattle, Washington (1968), and Butte, Montana (1969).

Purpose of Study

All the studies with the exception of Columbus, Ohio were primarily concerned with the effectiveness of the counseling service as it related to debt-ridden families. Some variations did occur. In the Ohio study, characteristics of the counselees were identified because it was believed this would be helpful to both creditors and groups desiring to initiate a counseling service. The Michigan study compared operations and functions of the debt-counseling programs as well as effectiveness. Emphasis of the Family Service Association of America was in regard to the variations and methods used in counseling services and their effectiveness. The Washington study, on the other hand, attempted to determine to what extent, if any, the credit counseling services, through their liquidation plans and money management counseling, were effective in preventing the recurrence of a client's financial difficulties. The Butte, Montana study was more interested to see if the service helped to prevent bankruptcy and promote better family relationships.

Characteristics of Clients

There was little variation among the five studies in the age, marital status, or number in family of clients. Both income and indebtedness were higher in the Family Service Association of America, Seattle, and Butte studies (See Table I). This may be due

in parts to the rise in consumer credit use during the ten-year span between the 1959 Michigan study and the 1969 Butte study. The Seattle clients reported an indebtedness of \$525; however, the initial indebtedness was stated as \$2500.

Type of Program

The Seattle study indicated a difference in emphasis between the private services and the non-profit services. Mrs. Olson (p.23) stated that the private services:

"direct their counseling primarily toward alleviating the immediate debt situation, and the non-profit direct their counseling not only at the immediate debt situation, but also toward helping its clients become useful citizens in a credit society."

TABLE I
CHARACTERISTICS OF CLIENTS (AVERAGE)

Characteristic	1959 Michigan	1965 Columbus Ohio	1966 F.S.A. of America	1968 Seattle, Wash.	1969 Butte, Mont.
Age	30-50	30 yrs.	32.5 yrs.	27.5 yrs.	35-50 yrs.
Marital Status	Married	Married	Married	Married	Married
No. In Family	4	4.6	4.3	4	5
Education	9 yrs.				1-3 yrs. of high school
Length of Marr.		6 yrs.		6.5 yrs.	11 yrs.
Annual Income	\$4068	\$4320	\$4800	\$6300	\$5,000 to \$6,999
Indebtedness	\$1,797	\$1,946	\$3600	\$525	\$3,000 to \$5,000

In the Butte study (1969, p.45), Krueger indicated the purpose of the counseling service was two-fold:

"that of aiding families overburdened with debt with a plan to liquidate their debts and to keep them from going bankrupt and to prevent debt problems from reoccurring by encouraging education on the use of credit and money management."

Both Dolphin (1964) and Hutchinson (1959) believed that the prime purpose of the counseling service should be educational in nature and not retirement of 100% of the debt. Dolphin (1965) stated that most individuals have sufficient income on a regular basis to support some debt and client rehabilitation should require only that the debt be reduced to a manageable level. Hutchinson (1959, p.523) stated,

"Ideally, debt adjustment has an educative function. It is hoped that debt adjustment customers will emerge from a repayment program with new and healthier attitudes toward spending, borrowing, and saving. Unfortunately, the ideal is not always, or even usually, achieved. Rather debt adjustment in practice tends to be merely a negotiating and disbursing service. Little in the way of lasting benefits accrue to debtors in such cases."

Organization of Payment

The procedure for organizing repayment of debts appeared to be basically uniform among counseling services. Clients were required to state entire family income and expenditures from which an acceptable family budget was drawn. The monthly payment to each creditor was determined on a pro-rated basis and approved by each

individual creditor. Variance in the method of handling repayment funds was indicated. The amount of responsibility assumed by the client in establishing and carrying out the plan was directly related to the educative intent of the program. In the operation of several Seattle counseling services and the Butte Consumer Credit Counseling Service, following determination of an acceptable repayment plan by client and counselor, the counselor contacted the creditors for their approval. The client then gave his monthly pay check, or a personal check for the amount of repayment, to the counselor who disbursed it appropriately. Other counseling services, with a more educative philosophy, required clients to contact each creditor in person for approval, write their own monthly checks, maintain a record of disbursements, and prepare and mail each monthly payment.

CHAPTER III

PROCEDURES OF THE STUDY

The purpose of this study was to evaluate the effectiveness of the Consumer Credit Counseling Service in Missoula, Montana. The history of the Consumer Credit Counseling Service and previous studies relating to it were outlined in the second chapter.

Selection of the Sample

All persons who participated in this research were associated with the Missoula Consumer Credit Counseling Service. Supporting the Missoula program were 92 Missoula businesses, the counselor, and 133 clients.

Procedures

Questionnaires were developed and administered for a similar evaluation study of the Consumer Credit Counseling Service in Butte, Montana. All information collected appeared relevant to the Missoula counseling service with the exception of the portion concerning fees. No charge was made to clients in the Missoula service and therefore would not be applicable.

Client Questionnaire

On July 26, 1969, a questionnaire was mailed to each client listed with the Missoula Consumer Credit Counseling Service

accompanied by a letter explaining the purpose of the study and requesting their cooperation. Of the 133 questionnaires sent, 11 were returned indicating that the client had moved. This reduced the total possible number of respondents to 122 (Appendix A).

Business Questionnaire

A total of 92 participating business questionnaires were mailed June 19, 1970 accompanied by a letter requesting their cooperation in this study. A stamped, self addressed, coded envelope was included for their convenience. For those not responding, an additional contact by telephone was made. During the conversation, their cooperation was requested and a second questionnaire was forwarded (Appendix B).

CHAPTER IV

RESULTS

The effectiveness of a service is measured by the degree to which it achieves the desired result. In this study, the degree of effectiveness attained by the Consumer Credit Counseling Service of Missoula was evaluated by the client, the business participant, and the board of directors.

Sample

The city of Missoula was the first in Montana to offer its citizens a counseling service for debt-ridden families. Due to the large number of bankruptcies in Missoula county, concerned community leaders took steps to initiate the service.

Clients

The sample consisted of 122 clients who were counselees in the Missoula Consumer Credit Counseling Service. Of the 77 (63%) participants who replied, 2 were divorced and 2 were single. These 4 clients were deleted from the results thus making each of the 73 respondents a married couple. There were 45 clients who did not respond.

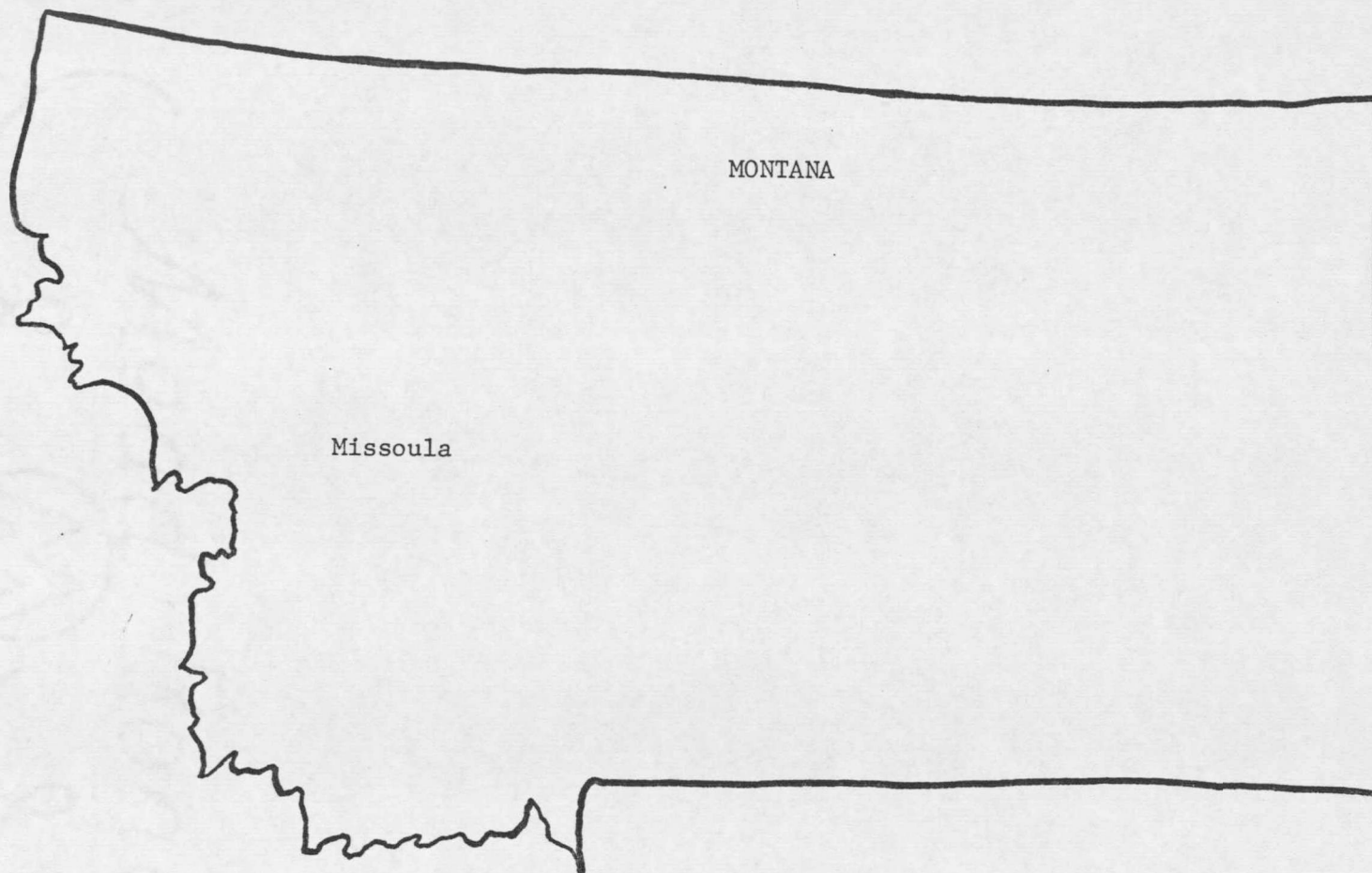


Figure 1. Location of the Missoula Consumer Credit Counseling Service

Business Contributors

The sample included 92 businessmen who contributed financially to the counseling service. The responding sample totaled 82 (89%). Of these, 38 (41%) had participated in the counseling service since its beginning, while 12 (13%) had been members for less than a year.

Counseling Service

Involved in the study were the nine members of the board of directors, nineteen advisers to the board, and the counselor.

