

An evaluation of the consumer credit counseling service in Butte, Montana
by Lola Ardelle Lueck Krueger

A thesis submitted to the Graduate Faculty in partial fulfillment of the requirements for the degree of
MASTER OF SCIENCE in Home Economics
Montana State University
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Abstract:
The purpose of the study was to determine the effectiveness of the Consumer Credit Counseling Service in Butte, Montana, Evaluation of the service depended on the evaluation of the clients, the board of directors, and the businesses that belonged to the association and contributed to it.

In order to evaluate the service, the following people were interviewed: (1) the chairman of the board of directors; (2) the Counselor Manager of the Consumer Credit Service of Butte, Montana; (3) the 27 businesses that belong to the association and are contributors; (4) the clients who are being actively served by the Consumer Credit Counseling Service, In addition to the interviews, the clients who could not be interviewed in person or by telephone were sent questionnaires. In addition, the bankruptcies filed for the years 1967-1968 and 1968-1969 were investigated in the Federal Building, Butte, Montana from the federal files, and found for Silver Bow County, Anaconda and Whitehall.

It was found that the Consumer Credit Counseling Service as managed now Was adequately filling a serious need in Butte, Montana. It was also found that most of the indebtedness in Butte resulted from the strikes, and the unemployment resulting from the strikes. The average client was represented as being married 11 years, having 3 children, being skilled, as working in the mines, was between 25 and 50, and had an annual income of $5,233.

The clients were very satisfied with the Consumer Credit Counseling, as well as the board of directors and the businesses and the majority of them agreed that it prevented bankruptcy. There were several clients interested in taking a course on money management.

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Signature Lola Lueck Krueger

Date March 3, 1970

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Approved:

Marjorie Zelden
Head, Major Department

by B. Berthine Bugg
Chairman, Examining Committee

Graduate Dean

MONTANA STATE UNIVERSITY
Bozeman, Montana

June, 1970

ACKNOWLEDGEMENTS

Association with Dr. Clark Swain, the committee chairman has been a source of inspiration and pleasure. He and Dr. Marjorie Keiser, provided counsel, advice and encouragement in planning this research. Dr. Simpson, my other committee member, gave invaluable assistance. Dr. Elinora Wright, Mrs. Jordan, Mr. Tureck, Mrs. Ann Stagg, and Miss Cynthia Bryson are thanked for assistance, encouragement and inspiration. The graduate students who participated in the pretesting and made the instrument reliable, are also given my appreciation.

The director of the Butte Consumer Credit Counseling Service, Mr. Owen Bush and Mrs. Marian Coughlin, the Counselor Manager of the Consumer Credit Counseling Service, were most helpful in giving assistance and information for this study. The Board of Directors are also given my appreciation as they were responsible for starting the Consumer Credit Counseling Service, and through it, making a contribution to the Butte community. I would like to express my appreciation to the clients for cooperation with my questionnaire. It is hoped that the conclusions of the study may be of some service in the

ACKNOWLEDGEMENTS
(continued)

future planning of the Butte Consumer Credit Counseling Service.

A special word of thanks is due my family for the patience with which they endured many inconveniences.

Notwithstanding the substantial contributions made by others, any errors or omissions in the study are the responsibility of the author alone.

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ABSTRACT

The purpose of the study was to determine the effectiveness of the Consumer Credit Counseling Service in Butte, Montana. Evaluation of the service depended on the evaluation of the clients, the board of directors, and the businesses that belonged to the association and contributed to it.

In order to evaluate the service, the following people were interviewed:

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It was found that the Consumer Credit Counseling Service as managed now was adequately filling a serious need in Butte, Montana. It was also found that most of the indebtedness in Butte resulted from the strikes, and the unemployment resulting from the strikes. The average client was represented as being married 11 years, having 3 children, being skilled, as working in the mines, was between 25 and 50, and had an annual income of $5,233. The clients were very satisfied with the Consumer Credit Counseling, as well as the board of directors and the businesses and the majority of them agreed that it prevented bankruptcy. There were several clients interested in taking a course on money management.

CHAPTER I

INTRODUCTION

IMPORTANCE OF THE STUDY

Consumer credit buying is a characteristic of the Mid-twentieth century. The revolution in the way goods are produced, as well as the desire for increased service, has brought a concomitant change in the concept of purchasing for the American family. There was a time that debt was considered "sinful", discounts were given for cash purchases and debt was contracted only if there were no other way. Many a melodrama has made the lender of money, the villain. Today, however, credit buying is encouraged. The seller realizes that in addition to profit included in the cost of the item, profit can also be made on the interest charged for the use of the money with which it is bought. The creditor with this "buy now-pay later" philosophy uses credit cards, installment purchases and charge accounts sometimes with a total disregard of his monetary responsibilities.

NEED FOR THE STUDY

Because the contemporary American family is a con-

sumer unit more than a producer of goods and services, credit cards and easy installment credit with high hidden interest charges can involve a family with an overburdened indebtedness within a short time. While some can manage well, there are others who cannot. They are sometimes threatened with garnishment of wages or bankruptcy.

For those who are aware of the problems of credit purchasing, terms and contracts are evaluated just as for every other family purchase. Others have no concept of money management, their wants far exceeding ability to pay and little understanding of contracts signed.

"Some families are so emeshed in financial difficulties, they are of very little economic value to themselves or their communities. The effects of individual debt problems can be far reaching and costly beyond the personal impact upon those in difficulty. When debt problems become acute, they become social problems that affect the whole community. Worry over debt can affect a family's health and solidarity. In fact, "the battle of the budget at home is rapidly becoming the number one cause of divorce."[1]

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[1] Plans and Working Suggestions, National Foundation for Consumer Credit, Inc., Washington, D. C., 1968, p. 3.

Sometimes the solution for the creditor is garnishment of wages. In the county of Milwaukee, Wisconsin, there have been as many as 13,000 garnishments of wages in a year or an average of fifty garnishments a day.[2] The solution for other families may be bankruptcy. Bankruptcies have risen from 18,510 in 1948 in the United States to 208,389 in 1967, a 700% increase.[3] In 1968, it is said to have risen to 220,000 a year.[4] This may result in losses to both creditor and debtor. It has been estimated one and a half billion dollars is lost in bankruptcy courts annually. Ninety-five percent of these bankruptcies are personal ones.[5]

When the financial strain becomes too great in a family, it reduces the efficiency of the employee. He becomes a greater accident risk. It affects his physical and mental health, his personal well being, and dignity, as well as family members. It can contribute to family

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[2]Eisendrath, Jack, "The Primrose Path from Easy Credit to Bankruptcy", Consumer Credit in Family Management, Proceedings of a National Workshop, Oct. 9-12, 1967, p. 93.

[3]Ibid, p. 93.

[4]Twiner, Linn, Consumer Credit in Family Management, Proceedings of a National Workshop, Oct., 1967, p. 32.

[5]Ibid, p. 32.

and marital difficulty, separation and divorce, harrassment by creditors, alcoholism, desertion and even suicide.

> According to Hackbrath, "most debtors are confused and unhappy people, not deadbeats and many get into a financial jam through no fault of their own, rather because of sickness, hospital bills, family difficulties, unemployment, elimination of extra pay and other understandable reasons. A third neutral party between the debtor and his creditors is needed--one experienced in family finance and able to re-educate the consumer caught in a credit bind."[6]

Indeed there are at least 20,000 American families using credit counseling at any given time.[7]

Ideally, the purpose of a Consumer Credit Counseling Service is to advise and give counsel to a family concerning budgeting and money management, and to develop and carry out a plan for the liquidation of debts. It is also necessary, during this time to maintain an adequate standard of living for the family; to fulfill its nutritional and other needs, as well as to keep the family an established social unit, cooperating with the creditors. In the process there is re-education of family members so that further debt problems do not arise.

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[6]Hackbrath, A., "Consumer Counseling", Bankers Monthly Magazine, Jan. 15, 1967.

[7]Gay, K. R., "Help for Debt Ridden", Kiwanis Magazine, May, 1966.

When commercial pro-raters or debt adjusters established businesses to consolidate or pool debt payments, many of these services further victimized helpless debtors by charging high fees. Their clients therefore became further indebted. A preferable method is to have consumer counseling services, organized and operated on a non-profit basis.[8] This aids the rehabilitation of the individual consumer. In addition, his education in family finance management is essential to both the nation's economy and general family well-being. Educators, home economists, welfare workers, sociologists and family life experts, therefore interested in the well-being of the family, have created such services to help in this aspect of family life.

PURPOSE OF THE STUDY

In Montana, the Consumer Credit Counseling Service has been in existence since 1967. In Butte, the service has been in operation since September 26, 1968. Whether or not this service has been successful has yet to be

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[8]Hall, Perry B., Family Credit Counseling--An Emerging Community Service, Family Service Association of America, New York, New York, 1968, p. 18.

determined. The purpose of this study, therefore, is to evaluate the effectiveness of the service. It is believed that success of the program is intimately related to the personal background of the families seeking help, the extent of their need, approach and expertise of the counselor.

DEFINITION OF TERMS

To forestall any misunderstandings in terms used in relation to consumer debt counseling in this study, a list of words and phrases has been placed in Appendix A.

CHAPTER II

REVIEW OF LITERATURE

Mass production has increased the quantity and the quality of goods available to the family. Consumer durables increased in production from $49.5 billion to $72 billion in 1967.[1] It is not surprising therefore, that one of the major activities in the family is the organization and effectuating the consumption of goods and services. As described by Willard Waller:

> "Perhaps no family in history has been so puny in home production and so conspicuously a consuming group as the American middle class family. It is likely that future studies of the family will view it increasingly as a consuming group--the family, not the individual, is the unit of consumption, and this applies clearly to our emerging democratic middle class family. . .The effects which this shift in activities has had on family forms show clearly the close relationship between the economic system and changes in the structures of individual families."[2]

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[1]Booth, S. Lees, Finance Facts, 1968 Yearbook, Washington, D. C., 1968, p. 26.

[2]Waller, Willard, The Family, A Dynamic Interpretation, revised by Reuben Hill, Holt, Rhinehart and Winston, New York, 1951, p. 65.

RISE IN USE OF CREDIT

The emergence of consumer credit is very important in our American economy and family. This has been recognized by economic experts as well as lay people. Consumer credit is accepted as a common occurrence in our everyday life. Outstanding consumer credit today totals $111 billion. The interest costs on this consumer credit amounts to $13 billion.[3] Short and intermediate term consumer credit increased from $45.3 billion in 1957 to $95 billion in September, 1967.[4] By the end of 1967, the consumer credit outstanding, totaled $99.2 billion.[5] Today, it is not uncommon, not only to purchase a house or car by credit, but many luxury items such as travel and dining out.

As Campbell states, "Credit permits the use of future income to satisfy present needs and wants".[6] In this way, consumers can raise their level of living.

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[3] New York Times, "Consumers Spend to Reduce Debts", March 6, 1969, CXVII 40584:57:3.

[4] Booth, op. cit., p. 5.

[5] Ibid, p. 38.

[6] Campbell, Sally, "Teaching in the Classroom", Journal of Home Economics, 60:1, Jan. 1968, p. 42.

There are many reasons why younger or middle-aged families are the biggest users of consumer credit in the United States. Young people want to upgrade their status and enjoy materialistic things in the present. There is a general loosening of credit requirements in an effort to lend more money and sell more merchandise. Many store owners use credit as a selling device. While some say it puts the debtor on a regular monthly budget, many times the family has too many payments to meet them all.

IMPORTANCE OF CREDIT IN MARITAL ADJUSTMENT

It has been said that "The ability of the American family to live within its income is surely the foundation of our economy."[7]

> "Just a decade or two ago, money management called for good common sense and plain dealing, and thriftiness in itself was sufficient for a family to prosper. Certainly the forces of increased taxes, inflation and consumer credit have changed the concepts from 'budgeting' to broader economic concepts. . .It is hard to get across to them benefits of sound financial planning if they are enmeshed in day to day problems of living. Every adult sees the management of money through his own eyes. It can mean different things to different people at different times in their lives. . .Adults today cannot visualize the whole money manage-

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[7]Feeley, Mary, "Consumer Credit in Family Financial Management," Journal of Home Economics, vol. 60, No. 1, 1968, pgs. 41-44.

> ment picture because their focus is limited to the immediate problem. They lack ability to provide the self discipline needed to control spending on items that have only monetary value. Consumer credit is used to satisfy immediate needs, but consumers are frustrated as income diminishes month after month in payment of small bills."[8]

Today, credit purchasing has become so much a part of the American way of income management that three out of five persons say "charge it" in buying household items, clothing and food.

To be overindulged in credit purchasing can prove to have disastrous results. As reported by Vontress and Thomas in their study, it was shown that "family relationships are disrupted by a major crisis in the lives of family members". . ."as economic insecurity". . ."are contributing factors of family discord or unhappiness."[9] This is further supported by Wilson, whose former college women (now housewives) showed that thirty-eight out of fifty, mentioned money and its management, as a problem in their marriage. In fact, only parental relationships

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[8]Campbell, op. cit., p. 42.

[9]Vontress, Clemmont E. and Thomas, Harold A., "Counseling Adults", Adult Leadership, 17,6, Dec. 1968, pgs. 723-7.

and adjustments in sex, ranked higher as sources of futility.[10]

Even upperclass or upper middleclass familes suffer from money mismanagement. Terman found very frequently that insufficiency of income was mentioned as a negative factor of these marriages. In relation to marital happiness, he stated that the way the income was handled was more important than the absolute size of income.[11]

A "security rating" was developed by Williamson in his study of marital happiness. Ratings of high, medium and low were derived from a number of economic items. He concluded that the highest proportion of happy wives were among the highest security ratings. Medium security was associated with significantly happy marriages. About twice as many unhappy marriages were found among the couples with the low security ratings. "Incomes of less than $463 a month, prevailed among the unhappy individuals" and conversely, there was a higher percentage of happily

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[10]Wilson, Pauline Park, "College Women Who Express Futility," Bureau of Publications, Teachers College, Col. Univ. 150, p. 54.

[11]Terman, Lewis M., Psychological Factors in Marital Happiness, New York, McGraw Hill Book Co., 1938.

married couples with incomes over $463 a month.[12]

The Williamson study gives support to Locke's study, that "security or a higher economic level is associated with marital happiness." Locke[13] found a significantly higher percent of married men rating their wives "very satisfactory" in financial management and home management than divorced men. Williamson concluded that $445 a month income, home ownership, small indebtedness and insurance over $5,000 were associated with happiness in marriage. It is not only what the mate is able to provide that is important, but "more important is the question of what his own background, his youthful training, and his family experiences have led him to expect as 'normal' in the way of provision. For our idea of what is 'normal' in the way of comfort-providing items, luxury items, food, and housing is contingent upon our family and social background."[14] The use or misuse of money

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[12]Williamson, Robert, Economic Factors Associated with Marital Adjustment, Abstract of Doctoral dissertion, Univ. of California, 1951.

[13]Locke, Harvey J., Predicting Adjustment in Marriage, A Comparison of a Divorced and A Happily Married Group, Henry Holt & Co., 1952, p. 282.

[14]Williamson, op. cit., p. 156.

seems to be important in marital adjustment. "Money may be said to be 'earned' if by wise management the total overhead of a home is substantially reduced."[15]

Williamson[16] and Locke[17] also confirmed that professional and semi-professional occupations are associated with marital happiness and adjustment. The white collar, professional and executive groups were significantly associated with marital happiness, and the wives of these men belong to the well adjusted, happily married group, in greater percentages than in the lower income laborer group.[18] These findings also confirm Lang's and Week's[19] study concluding "security or a higher economic level is associated with marital happiness." Both concluded that accumulated savings, small indebtedness and possession of life insurance helped a good adjustment in marriage.[20]

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[15]Ibid, p. 154.

[16]Williamson, op. cit., p. 162.

[17]Locke, op. cit., p. 282.

[18]Peterson, Education for Marriage, Charles Scribner's Sons, New York, N.Y., 1956, pgs. 160,341.

[19]Locke, op. cit., p. 282.

[20]Williamson, op. cit., 182.

The number one cause of marital conflict among students according to Pace was money management. Thirty-five percent of them found it difficult to stay out of indebtedness, forty percent wanted financial help and information on economic planning and fifty percent had no plan for spending their income wisely.[21]

"Families sometimes sacrifice happiness and security because of environmental pressures for status."[22]

TYPES OF CREDIT

There are many types of credit, the four most common being: mortgages, installment buying, charge accounts, and credit cards.

Mortgages

Chattel mortgages is defined as a promissory note. The item purchased, therefore, is mortgaged. If non-payment occurs, it can be repossessed and resale of the item at a public auction can result. The sale money is applied to the promissory note. If it does not pay off the debt, the person holding the mortgage suffers the loss.

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[21]Pace, Robert, They Went To College, University of Minn. Press, Minneapolis, Minn., 1941, p. 882.

[22]Peterson, op. cit., p. 341.

This type of debt increased from $98.4 billion in 1957 to $221.9 billion in 1967.[23]

Installment Buying

Installment buying involves signing a contract defining the terms of the sale between the buyer and seller. Often times the purpose of the contract is to protect the "seller." "Add on clauses" enable the family to add other purchases on the same contract. Failure to make the final payment, however, may make it possible for repossession of all the merchandise.

"Balloon contracts" are sometimes used to sell merchandise and allow easy payments for 12 months. Sometimes a large payment is due at the end of the payment period and the buyer may be unable to make the payment, thus losing the item. There are differentials in all types of installment buying. Shopping for a low price in merchandise as well as in financing is important. Two thirds of the families in credit debt trouble have total installment payments that amount to about three-fourths of their annual income.[24]

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[23]Booth, op. cit., p. 5.

[24]Hall, op, cit., p. 18.

In 1967, 63 percent of the non-farm families owned their own homes, 93 percent owned television, 21 percent owned air conditioners, 30 percent owned clothes dryers, 12 percent owned dishwashers, 79 percent owned automobiles, 25 percent owned two automobiles, and almost all of these were bought or being bought on the installment plan.[25]

This overabundance of installment credit has created many problems. The young families, who do not realize the hidden carrying charges and hidden interest rates are often too involved in installment purchasing and become overwhelmed in debts. Installment buying[26] increased by $853 million in the month of August, 1968, the highest in 27 years.

Charge Accounts

"Charging" can mean several things. "Just put it on my account", or that "I'll pay in 90 days", or "put it on the revolving charge credit account", are examples.

In the beginning, the total charge incurred each month had to be paid. Usually there were no interest charges. In addition, there was a "90 day" same as cash

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[25]Booth, op. cit., p. 29.

[26]"Increase in August in Consumer Credit Largest on Record," New York Times, Oct. 4, 1968, CXVII: 40431:69:2

agreement which required three equal payments over a three month period. This, too, required no interest payment.

Because people tended to extend payments beyond the agreed payment dates, budget accounts were initiated. A budget account is one in which there is 3 - 12 months to pay. After 90 days, however, a service charge is made. There is also a maximum amount that can be charged. This evolved to a revolving charge account. Currently, it is the fastest growing form of credit. It has the convenience of a thirty-day charge with installment buying. Under this system, the store will set a "credit level" or a maximum of perhaps $150, the client can charge up to the $150, and pay for the purchases over a 6 - 12 month period, the time limit depending on the store's regulations. Usually the service fee of ½ percent is paid in advance and 1½ percent is paid on the unpaid balance monthly or 18 percent annually. Another popular method of "charging" is to have a combination charge account and revolving charge or option. In this case, the bill is paid in 90 days or can be extended to a year. A monthly service charge is assessed.

Still another method is the Continued Secured Account.

It is a combination installment charge and revolving account. The usual installment contract is required for the first item purchased. A new contract is not required for each major purchase thereafter as there is an "add on clause".[27] Interest is charged monthly on remaining balance.

Credit Cards

There have been predictions that eventually the credit card will replace checking accounts. There is very little one cannot buy with one of these credit cards. There are two major types, one which the purchaser can use to buy items from many stores and receive one bill and the other that permits all purchases of one item to be accumulated.

Retail or Shoppers Cards.--Two principles operate in the use of this card. Some, such as the Bank Americard, operated by the Bank of America and the Master Charge Card, under the auspices of the Interbank Corporation, can be used in almost all the cities of the United States and Canada, as well as some foreign countries. Many

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[27]Bell, Carolyn Shaw, Consumer Choice in the American Economy, Random House, New York, 1967, p. 30.

types of stores are authorized to accept them and these are given out without much investigation. The bank notifies the person how much credit is permissible, and there is no charge made until something is purchased.

If paid within 25 days, there is no cost. If the time is extended, however, you pay 1½% interest on the balance, or 18% annually. In some cases, the interest may go up to 24%-36% interest annually.[28]

The Bank Americard is used by 615 million people and is licensed in thirty-four states (April 18, 1968) however now it is no doubt authorized in almost every state since its beginning in 1958.[29] The Interbank credit card claims to have 13.2 million holders. It is estimated that $2 billion in retail sales with bank credit cards, was expanded in 1968 compared to two thirds that amount in 1967.[30] Figures by the Federal Reserve Board show that the total credit outstanding under the bank credit card plans totaled $800 million. The Federal Reserve Bank of San Francisco estimated bank credit cards accounted

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[28]Cole, Robert J., "Credit Cards Make Shopping Easier, But Careless Use Creates Problems," New York Times, April 18, 1969, CXVII 40,262:67:4.

[29]Ibid, p. 67:4.