Background Information

An "average debtor" is like the "average man" - he doesn't exist. There are great variations and considerable range in age, size of family, and income. In order to describe the most usual characteristics, credit counseling clients in Missoula may be described as follows:

Clients

The Missoula sample consisted of 73 married couples. There were no single or divorced persons included. Each respondent had been a client of the Missoula Consumer Credit Counseling Service.

Age

Clients ranged in age from 19 to over 50 years of age. The median age was 33 years for the husbands and 28.7 years for the wives. Forty-two per cent of the husbands and 33 per cent of the wives were over 36 years of age. Forty-six per cent of the husbands and 55 per cent of the wives were under 30 years of age (See Table II).

In a study of the Consumer Credit Counseling Service in Butte, Montana, the median age for men was 32.5 years and the median age for women was 31.2 years. The husbands in both studies were very similar in age (.5 year difference) while the Butte wives were 2.5 years older (Krueger, 1970).

Education

Sixty-one per cent of the husbands and 53 per cent of the wives in Missoula had earned a high school degree or attended college. Fifteen per cent of the husbands and 14 per cent of the wives reported they had not attended past the eighth grade (See Table II).

In the Butte study, only 36 per cent of the husbands and 44 per cent of the wives reported having a high school degree or additional education while 24 per cent of the husbands and 18 per cent of the wives reported an eighth grade education or less. The clients in Missoula had a higher degree of education than those in Butte. In Missoula, more husbands (25%) and wives (9%) had earned

TABLE II
DESCRIPTION OF CLIENTS

CHARACTERISTIC	NUMBER	PERCENT
Age of husband		
10-25	10	14
26-30	23	32
31-35	9	12
36-50	25	34
Over 50	6	8
Age of wife		
19-25	22	30
26-30	18	25
31-35	9	12
36-50	22	30
Over 50	2	3
Schooling of Husband		
Grade school or less	11	15
Grades 9 through 11	17	24
High school graduate	31	42
College but not a graduate	13	18
Bachelors degree	0	0
More than 4 years of college	1	1
Schooling of Wife		
Grade school or less	10	14
Grades 9 through 11	24	33
High school graduate	31	42
College but not a graduate	7	10
Bachelors degree	1	1
More than 4 years of college	0	0
Employment Husband		
Full-time	69	95
Part-time	4	5

TABLE II Continued

Employment Wife		
Full-time	18	25
Part-time	10	14
Did not work	45	61
Length of Marriage		
1- 2 years	6	8
3- 5 years	12	16
6-10 years	23	32
11-20 years	19	26
21 or more years	13	18
Number of Children		
0-2 children	30	41
3-4 children	31	42
5-6 children	10	14
7 or more children	2	3
Family Income (Annual)		
Under \$3,000	4	5
\$3,000-\$4,999	8	11
\$5,000-\$6,999	17	24
\$7,000-\$9,999	28	39
\$10,000 and over	4	5
Not reporting	12	16
Amount of Indebtedness		
\$100-\$999	3	4
\$1,000-\$1,999	9	12
\$2,000-\$2,999	16	22
\$3,000-\$4,999	34	47
\$5,000 and over	11	15

a high school degree or attended college than in Butte, and fewer husbands (9%) and wives (4%) had received an eighth grade education or less (Krueger, 1970).

When the chi-square analysis was applied to the data, no significant relationship was found between the amount of indebtedness and the education of the husband. (Appendix E).

Employment - Husbands

Of the 73 men in Missoula, 69 (95%) reported full-time employment and only 4 (5%) listed part-time employment. None indicated unemployment at the time of the survey. This was partially due to the numerous sources of employment available, many of which are not seasonal. Located in western Montana where five valleys join together, Missoula is the center of activity for that portion of the state. The lumber and pulp mills, agriculture, tourism, excellent business and recreational facilities, and the University of Montana are main contributors to its fast-moving economy (See Table II and Figure 2).

In sharp contrast, the Butte study reported 89 per cent unemployed at the time of the survey (Krueger, 1970). This was a direct result of the strikes occurring in the cities of Butte and Anaconda which placed a severe strain on Butte's economy.

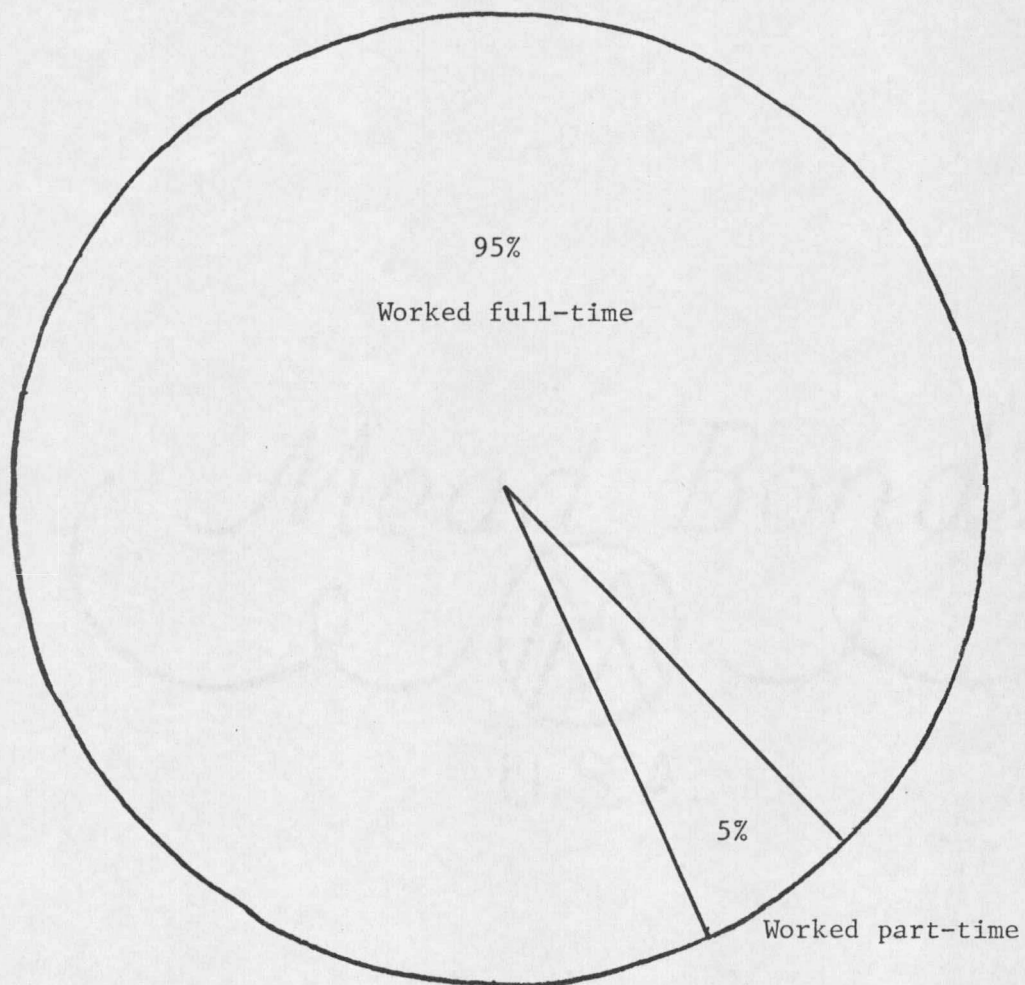


Figure 2. Employment of Husbands

Employment - Wives

More than half of the wives (45 or 61%) were not employed outside the home. Of the 28 who were employed, only 18 (25%) worked on a full-time basis (See Table II and Figure 3).

In the Butte study, 81 per cent of the wives were not employed outside the home, 10 per cent worked full-time outside the home, and 9 per cent worked part-time (Krueger, 1970). This difference in wife employment (20% more Missoula wives are employed outside the home full-time and 15% more on a part-time basis than in Butte), may be a result of the higher education level of Missoula wives who possibly have received specialized job training. It may also reflect a strong family philosophy among the Butte clients that the man is the family provider and the woman's place is in the home. If this philosophy prevails in the community, it may mean that men receive preference in job openings over women.

Marital Status

The marriages of the Missoula participants varied in length from under 1 year to over 21 years with a median of 8.7 years. A large number of the couples (37 or 44%) had been married for 11 or more years while only 18 (24%) had been married for less than 5 years (See Table II). Two (3%) of the Missoula reporting clients were divorced.

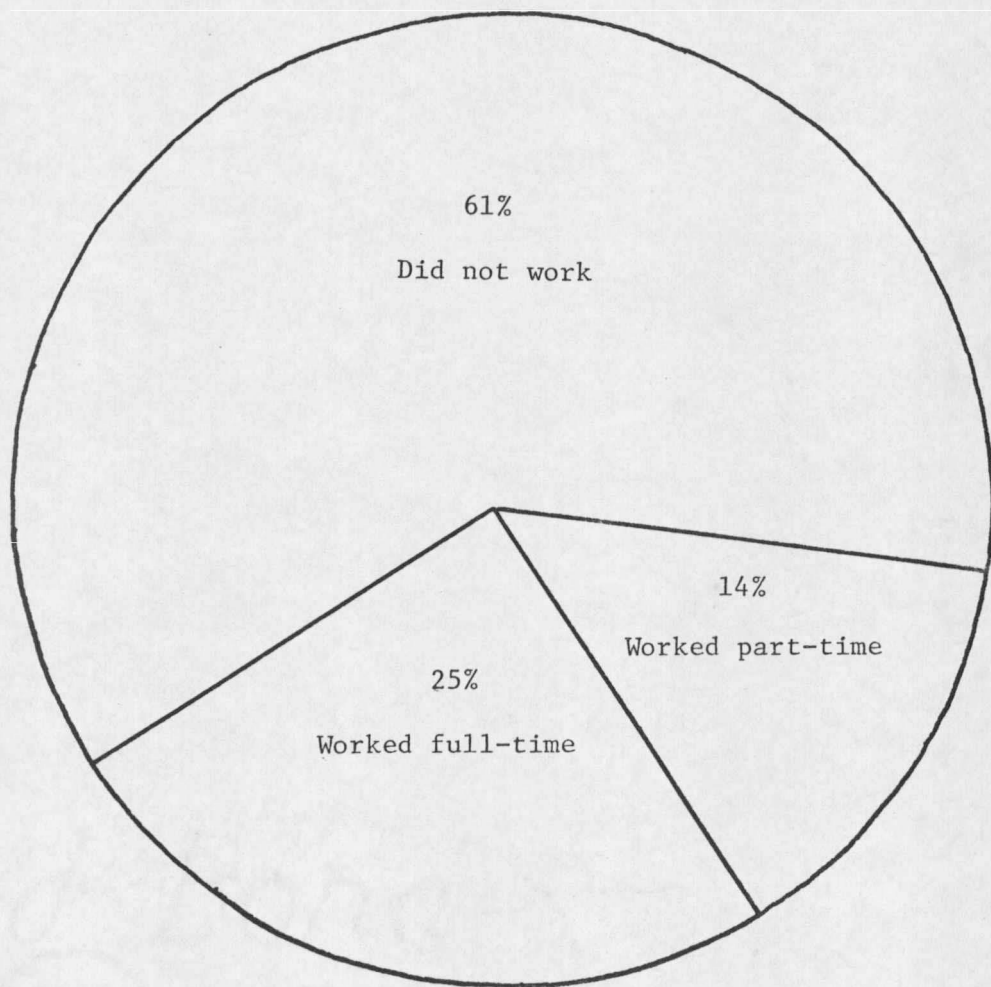


Figure 3. Employment of Wives

Of the Butte participants, 90 (98%) were married and 1 (2%) was a widower (Krueger, 1970).

No significant relationship was found at the .01 level when the chi-square test was applied between the amount of indebtedness and the length of marriage or between the cause of indebtedness and the length of marriage (Appendix E).

Number of Children at Home

An average of 3 children were found to be living at home. Of the 73 participating families, 87 per cent had 4 or less children residing with the parents while only 13 per cent had 5 or more children at home (See Table II and Figure 4).

This was similar to the Butte study where the average number of children was also 3. Eighty-three per cent of the Butte clients reported 4 children or less residing with them and 17 per cent stated 5 or more children were still living at home (Krueger, 1970).

The chi-square test revealed no significant relationship between the amount of indebtedness and the size of family or between the cause of indebtedness and the size of family (Appendix E).

Annual Family Income

In 1968, incomes of the families in this study ranged from less than \$3,000 to over \$10,000 with the largest number of families (28 or 39%) receiving between \$7,000 and \$9,999. Another

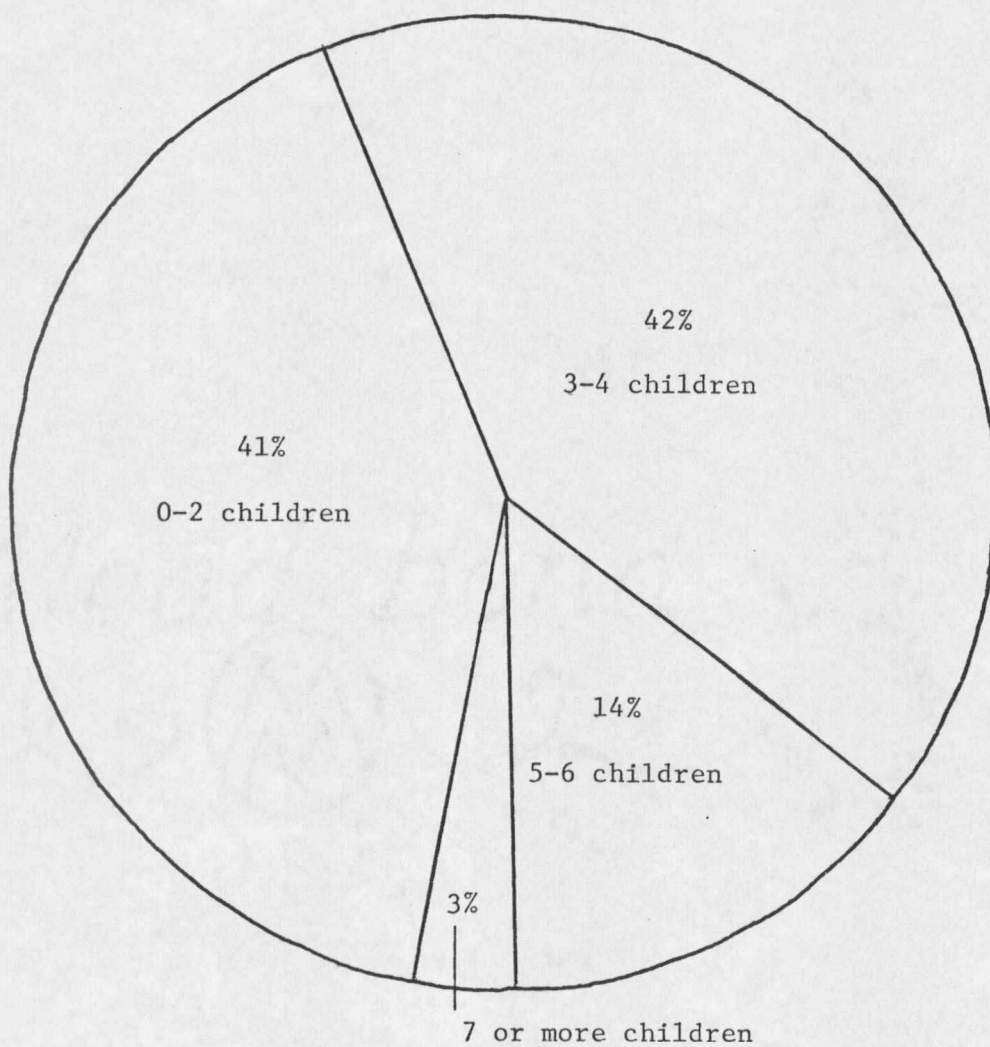


Figure 4. Number of Children

5 per cent of the Missoula families received over \$10,000. There also were 4 (5%) who received less than \$3,000. A total of 12 (16%) of the Missoula participants did not report family income (See Table II and Figure 5).

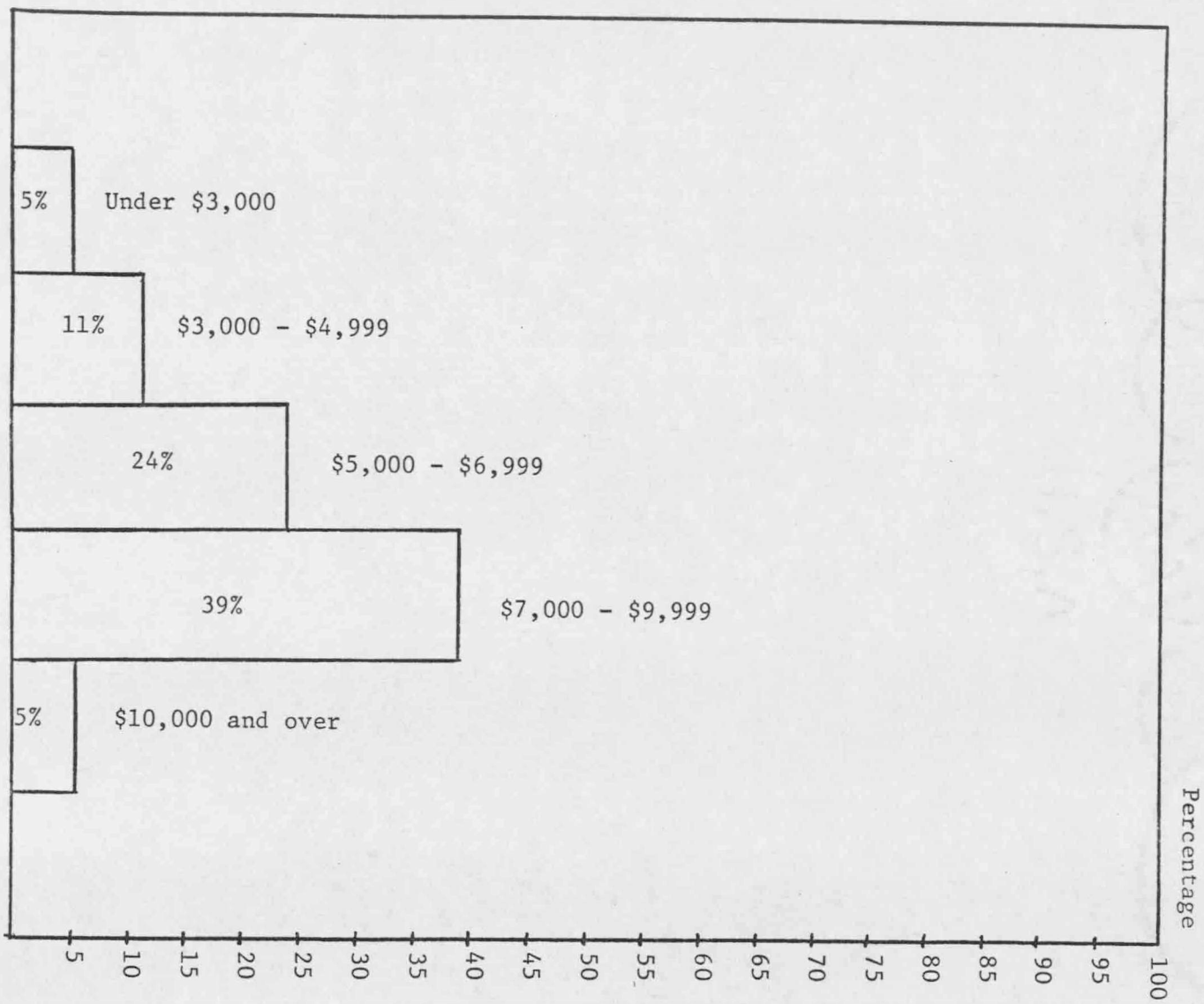
The Missoula income level was considerably higher than in the Butte study where 17 per cent (12% higher than Missoula) earned less than \$3,000, none earned over \$10,000, and only 12 per cent (27% less than Missoula) had incomes between \$7,000 and \$9,999. The low income level in Butte was due to the high rate of unemployment among the responding families (Krueger, 1970).

When the chi-square test was applied, a significant relationship was found between the amount of indebtedness and the family income. The greater the income, the greater the degree of indebtedness. This would seem to indicate that the indebtedness was caused more from poor management of money or perhaps too big a "want" list. No significant relationship was found, however, between cause of indebtedness and family income (Appendix E).

Amount of Indebtedness

Mortgage for homes were not included in the amount of client indebtedness. Indebtedness averaged between \$3,000 and \$4,999. The largest number of participants (34 or 47%) were found in this category. Eleven clients (15%) reported indebtedness of over

Figure 5. Annual Family Income



\$5,000 (See Table II and Figure 6). Ten (14%) of the respondents had at some previous time filed for bankruptcy.