[30]Ibid, 67:4.

for 80% of the Twelfth Federal Reserve District's credit plan outstandings against 50% elsewhere.[31]

Another type of shoppers card is the American Express, Diners Card and Carte Blanche. These are mainly for entertainment and travel. In this case an annual fee of about $12.00 is paid for membership. A minimum income is also a prerequisite. It may be more convenient than money and easier to use than checking accounts.[32]

Company Credit Cards

These are for a specific item, and are issued by major oil companies, telephone companies, airlines and railroads. These are requested by the individual. In some cases, however, cards are sent to names purchased on a list such as college graduates. The card is accepted at the various gas stations, airlines or railroads. The charges go on a monthly bill, but if not paid in a month, the customer is charged a service charge.[33]

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[31]Ibid, 67:4.

[32]Heinemann, H. Erich, "Cards Won't Replace Currency Yet", New York Times, July 28, 1968, CXVII, 40,363, III, p. 1:1.

[33]Cohen, Jerome and Hanson, Arthur, Personal Finance Principles and Case Problems, Richard Irwin Co., Homewood, Illinois, 1964, p. 95.

OVERINDEBTEDNESS

Ease of Attainment of Credit

Consumer credit is easier to get than in any time in history. Herein lies the danger as "easy credit encourages over-extending or contracting more debts than can be repaid without undue hardship."[34] Partly to blame, are the credit lenders and retailers who extend credit too generously, to people already overloaded with debt.[35]

Poor Money Management

> Burk states that. . ."characteristics of family problems is a disequilibrium between family resources and needs and wants. There is a difference in making decisions about the earning and use of income and accumulations of assets and therein, is an unsatisfactory timing of decision making and the allocation of resources and cause. . . undesirable aftermaths of decision making . . .and the interrelationships with social and psychological problems become evident."[36]

Impulse buying, credit card misunderstandings, and

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[34]Goodyear, Margaret, & Klahr, Managing for Effective Living, Wiley and Sons, New York, 1965, p. 193.

[35]Burk, Marguerite, "In Search of Answers About Family Economic Behavior," Journal of Home Economics, 58:6, June, 1966, pgs. 440-4.

[36]Ibid, p. 440-4.

lack of knowledge of interest rates on installment and other credit are all problems of the debtor and the poor decisions made by these consumers have increased their indebtedness. Comparison shopping is the key to finding the individual credit and credit terms to meet these individual needs.[37]

The difference between going into debt and being able to control and manipulate personal income is having a financial plan or budget. Budgeting should not be a dreary bookkeeping procedure recording every penny spent. Many people abandon budgeting because it becomes too tedious.

> "No family ever has enough money. A budget is simply an application of will power to the management of personal finances. It is a plan for spending, not simply a record of expenditures. It is designed to keep one out of financial trouble, to help one live with that--in terms of your wants and desires--is always an inadequate income. It helps put first things first and enables you to set priorities in spending and to plan to get the most out of your money."[38]

Relation to Income

Income has been found to be related to credit pur-

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[37]Campbell, op. cit., p. 42.

[38]Cohen, op. cit., p. 38.

chased. In Bressler's study, families with $15,000 income or more had no installment payments; families with incomes of $7,500 or $15,000, sixty percent used installment credit. Families having less than $3,000, those families having incomes between $3,000 to $4,999, and those with incomes of $5,000 to $7,999, were likely to be heavily committed in installment payments. Ten percent, 13 percent and 12 percent of those groups, respectively, owed 20 percent of their previous year's income.[39]

> "Consumer decisions have become more complex as their incomes have increased productivity. They have had more choices open to them as results of increasing variety of new goods and services on the market. The results of their decisions reflecting individual preferences, give rise to widely varying patterns of consumer behavior.[40]

Mohr's study concluded that there was no automatic proportionality between the levels of living and wasted expenditures, which result in a multiple of initial amounts, presuming that levels of material wealth is an universal desire.[41]

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[39]Bressler, Barry, The Measure and the Effect of Unemployment Upon Income, Inequality and the Income Distribution, Abstract of Doctoral Dissertion, N. Y. Univ., 1966.

[40]Booth, op. cit., p. 5.

[41]Mohr, Lillian, Holman, Abstract of Doctoral Dissertion, Syracuse Univ., 1966.

Relationship to Education

The more years spent in formal schooling, the more productive the employment, and the higher rate of income for the wage earner. The gap between the upper and lower income, however, is narrowing. The top five percent had more formal education and the lower income group is headed by those with little education, as two-thirds of the lower income group had not gone beyond the eighth grade.[42]

Gower found, however, that upper class housewives' money management did not vary much from the lower class housewives'. Two implications from this study are: That in group instruction of consumer education, it would be applicable at all socioeconomic levels, and secondly, that even though the upper class were of higher educational level, it had not changed or helped their manner of money management.[43] Olsen also found in her study that even though consumer credit counseling had helped the clients out of indebtedness, there had not been enough education in consumer buying and money management to keep them out

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[42]Cohen, op. cit., pgs. 2, 12.

[43]Gower, David, "Money Management," Some Implications for Teaching, Journal of Marriage & Family , 26:2; pgs. 231-33.

of further indebtedness in the future.[44]

Skilled and unskilled workers make up 61.6% of installment buyers because of their lack of educational training for employment.[45]

Relationship to Age

Certain demands on the family income are determined by the stage of life cycle in which the family is. The beginning period, that of the young, married family includes the accumulation of furniture and expenses of childbirth. Later, the maintaining costs of family rise when children are in school. For older people the demands are not so great. They have accumulated their household belongings and their children are raised.[46]

When Jain studied the concerns of the life cycle and the social class, he determined that socioeconomic difference in income, education and leisure time and movements to suburbia, cut across the traditional groupings

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[44]Olsen, Nancy Ellen, The Effectiveness of Debt Counseling Services in Seattle, Washington, Univ. of Wash. 1968.

[45]Unger, Maurice & Wolfe, Harold, Personal Finance, Allyn & Bacon, Inc., Boston, 1969, p. 84.

[46]Goodyear, op. cit., p. 151.

of social class and stage in the family life cycle and in the environment.[47]

Healey concluded that young couples "desire the scale of living experienced by older people in our society." One way of financing this demand is through the use of installment credit. These couples are "a complex segment of the installment credit market even though there appears to exist a significant lack of knowledge concerning its use both on the part of the creditors and the consumer."[48]

Teenagers entering into marriage with expectations for their first home are so optimistic that they think they can have material things immediately. "Without adequate counseling, these expectations and attitudes are certain to become stumbling blocks for young couples."[49]

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[47]Jain, Study Concerns and Concepts of the Life Cycle and Social Class, Abstract of Doctoral Dissertion, University of Oregon, 1966.

[48]Healey, Phillip Basil, The Knowledge and Use of Consumer Credit by Young Married People of Lansing, Michigan Area, Abstract of Doctoral Dissertion, Michigan State University, 1963.

[49]Hermann, Robert O., "Expectations and Attitudes as a Source of Finance Problems in Teen Age Marriages", Journal of Marriage and Family, Feb. 1965, Vol. 27:1, pgs. 89-91.

Relationship to Social Status

Social changes are evident from past history. With increased education and increased ease in transportation, young families live great distances from their parents and other relatives in the family.[50] Several years ago, in the thirties, only the wealthy belonged to golf country clubs but now it is a prestige symbol for the middleclass society.

In this affluent society, there is a great trend to gain status with material wealth or durable goods. Neighbors have a great influence on the choice of consumers and "keeping up with the Joneses" has had an influence on the expenditures of the individual family's wants and desires.

SOLUTIONS TO THE PROBLEMS OF OVERINDEBTEDNESS

There are three major solutions to the problems of overindebtedness: Garnishment of Wages, Bankruptcy, and Aid to Financial Management (Consumer Credit Counseling).

Garnishment

Garnishment of wages by the creditors allow the employers to withhold payments for goods purchased from the

[50]Cohen, op. cit., p. 14.

employees wages. It has probably caused more personal bankruptcies than any other reason. Before the "Truth in Lending Bill"[51] was passed in 1968, there was no limit on the amount or percentage of garnishment.

Bankruptcy

A bankrupt is an insolvent person, one whose property is turned over by court action to a trustee to be handled for the benefit of his creditors. For every family experiencing bankruptcy, there are twenty more who are in serious credit obligations or in financial strain or crisis. The greatest number of couples who are vulnerable to bankruptcy are those whose credit commitments are so great that with a lessening of income, they become desperate.[52]

Other studies of bankruptcy show that the bankrupts had marital difficulties as well. [53, 54]

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[51]Morris, John D., "Congress Passes Truth in Lending" New York Times, May 23, 1968, CXVII, 40,297,40:1:1.

[52]Hall, op. cit., p. 10.

[53]Brunner, George Allen, Personal Bankruptcies in Ohio, Abstract of Doctoral Dissertion, Ohio State Univ. 1964.

[54]Mathews B., A Study of Forty Families in Bankruptcy in Ohio, Ohio State Univ., 1966.

In 1967, over 200,000 debtors became bankrupt and over $500 million losses were suffered by creditors.[55] Personal bankruptcies increased 503% between 1950 and 1963.[56]

Between 25% and 45% of the persons or families going into bankruptcy could have avoided it, if they had been properly advised. Of those who have consulted with the Consumer Counseling Services, 50 percent have liquidated their debts and only two percent have resorted to bankruptcy.[57]

Results from studies reveal that bankruptcies have tripled since 1950 and 95% of these were personal bankruptcies. The majority of these bankrupts were blue collar workers, in the late twenties or early thirties, married, with an average of three children, ten years of education, unskilled or semiskilled in employment and thus were in the low income bracket in proportion to the median

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[55] Plans and Working Suggestions, National Foundation for Consumer Credit, p. 7.

[56] Dolphin, Robert, Jr., A Study of Bankruptcy in Flint, Michigan, Abstract of Doctoral Dissertion, Univ. of Mich., 1958.

[57] Cole, Robert J., "For Someone Who is Heavily in Debt, Good Counseling is Often Near at Hand", N. Y. Times, Feb. 15, 1968, CXVII, 406,99, p. 44.

of incomes in their areas in 1959.[58]

It has been shown that 80% of the bankrupts had unsatisfactory records in paying their bills, been involved in repossession of their purchases, and nine percent had filed for bankruptcy more than once. Misbach concluded that "bankruptcy does not provide any permanent solution . . ."[59]

With this high state of recidivism, financial counseling should be required of all the people seeking bankruptcy.[60]

Aids in Financial Management

Legislation

The purpose of legislation is to protect the consumer from unnecessary risks and to help the creditors from taking advantage over the person to whom the credit

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[58]Hermann, Robert O., "Families in Bankruptcy, A Survey of Recent Studies, "Journal of Marriage and Family", 28, no. 3, pgs. 324-30.

[59]Misbach, Grant, Personal Bankruptcy in the United States and Utah, Abstract of Doctoral Dissertion, Salt Lake College of Business, Univ. of Utah, 1964.

[60]"The Rising Tide of Bankruptcies," U.S. News and World Report, Wash., D. C., Feb. 1, 1965, Vol. LVIII, No. 6, pgs. 89-90.

is extended. Effective legislation generally provides for licensing, supervision, maximum rate, maximum loan size, full disclosure, prepayment privileges, prohibition of judgment notes, prevention of wage buying, subterfuge, prohibition of false advertising and penalties.

Federal

Many types of consumer protection is provided by federal government. All banks, for example, are under the Federal Reserve Act.

The most recent bill is the "Truth in Lending" bill. Passed by the Congress in May, 1968, and effective on July 1, 1969, except for the garnishment provision which isn't effective until July 1, 1970, it makes it mandatory for the lender to show the annual interest rate for loans and credit buying in dollar value. Other portions of the bill makes extortion a federal crime, protects the consumer from unsolicited credit cards, and prevents garnishment of wages (of over 25% of the weekly pay of employees).[61]

State

In general, state legislation concerning credit is similar to that of the federal government, except details

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[61]Morris, op. cit., p. 40:1:1.

vary from state to state.

In Montana, the commercial prorator, or an organization that charges a fee to distribute payments amongst the creditors from the individual debtor, is permitted.[62] It has been outlawed in 22 states because of the tremendous interest rates charged.[63]

There is also a Montana Retail Installment Act which permits a charge of 11% on the first $300 borrowed and 9% on $301-$1,000 and 7% for any amount over $1,001.[64]

Educational Programs in Money Management

Colleges, universities, and high schools offer courses in consumer buying, often these courses are found in the home economics curricula.

Many studies have been made as to the content of these courses and subsequential consumer patterns have been developed from kindergarten through high schools and college.

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[62] Busch, Owen, June 24, 1969, Interview, Vice-President, Metals Bank, Butte, Montana.

[63] Hall, op. cit., p. 8.

[64] Busch, op. cit., Interview, June 24, 1969.

Consumer Credit Counseling Services

Definition of Consumer Credit Counseling Services

Consumer Credit Counseling refers to budget counseling with payment adjustment provisions.[65] A sound money management plan is constructed at a reduced standard of living, so that basic living expenses can be met, while paying a reasonable amount of the indebtedness to the creditors, regularly once a month. This is established in an interview after which the debtor couple agrees in writing to turn over a certain amount of his income to the Consumer Credit Counseling Service, who in turn, distributes this payment to the creditors in accordance to the plan upon which the creditors and the debtor has agreed. Generally, it involves an extension of time on the original installment debt and smaller payments. In many instances, the carrying charges, interest rates or late charges may be reduced or eliminated.

Historical Development

The National Foundation for Consumer Credit, Inc., has been in operation 26 years. The Board of Trustees approved the Consumer Credit Counseling package in Nov.

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[65] Hall, op. cit., p. 8.

1961 and the program was made nationally available in March, 1962.[66]

Probably the first community-based Consumer Credit Counseling was started in Columbus, Ohio in 1955. It was called the Free Economy Budget Plan and was under the auspices of a finance company. It was established because of the need to help the debtor families in financial trouble.[67] A second non-profit corporation was organized in January, 1958 in Phoenix, Arizona. The Family Debt Counselors of Phoenix and the Economy Budget Service of Columbus, Ohio were the prototypes used for the national movement. Similar credit programs were studied in the state of Washington and Philadelphia. The first family counseling agency to use the certified name and logo



was South Bend, Indiana, in 1963. Salina, Kansas; Kansas City, Missouri; Salt Lake City, Utah; Atlanta,

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[66] Hackbrath, A. C., Director of National Foundation for Consumer Credit, letter, September 5, 1969.

[67] Ibid, letter, September 5, 1969.

Georgia; Charleston, South Carolina; and Cleveland, Ohio opened their Consumer Credit Counseling Services in 1964. Programs began in states of California, Florida, New Mexico, and Indiana in 1965.[68] Since that time there have been more developed throughout the United States until they have totaled 88 in early 1969. They are organized according to the individual needs, plans, and size of the cities that organize these services. They are affiliated with the national organization in Washington, D. C. and receive an official charter. Guidelines for organizing a Consumer Credit Counseling Service are available in a manual, Family Credit Counseling--An Emerging Community Service.

When the national organization began in November, 1961, it was formed under the auspices of The National Foundation for Consumer Credit. A group of national and local social agency leaders, attorneys from legal aid services, lenders of consumer affairs and family life experts met to discuss the principles of a national organization concerned with Consumer Credit Counseling because of the role it played in community services. Mr. S. C. Patterson of J. C. Penney's, was authorized

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[68]Hackbrath, letter, September 5, 1969.

to appoint a Working Committee of 15 members to meet at frequent intervals from early 1966 through the middle of 1967, to plan the study of the Consumer Credit Counseling services already in operation, to consider their organizational plans, to consider their progress reports, and to review the final report. The purpose of this study as defined by the Working Committee was:

> 1. "To study the best ways to aid families and individuals to extricate themselves from heavy indebtedness.
>
> 2. To facilitate bringing together viewpoints of various organizations and interests with responsible use of consumer credit.
>
> 3. To attempt to appropriate models for non-profit debt adjustment and credit counseling services, including staff training, kinds of sponsorship, financing, accountability, etc."[69]

It was agreed the results of this study of Consumer Credit Counseling services should be offered to the general public. Phase I established a mailing list of all identifiable consumer credit counseling programs, of which at that time, there were 40-50 services operating in that many different cities. Phase II was to study the variations in structure or operating methods

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[69]Hall, op. cit., p. 27.

so a representative model could be selected. Also in Phase II was an examination of eight representative programs:

1. Consumer Credit Counseling of Greater Atlanta,

2. Consumer Credit Counseling Service of Metropolitan Cleveland, (Ohio), Inc.,

3. Michigan League Budgeting Service, Inc.,

4. Family Debt Counselors of Phoenix, Arizona,

5. Credit Consumer Counseling Service of the Credit Bureau of St. Paul,

6. Financial Consumer Department of Family Service of St. Paul,

7. Consumer Credit Counseling Service of Salina, Kansas,

8. Consumer Credit Counseling Service of Utah.

Phase III was the analysis of the materials, and the preparation of the reports. A manual, Family Credit Counseling--An Emerging Community Service, is the result of compiling of the materials gathered in these studies of the Consumer Credit Counseling services.[70]

There have been four annual National Consumer Credit

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[70]Hall, op. cit., pgs. 8, 10, 27.

Conferences held since Consumer Credit Counseling officially began. The first was held in Kansas City, Missouri in 1966. The second one was held in Salt Lake City, Utah, in 1967 and the third one was held in Indianapolis, Indiana in 1968. The fourth annual conference was held in 1969 on September 15th-17th in Atlanta, Georgia. Outstanding speakers in the field of consumer credit and bankruptcy were featured. There were opportunities for delegates to work in committees and panels to discuss their mutual problems on Consumer Credit Counseling, and how they have solved them.

The annual meetings for the Board of Trustees for the National Credit Counseling meets regularly in Washington, D. C.[71]

Types of Consumer Credit Counseling

Consumer Credit Counseling Services are occasionally named by other names and take place in different settings. They may be located in credit bureaus, in credit unions, by credit grantors and some are also established in consumer finance companies. Social agencies, in some in-

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[71] National Consumer Credit Counseling Newsletter, National Foundation of Consumer Credit, Washington, D. C., June, 1969.

stances, have helped to get Consumer Credit Counseling Services established. The Office of Economic Opportunity initiated plans in 1966 in the cities of Minneapolis, Minnesota; Oakland County, Michigan; and Phoenix, Arizona; to establish Consumer Credit Counseling Services, similar, but adapted to the poverty group.[72] Consumer Credit Counseling can be organized as a business operation setting. The average cost at a non-profit basis is $12.00 for every $100 handled and requires an average of 22 months to liquidate a family.[73]

Methods of operation, organization, financing, and qualifications of the staff are all determined by the leaders in consumer finance in the individual communities. All of them incorporate as a local non-profit business and choose their own board of directors and plan of organization.

Activities of these corporations are difficult to list because of the relative newness of these services and the fact that many of these services (one third) are under the auspices of a parent organization such as

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[72]Hall, op. cit., p. 18.

[73]Hall, op. cit., p. 73.

a finance company or others. Structural characteristics of the programs most common to all is that they are a non-profit organization, incorporated for the specific purpose of consumer credit counseling. Practically all of these Consumer Credit Counseling corporations are subsidiaries of credit bureaus. The policy making bodies in all services are a formal constituted board for those incorporated, separately, usually 15-25 members or the board of the parent body may delegate operating authority to a subsidiary group, called an advisory committee. Many have not had the opportunity to settle on a pattern of operation or identity yet. Two-thirds of services were in operation less than two years in July, 1966. The provision of consumer educational programs "to promote the wise use of consumer credit"[74] is a stated purpose in the charter of practically every incorporated Consumer Credit Counseling Service. The staff time and energies have been devoted to individuals in serious debt troubles rather than to group educate consumers not in difficulty.

Clients

Clients are referred by creditors. Other referrals

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[74]Hall, Ibid, p. 19.

are made by lawyers, ministers, marriage counselors, social agencies, and welfare. Commonly, all of the clients have installment debts (excluding mortgages) of about three-fourths of their income. Usually they have handled credit responsibility with success until a gradual development of crisis. The majority are young, married families who "are not scared or defeated but display considerable motivation to regain control of economic and family affairs."[75] They are mostly families with children, and are in the blue collar occupations.

There are generally five types of clients:

1. Those whose credit commitments are so great that with a lessening of income, they become vulnerable.

2. Those who are falling behind in their payments, and they do not recognize how serious it is.

3. Those who are increasingly unable to meet obligations and are experiencing anxiety, and do not know where to turn for advice.

4. Those who have sought help after the financial pressure increased and the resultant damage has already occurred to the family.

5. Those in the process of bankruptcy or are post-bankrupts.[76]

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[75]Hall, op. cit., p. 12.

[76]Hall, op. cit., p. 13.

It is those that are in the last category that the Consumer Credit Counseling deals with most often.

> "It is conservative to say that there are enough families to warrant an immediate major attempt to make substantial increases in the volume of the present counseling services, as well as major improvements in their range and nature. Even if only one-third or one-fourth of the families in serious credit trouble would voluntarily use credit counseling, the need is such, that a drastic expansion and strengthening of credit counseling service is strongly indicated."[77]

> "Is the client really a poor manager or are some of these situations ones where need has never been met and the client is merely trying to 'catch up'?"[78]

Other characteristics of families using Consumer Credit Counseling are that they are primarily hard-working, long-time residents, seeking help to pay their debts and not trying to avoid them. Two thirds of them are in the process of buying a home. They are in the middle of the child bearing years and are usually in the early thirties, and have two, three, or four children and have been married about ten years. There is no frequency

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[77]Ibid, p. 13.

[78]Lotwin, Gertrude, Journal of Home Economics, Vol. 56, No. 1, Jan. 1964, p. 38-39.

of divorce or separation in these families. They usually have incomes of about $400 a month.[79]

Counselor

The general picture of a typical staff member of a credit counseling program is a "highly motivated and sincere individual who is eager to help those who come to the agency. He works beyond stated hours and with heavy overloads. The counselor has been attracted to this assignment because of the compatibility of the helping role in his own basic motivations."[80] A typical employed counselor has had 10-15 years of employment experience in some aspect of the credit business. Their educational background includes one or two years of college with a minimum of high school. In almost all cases, the counselors are men.

Most counselors have had less than two years of experience in consumer credit counseling due to the newness of most of the fields and the rapid expansion. In Cleveland, retirees from the credit granting fields serve as part-time counselors. Most of them are in their mid-sixties or early seventies, thus about twice the age

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[79]Hall, op. cit., p. 14.

[80]Hall, Ibid, p. 30.

of the clients. This, they believe, gives the client confidence. A higher level of experience is also attained as most of these men are retired bankers.[81]

A successful counselor should learn everything possible about the client's past experience, their accomplishments, their needs and resources, before they can do effective counseling.[82] As Feeley states, "because of individual differences, there is more than one way to correctly budget an income."[83]

Consumer Credit Counseling Service in Butte

There are three Consumer Credit Counseling Services located in Montana: Missoula, Great Falls, and Butte.

Establishment

Because of the impetus of the strikes which occurred in Butte and Anaconda since 1955, a group of Butte merchants and credit finance lenders were concerned by the overindebtedness of many of their patrons as well as by an increasing number of bankruptcies. The

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[81]Ibid, Hall, p. 30.

[82]Ibid, Hall, p. 30.

[83]Feeley, Mary, "Consumer Credit in Family Financial Management," Journal of Home Economics, vol. 60., no. 1 pgs. 41-44.

men who originally established the Butte Consumer Credit Counseling Service served on a Credit Bureau and became the first board of directors. At first it was a five member board, later two more members were added. They contacted the National Foundation of Consumer Credit to obtain procedures of organization. Arrangements were made to have the director of the Consumer Credit Counseling Service in Missoula to speak to the members of the board about their operations. Originally, it was known as the Retail Credit Association. The first meeting was in May, 1968. It was incorporated legally as a non-profit corporation with a charter on June 16, 1968. Operation began on September 26, 1968 with a full-time manager-counselor and an office in the old Miners Bank Building. Twenty-seven contributors donated $15 - $250 each to help finance it. A 10 percent fee was charged to non-contributors.[84] Since April 1, 1969, the clients have been charged a $2.00 monthly fee to help defray operating expenses.

Organization

The agency has two main purposes: that of aiding

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[84]Bush, Owen, Chairman of Board of Directors, Consumer Credit Counseling Service, Butte, Interview, June 24, 1969.

families overburdened with debt with a plan to liquify 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.[85]

Officers

The board of directors meets regularly twice a month and handles any business to be transacted. Their duties are to supervise and direct the activities of the organization, to hire the manager-counselor, to be responsible for the monies handled for the operation of the agency and for the monies of the clients.

Businesses contribute to secure the financial operation of the organization. All are members because the contribution is considered a membership fee. Since it is voluntary, there is no assurance that continuous membership will be maintained. Solicitations are requested in the spring of the year by the manager counselor by telephone.

Non-contributors are contacted when clients who owe them money are counseled by the service and they are asked to contribute 10% of the monthly payment to

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[85]Coughlin, Marian, Counselor-Manager, Butte Consumer Credit Counseling Service, Interview, June 24, 1969.

the service. (See Appendix G)

In the beginning, advertisements were put in the Montana Standard Newspaper to help gain clients. As expenses increased, it was necessary to charge a $2.00 service fee monthly. The clients are required to sign a typewritten form, that they will pay this fee.

Services

When a new client comes to the office, he fills out the application form or gives the counselor the information. (See Appendix G) A list of expenses and debts are made. The couple with the aid of the counselor makes a spending and debt repayment plan. The counselor uses the amount in the plan for repayment of debt, and then determines a percentage, that can be applied to each debt. In many cases, this may be only $1 or $2 monthly payment. Then both the husband and wife sign the agreement. In several cases, the counselor has them sign a Wage Check Assignment from the Stauffer Chemical Company or The Anaconda Smelter Company. (See Appendix G) When this occurs, the counselor receives their check, disburses the amount agreed upon for the payment of bills and then, the clients receive the remainder of their earnings from

the counseling service. In others the clients may mail in the payments each week or each pay day and in other cases, the clients bring in the payment agreed upon. All clients must agree to go on a cash basis.

If possible, the counselor contacts each creditor, and arranges for a lower payment and an extension of time for each of the client's debts. If it is not agreeable to the creditor and he will not give his cooperation, the creditor is eliminated from the debt repayment plan.[86]

The Counselor

The duties of the counselor are to:

(1) counsel the clients,

(2) plan a budget adjustment plan for each of the clients,

(3) to be responsible to contact all the creditors,

(4) inform creditors of the client's debt repayment schedule,

(5) to be responsible for keeping the accounts for each client and his payments to the creditors,

(6) to be responsible for the money accountable for the office,

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86 Ibid, Coughlin, June 26, 1969.

(7) to make deposits in the two banks for the operating expenses and the money disbursed for the clients' debts,

(8) to be responsible for making the checks available in one payment to the large companies such as Montana Power,

(9) to keep track of all the money disbursed,

(10) to be responsible for receiving the checks from the two companies (Anaconda and Stauffer Company) and disbursing them for the appropriate payments and then make out checks for the remainder to the clients;

(11) she supervises clerical help,

(12) she must make the accounts balance at the end of each day,

(13) she handles all clerical work and correspondence and communication by telephone except for the fourteen week government trainee for clerical work.

The one currently employed has twenty-six years of experience in the local Credit Bureau, is knowledgeable concerning local environment. She also has a high school education, and two years of experience as a bookkeeper.[87]

The counselor's greatest problems are: to get the clients to keep to the repayment schedule, to keep them working full time, and to keep them on the cash basis.[88]

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[87] Ibid, Coughlin, June 24, 1969

[88] Ibid, Coughlin, Interview, June 24, 1969.

CHAPTER III

PROCEDURES OF THE STUDY

The purpose of this study was to evaluate the effectiveness of the Consumer Credit Counseling Service in the city of Butte, Montana. It is hoped that it will result in some suggestions for improvement.

SELECTION OF THE SAMPLE

To determine the effectiveness, both the businesses supporting the service and the clients were studied. The list of the businesses was obtained from counselor. The clients' list was obtained from counseling service rolls.

PROCEDURES

The questionnaire-interview method was chosen as the most effective method. It provides uniform information, and is easily and accurately obtained because of its structure. Two questionnaires were developed, one for the business participant and one for the clients. The questionnaires were pre-tested on 16 graduate students from Montana State University and then revised to make them reliable instruments. (Both can be seen in Appendices C and D).

METHOD OF OPERATION

Interviews with the chairman of the board of directors and the counselor served to give the basic data concerning the counseling service.

BUSINESS QUESTIONNAIRE

Each business which indicated membership with the service was contacted by telephone to determine satisfaction. The call was initiated by asking for the appropriate representative. The purpose of the study was then explained and their cooperation required. Some were interviewed in person, using the same structured questionnaire. There were some that were unavailable for the interview at that time so they were sent questionnaires and these were returned by mail.

CLIENT QUESTIONNAIRE

One hundred six persons were listed as clients by the Butte Consumer Credit Counseling Service.

On June 26, 1969, the first interviews for the questionnaire were scheduled in consumer credit counseling office, as the clients came in for the disbursement of

their funds. The counselor would introduce the client, the purpose of the study explained to establish rapport and the questions were asked using the structured questionnaire. As the interview was structured, it did not take over 15 minutes of the respondent's time.

On July 2, 3, 11, and 18, the process was repeated until all the respondents that came into the office were interviewed.

On July 11, the clients who did come into the consumer credit counseling office regularly, were sent questionnaires. Two weeks were allowed for their return. Then they were telephoned and reminded to send back their questionnaires. After another week, they were sent follow-up letters and another questionnaire. After two weeks another questionnaire and reminder were sent.

After another two weeks, the remainder of the respondents were telephoned, rapport established, the purpose of the study explained, and the respondent was interviewed by telephone. As the structured questionnaire was used, it did not take over 15 minutes of the respondent's time.

The Butte clients, who did not have telephones and had not returned their questionnaires, were visited in

their homes, rapport achieved and the interview using the structured questionnaire was completed. This required approximately 30 minutes.

Ninety-one client questionnaires were completed either by interview or the client filled in the answers, and returned it by mail. There were 15 clients who did not return the questionnaire and were not available for interview.

CHAPTER IV

RESULTS

The purpose of the study of the Butte Consumer Credit Counseling Service was to determine its need and effectiveness and how it influenced family living.

SAMPLE

At the time of the study, only the cities of Butte, Missoula, and Great Falls offered the consumer counseling services in the state of Montana. The city of Butte was chosen for this study because of its nearness in proximity. "Butte, today, is a result of brains, brawn, industry and engineering...the Butte story is a tale of two cities--one beneath, the other atop the surface."[89] In recent years, its economy has been threatened by many labor troubles and is considered unstable. Strikes have resulted in much unemployment, thus making the use of credit an integral factor in the economy.

Clients

Many have applied to the service, but after the preliminary interview, decided not to continue, because

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[89]Butte, Montana, Chamber of Commerce Brochure, Hendale Brochure, 1968.

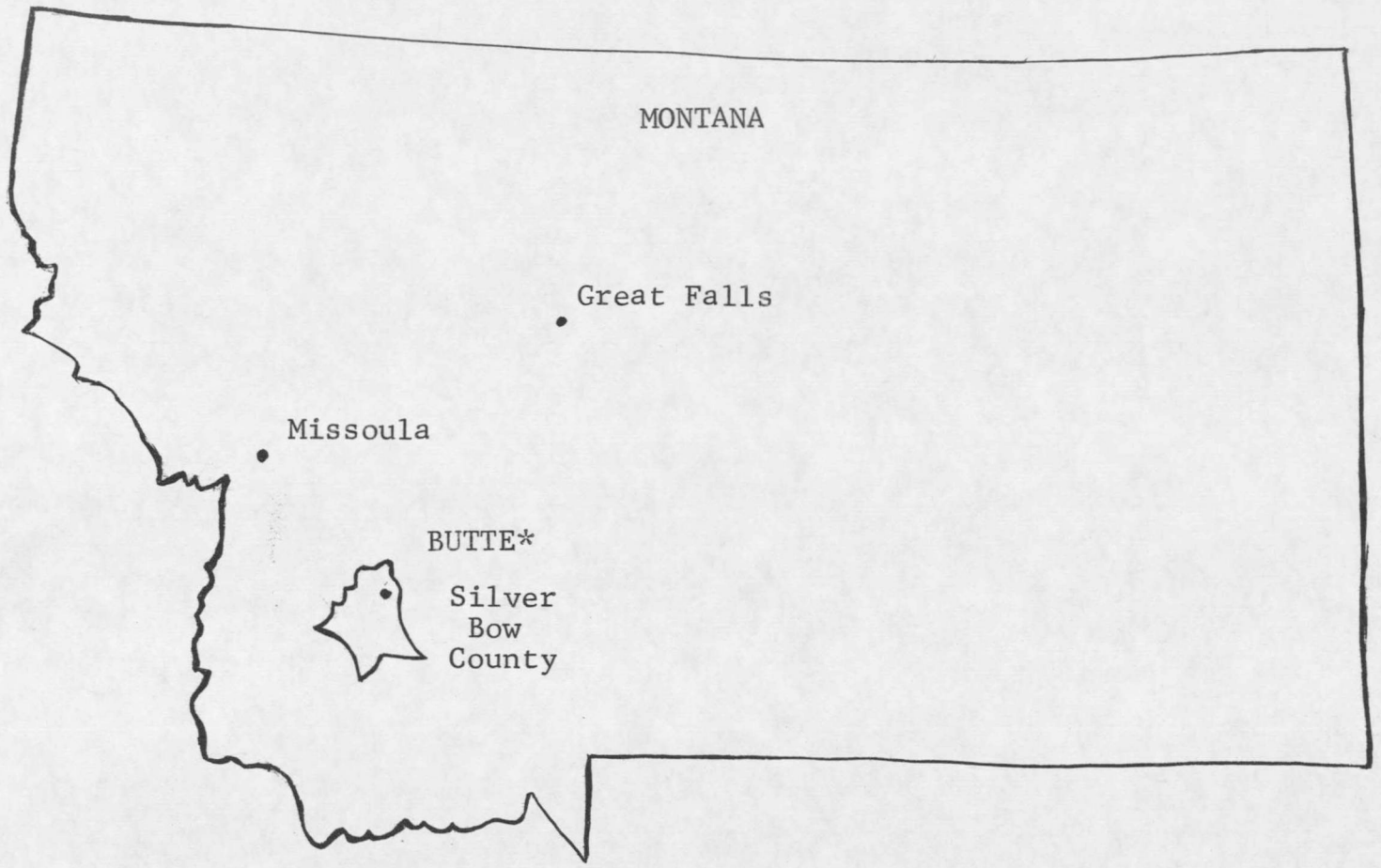


Figure 1. Location of Consumer Credit Counseling Services in Montana

*Location of Consumer Credit Counseling Service in the Study

of insufficient income or because the suggestions that were given enabled them to handle their own problems. Only 106 clients who have made use of the service, therefore, were considered active, and were suited to the purposes of the study. Fifty-two families were interviewed using a structured questionnaire at the counseling service office. When it was found that some did not visit the office regularly, an additional 54 questionnaires were mailed. Of these, 21 were returned. Follow-up of the remainder, resulted in several telephone and home interviews. There were 15 who did not send back the questionnaire, or who were not willing to be part of the study. Total number of participants in the study was 91.

Business Contributors

There were 27 business members contributing to the counseling service. Of these, 26 had been a part of the service since the beginning, a period of 11 months. One had been a member for six months.

Counseling Service

There were seven members of the board of directors and 13 advisors to the counseling service and a manager-

counselor have been involved in the study.

BACKGROUND INFORMATION

A study of the problems and characteristics of the persons involved in the counseling service, is of interest. Although, this service concerns the service at Butte, Montana, it may be important to delineate the background characteristics, in the event, that other counseling services are studied.

Clients

Clients are the families who are involved in the study. Most of these, 90 were married couples. One was a widower. The interviews were with either the husband or the wife, while the questionnaires were sent to both the husband the wife, only one completed them.

Age--The clients who participated in the study ranged in age from 19 to over 50 years of age, with a median age of 32.5 years for the men, and 31.2 years for the women. This is similar to the average age of bankrupt, married couples who have been married 11 years, and who are engaged in the child bearing and child care and development state of the family cycle as shown in

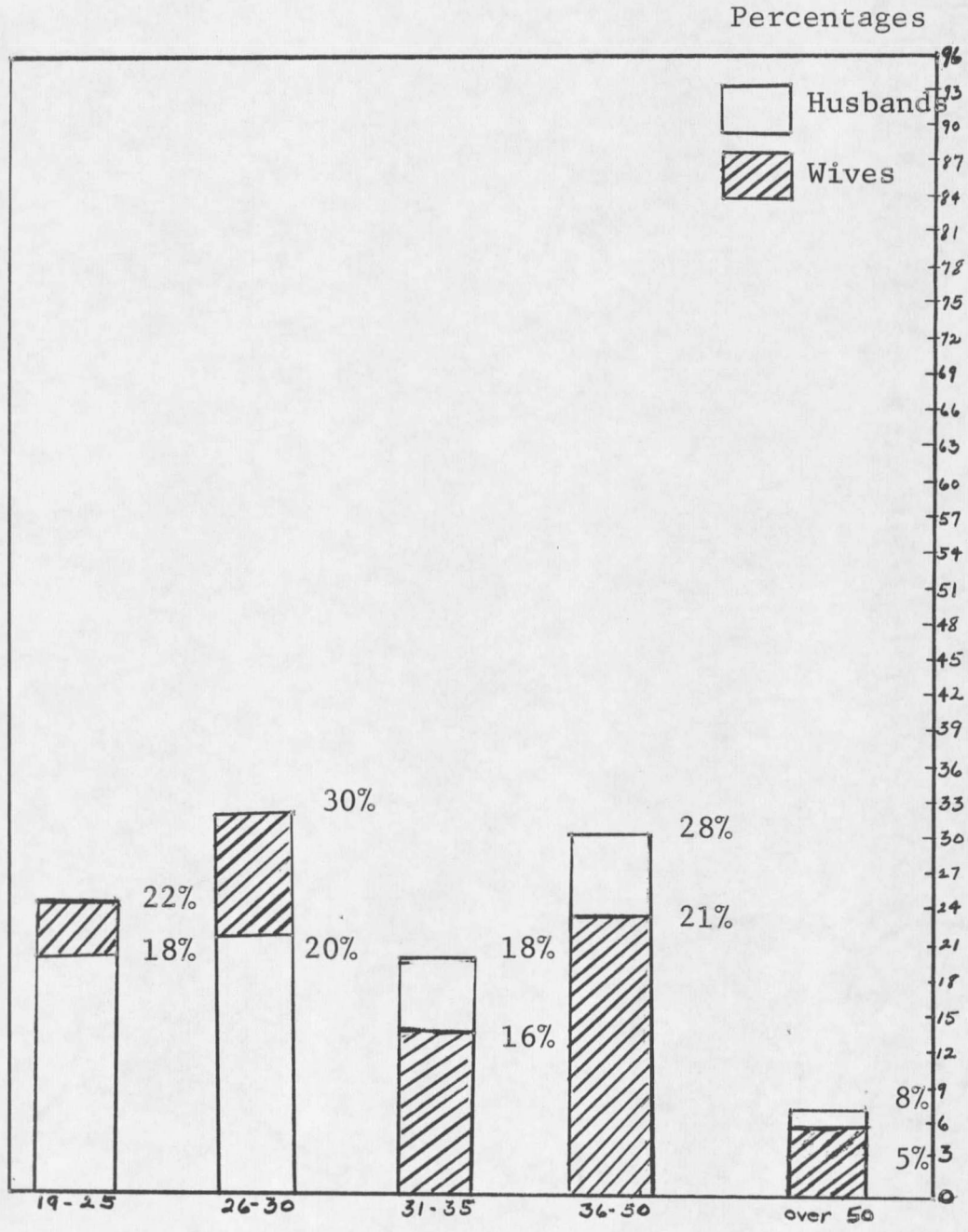


Figure 2. Ages of Clients (of Participating Families)

previous studies.[90,92] (See Table 1 and Figure 2).

TABLE I

AGE OF HUSBANDS AND WIVES

AGE	HUSBANDS NUMBER	HUSBANDS PERCENT	WIVES NUMBER	WIVES PERCENT	TOTAL NUMBER	TOTAL PERCENT
19-25	16	18	20	22	36	20
26-30	18	20	27	30	45	25
31-35	16	18	14	16	30	20
35-50	25	28	19	21	44	25
Over 50	8	8	5	5.5	13	10
No Response					178	
	8	8	5	5.5	13	
Total	91	100	90		181	100.0
			1 deceased		husbands	
			91		and wives	

Marital Status.--Of the participants, 90(98%) of the clients, were married. The range of years for marriage was less than one year, to over 21 years of marriage, the average being 11.5 years.

Education.--About one third of the clients had had a high school education, 25 of the husbands and 32 of the wives. There were 17 of the wives and 22 of the husbands

[90]Hermann, Robert O., "Families in Bankruptcy, A Survey of Recent Studies", Journal of Marriage and Family, 28:3, 324-30.

[91]Lotwin, op. cit., p. 38-39.

who had 8 years or less of schooling. Of the participants, there were 6 wives and 7 husbands who had attended college. One husband and two of the wives had college degrees. Indications seem to point to the influences that education has on earning power. (See Tables II and III & Figures 3&4).