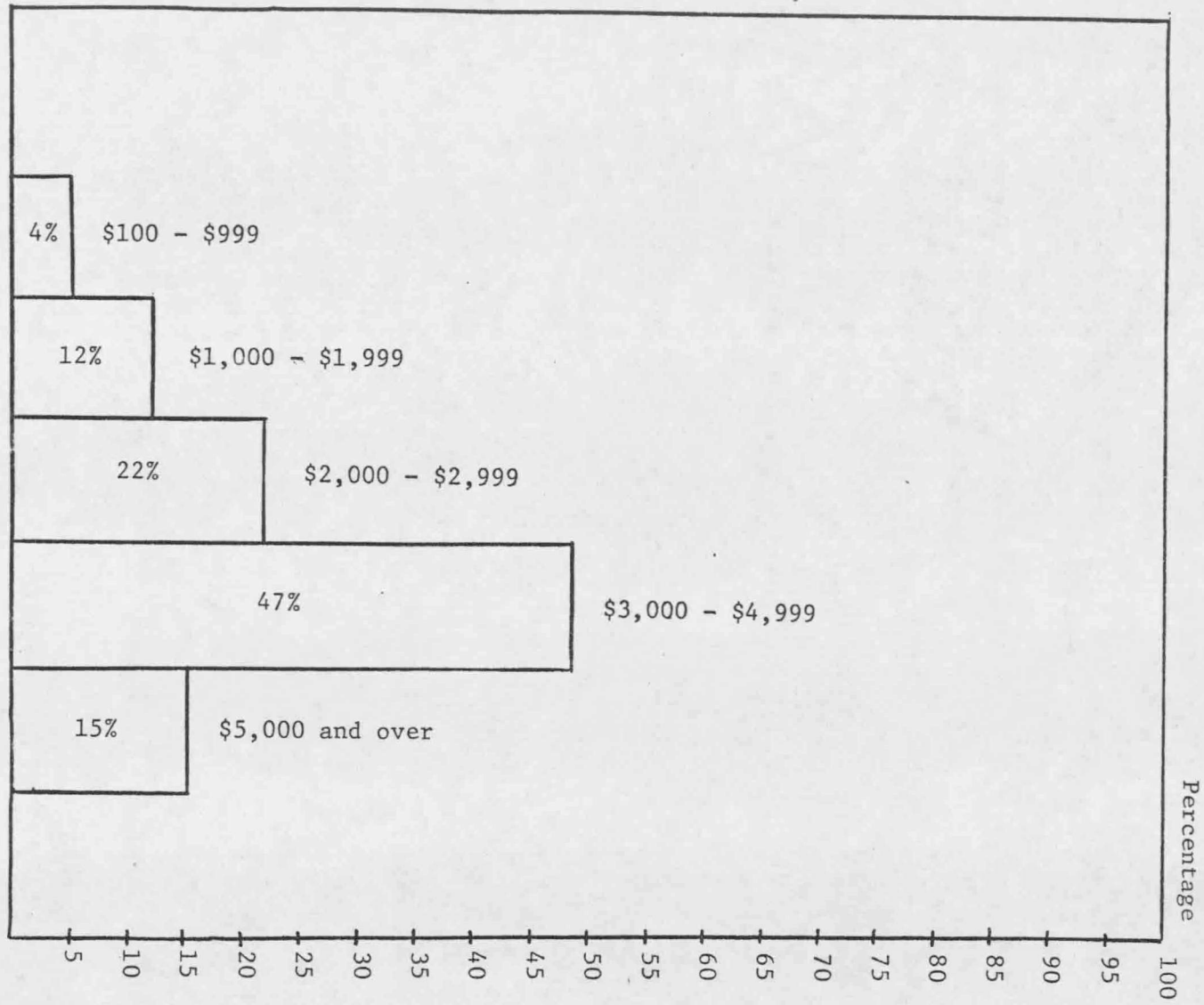
The Butte study showed a very similar picture. An average indebtedness was reported of between \$3,000 and \$4,999 with the largest number of respondents (37%) also reporting in this category. Fifteen per cent of the Butte clients reported indebtedness of over \$5,000 (Krueger, 1970).

Causes of Indebtedness

The main cause of indebtedness reported by the Missoula clients was installment buying (68%). Twenty-seven (37%) listed medical reasons, and 21 (29%) stated unemployment (See Table III and Figure 7).

It is difficult to determine if "medical reasons" primarily meant medical bills or if the extent of illness caused loss of wages thus resulting in debt problems. It is also impossible to determine if pregnancy (14%) would be included in the category of medical reasons, or in unemployment, or if it possibly caused the excessive installment buying.

Figure 6. Amount of Indebtedness



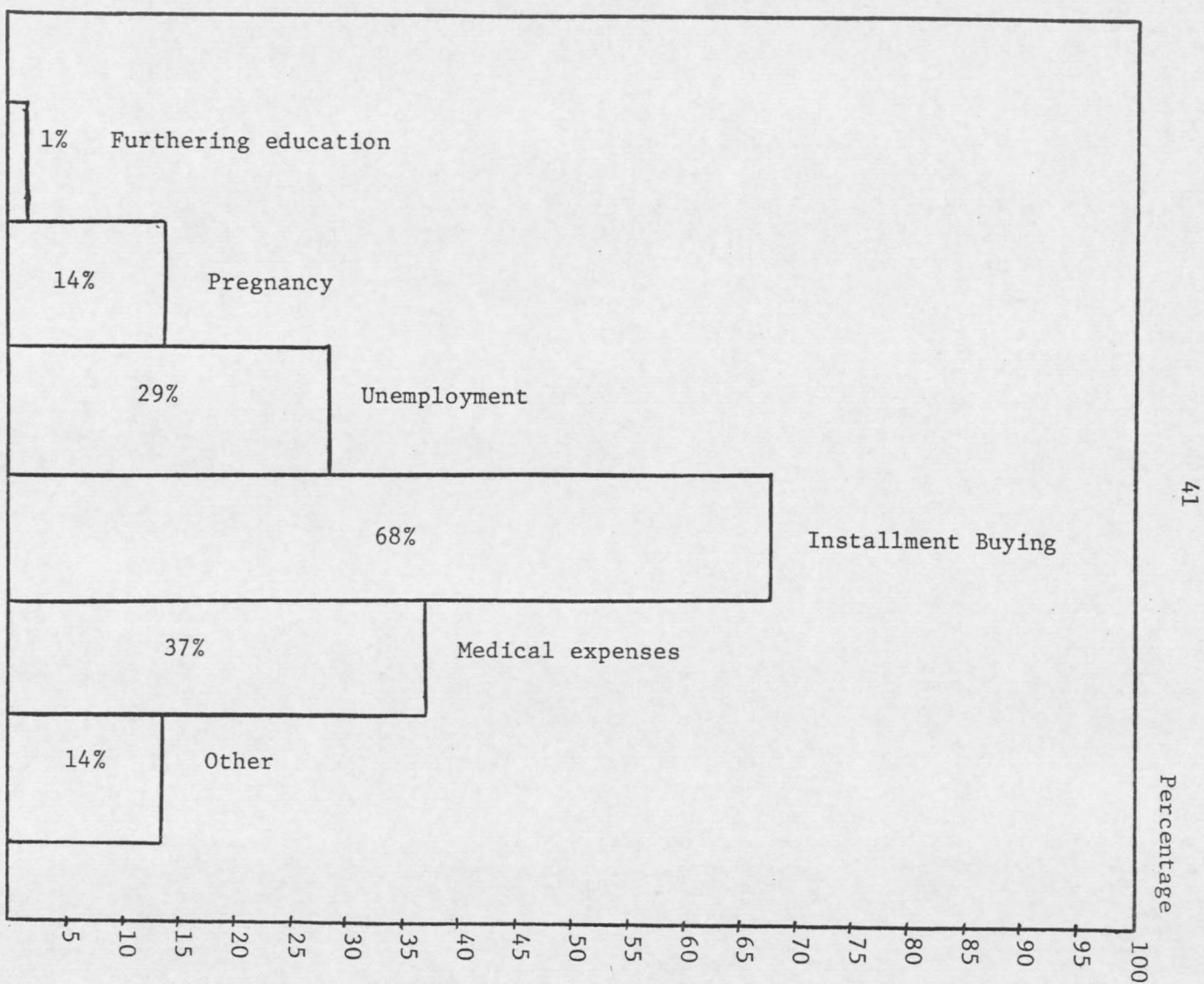


Figure 7. Causes of Indebtedness

TABLE III

CAUSES OF INDEBTEDNESS

CAUSE	NUMBER	PERCENT
Installment buying	50	68
Medical expenses	27	37
Unemployment	21	29
Pregnancy	10	14
Other	10	14
Furthering education	1	1

Installment buying in Butte accounted for 22 per cent fewer cases of indebtedness than in Missoula. Unemployment accounted for the majority of cases in Butte (79% unemployment attributed to strikes; 17% other unemployment) (Krueger, 1970). This was 67 per cent higher than the Missoula report.

Length of Unemployment. Less than one-half of the clients (40%) reported any unemployment. For these 29, the length varied from 10 days until over 10 months. Five clients (7%) reported less than 31 days unemployed, 12 (16%) stated 1 to 6 months, and 9 (12%) indicated that they had been unemployed over 10 months (See Table IV).

In contrast, Butte reported 45 per cent had been unemployed for over 10 months (Krueger, 1970).

TABLE IV

LENGTH OF UNEMPLOYMENT

TIME LENGTH	NUMBER	PERCENT
10 months or over	9	12
7-9 months	3	4
4-6 months	6	8
1-3 months	6	8
10-30 days	5	7

Services Used While Unemployed. Families who are unemployed generally seek contributing services which will assist them in providing the basic necessities for the family's existence. Of the 29 families who had experienced unemployment, only 19 reported that they received any form of assistance from the services listed. Thirteen of the families received Workman's Compensation while only 2 used food stamps, 2 received Aid to Dependent Children, and 4 received Welfare assistance (See Table V).

TABLE V

SERVICES USED WHILE UNEMPLOYED.

SERVICES	NUMBER	PERCENT
Unemployment Compensation	13	18
Welfare	4	5
Other assistance	3	4
Food stamps	2	3
Aid to Dependent Children	2	3

Referrals to the Counseling Agency

Nearly all referrals were the result of a person-to-person contact. Of the 73 clients, 27 referrals came from friends and relatives, 17 from finances companies, and 23 from miscellaneous sources. A number of the miscellaneous stated that a bank had been their source of contact. This would indicate that perhaps a greater number of families who need financial counseling could be reached if greater use was made of the news media, both radio and newspaper (See Table VI).

In the Butte study, 25 per cent (11% fewer than in Missoula) were referred to the office by friends and relatives, and 23 per cent (6% higher than in Missoula) were referred by finance companies (Krueger, 1970).

TABLE VI
REFERRALS TO THE COUNSELING AGENCY

SOURCE	NUMBER	PERCENT
Miscellaneous	23	32
Friend	21	28
Finance Company	17	23
Relative	6	8
Creditor	6	8
Legal Aid	1	1
Attorney	1	1
Doctor or dentist	1	1

Liquidation of Debts

Reduction of debts was achieved by the client working with the counselor in establishing an acceptable budget and plan for repayment of debts. This plan was approved by each of the client's creditors and usually provided for a reduction in monthly payments, extending them over a longer period of time.

Various means were used by family members in order to help increase the family income. In order to supplement their husband's earnings, 24 wives became employed. Eighteen of these reported employment outside the home while 6 took employment into their home. Over-half of the respondents (37 or 51%) reduced their spending by cutting down on the food budget and recreation. In six instances the children contributed to the income while four stated they borrowed from relatives. Ten husbands reported

taking a second job (See Table VII and Figure 8).

TABLE VII
MEANS OF LIQUIDATING DEBTS

MEANS USED	NUMBER	PERCENT
Reduced spending	37	51
Wife worked	24	33
Husband took second job	10	14
Children contributed	6	8
Borrowed from relatives	4	5

Length of Counseling

Sixteen clients (22%) had completed their counseling session with the service. Clients reported that the length of time they had been under guidance varied from less than 1 month to over 25 months. Twenty-four clients (33%) reported they had been using the service for 7 to 12 months, while 37 (51%) had used the service for 13 months or more (See Table VIII).

This was in contrast to the Butte study where no client had used the service for longer than 11 months, the length of time the service had been in effect (Krueger, 1970).

Figure 8. Means of Liquidating Debts

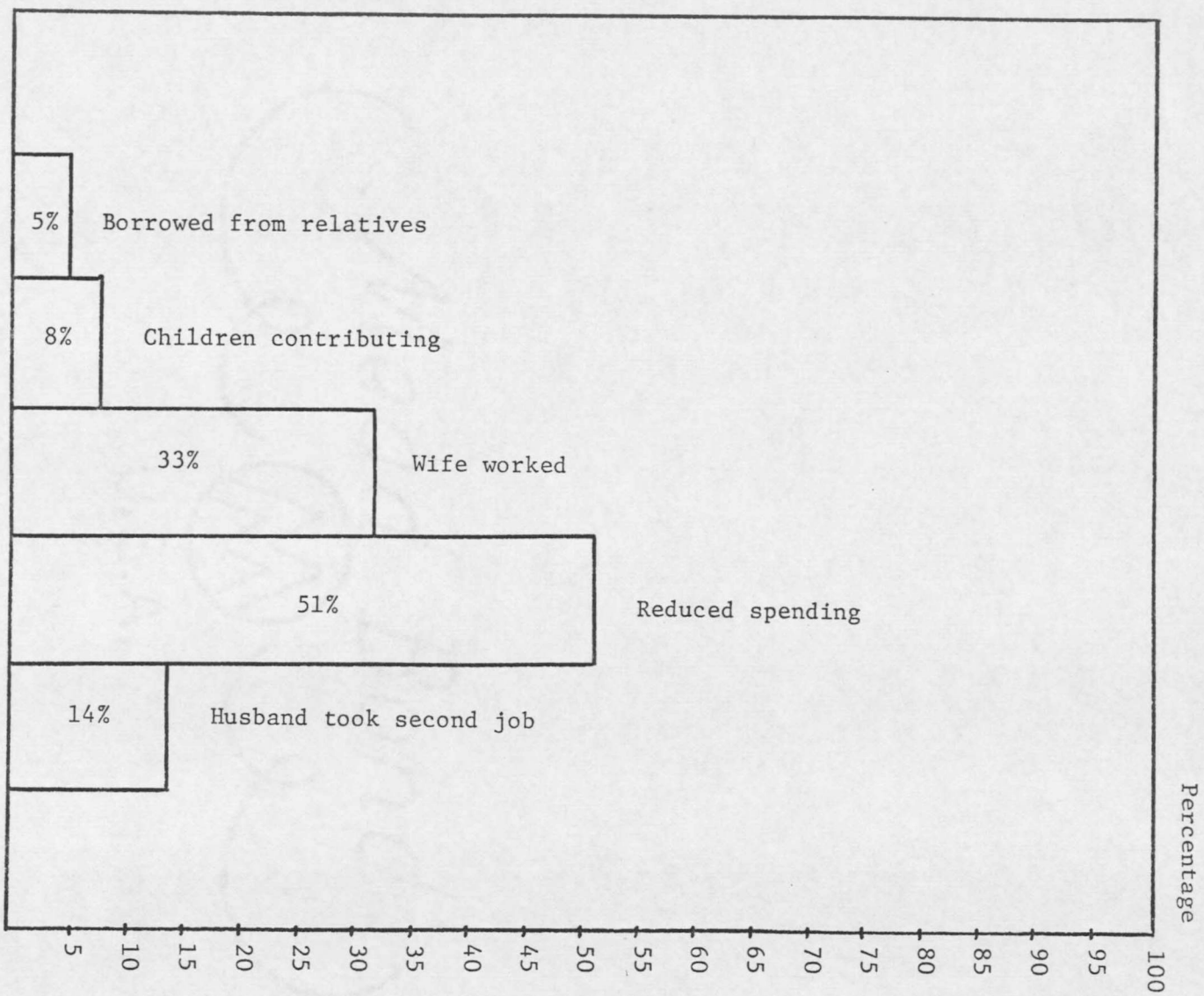


TABLE VIII
LENGTH OF COUNSELING

LENGTH OF TIME	NUMBER	PERCENT
25 or more months	14	19
13-24 months	23	32
7-12 months	24	16
1-6	12	16

Business Participants

The responding sample of business participants showed a wide variety of business support for the consumer credit counseling service. Some business men indicated that they did not deal directly with the counseling service.

Source of Learning of Counseling Service

The majority of business participants (68 or 83%) learned of the service through contact with a member of the board of directors or from one of the initiators. Two of the initiators were exceptionally active in promoting interest to begin the service. Both of these men became members of the board of directors when the counseling service corporation was formed (See Table IX).

The Butte study also showed a large number (77%) of business men were contacted by either a member of the board or one of the initiators. It may be that the same reason for the large number

holds true for the Butte study as suggested in the Missoula study since their board of directors was also organized from a group of initiators (Krueger, 1970).

TABLE IX
SOURCE OF LEARNING ABOUT COUNSELING SERVICE

SOURCE	NUMBER	PERCENT
Personal contact of board member or employee of service	28	46
One of the initiators	30	37
By brochure	8	10
Other	2	2
Not reporting	4	5

Length with Counseling Service

Many of the responding businesses (66%) had been members of the Missoula Consumer Credit Counseling Service since its initiation. The service showed growth in membership during each succeeding year. Four (5%) respondents had been members for 3 years, 12 (15%) for 2 years, and 12 (15%) for 1 year. This reflects the continual effort by members of the board of directors in attempting to increase the number of business participants. (See Table X).

It was difficult to compare this to the Butte study which had been in operation for only 11 months. Of the 27 business

contributors in Butte, 25 (92%) had subscribed to the service since its initiation (Krueger,1970).

TABLE X
LENGTH WITH SERVICE

LENGTH OF TIME	NUMBER	PERCENT
Since service began	54	66
One year	12	15
Two years	12	15
Three years	4	5

Arrangements for Reducing Debts or Payments

Sixty-eight per cent (56) of the businesses reported that they made special arrangements with the client for reducing debts or payments. Sixteen businessmen stated that they used more than one type of arrangement depending on the circumstances. Sixty-six per cent (54) permitted clients to reduce the payments and extend them over a longer length of time, 13 per cent eliminated the late charge, and 9 per cent reduced the carrying charge (See Table XI).

The Butte results indicated more businessmen made special arrangements for clients. Twenty-five clients or ninety-two per cent (26% higher than Missoula) reduced payments and extended them over a longer length of time, and 90 per cent (24) businessmen

(77% higher than Missoula) eliminated the late charge. This high rate of difference may in part be due to the large number of Missoula businessmen who do not handle their own delinquent accounts and so are not aware of what steps are taken in securing payment (Krueger, 1970).

TABLE XI
SPECIAL ARRANGEMENTS FOR PAYMENT

ARRANGEMENTS	NUMBER	PERCENT
Make special arrangements for payment	56	68
Reduce payment and extend over longer period of time	54	66
Eliminate late charge	11	13
Reduce interest charge	3	4
Reduce carrying charge	7	9

Board of Directors

The board of directors is composed of 10 members including the counselor. Initiators of the service, selected members from the Retail Trade Committee of the Chamber of Commerce, and selected businessmen comprised the original board of directors. There is also an advisory board of 19 members chosen from the various fields of community businesses. Officers are elected by the board of directors and serve without salary with the exception of

the counselor who is employed on a full-time basis. The board of directors meets once a month to advise and make decisions concerning the operation of the service.

Effectiveness of the Counseling Service

The effectiveness of the Missoula counseling service is dependent upon its degree of successfulness. The opinions of all three participants in the counseling service (client, advisor, and creditor) are vital in determining its effectiveness.

Client

The attitude of the clients toward the counseling service was extremely favorable. Seventy-two (99%) responded that they would recommend the counseling service to others. This would indicate that their financial status had improved resulting in satisfaction with the service.

In addition to assisting a family in developing and carrying out a plan for the liquidation of debts, a counselor should educate the family in matters concerning budgeting and money management. The majority of responses to questions concerning client education by the counselor were positive. Ninety-two per cent (67 clients) stated that they had been assisted in money management, 87 per cent (62) indicated they were more knowledgeable concerning borrowing money, and 79 per cent (54) stated they had a

greater understanding of types of credit.

A strong interest was shown in furthering their money management education. Of the 54 (76%) who indicated they desired to attend such a class, 23 (32%) of the clients listed the area of budgeting as one of prime concern. Another 13 (18%) requested further education in borrowing agencies and policies, 9 (12%) in banking facilities, and 9 (12%) in investments (See Table XII).