TABLE II

EDUCATION OF PARTICIPATING FAMILY CLIENTS

GRADE LEVEL	NUMBER OF WIVES	PERCENT	NUMBER OF HUSBANDS	PERCENT	TOTAL NO.	TOTAL %
8 years or less	17	18	22	24	39	21
1-3 years H.S.	32	35	30	33	62	34
H.S. Graduate	32	35	25	27	57	32
1-3 years college	6	7	7	8	13	7
B.S. Degree	2	2	1	1	3	2
Total	89	97	85	93	174	96.0
No Response	1	3	6	7	7	4.0
	90	100.0	91	100.	181	100.0
Deceased	1					
	91					

TABLE III

INCOME IN RELATION TO EDUCATION BY CLIENTS

GRADE LEVEL	Under $3,000		$3,000 4,999		$5,000 6,999		$7,000 9,999		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%
Eighth Grade or less	7	27	8	30	9**	35	2**	8	26	100.0
1-3 years H.S.	4	12	9	28	15 ***	*48	4*****	12	32	100.0
H.S. Graduate	3	13	6	26	14**	61			23	100.0
1-3 years college			1	14	3	43	3***	43	7	100.0
No Response									3	

* one wife working - Total 17

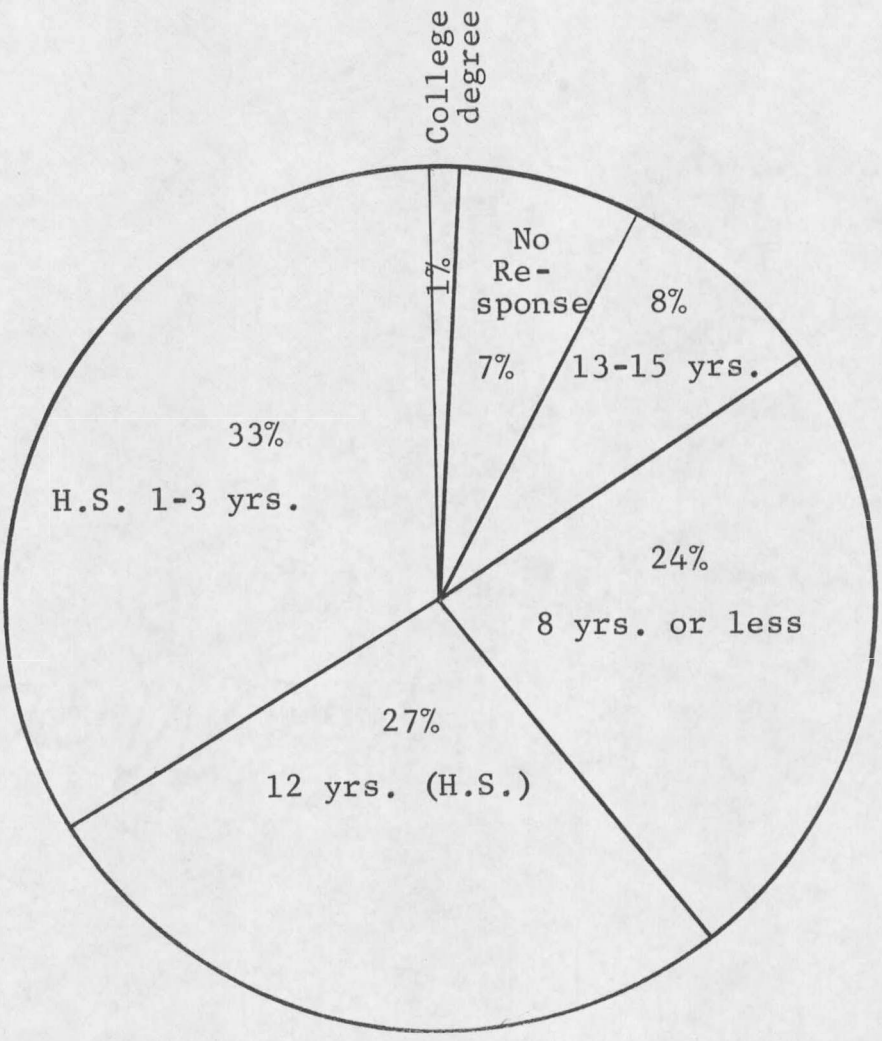


Figure 3. Education (Husbands)

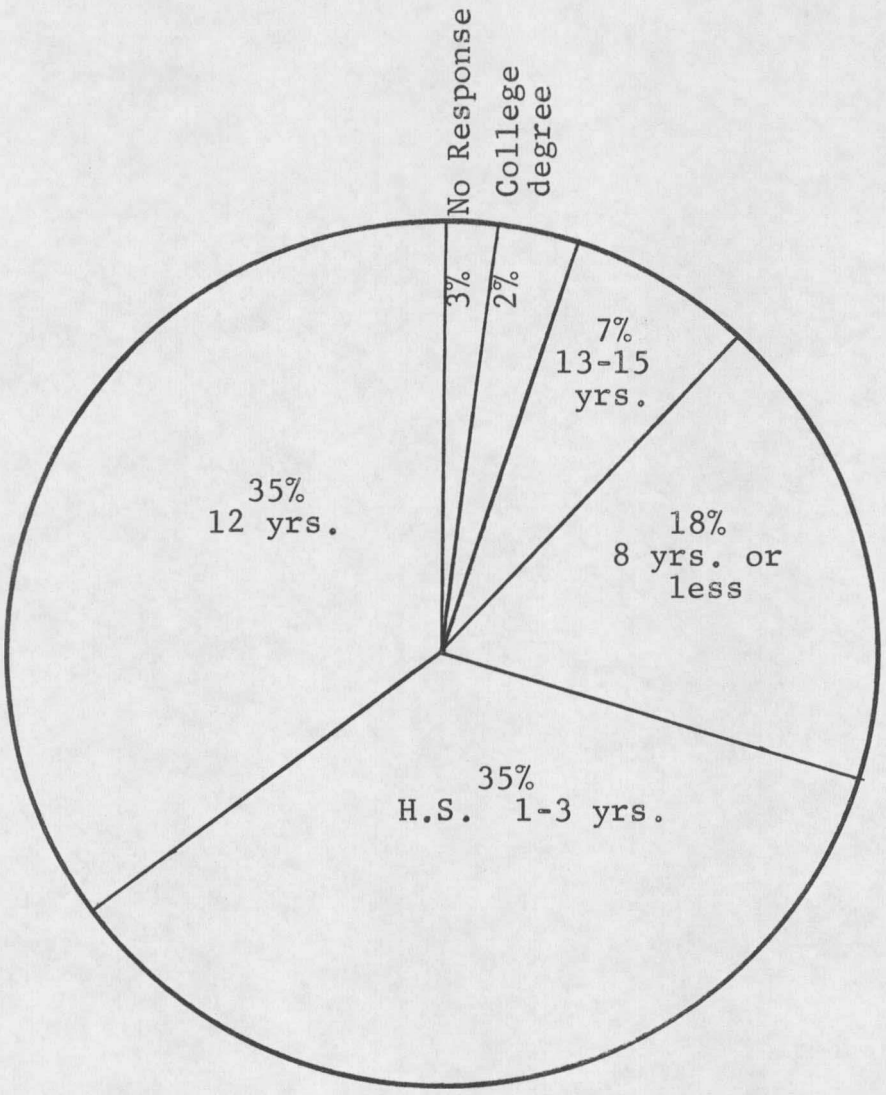


Figure 4. Education (Wives)

Number of Children.--Only 7 of the families had no children living at home, 14 had only one child and ten of the families had 2 children. Fourteen families had 4 children living at home, but the largest number of clients had 3 children. (29 families). From census date, the present mean number of children per family is 3. (See Table IV). However, there were many families who had had a large number of children living at home, before reaching their maturity, and previous to this study. (See Figure 5).

TABLE IV

NUMBER OF CHILDREN LIVING AT HOME

NUMBER OF CHILDREN	NUMBER OF CLIENTS	PERCENTAGE
Three	29	32
Four	14	16
One	14	16
Two	10	11
Five	8	9
None	7	8
Six	3	3
Eight	3	3
Nine	2	2
Seven	1	1
Totals	91	100.0

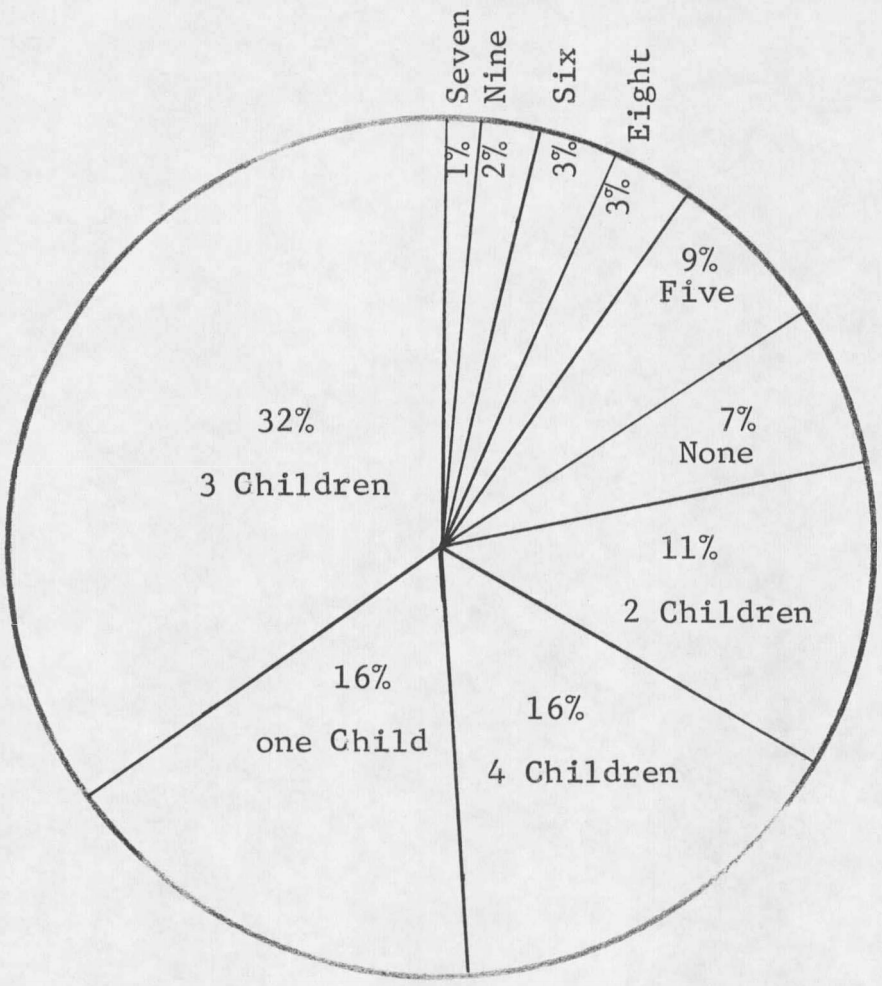


Figure 5. Number of Children of Participating Families

Employment

Wives.--Of the 91 couples participating in the study, only 17 of the wives worked outside the home, and of these eight worked only part-time. Of the 17 who worked, there were 3 professional, (2 graduate nurses and a teacher), and 10 of the working women held service jobs, such as clerks, sales work, waitress and maid jobs.

Husbands.--Only two men were classified as professional and managerial, a bakery manager, and one, a college graduate, who would be professionally employed as a teacher, September, 1969. Four of the respondents were working in sales and clerical work. Of the men, 37(40%) were classified as skilled workers. These included contract miners, mine foremen, machinists, repairmen, drill machine operators, masons, drillers, shaftsmen, muckers, blasters, boilermakers, ironworkers, converters, skimmers, mechanics, timbermen, electricians, bus drivers, operator tenders, operator engineers, painters, and cooks. The semi-skilled professions category included 35(38%) of the husbands. These included pumpmen, smeltermen, oilers, truck drivers, oilers, pipemen, zinc casters, copper casters, concentrators, kettlemen, ball mill men, agitator men, runners, jiggers,

samplers, retort pressmen, taxicab drivers, laundry drivers, and garage floormen. Only 11 men were unskilled. They were classified as laborers, construction workers, refiners, above the ground firemen, and forest service laborers. Problems of indebtedness does not seem to be due to the lack of skilled training. The majority of the participants (husbands) were either skilled or semi-skilled. However, there was one unskilled laborer, who explained his indebtedness was due to the lack of skilled training. This would indicate that inadequate financial management, along with unemployment due to strikes were the main reasons these families needed financial counseling. (See Table V). (See Figures 6 & 7).

TABLE V

OCCUPATIONS OF THE HUSBANDS AND WIVES

JOBS	HUSBANDS NUMBER	HUSBANDS PERCENT	WIVES NUMBER	WIVES PERCENT
Skilled	37	41	1	1.
Semi-skilled	35	39	0	0
Unskilled	11	12	0	0
Sales, Clerical	4	4	3	3.5
Professional	2	5	3	3.5
Not working outside home	2	5	73	81.
Service jobs	0	0	10	11.
Totals	91	100.0	90	100.0
			Deceased 1	
			91	

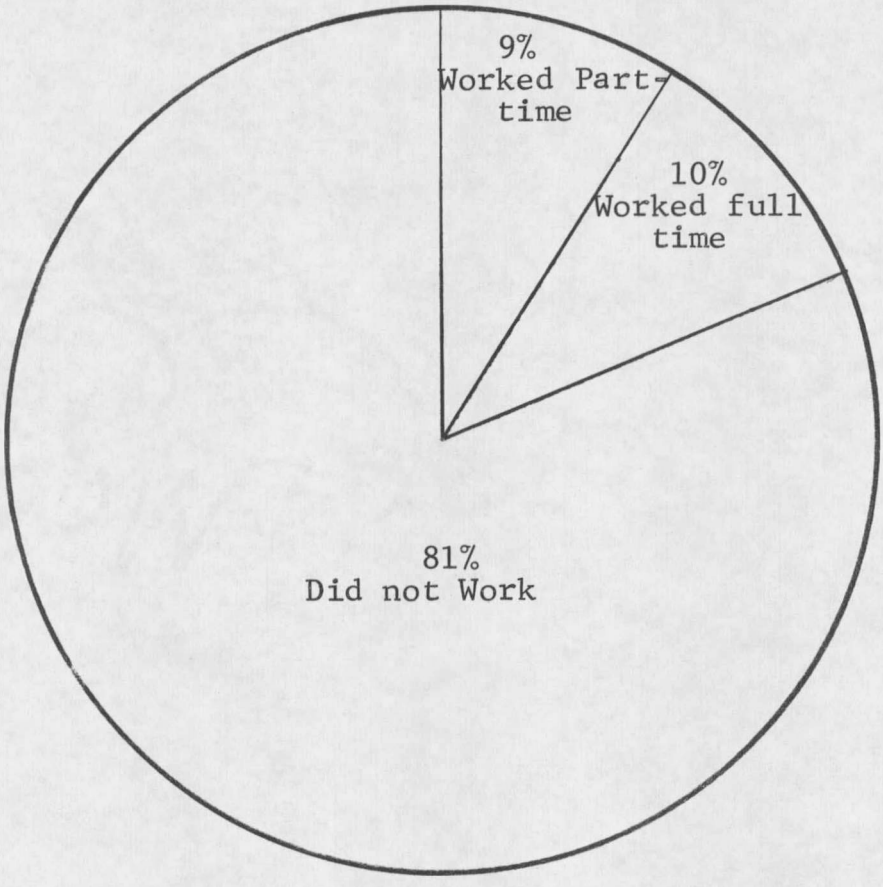


Figure 6. Percentage of Working Wives

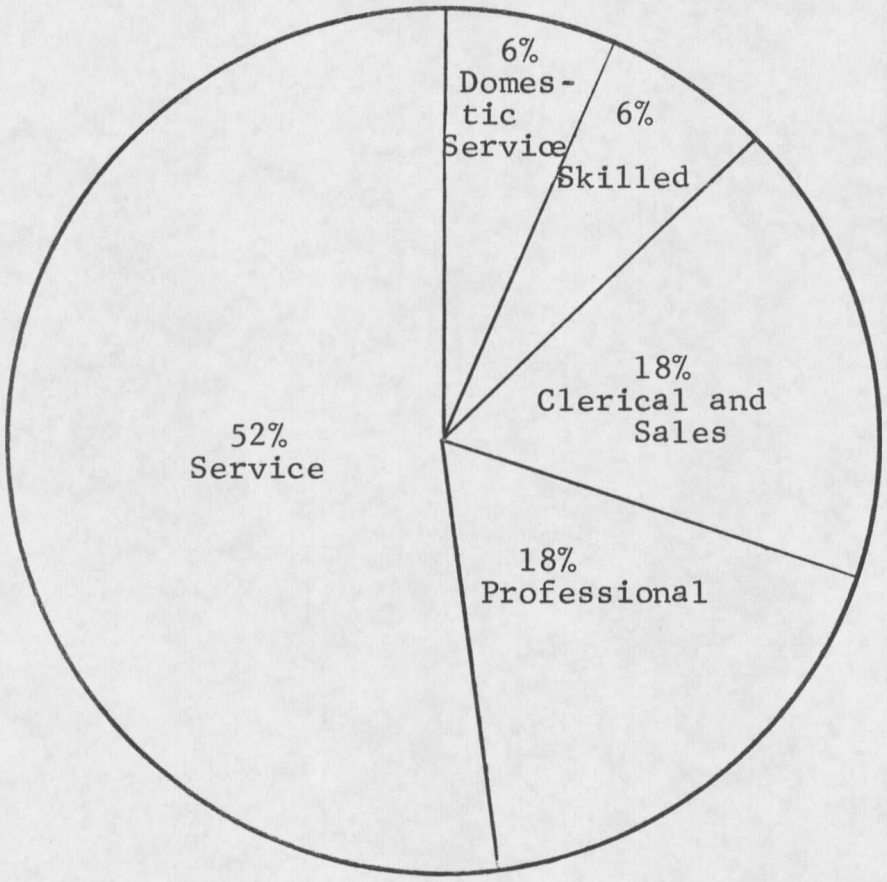


Figure 7. Kinds of Employment (Wives)

(17 employed)

Income.--Income for the respondent families ranged from less than $3,000 to $10,000 a year. The largest number of respondent families 40(44%), had incomes of $5,000-$6,999. Another 24 families had incomes of $3,000-$4,999. Seventeen more families had incomes less than $3,000. This may not be representative of their normal incomes as 80% of them were unemployed because of the strike in 1968 and 1969. Higher income was reported by families with two wage earners, both the husband and wife, with an average of $5,233. (See Tables VI and VII). (See Figures 8 & 9).

TABLE VI

ANNUAL INCOME OF FAMILIES IN 1968

	PROFES-SIONAL	SKILLED	SEMI-SKILLED	UN-SKILLED	CLER-ICAL	NOT WORKING	TOTAL No.	TOTAL %
$7,000-9,000	1	4	3	1	1		10	12
$5,000-6,999		23	11	5	1		40	45
$3,000-4,999	1	5	13	3	2	1	24	26
Under $3,000		5	8	2		1	17	17
Totals	2	37	35	11	4	2	91	100.0

TABLE VII

PERCENTAGE OF ANNUAL FAMILY INCOME
BY MAN'S OCCUPATION

CLASSIFICATION	$7,000-9,999 No.	%	$5,000-6,999 No.	%	$3,000-4,999 No.	%	Under $3,000 No.	%	No Response No.	%	Total No.	%
Professional	1	50					1	50			2	100.0
Skilled	4	11	23	71			5	13	2		5 37	100.0
Semi-skilled	3	8	11	31	13	37	6	17	2		7 35	100.0
Unskilled	2	18	5	46	3	27	1	9			11	100.0
Clerical & Sales	1	25	1	25	2	50					4	100.0

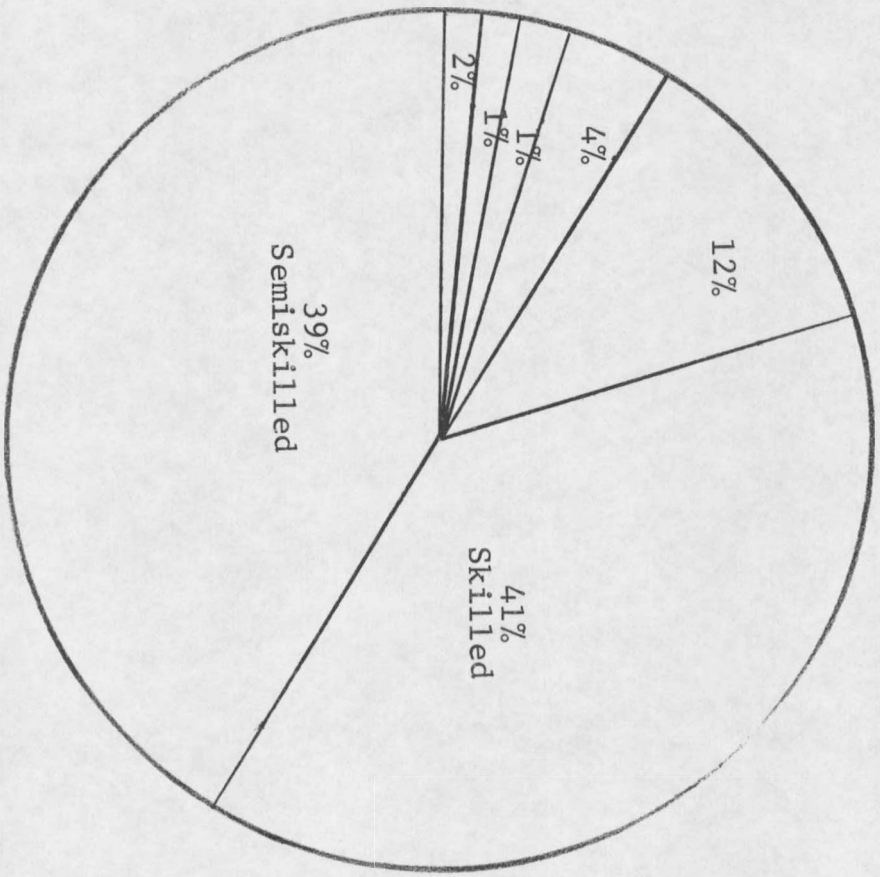


Figure 8. Occupations (Husbands)

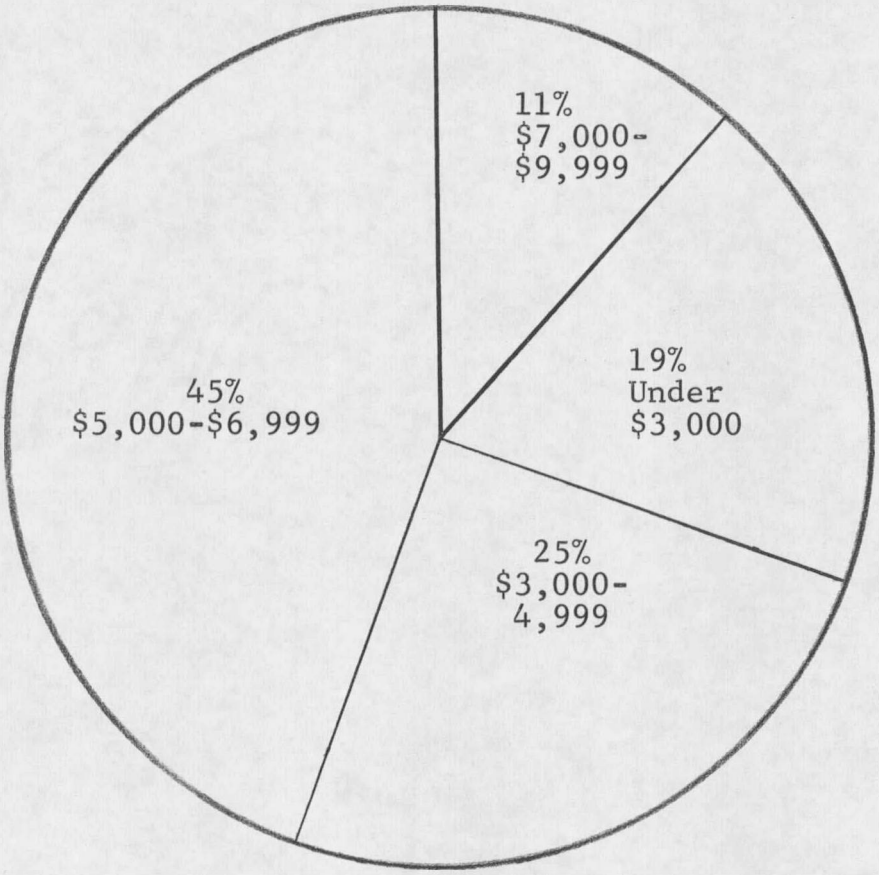


Figure 9. Income of Clients

Unemployment of the Husbands.--The majority, (81 or 89%) of the respondents (husbands) were unemployed because of the strike. The range of the unemployment, was from 10 days to 7 years. The majority were unemployed from 6 months to a year, with an average term of unemployment, 10 months to a year. The one who was unemployed for 7 years, was due to his apparent lack of desire to work. Unemployment was prevalent among the respondent families, because of the strikes. When they were unemployed, they had to live on welfare, food stamps and credit. Their creditors did not pressure them to pay their bills when they knew they had insufficient income. This did not continue, however, after they resumed work, and the creditors all wanted their payments, then, including the back payments. (See Table VIII). See Figures 10, and 11, 11a, 11b, 11c, 11d).