TABLE XII
COUNSELING ACHIEVEMENTS

ACHIEVEMENT	NUMBER	PERCENT
Would recommend counseling service to others	72	99
Greater understanding of credit	54	79
Greater understanding of borrowing	62	87
Greater understanding of money management	67	92
Would attend a money management class if available	57	76

In the Butte study, 98 per cent (1% less than the Missoula report) indicated that they would recommend the counseling service to others. Ninety-five per cent (2% above Missoula) indicated they had a greater understanding of credit. In comparison with the 79 per cent of Missoula participants who desired further education

in money management, only 35 per cent (41% less than Missoula) in the Butte study requested further counseling in this area (Krueger, 1970).

Business Participants

The vast majority (89%) of the business respondents believed that the counseling service was effective. They expressed satisfaction in the number of accounts which had been salvaged, cases in which the account would probably have been uncollectable. Over seventy-three per cent believed they had benefited from the service; fifty-seven per cent stated it had reduced their business debts and that accounts formerly labeled "uncollectable" were now being paid.

This was similar to the Butte study where ninety per cent considered the service effective and eighty-five per cent (28% above Missoula) believed it reduced their store's debt. The difference here may be partially due to the twenty-two per cent who did not respond in the Missoula survey. Many of these businessmen did not handle their own delinquent accounts and so were not aware of the degree of success with their store's over-due accounts. Others felt that although they had collected some delinquent accounts through the credit counseling service, that their over all store debt had varied little.

Board of Directors

The president, secretary treasurer, and counselor were personally interviewed representing the board of directors. All were exceptionally enthusiastic concerning the beneficial aspect of the service and believed that many persons and businesses benefited indirectly from the service as well as those in direct contact. Positive aspects of the counseling service included:

1. Beneficial to the community as a whole as it helped develop responsible citizens.
2. Reduction in the number of bankruptcy cases.
3. An aid to both the creditor and the debtor.
4. Beneficial to employer of many clients.
5. Permitted collection of accounts in a dignified manner acceptable to both creditor and debtor.
6. Reduced family tensions and problems.

The board believes that the very high degree of success achieved by the counseling service in Missoula is directly related to the effectiveness of their counselor.

Improvement of Service

The majority of respondents stated that the Missoula Consumer Credit Counseling Service was effective in operation. Even though some suggestions were made for improvement, the attitude of clients,

businessmen, and advisors reflected satisfaction with the service.

Clients

Several suggestions were made by clients which they believed would improve the counseling service. Eighteen clients (25%) suggested that more education be given the clients in money management. Seventy-six per cent indicated that they would attend such a class if available. Two clients suggested that more publicity be given to the program to make more families with financial problems aware of it.

Business Participants

The area of publicity was most often suggested by the businessmen as an area for improvement. Eighteen (22%) stated that more publicity should be given to the service. Since advertising is an expensive investment, some recommended use of newsletters or flyers to all businesses (potential members as well as present participants) showing statement of successes.

Board of Directors

The board of directors believed two areas were important to the continued success and growth of the service. Additional publicity is necessary to reach both families needing assistance and businessmen who are not presently participants in the program. More businesses must be contacted in order to adequately support and promote the counseling service. As additional businesses join the

service and become actively involved, more clients will be made aware of the service.

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

SUMMARY

The availability of credit to families today has caused many to over-extend their budgets and has placed them in serious financial difficulty. Many persons claim bankruptcy as an escape from their indebtedness. A more permanent solution is sometimes available. In a number of cities, private and/or non profit counseling services have been developed. These services aid clients in money management and debt reduction.

The intent of this study was to evaluate the Consumer Credit Counseling Service of Missoula and to determine its degree of effectiveness. The purpose of the Missoula Consumer Credit Counseling Service is to aid families who already have debt problems by:

1. Advising and counseling on budgeting and family management.
2. Developing and carrying out a common plan of orderly debt liquidation within their means and with the cooperation of creditors.

In order to accomplish the study's purpose, the Missoula Credit Counseling Service was evaluated by clients, businessmen, and the board of directors.

A questionnaire was mailed to 133 clients. Eleven questionnaires

were returned because the client could not be located. Of the 122 remaining clients, 77 (63%) responded.

There was no person who could be considered "average" due to the wide variations in characteristics of debtors. The "typical" Missoula client, however, emerged as follows:

The "average" debt-ridden Missoula couple had been married 8.7 years and were the parents of 3 children. They provided a family income of \$7,000 to \$9,999 and were indebted between \$3,000 and \$4,999. The husband was a high school graduate 33 years of age with full-time employment. His marriage partner was 28.7 years of age, was also a high school graduate, and was not employed outside the home.

The chi-square analysis for this sample group revealed a significant relationship between the family income and the amount of debt. No significant relationship was found between the amount of debt and length of marriage, size of family, or level of education. There was also no significant relationship between cause of debt and length of marriage, family income, number of children, or level of education.

The client questionnaires indicated poor money management practices were prevalent, with installment buying (68%) listed as the major cause of indebtedness. Unemployment was not rated as a major factor in excessive debts.

The client evaluation of the counseling service indicated a high degree of effectiveness. Ninety-nine per cent indicated that they would recommend the counseling service to others, 92 per cent stated they had been assisted in money management, 87 per cent believed they were more knowledgeable concerning borrowing money, and 79 per cent stated they had a greater understanding of types of credit. This indicated that the counseling service was successful in educating clients in money management matters in addition to the immediate goal of liquidating debts.

Ninety-two business participants were contacted for evaluations. Of the eighty-two (89%) who responded, the vast majority (89%) indicated satisfaction with the operation of the counseling service and the financial benefits they had received.

The board of directors evaluated the counseling program as one of great service to the entire community and one in which many individuals and firms benefited indirectly from its services. They believed that the program should be educational in nature, not just concerned with liquidation of debts, and that the high degree of client success is directly related to the effectiveness of their counselor.

Although a high degree of success was achieved among debt-ridden families reached through the counseling service, it was indicated that many needy families were not being reached. A concentrated

emphasis on additional publicity to inform both persons with financial difficulties (which may or may not be to the acute stage) and businessmen who are unaware of the benefits which they and the community receive from a successful service of this nature is needed.

CONCLUSIONS

This study would indicate that the Consumer Credit Counseling Service of Missoula was an effective means of alleviating debt-ridden families as ascertained by the clients, the business participants, and the board of directors. In addition, the community as a whole benefited indirectly through the service. There was a strong indication that the over-all financial picture of the city of Missoula had improved due to the number of families who had received guidance and made financial restitution.

Much of its success was attributed to the effectiveness of the counselor; however, much credit must be given to the president of the board of directors who was instrumental in initiating the Missoula service and had been highly effective in its continual promotion. It was believed that the enthusiasm and dedication of the officers of the board of directors was reflected in the degree of acceptance and the continual growth of the organization. Continued success and growth, therefore, will be largely dependent

on the personnel managing and supervising the service.

RECOMMENDATIONS

Improvement of Study

Regardless of the care with which a study is made, improvements can always be made. If someone were to do a study of a similar operation in another city, the following would be helpful in evaluating the service.

1. A larger response of clients would have permitted a more effective use of statistical analysis. Personal interviews rather than mailed questionnaires would also have given more complete results.
2. The use of a control group (persons who manage their own budget satisfactorily) would have provided a comparative picture of the counselor's effectiveness. Some significant differences in the chi-square test may also have shown in length of marriage, number of children, annual income, and level of education.
3. It would be worthwhile to determine the changes in the money management practices and purchasing practices of those who have successfully completed the repayment plan. Such a study would indicate if the counseling program was lastingly educational in nature and if purchasing practices

by individuals can be changed permanently.

4. A comparison of bankruptcies and change in consumer credit in Missoula during the past five years would have helped indicate if the counseling service is reaching debt-ridden families significantly.

Related Studies

Much needs to be known about consumer's buying habits in relation to money management. The following might prove valuable.

1. A more detailed study of client interest in areas of budgeting and money management would be beneficial in establishing money management classes for clients.
2. The use of a control group (persons who have not used the credit counseling services and who manage their own money satisfactorily) would provide an interesting comparison and, perhaps, show some characteristics special to debt-ridden families.
3. A comparison of the Consumer Credit Counseling Services of Missoula, Butte, and Great Falls would provide a comprehensive, over-all picture of the Montana debtor.
4. A more in-depth study of the causes of indebtedness among clients would be informative and useful in determining where emphasis should be placed in consumer education

classes.

Community Education

Greater emphasis should be placed on courses in consumer education at the elementary and high school levels. Steps should be taken to make such courses available to all students and to adults in evening classes.

APPENDIX A

LETTER TO CLIENTS AND QUESTIONNAIRE

Consumer Credit Counseling Service
Missoula, Montana
July 26, 1969

Dear _____

May I interrupt your busy schedule for just a few moments? Those of us in Missoula who have been associated with the Missoula Consumer Credit Counseling Service feel very proud of its success and accomplishments. We realize, however, that in order to evaluate our program adequately and to find our strengths and weaknesses, we need the opinions of every couple who have received counseling assistance.

As a part of your obligation to the counseling service, we are requesting that you complete the enclosed form and return it in the self-addressed envelope as soon as possible. It is not necessary to place your name on either the questionnaire or the envelope. Remember, to obtain a true and helpful picture, it is extremely important that we receive all questionnaires.

Thank you very much for your cooperation.