TABLE VIII

UNEMPLOYMENT IN DAYS FOR HUSBANDS

	10-30 DAYS	1-3 MONTHS	4-6 MONTHS	6-8 MONTHS	8-10 MONTHS	OVER 10 MONTHS
Professional					1	1
Skilled		3	1	11	11	9
Semiskilled	2	2	2	11	7	6
Unskilled		1		6	1	1
Clerical				1	2	1
Total	2	6	3	29	22	18

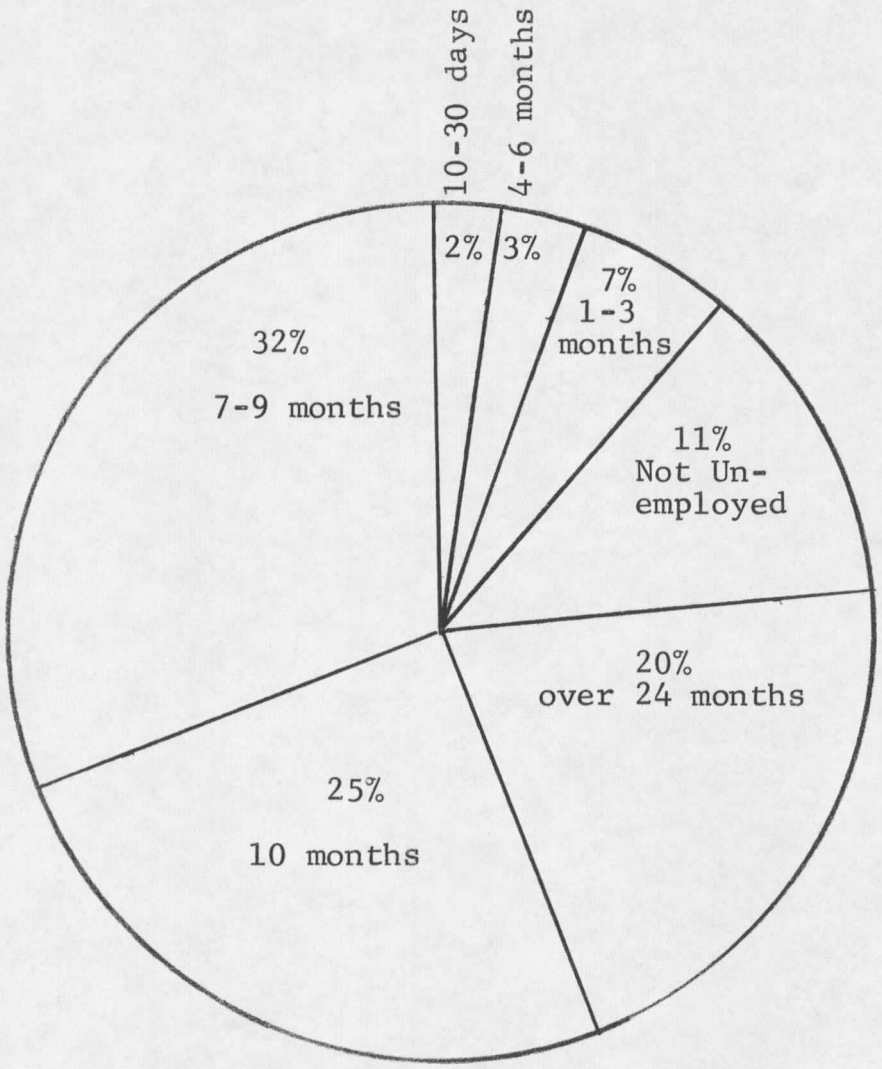


Figure 10. Unemployment (Husbands) in Months

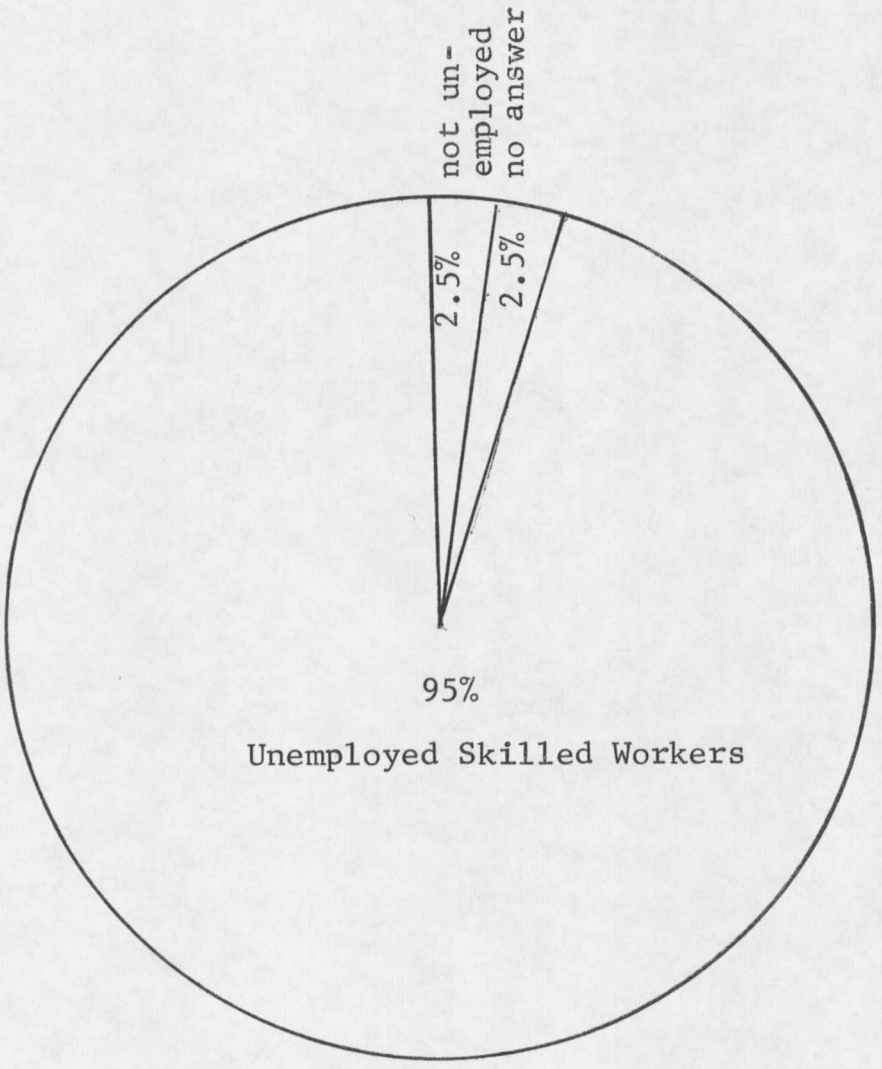


Figure 11. Unemployment of Husbands Skilled Workers (Clients)

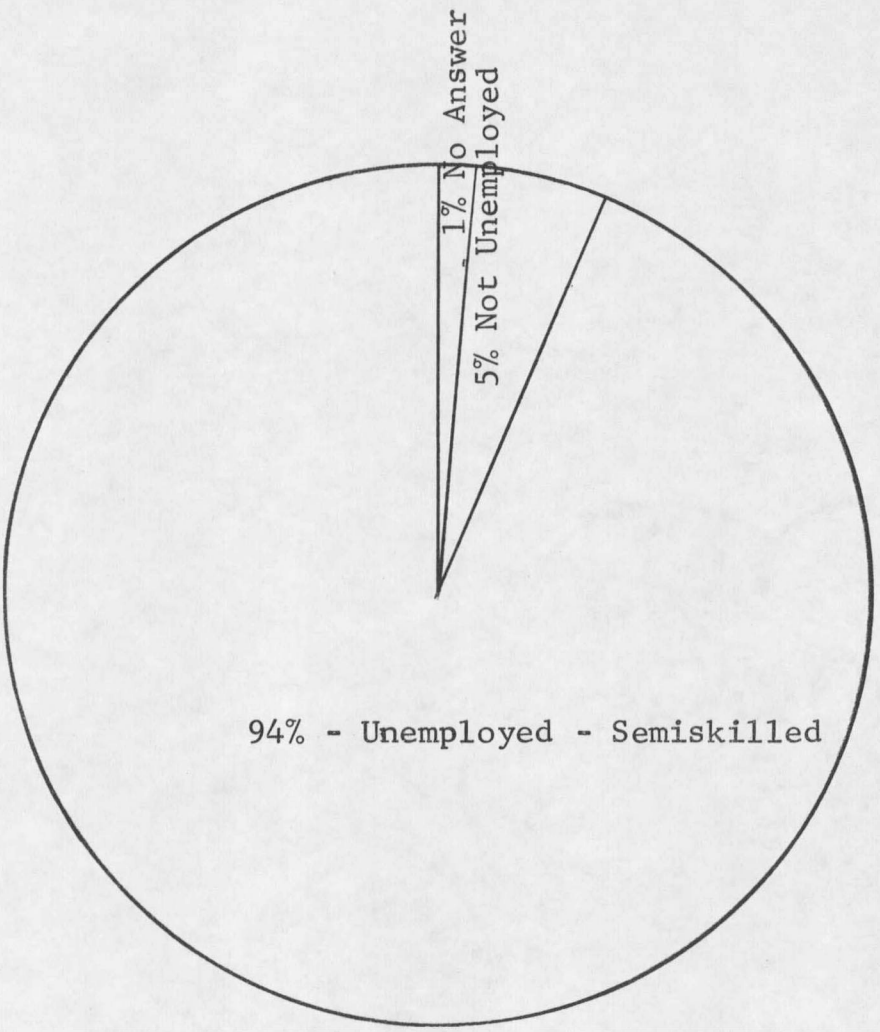


Figure 11a. Unemployment of Husbands, Semiskilled Workers (Clients)

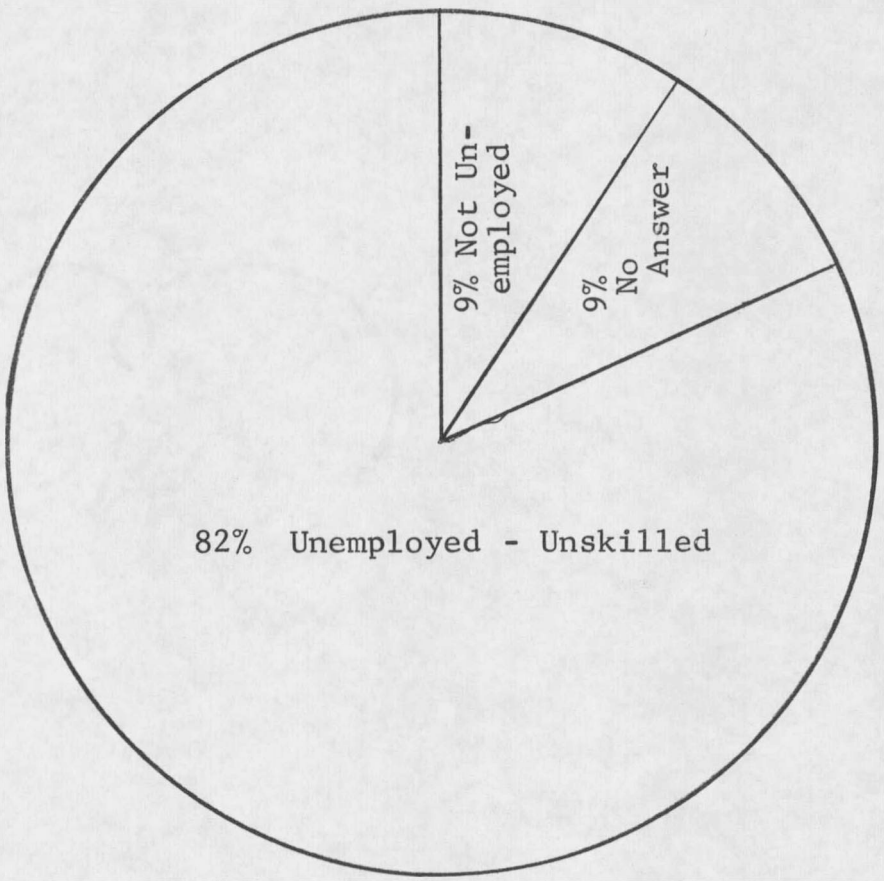


Figure 11b. Unemployment of Husbands, Unskilled Workers (Clients)

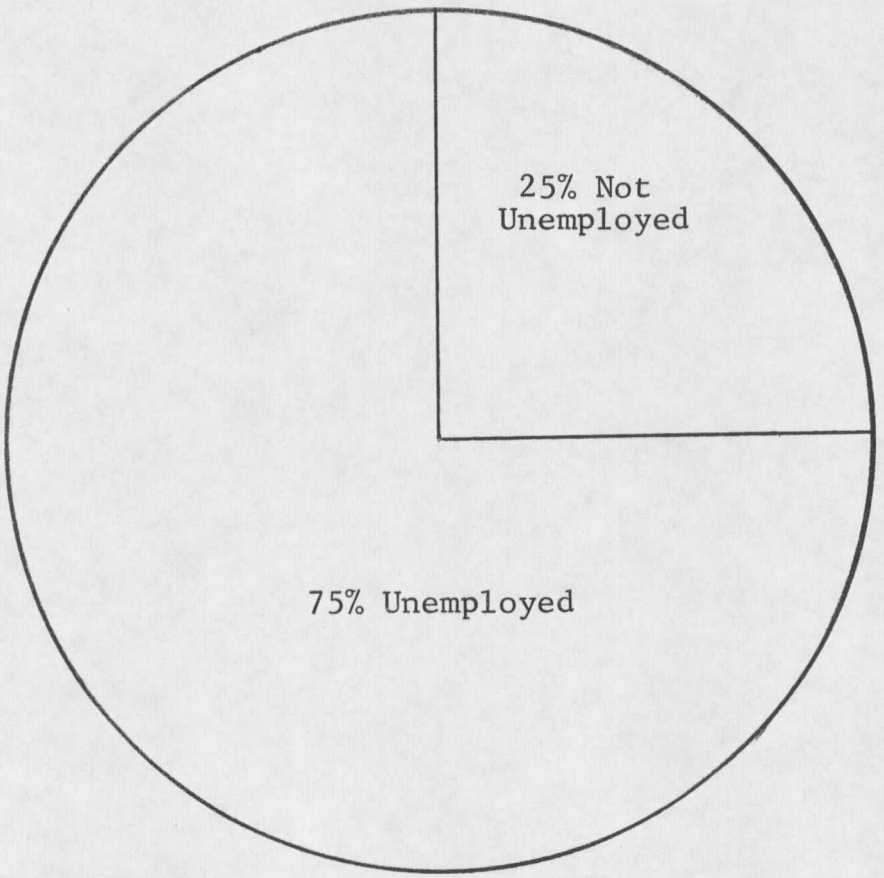


Figure 11c. Unemployment of Husbands, Clerical Workers (Clients)

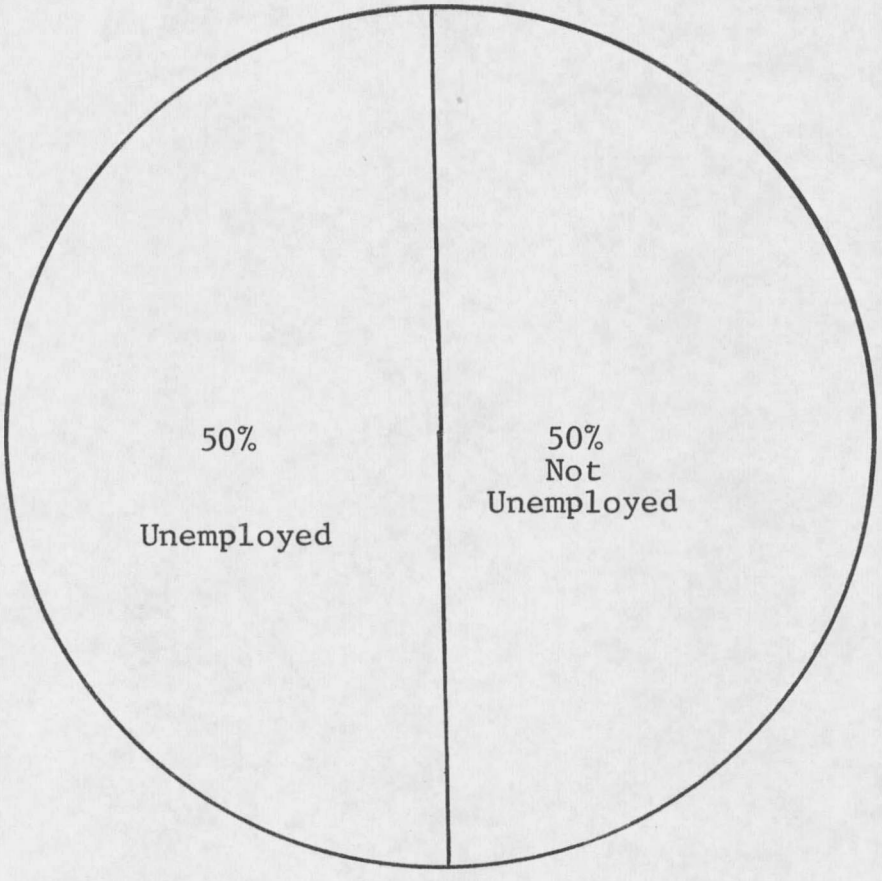


Figure 11d. Unemployment of Husbands, Professional Workers (Clients)

Savings and Investments.--Ninety five percent of the total number of the respondent families did not have any savings. A majority of the group, 75(83%) had insurance for the head of the family as The Anaconda Company provided this with their fringe benefits. Only 3 families in the group had invested in stocks or bonds. This indicated that when the strike occurred, they had very little other than credit to rely on. (See Table IX). (See Figure 12).

TABLE IX

SAVINGS AND INVESTMENTS

	SAVINGS		STOCKS & BONDS		INSURANCE	
	NUMBER	PERCENT	NUMBER	PERCENT	NUMBER	PERCENT
Professional	0	0	0	0	2	100.0
Skilled	5	14	6	17	34	97.0
Semiskilled	3	10	2	6	29	83.0
Unskilled	1	9	0	0	10	29.0

Amount of Indebtedness

The range of indebtedness, exclusive of mortgage debts, for the participants of the study, was from $5,000 to over $10,000, with an average indebtedness of between $3,000 and $4,999. There were nine participants or 7.7%

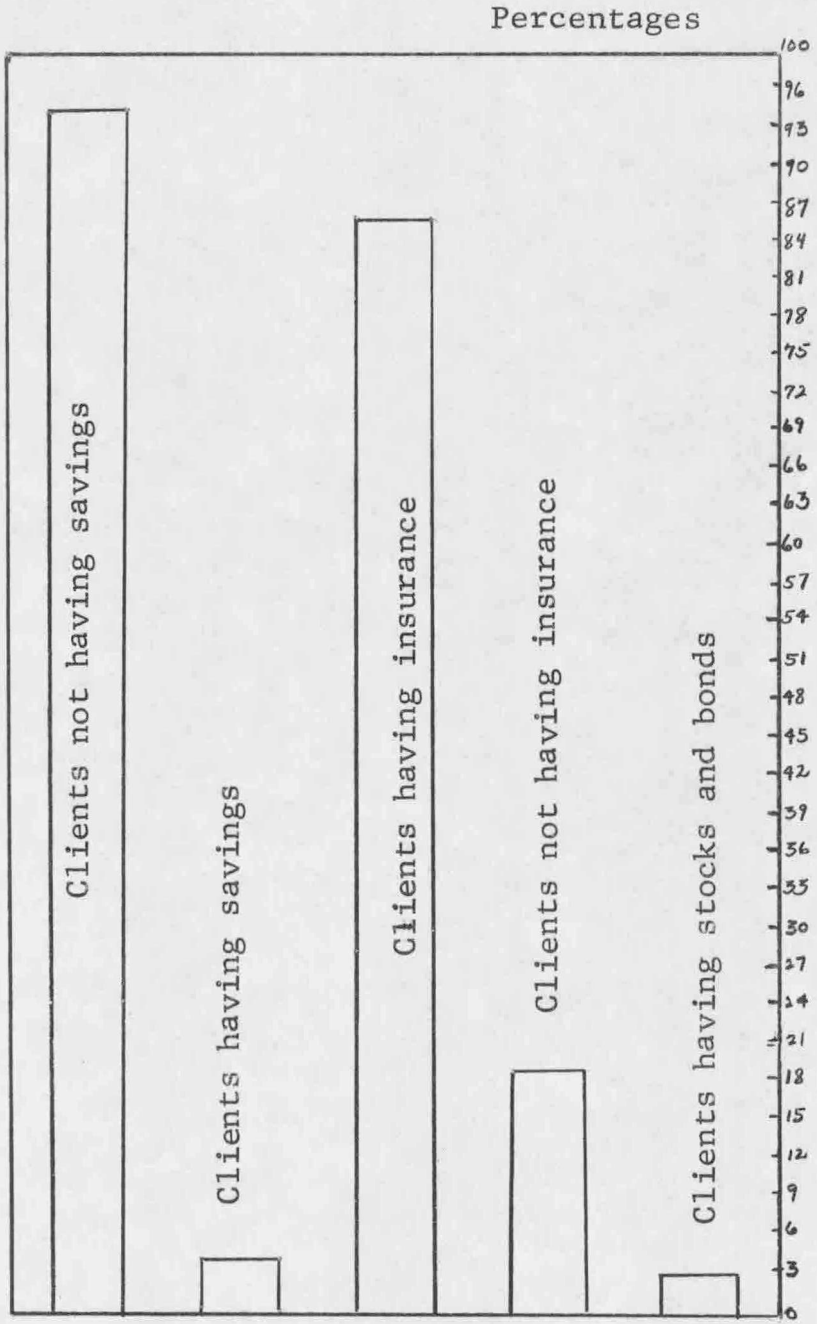


Figure 12. Savings, Insurance and Investments of Participating Clients

that did not give an indication as total indebtedness. Of those that did, only one had indebtedness over $10,000. Less than 3% had indebtedness below $1,000; these were listed as unskilled or clerical personnel.

Of the total 91 respondent clients, the amount of $3,000 to $4,999, was listed most frequently. There were 34 families who were indebted for that amount. Twenty-five families were indebted for $2,000 to $2,999, thirteen for $5,000 to $9,999 and eight families listed $1,000 to $1,999. Only two families had debts less than $1,000.

Most of this indebtedness had been incurred by either skilled or semi-skilled workers, one who had indebtedness of over $10,000, and eight had debts of $5,000 to $9,999. On the other hand, three of the semi-skilled and one of the clerical sales workers had debts of that amount. One professional worker listed indebtedness of $3,000 to $4,999, but 14 of the skilled workers, and one retired worker, and two of the sales clerical workers, had debts for this amount.

The largest number of those owing $2,000 to $2,999, were most often, skilled workers (12 owed that amount) then the semi-skilled workers, (nine of whom had debts of this amount) and lastly, the unskilled and semiskilled

workers with one of each owing that amount.

It may be that there were more skilled and semi-skilled in debt because these men were miners who would have been on strike. The indebtedness seems to be related to their occupation, because there are so few professional or clerical sales people who were using the service. On the other hand, many of the latter of their education, may not require aid to manage their money. (See Table X). (See Figure 13).

TABLE X

AMOUNTS OF INDEBTEDNESS OF CLIENTS BY OCCUPATION

AMOUNTS OF INDEBTEDNESS	PROFESSIONAL		SKILLED		SEMI-SKILLED		UN-SKILLED		CLERICAL		TOTAL NO.
	NO.	%	NO.	%	NO.	%	NO.	%	No.	%	
Over $10,000	0	0	1	3							1
$5,000 - 9,999			8	22	3	10	1	10	1	25	13
$3,000 - 4,999	1	50	14	39	11	36	6	60	2	50	34
$2,000 - 2,999	1	50	12	33	9	29	1	10	1	25	24
$1,000 - 1,999			1	3	6	19	1	10			8
$500-$999					1	3	1	10			2
$100-$499					1	3					1
Total	2	100	36	100	31	100	10	100	4	100	
							No Answer				8
											91

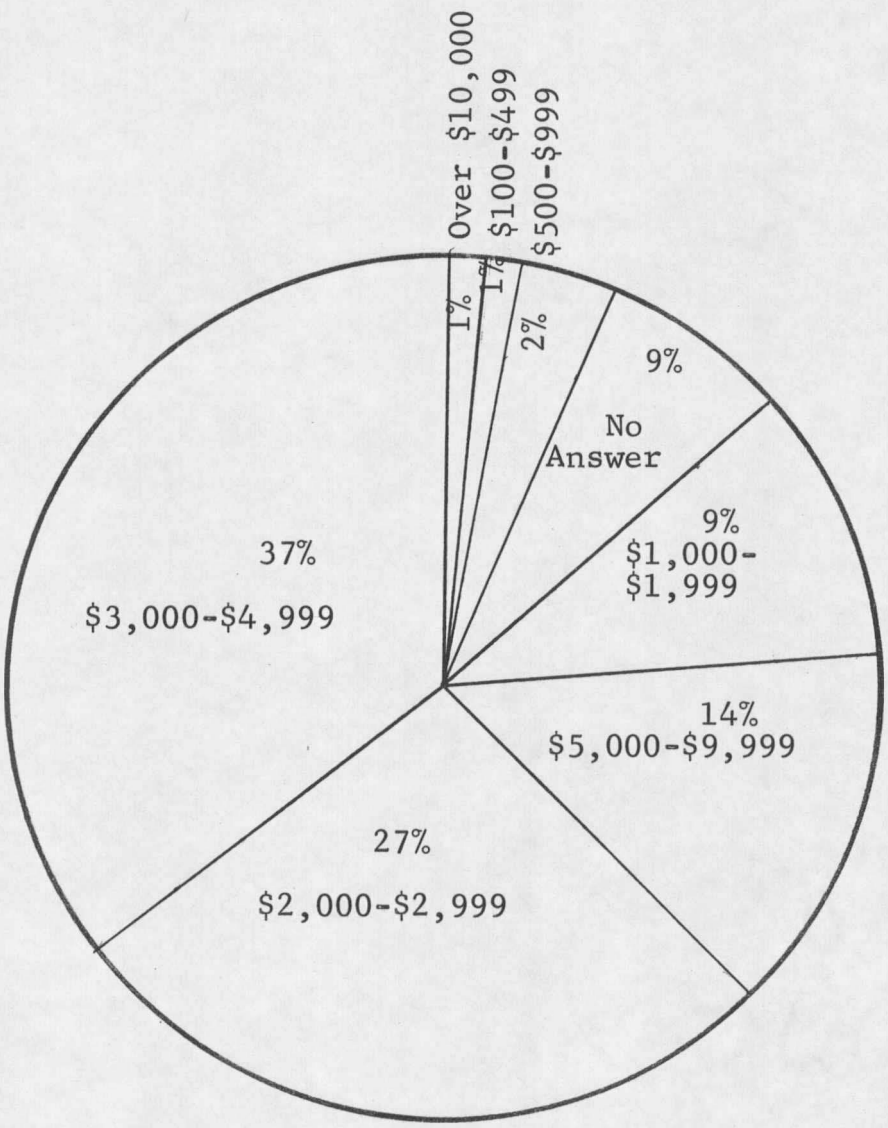


Figure 13, Amount of Indebtedness of Client Families

Reasons for Indebtedness.--Alternative reasons for indebtedness included strikes, medical, installment buying, poor money management, too easy credit and the high cost of living. Listed most often was unemployment due to strikes, 72(79%) of the respondent families reported. Medical problems (48 or 53%) installment buying (41 clients) were next in importance. Fifteen client families felt that unemployment other than strike unemployment caused their indebtedness. Furthering their education, was noted by seven of the client families, while pregnancy was listed 17 times by client families. A funeral expense, poor management, too easy credit, and the high cost of living were some of the other reasons listed.

Continuing unemployment due to strikes and other unemployment was indicated by 87 of the client families, (95.6%). In the Butte mining community, it is very evident that the strikes cause a great deal of unemployment and with the unemployment, indebtedness follows soon after. Even when the client did not work in the mines, but such places as grocery stores, department stores or garages,

his employer's business would also be affected by the strike. (See Table XI). (See Figure 14).

TABLE XI

REASONS FOR CLIENT INDEBTEDNESS

	NUMBER ANSWERING	PERCENT
Unemployment due to strike	72	79
Medical expenses	48	53
Installment buying	41	46
Pregnancy	17	19
Unemployment other than strike	15	17
Other reasons	16	18
Furthering education	7	8

Services Used While Unemployed

During unemployment, the clients used welfare, food stamps, Labor Union Benefits, Workman's Compensation, and Aid to Dependent Children, as sources of aid. Food stamps were more likely to be solicited as 58(64%) of the 91 client families used them while 38 resorted to welfare. Another 21 of the client families listed Workman's Compensation Benefits, and help from relatives, while many of the

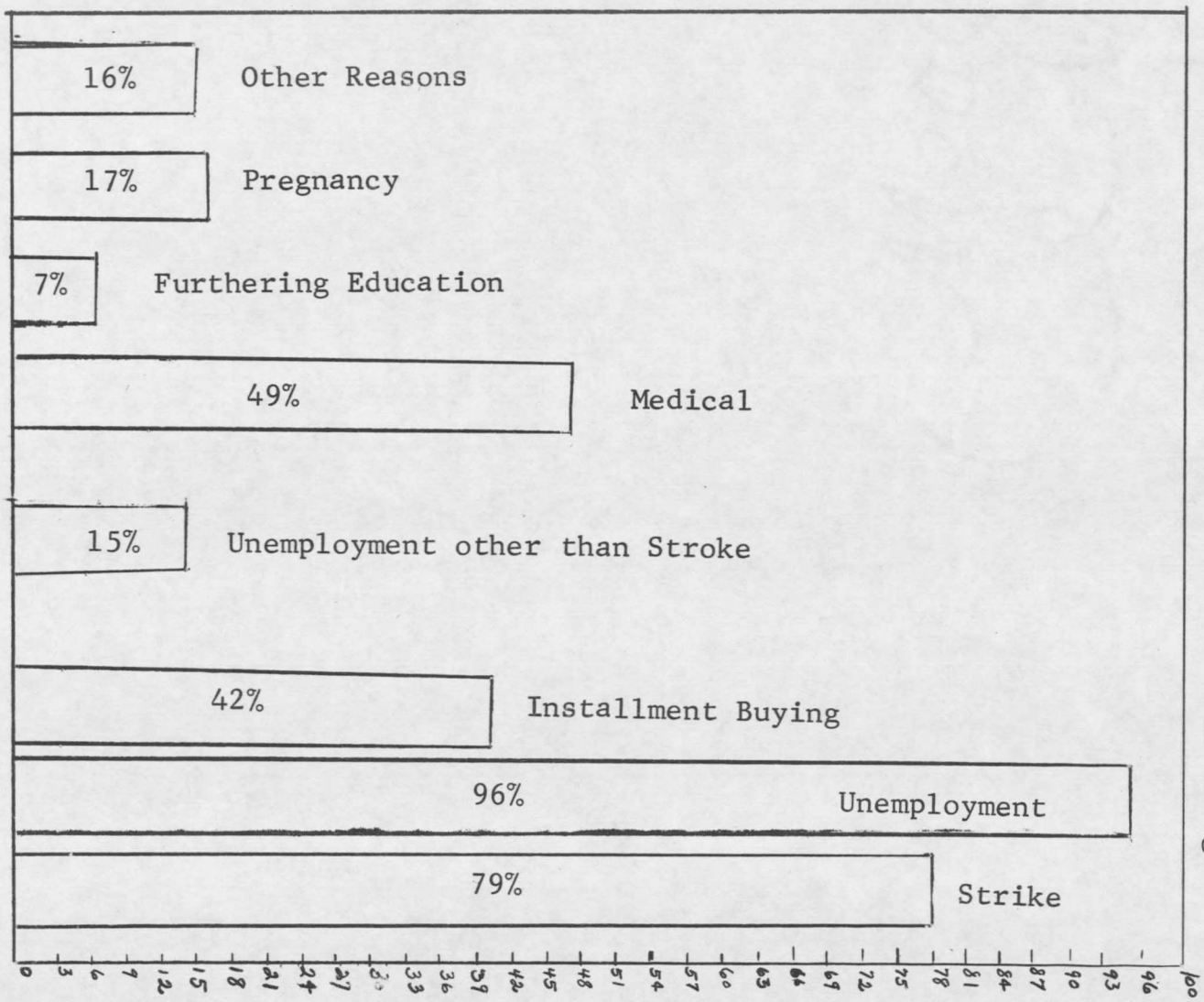


Figure 14. Cause of Indebtedness of Client Families

clients listed more than one service as being used during their unemployment. (See Table XII). (See Figure 15).

TABLE XII

SERVICES USED WHILE UNEMPLOYED

SERVICE USED	NUMBER	PERCENTAGE
Food Stamps	58	64
Welfare	38	42
Others	26	29
Workman's Unemployment Compensation	21	23
Aid to Dependent Children	1	1

Referrals to the Counseling Agency

Of the 91 respondents, 21 of these were referred to the office by the finance companies, 15 were contacted by friends, 11 families by an attorney while 7 were referred by the Legal Aid Office. Miscellaneous referrals came from newspaper and radio advertisements, a minister and from relatives. (See Table XIII). (See Figure 16).

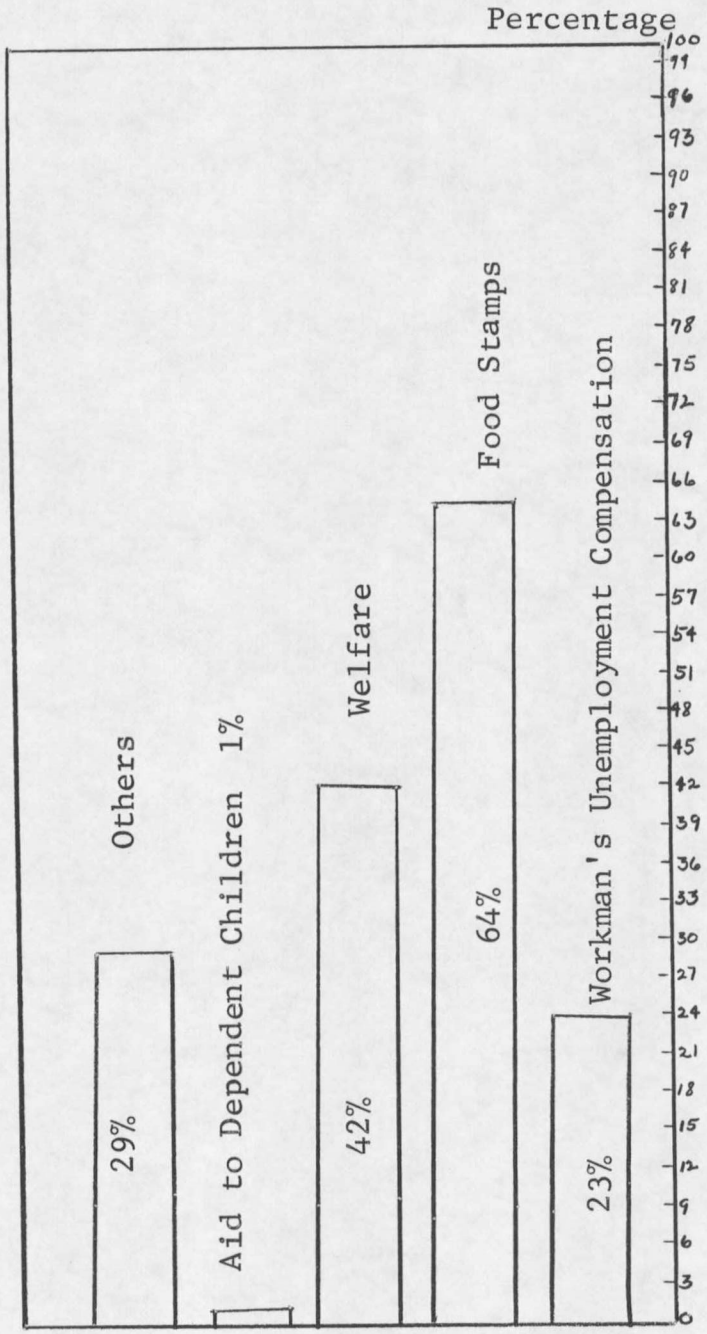


Figure 15. Services used by Client Families while Husband was Unemployed

TABLE XIII

PERSONS MAKING REFERRALS TO THE AGENCY

	NUMBER	PERCENT
Finance Companies	21	23
Others	17	19
Friends	15	16
Attorneys	11	12
Creditors	9	10
Relatives	8	9
Legal Aid Office	7	8
No Answers	2	2
Minister	1	1
Total	91	100.0

Liquidation of Debts

The majority of the clients followed the budget plan that the counselor set up for them and 89(98%) are still engaged in pursuing this budget plan. This, of course, is their most important means for liquidating their debts as is indicated by the majority of the client families.

Eagerness to liquidate debts might cause some families to use a supplemental means. These varied as 17 of the wives decided to take a job outside the home. This, however, was not economically feasible in the majority of

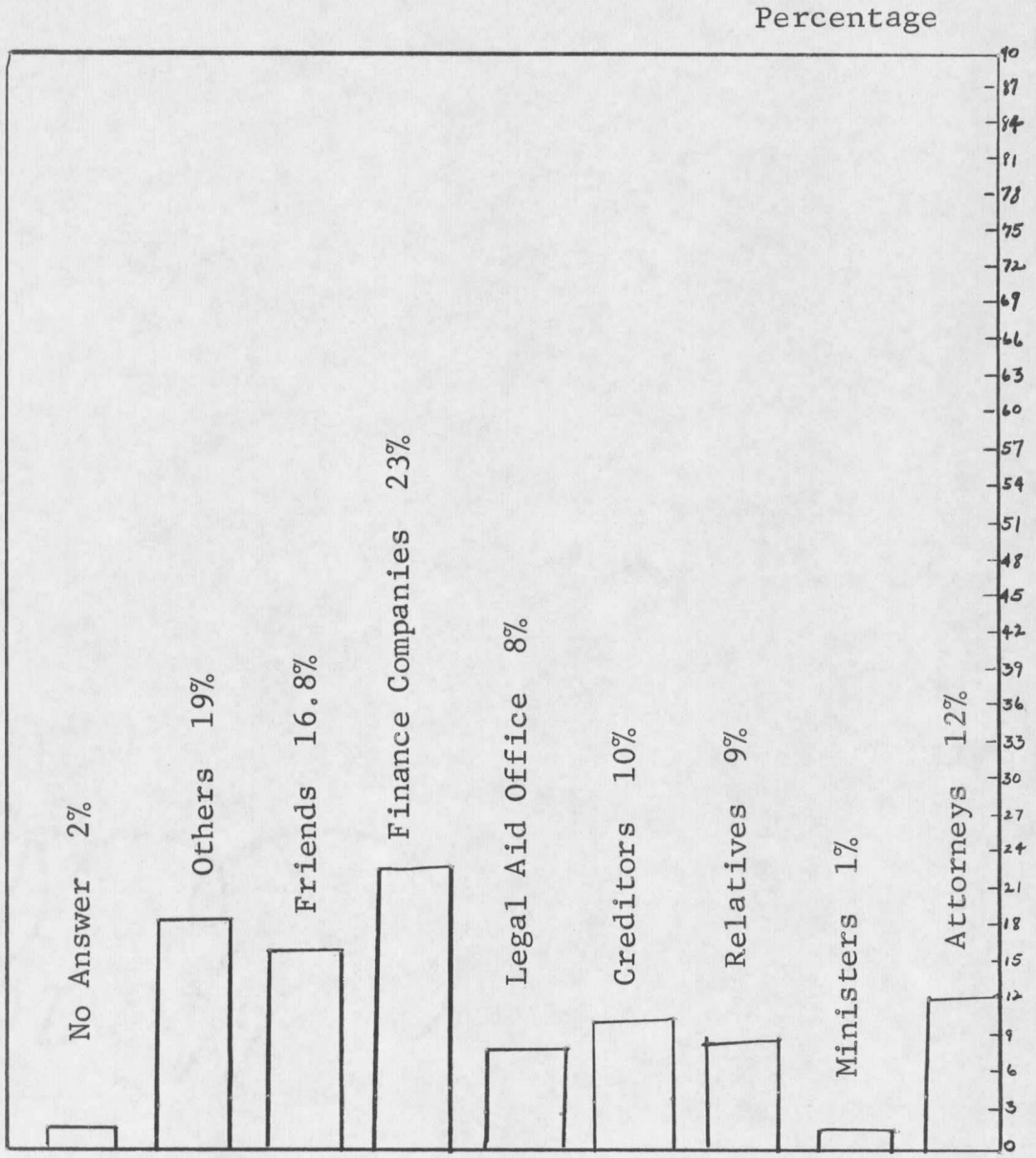


Figure 16. Referrals of Clients to Counseling Service

the families because of the children's ages, and the resultant cost of child care. Ironing, babysitting in the home, or taking in sewing, was done by 12 of the women. There were 6 who borrowed from relatives. Curtailing of recreation (40) and lowering of the food budget (48 or 52%) was indicated by the highest number of families. Fourteen respondent families indicated that the husband took a second job, while seven indicated they did other things to supplement their income such as not using the automobile, or moving to a cheaper place, or perhaps purchasing used clothing. (See Table XIV). (See Figure 17).