Sincerely,

Ewing Heisel, President
Missoula Credit Counseling Service

CLIENT QUESTIONNAIRE

Section I Please check appropriate blank

1. Marital status
 - ☐ married
 - ☐ divorced or separated
 - ☐ single
 - ☐ widowed
2. If married and living together, length of marriage
 - ☐ 2 years or less
 - ☐ 3-5 years
 - ☐ 6-10 years
 - ☐ 11-20 years
 - ☐ 21 years or more
3. Number of children living at home
 - ☐ none
 - ☐ one
 - ☐ two
 - ☐ three
 - ☐ four
 - ☐ five
 - ☐ six
 - ☐ seven
 - ☐ eight
 - ☐ nine or more
4. Age of husband (if living at home)
 - ☐ 18 or under
 - ☐ 19-25
 - ☐ 26-30
 - ☐ 31-35
 - ☐ 36-50
 - ☐ over 50
5. Age of wife (if living at home)
 - ☐ 18 or under
 - ☐ 19-25
 - ☐ 26-30
 - ☐ 31-35
 - ☐ 36-50
 - ☐ over 50

6. Years of schooling completed by husband
___ grade school or less
___ 1 to 3 years of high school
___ high school graduate
___ college training but not a graduate
___ college graduate (bachelor's level)
___ more than 4 years of college
7. Years of schooling completed by wife
___ grade school or less
___ 1 to 3 years of high school
___ high school graduate
___ college training but not a graduate
___ college graduate (bachelor's degree)
___ more than 4 years of college
8. Husband's employment
___ full-time
___ part-time
___ more than one job
9. Wife's employment
___ full-time
___ part-time
___ more than one job
10. Family income for 1968
___ under \$3,000
___ \$3,000-\$4,999
___ \$5,000-\$6,999
___ \$7,000-\$9,999
___ \$10,000-\$14,999
___ \$15,000 or over
11. Fill in:

Occupation _____ (Husband)

(Wife)

Section II Please describe your situation when you decided you needed financial help by checking the one answer in each category that most clearly explains your situation:

12. Amount of indebtedness (exclude house mortgage)
___ \$100-\$499
___ \$500-\$999
___ \$1,000-\$1,999
___ \$2,000-\$2,999
___ \$3,000-\$4,999
___ \$5,000-\$9,999
___ \$10,000 or over
13. Approximately, how many people did you owe this money to?
___ 5 or under
___ 6-11
___ 12-15
___ 16-20
___ 21 or more
14. What caused your indebtedness?
___ unemployment
___ medical
___ installment buying
___ furthering education
___ pregnancy
___ other, (write in) _____
15. If you were unemployed, approximately how long?
___ 10-30 days
___ 1-3 months
___ 4-6 months
___ 6-9 months
___ 10 months or over
___ other, (write in) _____
16. If you were unemployed, check if you used any of these services:
___ welfare
___ food stamps
___ Workmans' Unemployment Compensation
___ Aid to Dependent Children
___ other, (write in) _____

17. Did you ever file for bankruptcy?

☐ yes

☐ no

Section III Tell us about your association with the counseling service:

18. Who referred you to the Consumer Credit Counseling Agency?

☐ Legal Aid Office

☐ Attorney

☐ finance company

☐ friend or friends

☐ relatives

☐ creditor

☐ minister

☐ Doctor or Dentist

☐ other, (write in) _____

19. Did the counselor contact your creditors and reduce any of your debts?

☐ yes

☐ no If answer is no, omit question 20.

20. How many debts did she reduce?

☐ five or more

☐ three or four

☐ one or two

21. Did you do any of the following to increase your budget? if not, please omit question 21.

☐ wife went to work

☐ children helped by babysitting, paper routes, etc.

☐ borrowed from relatives

☐ wife took in ironing, sewing, or did babysitting

☐ gave up recreation

☐ cut down on food budget

☐ husband took a second job

☐ other, (write in) _____

22. Do you feel that the Consumer Credit Counseling Service has:
- Assisted you in improved money management?
☐ yes
☐ no
 - Given you a greater understanding of the differences between borrowing from banks, loan companies and credit unions, and others from whom you borrow money?
☐ yes
☐ no
 - Given you a greater understanding of the different types of purchasing on credit (installment buying, 30 day credit)?
☐ yes
☐ no
23. Do you feel that you need more counseling in the various areas of money management?
☐ yes
☐ no If answer is no, omit question 24.
24. If answer is yes, check the areas in which you would like additional assistance:
☐ budgeting
☐ borrowing, interest rates, agencies, etc.
☐ banking facilities available for your use
☐ insurance (life, home, car, theft, fire, etc.)
☐ investments (bonds, stocks, etc.)

Section IV Please check appropriate blank

25. What is the length of time you have been under the guidance of the Credit Counseling Service? _____ months
26. Are you still under the Service's guidance at this time?
☐ yes
☐ no If answer if yes, omit 27,28,29,30 and 31. Go to 32.
27. When you were on the program of debt repayment, the counseling service worked out a plan for spending your monthly income with you. Which of the following describes the plan you now use?
☐ use the same plan as started with the counseling service
☐ use a new plan which you started
☐ use no plan at all

28. Are you currently in debt? (exclude house mortgage)
☐ yes
☐ no
29. Do you currently have:
☐ a savings account
☐ life insurance for the head of the household
☐ stock or bonds
30. What is your amount of indebtedness now?
☐ \$100-\$499
☐ \$500-\$999
☐ \$1,000-\$1,999
☐ \$2,000-\$2,999
☐ \$3,000-\$4,999
☐ \$5,000 or over
31. What do you think caused your overindebtedness now?
☐ unemployment
☐ medical
☐ installment buying
☐ furthering education
☐ pregnancy
☐ other, (write in) _____
32. Would you recommend the counseling service to others?
☐ yes
☐ no
33. Are there some suggestions that you feel would improve the counseling service?
☐ more education in money management and credit buying for clients
☐ wouldn't have to pay the monthly fee of \$2.00
☐ have more counselors so wouldn't have to wait for an interview
☐ no suggestions
☐ other, (write in) _____
34. Would you attend a class on money management if made available?
☐ yes
☐ no

APPENDIX B

LETTER TO BUSINESSMEN AND QUESTIONNAIRE

Consumer Credit Counseling Service
Missoula, Montana 59801
May 1970

Dear Member of the Missoula Credit Counseling Service:

May I interrupt your busy schedule for just a few moments? Those of us who have been closely associated with the Missoula counseling service feel very proud of its success and accomplishments. We realize, however, that in order to evaluate our program adequately and to find our strengths and weaknesses, we need the opinions of everyone involved with it.

Would you please take a few moments to complete the brief questionnaire which is enclosed and return it in the self-addressed envelope as soon as possible. It is not necessary to place your name or the name of your firm on either the questionnaire or the envelope unless you so desire. Remember, to obtain a true and helpful picture, it is extremely important that we receive all questionnaires.

Thank you very much for your cooperation.

Sincerely,

Ewing Heisel, President
Missoula Credit Counseling Service

BUSINESS QUESTIONNAIRE

1. How did you learn about the service?
☐ personal contact of board or employees of service
☐ by brochure, describing service
☐ one of the initiators
☐ other, (write in) _____
2. How long have you subscribed to the service?
☐ since it began
☐ one month
☐ half year
☐ year
3. How has it helped you?
☐ reduced store debt
☐ other, (write in) _____
4. Have you made any special arrangements for reducing debts or payments because of requests from the service?
☐ yes
☐ no
5. If yes, what type of arrangement is this?
☐ reduce the payments and extend them to a longer time
☐ reduce the interest
☐ reduce the carrying charge
☐ reduce the debt
☐ eliminate the late charge
6. Do you consider the service successful?
☐ yes
☐ no
7. If no, why not. _____

8. What can be done to improve the service? _____

APPENDIX C
BOARD OF DIRECTOR'S QUESTIONNAIRE

BOARD OF DIRECTOR'S QUESTIONNAIRE

1. How do you personally feel about the Credit Counseling Service?
☐ it is good for the community
☐ it is helpful both for clients and creditors
☐ it helps the dignity and self worth of the individual
☐ it holds some families together
☐ it keeps them from bankruptcy
☐ others, (write in) _____
2. What suggestions do you have for the improvement of the service?

3. How were you chosen to serve on this board? _____
4. How many are on the board? _____
5. How often do you meet? _____
6. Where do you meet? _____
7. When are the meetings held? _____
8. How long? _____
9. Are these regularly scheduled meetings planned in advance or are there some that are called for special purposes? _____
If for special purposes, what are some of these (generally, of course) _____
10. How is the counseling service financed? _____
11. Do you think the Debt Counseling Service is successful? _____

12. Any additional comments? _____

13. Serving on this board of directors is without charge, or salary?
☐ yes
☐ no

APPENDIX D

FORMS USED BY COUNSELING SERVICE

79.



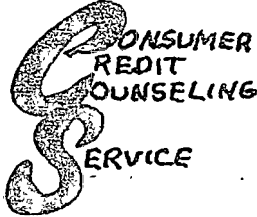
of Missoula, Montana 59801
Room 234, Box 569, Phone 543-3041
First Federal Bldg. and Loan Bldg.
Higgins & Main

Name _____
Address _____
Wife _____ No. Children _____
Employer _____
Wife's Employer _____
Your Phone Number _____ Date _____ 19 _____

ASSETS		CREDITS				
Cash in Bank		List	Total	Monthly	Adjusted	Cred-
Cash on Hand		Names	Balance	Payment	monthly	itors
Stocks and Bonds		&			Balance	O.K.
Other Investments		Addresses				
Auto: Make						
Year	Type					
Home:						
Purchase Price						
Improvements						
Estimated Value						
Other Real Estate						
TOTAL ASSETS		BE SURE EVERY ACCT. YOU OWE IS LISTED.				
		TOTALS				

MONTHLY EXPENSES	MONTHLY INCOME
Rent	Husband's salary (Net)
Food and Milk	
Fuel	Wife's Salary (Net)
Clothing	
Insurance	Commissions
Lights, Water, Phone, Gas	Bonus
Car Expense	Dividends and Interest
Miscellaneous	Other Sources
TOTAL MONTHLY EXPENSES	TOTAL MONTHLY INCOME

(Copy of Form Used by Counselor to Estimate a Budget of Clients)



of Missoula, Montana 59801
Box 569; Phone 543-3041
Room 234, First Federal Bldg.
Higgins & Main

We agree to take on no further contractual obligations (charge accounts) during the time we are on the counseling program. NONE.

We understand that our current Montana Power and Mountain Bell Telephone bills are to be paid in full each month, otherwise they will cut us off.

We understand the payments must be in the Counseling office by the _____ of every month.

We understand that all credit cards are to be returned to the issuer or destroyed.

We further understand that the Consumer Credit Counseling Service may disclose information pertaining to the amount, nature and other particulars of our debts, liabilities and obligations, together with information as to our financial status, income, prospects and other data in attempting to achieve the ends for which we have applied for these services.

We also agree that a copy of our creditors statement shall be placed on file with the Credit Bureau of Missoula, Inc. at 416 Ryman Avenue, until such time as we have discharged our debts.

(A copy of the agreement entered into by each client with the counseling service.)



of Missoula, Montana 59801
 Box 569, Phone 543-3041
 Room 234, First Federal Bldg.
 Higgins & Main

Gentlemen:

We have a debt problem we can no longer handle by ourselves, and have gone to the Consumer Credit Counseling Service, Inc., for help.