TABLE IV

SUPPLEMENTAL METHODS OF LIQUIDATING DEBTS BY PARTICIPANT FAMILIES

SUPPLEMENTAL METHOD USED	NUMBER	PERCENTAGE
Cut down on food budget	48	53
Gave up recreation	40	44
Husband took a second job	14	15
Wives went to work outside home	13	14
Wives took in ironing, babysitting or sewing	12	13
Others	7	8
Money or help from relatives	6	7
Children contributed with paper routes, etc.	4	6

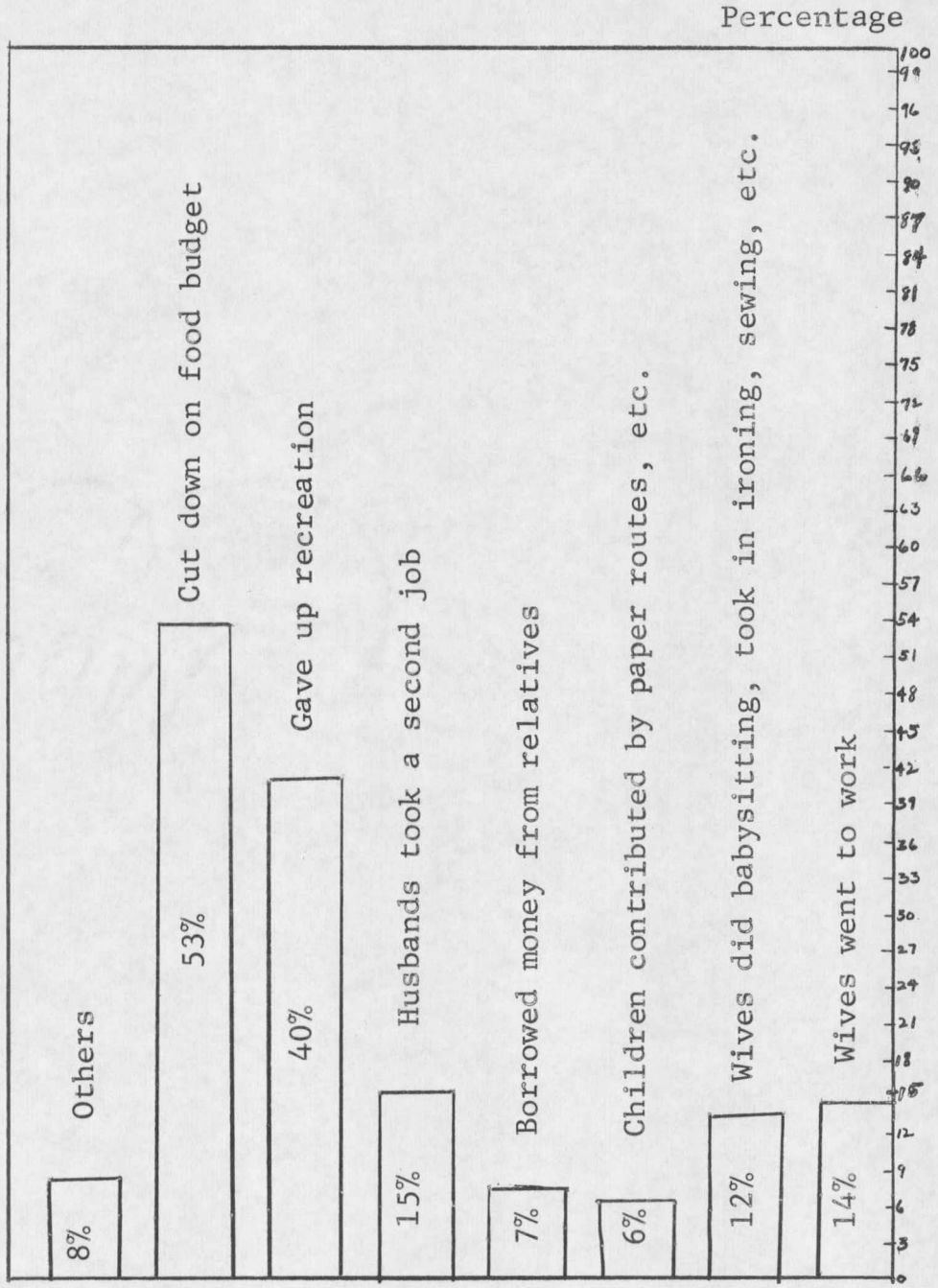


Figure 17. Additional Methods Used to Liquidate Debts

Length of Counseling

The Butte Consumer Credit Counseling Service began in September, 1968. The length of time the service was used by the clients was found to be from 1 month to 11 months, with a mean or average of 6.2 months. The counseling varies from client family to client family as some have many problems and some seem to need only the initial interview. Since the counseling generally takes place without appointments and many interviews are impromptu, both on the phone and/or in the office whenever the client needs the help, it is difficult to keep records of the time spent with each client. (See Figure 18).

EFFECTIVENESS OF THE COUNSELING SERVICE

The effectiveness of the counseling service may be evaluated from three points of view--the client, the business contributor and the board of directors. It is important, therefore, to measure the success of the service in reducing the personal debt of the client or the loss to business.

Clients

There are several methods of determining effectiveness

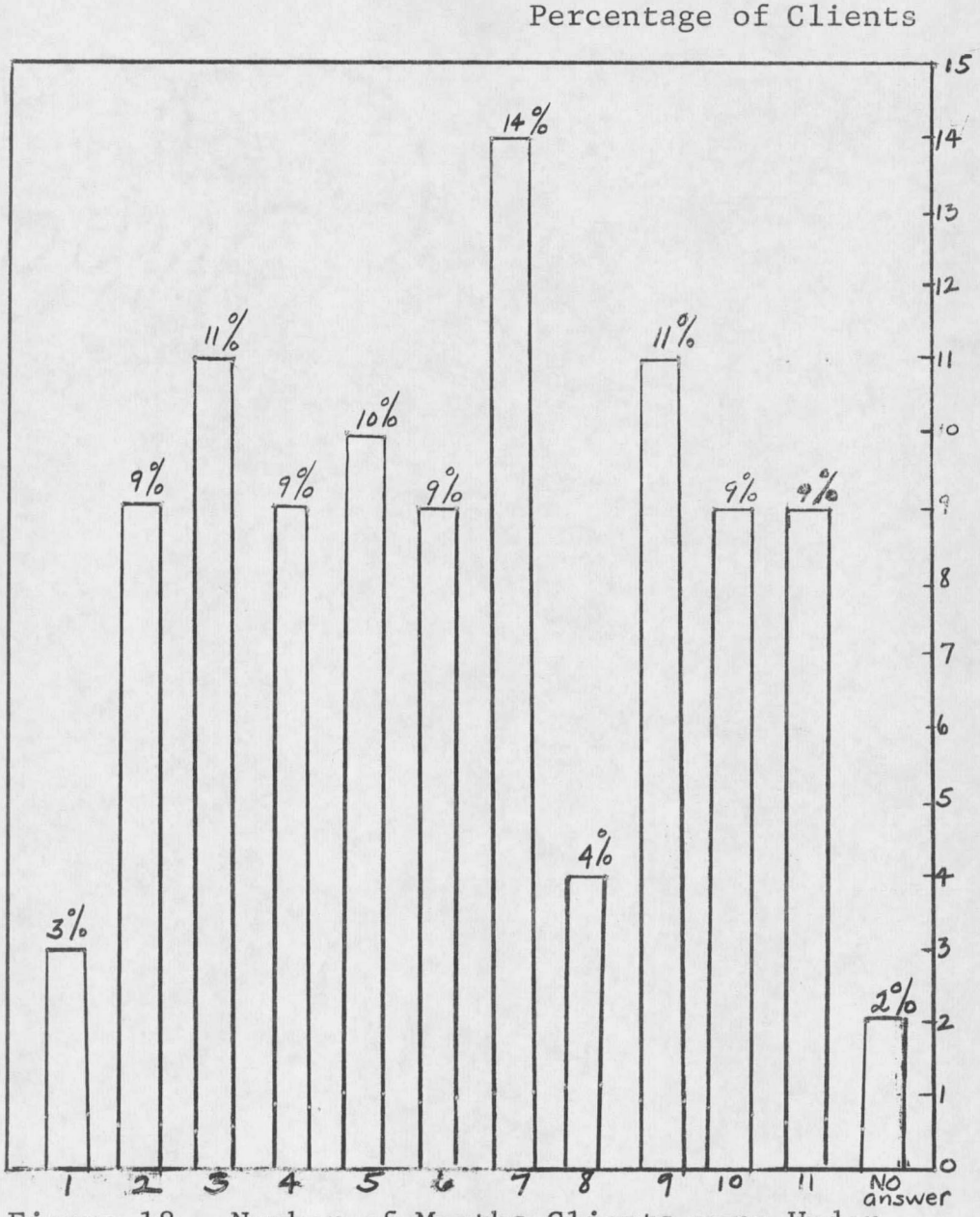


Figure 18. Number of Months Clients were Under the Counseling Service

of the agency that can be determined by clients. One is the ability to free themselves of debt problems. Of the total number of clients who participated in the study, there were none who were able to liquidate themselves of their past debts in the short span of counseling time. On the other hand, the client's ability to see progress and the willingness to recommend the service to other families might indicate success. Although none of the client families had completely finished paying off their past indebtedness, there were 104 or 98% of the client families who were still using the service. This is an overwhelming majority who would recommend the use of the counseling service to others.

There were 27 business contributors, each of whom expressed the hope that more businesses would contribute to help the agency. Currently, contributions range from $25 to $250 annually. This, of course, restricts the operating budget. As there were only 54 client families when this study was in the planning stages and as it had increased to 106 family clients by June, 1969, the cost of operations (mailing of checks to creditors, postage, etc.) increased. It was necessary in April, 1969 to charge a $2.00 monthly fee to each family client to help this

expansion of operational costs. A majority (84 or 92%) of the family clients do not feel that this fee is unfair.

The number of people successful in liquidating their past debts through the counseling service and the comparison of the bankruptcies filed in the Federal District Court in Montana, prior to and during its period of existence is another method of evaluating the effectiveness of the agency. Because of its short existence, the Butte Consumer Credit Counseling does not have any clients who liquidated all of their indebtedness. Many cannot even anticipate when they will be able to, as unexpected emergencies are always occurring such as strikes, sicknesses, accidents, and replacing of appliances. The counselor has to be able to determine the need and perhaps even extend the time necessary for debts liquidation.

There were 24 family bankruptcies completed and 28 family bankruptcies pending in Silver Bow County listed for families from September 26, 1968 until September 26, 1969. In the surrounding area of Anaconda, where some of the client families reside, there were 7 bankruptcies filed and 2 in Whitehall, making a total of 35 bankruptcies for this period. During the same period in 1967, there were 38 family bankruptcies, and 9 pending in

Silver Bow County and the surrounding area of Anaconda, there were 17 bankruptcies and 4 in Whitehall for a total of 59. Whether this reduction of 21 cases could have been the result of the counseling service or not, it is too early to determine.

Clients believed that there many side effects from the counseling service. In evaluating the counseling service, the clients responded to a pre-written inventory of alternatives as can be seen on Table XV. Most of the clients (94.5%) indicated that their money management ability had increased, and a majority (65.5%) indicated greater understanding of installment buying. A greater understanding of borrowing from banks and loan institutions was indicated by 54% of the respondents. Many of the respondents (94%) believed a class in money management would be attended if made available without cost and at a time when a babysitter would not be required. There were 31 clients who believed they could use more counseling in money management and of these, 27 felt they wanted more help in budgeting. There were 10 who wanted help in understanding insurance, 11 who wanted more knowledge about interest rates and borrowing. Seven wanted some help in banking. This may indicate that they did feel

inadequate in some aspects of handling money.

Many clients expressed the relief and peace of mind achieved since the counselor was taking over the payment of their debts. There was a great majority who stated the fact that the creditors did not continually contact them anymore about payments and they seemed to believe that the counseling service had given them a chance to resume their normal living pattern without so many tensions being built up over the indebtedness. (See Table XV). Sixty-eight percent of the clients "not having any suggestions for improvement" would indicate that most of them were well satisfied with the Consumer Credit Counseling Service. (See Table XV). (See Figure 19).

TABLE XV

CLIENTS' CHECK LIST OF COUNSELING ACHIEVEMENTS

ACHIEVEMENT	NUMBER OF CLIENTS	PERCENTAGE
Felt the Counseling Service was effective as operated	89	98
Greater understanding of money management	84	95
Would attend a money management class if made available	76	84
Greater understanding of credit	57	66
Greater understanding of borrowing and loans	46	54
Wanted more counseling in money management	31	35

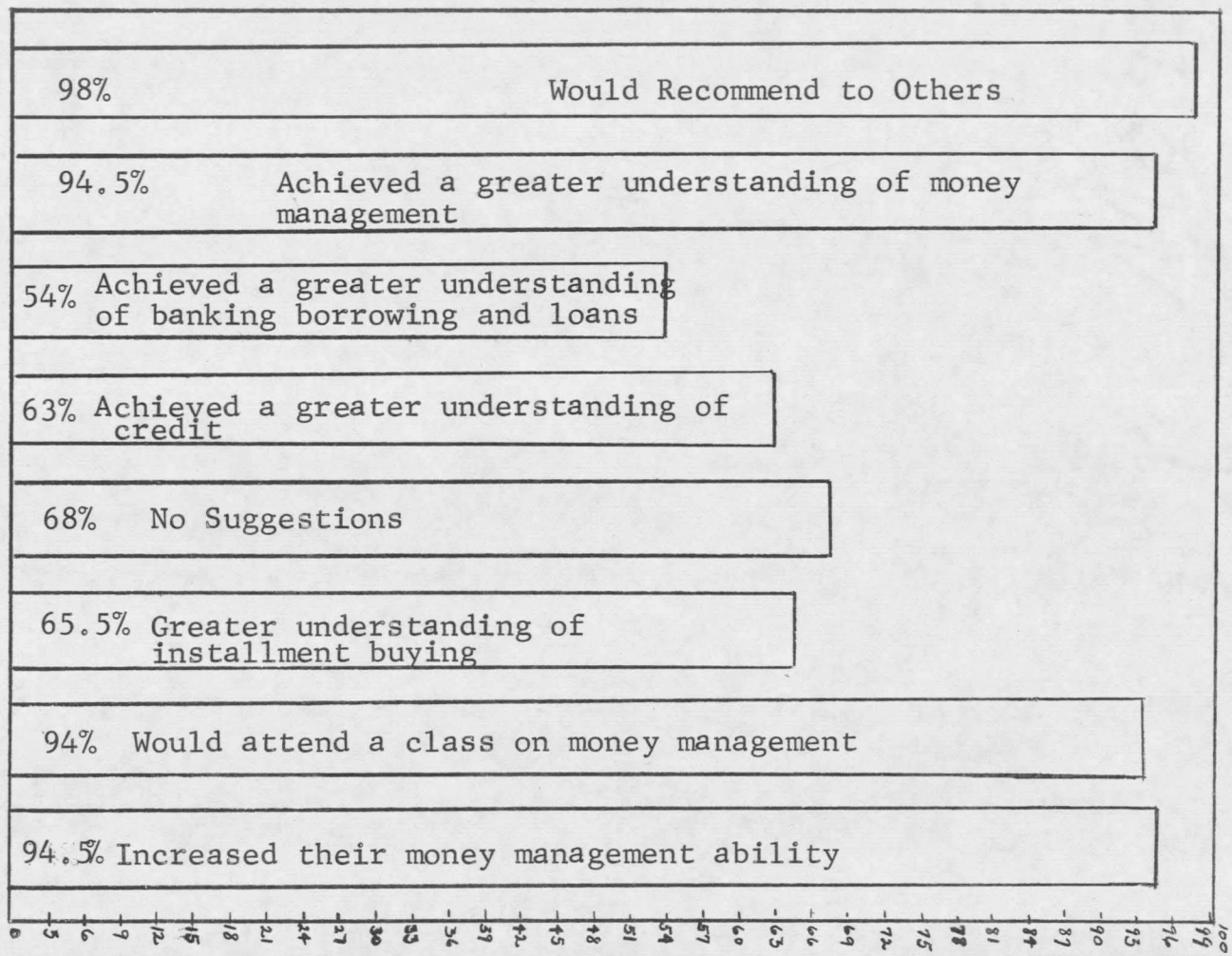


Figure 19. Evaluation of Counseling Service By Clients

Business Contributors

Most important from the business contributors' point of view was the collection of debts that might otherwise have been lost. The total indebtedness of the clients using the service was $205,093.52, as of July, 1969. The amount disbursed in the payment of these debts was $159,875.20, as of February 9, 1970. This indicates that the service has been of great value in helping the community of Butte and its economy.

Eleven of the 27 businesses contributing to the service learned of the Butte Consumer Credit Counseling Service from its initiators. Contact with a board member of the counseling service was another method that thirteen or 50% of the businesses received information about this service. Only five mentioned the brochure; one learned of it through the credit bureau, and another from a supervisor who had had previous contact with the counseling service in Missoula. Many mentioned more than one contact and as many as two or three contacts were indicated. Out of the entire number of the 27 business contributors and members of the association, there were 25 who had subscribed since its initiation. One business had

subscribed for a half year, and one did not answer. Most of the businesses, therefore, seemed to be satisfied with the Consumer Credit Counseling operation as they are still involved in contributing and supporting the service, a positive evidence of its success.

An overwhelming (90%) of the business members consider the service effective. One remarked, however, that it was too early to determine. Over 85% believed it reduced their store debt and were pleased with its operation. Ninety percent of the business contributors, a great majority believed it was helping the community and this majority should be very significant.

A majority of businesses (98%) indicated their belief in the good of the service and the need for expansion. Fifty percent believed that there should be more publicity about the good that it does for the community of Butte, and that in this way the service could help more people. Fifty percent of the respondents felt the counseling service had helped prevent bankruptcy.

Of all the business contributors, an overwhelming majority, or 92%, extended the time for the payments to be paid and reduced the monthly payments. There were three who reduced the interest charges and 96% eliminated the

late charges and the interest charges. Their cooperativeness indicates belief in the service and that it is to their advantage to keep the service in operation. (Table X). (See Figure 20).

Board of Directors

The board was organized from the group of initiators, and they were on the Advisory Board in the beginning. They are a group of seven businessmen who have worked with credit in business and banking for a number of years and have an experienced background in credit management. They organized the Consumer Credit Counseling Service after studying the national recommendations from the National Consumer Credit Association and the program at Missoula. Regular bimonthly meetings are held to discuss the operations of the service. The Advisory Board has 13 members.

Only the chairman of the Board of Directors and Advisors were interviewed because the Board members were in agreement. Things specifically mentioned were:

1. Its aid to the economy of the community.
2. Its aid to both the creditor and the client.
3. It upholds the dignity of the family and the self-worth of the individual and the family.
4. It keeps families together and prevents divorce.

5. It is the last resort for many clients before bankruptcy.

6. It has prevented much bankruptcy in the city of Butte.

7. It saves unnecessary collection procedures and saves embarrassment of the family.

The board considers the Consumer Credit Counseling a success in Butte and believes the success of the operation depends entirely upon the efficiency and the management of the Counselor and her well qualified background experience in handling credit and the clients. (See Table XVI).