They are not pro-raters. Consumer Credit Counseling Service, Inc., is a non profit counseling service designed to avoid as many bankruptcies as possible in this community. The enclosed blue brochure tells you how my Counseling Program will work for us.

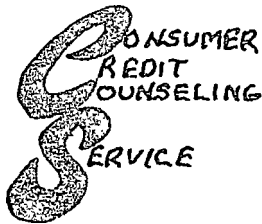
It's the only way we can pay everyone and still be able to live and hold our jobs while we pay our bills. Our plan calls for paying you _____ on _____ and on the _____ of each month thereafter until our account is paid in full.

We hope you will go along on this, as per this agreement. Please reply at one in the stamped addressed envelope enclosed. Should I fail, the Counseling Service will notify you immediately.

Our Balance is: _____

We will go along _____ We will not go along _____

(A copy of the form used between out of town creditors and client).



a non-profit
COMMUNITY SERVICE

TO HELP PEOPLE
HELP THEMSELVES

Our way is the way to pay all your creditors
and get out of debt, without embarrassment,
while you are still paying

EARL SLACK, Counselor

CONSUMER CREDIT COUNSELING SERVICE
OF MISSOULA, INC.

Box 569
Room 234, 1st Federal Building & Loan Bldg.
Higgins Avenue
Missoula, Montana 59801
Phone 543-3041

TO AID DEBTOR
CREDITOR
EMPLOYER
COMMUNITY

WHAT IT IS

The Consumer Credit Counseling Service of Missoula, Inc., as its name implies, is primarily a counseling service. It is neither a charity organization nor a lending institution.

The Service's policies are determined and directed by a Board of Trustees whose members represent broad community interests, with diversified business and professional backgrounds.

It is supported by contributions from consumer lenders of all types. Also merchants who sell goods and services on credit, and other community minded firms, organizations and individuals.

(Copy of Brochure)

WHY THIS SERVICE

Under our present day economy of mass production and consumption, emphasis has been placed upon installment buying of everything from homes to high chairs . . . travel to tinker toys . . . food plans to fishing rods . . . automobiles to boats and airplanes.

During the past several years with America's continuous expansion and growth, most everyone seems inclined to buy on "pay later" plans.

Some, however, planned poorly and found themselves deeply in debt. Most of these people desire to avoid bankruptcy, and sincerely welcome an opportunity to discharge their obligations in an honorable manner, even though it may mean considerable sacrifice on their part.

Therefore, while this economy and its practices have produced for our citizens the world's highest standard of living, some problems have also been created often through no fault of their own, that affected their ability to pay.

Many families find themselves over burdened with debt, struggling to satisfy their creditors and to make ends meet. This results, generally, in worry, jeopardy of job and reputation, and frequently the disruption of the family as a unit.

Although the Service has no funds for paying other peoples' bills, it usually can be helpful in such situations, particularly where the individual may not be able to do it himself, owing to a lack of cooperation by one or more creditors.

In an effort on the part of credit grantors to correct an error in judgment on the part of either the buyer or seller which might have caused the problem in the beginning, or to assist conscientious people, when, through no fault of their own, there have been changes in conditions affecting their ability to pay. Such conditions often result from emergencies in the form of accidents, prolonged illness and temporary loss of all or a part of the family income.

In so doing, creditors are not only exerting a humanitarian effort to cure a "sick" account, but from a strictly selfish angle are saving losses from bankruptcy, as well as restoring over extended customers to a condition where they can make further purchases intelligently.

(Copy of Brochure)

WHAT IT DOES

The Service has a two fold purpose:

1. TO AID FAMILIES WHO ALREADY HAVE DEBT PROBLEMS either by
 - a. Advice and counsel on budgeting and family money management.
 - b. Developing and carrying out a common plan for orderly debt liquidation, within their means, and with the cooperation of their creditors.
2. TO TRY TO PREVENT DEBT PROBLEMS FROM ARISING by fostering education on the wise (and unwise) use of credit; on budgeting and family money management.

HOW IT WORKS

Briefly, these are the usual steps:

1. Client comes in our office referred by a member, a creditor, an attorney, a union, an employer, a social service agency or an individual.
2. Our office furnishes client necessary form to fill out, showing his financial situation.
3. This form usually completed at home by client, then returned to office. Manager makes appointment for counseling.
4. Counseling Manager prepares individual budget. Meets with husband wife and committee for counseling.
5. Client contacts all creditors showing them the revised payment schedule as set up by the Counselor and the Creditors Committee. The Creditor is asked to approve payment as scheduled.
6. When all creditors agree, plans made for handling monthly payments.
7. An individual trust checking account is then opened with bank of client's choice.
8. Client visits office personally each month and makes out checks due respective creditors. Our counselor then counter signs checks and mails to creditors.
9. During counseling period clients learn to live within a budget and handle own affairs.

(Copy of Brochure)

FREE COUNSELING

No charge is made for counseling or for the advice and recommendations given regardless of the number of interviews.

If you decide to use the payment plan as set up by the Counseling Service there is a small monthly charge of \$2.00 to help pay the office expense and make it possible for us to continue helping others, who, like yourself, have become involved in a debt problem.

Incorporated as a Non-Profit
Community Organization

BOARD OF DIRECTORS

PRESIDENT . . . Ewing Heisel
Assistant Vice President
Western Montana National Bank

VICE PRESIDENT. Arthur C. Long
Credit Manager
Montana Power Company

SEC. TREAS. . . Hope C. Stockstad
Office Manager
W.E. Swartz, M.D.

COUNSELOR . . . Earl Slack

Carl Schwartz
President and Manager
Credit Bureau of Missoula

Don Nyquist
Vice President and Manager
Nyquist Finance

Mrs. Doris J. McMannis
Credit Manager
Missoula Mercantile Co.

Doug Hansen
Owner
Hanson's Famous Ice Cream Factory

(Copy of Brochure)

BOARD OF DIRECTORS (continued)

Dennis Sheriff
Fidelity Finance

Don Gray
Assistant Cashier
First National Bank

ADVISORY BOARD

Name	Firm
Randy Jacobs	First National Bank
Clarence G. Bruckner	Montana Power Co.
Bob Sheridan	Anaconda Forest Products Co.
Frank A. Pippy	Mountain Bell Telephone
Carl E. Dragstedt	Dragstedts
Dick Motta	Hoerner Waldorf Corp. of Mont.
Jim Meyers	Missoula Mercantile Co.
Irvine C. Ward	Bob Ward & Sons
Chet Murphy	Radio KYSS, A.M. and F.M.
Henry A. Shearer	Southside National Bank
John A. Fahey	First State Bank
Jack Hoon	Western Federal Savings & Loan
Bill Ranberg	J.C. Penney Co.
E.W. Orth	Western Montana Clinic
Robert W. English	Missoula Bank of Montana
Jack T. Zimmerman	Missoula Drug Co.

(Copy of Brochure)

ADVISORY BOARD (continued)

Norman Robb Attorney at Law

Michael C. Sayer Missoula First Federal Savings
& Loan

Wes Kratz Tempo

Francis M. Superneau Yandts Mens Wear

Don L. Davis Don L. Davis Jewelers

Dr. Gordon Reynolds Dentist

Pete Wanderer St. Patrick's Hospital

Peter Orsola General Acceptance Finance Corp.

(Copy of Brochure)

APPENDIX E

CHI-SQUARE TESTS FOR INDEPENDENCE

There is a relationship between the cause of indebtedness and the size of family.

	Installment Buying	Medical & other ^a	Total
SIZE OF FAMILY:	No.	No.	No.
1 to 3 children	32	16	48
4 or more children	8	17	25
Totals	40	33	73

^a "Other" included responses for pregnancy.

Degrees of freedom: 1

Chi-square value: 1.15

Required at the .01
level of significance: 6.64

There is a relationship between cause of indebtedness and the family income.

FAMILY INCOME:^b

Under \$5,000

Over \$5,000

Totals ^c

Installment Buying	Medical & Other ^a	Total
No.	No.	No.
12	17	29
20	13	33
32	30	62

^a "Other" included responses for pregnancy.

^b Family Income for 1968 was used.

^c Eleven clients did not report their annual income.

Degrees of freedom: 1

Chi-square value: 2.29

Required at the .01
level of significance: 6.64

There is a relationship between cause of indebtedness and level of education.

	Installment Buying	Medical & Other ^a	Total
LEVEL OF EDUCATION:	No.	No.	No.
11 years or less	15	14	29
12 years or more	25	19	44
Totals	40	33	73

^a "Other" included responses for pregnancy.

Degrees of freedom: 1

Chi-square value: .188

Required at the .01
level of significance: 6.64

There is a relationship between the cause of indebtedness and the length of marriage.

LENGTH OF MARRIAGE:

5 years or less

Over 5 years

Totals

Installment Buying	Medical & Other ^a	Total
No.	No.	No.
13	7	20
27	26	53
40	33	73

^a "Other" included responses for pregnancy

Degrees of freedom: 1

Chi-square value: 1.15

Required at the .01
level of significance: 6.64

There is a relationship between the amount of indebtedness and family income.

FAMILY INCOME: ^a

Under \$5,000

Over \$5,000

Totals

Under \$3,000	Over \$3,000	Total
No.	No.	No.
16	12	28
7	27	34
23	39	62

^a Family income for 1968 was used:

Degrees of freedom: 1

Chi-square value: 8.79

Required at the .01
level of significance: 6.64

There is a relationship between the amount of indebtedness and the length of marriage.

LENGTH OF MARRIAGE:
5 years or less

Over 5 years

Totals

Under \$3,000	Over \$3,000	Total
No.	No.	No.
8	10	18
20	35	55
28	45	73

Degrees of freedom: 1

Chi-square value: .39

Required at the .01
level of significance: 6.64

There is a relationship between the amount of indebtedness and the size of family.

SIZE OF FAMILY:

1 to 3 children

4 or more children

Totals

Under \$3,000	Over \$3,000	Total
No.	No.	No.
19	29	48
9	16	25
28	45	73

Degrees of freedom:

1

Chi-square value:

.09

Required at the .01
level of significance:

6.64

There is a relationship between the amount of indebtedness and the level of education.

LEVEL OF EDUCATION:
 11 years or less
 12 or more years
 Totals

Under \$3,000	Over \$3,000	Total
No.	No.	No.
11	18	29
17	27	44
28	45	73

Degrees of freedom: 1
 Chi-square value: .0025
 Required at the .01
 level of significance: 6.64

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