TABLE XVI

EVALUATION OF THE COUNSELING SERVICE
BUSINESS CONTRIBUTORS

	NUMBER	PERCENT
Reduced payments and extended them for a longer period of time	25	92
Eliminated late charges	24	90
Considered the service successful	24	90
Made special arrangements for payments	18	67
Believed in need for expansion	17	63
Wanted to promote more publicity	13	50
Believed it prevented bankruptcy	13	50

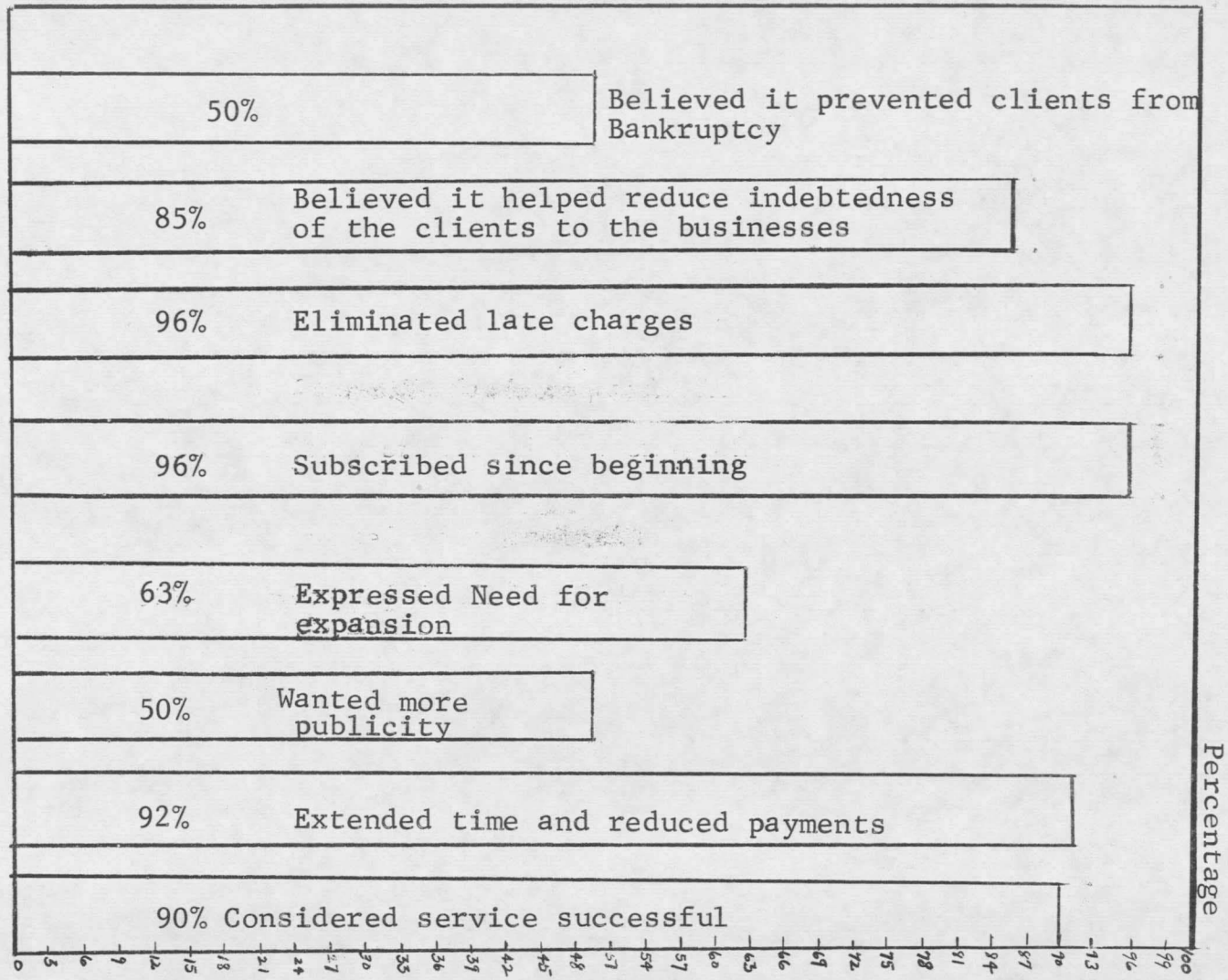


Figure 20. Evaluation by Businesses (of Counseling Service)

IMPROVEMENT OF THE SERVICE

No business is perfect in its conception. It would be unusual if the counseling service of Butte would be considered so. Even though there were some suggestions made for improvement, a majority or 68% of all of the client families did not want to make any changes. Ninety-eight percent of the clients indicated that they would recommend the service as it is operated. This would indicate satisfaction with the service.

Suggestions for Improvement

By the Clients.--There were three clients out of the 91 respondent client families who felt it would be desirable to have duplicate listing of the amount of money disbursed monthly. This information is available to them now by contacting the counselor either by phone or by going to the office. This would involve considerable extra expense. One client expressed more flexibility in the budget. This, too, is allowed at the present time if the counselor is informed of the emergency.

By the Business Contributors.--Some suggestions were made by the businesses to improve the service. Most often

they wanted solicitations from other businesses. Four wanted more publicity for new clients and there was one who believed that all the attorneys in the city should cooperate by sending clients to the service whenever they came in to file bankruptcy. A few believed that the $2.00 monthly service fee for the clients should be eliminated if there were more business contributors.

By the Board of Directors and Advisors.--This group desired:

1. Cooperation from all the businesses and creditors in supporting the service.
2. Financial support from all creditors and businesses.
3. More publicity for the purpose of helping more needy people in the community.

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

SUMMARY

The Butte Consumer Credit Counseling Service is a community service that helps families with their indebtedness problems. The primary function of the service is the maintenance of family routine and wholesome family living in the times of financial stress, to help the family liquidate their past debts and to prevent bankruptcy.

The concern for this study was to determine:

A. The need for this service in Butte, Montana.

B. The effectiveness of the service to prevent bankruptcy and to help promote family living.

C. The effectiveness of the service in Butte, Montana, and the attitudes of the business contributors and the board of directors.

To determine the effectiveness of the program in Butte, a structured interview questionnaire was used. Fifty-two were interviewed personally in the Consumer Credit Counseling Office. There was a remainder of 54 who did not come into the office regularly. These were sent questionnaires. Twenty-one were returned. The

remaining 33 were interviewed over the phones or in their homes. There was a total of 91 respondents (86%) who answered the questionnaire either by mailing back the questionnaire or being personally interviewed. There were 15 respondent families who either did not choose to answer the questionnaire and could not be contacted either by phone or personally. There were twenty-seven business contributors. These were contacted and interviewed.

The chairman of the board of directors was interviewed. The board of directors consisted of seven members and their opinions were expressed by the chairman of the board.

A comparison of bankruptcies filed for the year preceding the year of the counseling service and its operation, might have been revealing. It does not show, however, that there was a significant decrease in bankruptcies in Silver Bow County, Anaconda, and Whitehall, where several clients reside. The pressure for payments during the strike was not evident until the following year. It was at that time, the Consumer Credit Counseling Service began its operation. The Advisory Board and the business members of Butte determined the need for the

program in Butte.

Significant findings are that 98% of the clients are still under the Consumer Credit Counseling Service and over 98% did not have any suggestions for improvement. As of February, 1970, the Consumer Credit Counseling Service has disbursed $159,875.25, in paying the past indebtedness of the clients. They have helped save almost a quarter of a million dollars from going to bankruptcy court and helped the merchants of Butte, in their economy.

CONCLUSIONS

From the findings of this study, it is evident there is a need for the Consumer Credit Counseling Service in Butte, Montana. Of the 106 clients who started the program, 98% are still using the service at the time of the study. Almost unanimously they were willing to recommend it to others, (98%).

Unemployment due to strikes rather than a lack of earning power and money management ability seems to be the major cause of indebtedness. Debts when caused by unemployment are problems that are shared by all age groups; however, the average client in this study using

the service, is between 35-50 years of age, married 11 years, and has 3 children living at home, and owes from $3,000 to $5,000 in debts. The ones with greater an extent of education do not seem to need the service, perhaps, that is because of their greater earning power or superior money management ability or perhaps because they were not affected by the strike because they were not the ones who worked in the mines. In this study, the majority of clients work in the mines or in the smelter so it is not the usual situation. Ability, not age, seemed to be the factor in earning power. Many of these people could do nothing but utilize welfare services and food stamps because the strike was continued for as long as ten months; and many of them were unemployed for as long as a year. Previously, a similar strike for a longer period of time had occurred. Many had tried to get second jobs to no avail and the ones who did not have money to go to another city to get work, were quite desperate.

In conclusion:

A. The need for the service of the Consumer Credit Counseling was shown by the continuance of the clients to keep on with the service and the fact that 98% of the respondents interviewed "would recommend it". The need was also shown

by the fact that the businessmen initiated it and supported it.

B. The effectiveness of the service to help prevent bankruptcy and to promote family living was shown in the reduction of bankruptcy cases in Silver Bow County. Clients showed relief from anxiety after the Consumer Credit Counseling Service had helped them.

C. The consensus of the business contributors and board of directors was that it had prevented bankruptcy and helped promote family living and kept families together. The total amount or $159,875.25 disbursed up to February 9, 1970, shows that it had saved the businesses that amount of money that they might otherwise lost, had these people gone through bankruptcy.

The Consumer Credit Counseling Service of Butte, Montana, can be considered to be successful, and should be tried in other cities, where indebtedness is a problem. It will have to be judged in the future, however, whether or not it will continue to be a success, and whether or not these clients can manage their financial resources and problems with effective independence.

RECOMMENDATIONS

Suggestions for Further Study

To determine their adequacy of financial management, it would be beneficial to interview these clients, after the completion of their debt liquidation. It would prove

the effectiveness of the counseling, if the clients were able to manage their resources effectively and to control further indebtedness.

A follow-up study would be to review the bankrupts in Silver Bow, Powell and Jefferson County to possibly find out how many bankruptcies might have been prevented if they had known of the Consumer Credit Counseling Service.

The strike circumstances in Butte made the community situation atypical. Other communities would probably have a credit counseling service utilized by a more economically, normal community.

A comparison of the studies made of Consumer Credit Counseling Services in Great Falls and Missoula, Montana, would be interesting.

APPENDICES

APPENDIX A

DEFINITION OF TERMS

Budget.--An estimate, often itemized, of expected income and expense, or operating results, for a given period in the future.

Budget Counseling or Budget Counseling Adjustment Plan.--This refers to counseling plus the development of a budget plan in which the debtor brings a certain amount of money to the counselor at a specified time regularly to be distributed among the creditors.

Client or Debtor.--A person or couple who uses the services of a Budget Counselor.

Counselor.--A person who advises and helps the clients to develop a budget plan, contacts the creditors for readjustment in payments, distributes the payments received from clients to creditors and sometimes manages the counseling service.

Credit.--The confidence in a purchaser's ability and intention to pay, displayed by entrusting him with goods, etc., without immediate payment.

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

Debt Consolidators.--A person or organization who commercially consolidates all debts so one regular payment from client or debtor will allow the consolidator to distribute this amount to the creditors, after taking his percentage of 10-12% or more as his fee.

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

Installment Buying.--The purchase of an item such as an automobile, where the debt is discharged by equal payments for a term of several months to several years. Service charges may range from 12%-50% as per the contract signed by the client.

Pro-rator.--The person or institution that distributes the monthly money payments of the client to the creditors. This can be for a fee or on a non-profit basis as in Consumer Credit Counseling.

Revolving Charge.--Under this system, the store establishes a "credit level", for example $300, for the client. The client can then charge up to the $300, and

pay for purchases over a six to twelve month period, the time limit depending on the individual store's regulations. Usually the service is ½% paid in advance and 1½% on reducing balance per month, or 18% annually.

APPENDIX B

CONSUMER CREDIT COUNSELING SERVICE

408-410 Miners Bank Bldg.
BUTTE, MONTANA 59701

Phone 792-1101

April 11, 1969

Mrs. Lola Krueger
1411 S. Grand
Bozeman, Montana

Mrs. Krueger:

At the request of Owen Bush, Advisor, who is employed by First Metals Bank, I am enclosing our brochure and last report on disbursements made to creditors.

I also extend you an invitation to come in to our office to scrutinize our system or workings at any time you so choose.

Sincerely,

Marion Coughlin

Marion Coughlin, Counselor

Encl:

Note: Telephone conversations were held with Mr. Owen Bush, giving approval for the study, on April 10, 1969, and on June 19, 1969. (Mr. Owen Bush is the Chairman of the Board of Directors, Butte Consumer Credit Counseling Service and is also Vice President of the First Metals Bank in Butte, Montana.)

APPENDIX C

Consumer Credit Counseling Service
408-410 Miners Bank Bldg.
Butte, Montana

Dear_____:

May I interrupt your busy schedule for just a few moments? Those of us in Butte, who have been associated with the Butte 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 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,

Counsellor
Butte Credit Counseling
Service

CLIENT QUESTIONAIRE

Section I

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
   _____1-3 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
   _____1-3 years of high school
   _____high school graduate
   _____college training but not a graduate
   _____college graduate (bachelor's level)
   _____more than 4 years of college

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. Occupation _____ husband _____ wife

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 mortgate)
_____$100-$499.00
_____$500-$999.00
_____$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
_____ 11-15
_____ 16-20
_____ 21 or more

14. What caused your indebtedness?
_____unemployment
_____strike (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
_____Workman's Unemployment Compensation
_____Aid to Dependent Children
_____other, (write in)_____

17. Did you ever file for bankruptcy?
_____Yes
_____No

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 to four
_____one to two

21. Did you do any of the following to increase your budget? If so, please check the one which you did. If not, please omit 21.
_____Wife went to work
_____Children helped by babysitting, paper routes, etc.
_____Borrowed from relatives
_____Wife took in ironing, sewing, or did baby-sitting
_____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

(a) assisted you in improved money management?

_____Yes
_____No

(b) 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

(c) given you a greater understanding of the different types of purchasing on credit (installment buying, 30 day credit, etc.)?

_____Yes
_____No

23. Do you feel that you need more counseling in the various areas of money management?

_____Yes
_____No If answer is no, skip 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.)

25. What is the length of time you have been under the guidance _____months?

26. Are you still under the guidance of the Consumer Credit Counseling Service at this time?

_____Yes
_____No If the answer is yes, omit questions 27, 28, 30 and 31. Go to question 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 best 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
_____stocks or bonds

30. What is your amount of indebtedness now?
_____$100-$499.00
_____$500-$999.00
_____$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
_____strike
_____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

Consumer Credit Counseling
Service

410 Miners Bank Bldg.
Butte, Montana
August 1, 1969

Dear Mr. & Mrs._____:

A few weeks ago I sent you a questionaire concerning a study that is being done on the Butte Consumer Credit Counseling. This study is being done by a graduate student from Montana State University and it is very important to receive each questionaire in order to complete the thesis study, which is necessary for her graduation.

Could I remind you again to return the questionaire if you have not already done so? Please return it in the self addressed stamped envelope. As I told you before, you need not put your name on the questionaire.

I appreciate your cooperation very much.

Sincerely yours,

Lola Krueger

Lola Krueger
Montana State University

APPENDIX D

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_____
   _____

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
   _____
   _____

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 charges.

6. Do you consider the service successful?
   _____Yes
   _____No

7. If no, why not?_____
   _____

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

BOARD OF DIRECTORS QUESTIONNAIRE

1. How do you personally feel about the Butte 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_____

2. What suggestions to 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 succesful?
    _____

12. Any additional comments?_____

13. Serving on this board of directors is without charge, or salary? _____Yes _____No

APPENDIX E

NATIONAL FOUNDATION FOR CONSUMER CREDIT, INC.

FEDERAL BAR BUILDING WEST
1819 H Street, N.W.
Washington, D.C. 20006

Code (202) 223-2040

DONALD L. JORDAN,
Chairman of the Board

S. C. PATTERSON,
President

September 5, 1969

Mrs. Lola A. Krueger
1411 South Grand
Bozeman, Montana

Dear Mrs. Krueger:

The National Foundation for Consumer Credit, Inc. is 26 years old. What I think you need for your thesis is additional historical background of our Consumer Credit Counseling Service program.

Our Board of Trustees approved the counseling package in November 1961 and the program was made available nationally in March 1962. At that time I was Research Director for the Foundation and developed the national package.

Family Debt Counselors of Phoenix and Economy Budget Service of Columbus, Ohio were the prototype programs for the national movement. We also studied similar credit bureau programs in Washington State and Philadelphia, Pennsylvania. We adopted the "no consumer charge" concept from Economy Budget Service and community involvement concept used by Phoenix. Since that time, the individual services have contributed to the changing pattern.

From the historical perspective, the first family counseling agency to use the certified name and logo, Consumer Credit Counseling Service, was South Bend, Indiana in August 1963. Salina, Kansas; Kansas City, Missouri; and Salt Lake City; Atlanta; Charleston; and Cleveland opened in 1964.

The state programs in California and additional services in Wichita, Indianapolis, Albuquerque, St. Petersburg, and Fort Wayne opened in 1965. You can research this information through the PROCEEDINGS of our various counseling service conferences.

You may find information regarding national and state legislation concerning the consumer and consumer credit in the various publications of Commerce Clearning House which should be in your college library.

I will be happy to answer additional questions you may have.

Sincerely,

A. R. Hackbarth
Director

ARH:mtm

APPENDIX F

Records of Funds of Counseling Service

CONSUMER CREDIT COUNSELING SERVICE
408-410 Miners Bank Bldg.
Butte, Montana

January 22, 1969

TO WHOM IT MAY CONCERN:

I hereby submit the following report as to disbursements made from November 2, 1968 to and including January 22, 1969:

Ambulance	6.24	Furniture	186.23
Appliances	217.25	Groceries	220.47
Attorneys	26.00	Hardware	15.00
Auto Repairs	210.10	Hospital	380.60
Banks	2,610.29	Insurance	34.32
Bldg. Material	67.45	Jewelry	59.75
Camera	46.50	Mail Orders	206.08
Cable T.V.	14.00	Medical	805.31
Cleaners	6.35	Music	50.00
Clothing	126.50	Oil Co.	61.50
Collection Agencies	409.25	Publishers	36.00
Credit Union	56.50	Realtor & Rent	190.50
Dairies	55.11	Service Stns.	175.50
Dept. Stores	774.10	Sporting Goods	62.30
Drugs	86.04	Tools	10.00
Finances	5,179.47	Utilities	264.08
Florists	13.00	Veterinarian	23.50

TOTAL: $12,685.29

Active Accounts 54	Total Indebtedness $205,093.52
Inactive-Bankrupt 4	Cancellations 3
Referrals by Attys 12	Pending Appointments 2

Signed Marion Coughlin
Counsellor

As of 4/10/69 - 82 active accounts, 3 pending. Disbursed as of 3/24/69--$27,619.74.

CONSUMER CREDIT COUNSELING SERVICE
408-410 Miners Bank Bldg.
BUTTE, MONTANA 59701

Phone 792-1101

April 29, 1969

DISBURSEMENTS 11/2/68 THROUGH 4/24/69

Financial Institutions:		
Banks	$ 6,451.37	
Finances	14,031.06	
Credit Unions	266.50	
Personal Loans	34.00	
		Total $20,782.93
Retailers:		
Department Stores	$ 2,096.25	
Furniture	414.43	
Appliances	692.81	
Clothing	287.85	
Jewelers	163.80	
Specialties	217.75	
Mail Orders	716.28	
Drugs	152.02	
Gas, Oil & Auto Stores	614.12	
Food & Dairies	724.59	
Building Material	410.30	
Music Stores	115.00	
		Total $ 6,605.01
Services:		
Ambulance	$ 38.24	
Doctors	1,534.03	
Dentists	281.65	
Attorney	60.50	
Auto Repairs	466.15	
Landlords	374.56	
Collection Agencies	1,184.35	
Hospitals	1,272.86	
Public Utilities	2,543.09	
Justice Courts	107.07	
Burial	141.00	
Insurance	144.32	

Services: (continued)

Bars	28.40	
Veterinarians	69.00	
Welfare Department	2.00	
		Total $ 8,247.22

Grand Total $35,635.16

CONSUMER CREDIT COUNSELING SERVICE

May 1, 1969

Expense to date:

Office Equipment	$ 200.00
Salary	2,855.00
Telephone	163.29
Advertising	125.98
Postage	198.40
Miscellaneous	496.98
Total	$ 4,039.85
Taxes W/H not Pd.	87.64

Active Cases	Total Debts	Closed-able to handle self
94	$353,107.69	4

Unable to help-income insufficient
4

May 1, 1969

TO WHOM IT MAY CONCERN:

Projected Expenses - - - May 1969 - - - May 1970	
Wages	$4,800.00
Social Security	220.96
Unemployment	129.60
Telephone	240.00
Postage	420.00
Prtg. & Supplies	120.00
Miscellaneous	60.00
Train Employee, (Approximate)	200.00
Employee for two week vacation period	170.00
Total Yearly Expenses	$6,360.56

Projected Income:

Contributions	$4,500.00
Customer Charge @ $2.00 per month	2,160.00
Other Income - 10% of fees charged non-members	800.00
	$7,460.00

The Board of Directors makes the following observations and recommendations:

The Counselling Service Office has been in operation for nearly seven months and we are now servicing more than 90 accounts and feel certain that our Counsellor will be able to competently service approximately 100 accounts. It appears from the above income and Expense Budget that we could possibly have a surplus of approximately $1,100. The Board of Directors recommends that, because of necessity, this anticipated surplus be used in the following manner.

Increase in yearly wages for Counsellor	$ 300.00
Part-time Employee - One day per week	720.00
Increase in General Office expense	80.00
Total Anticipated Surplus Expenditure	$1,100.00

President
Consumer Credit Counselling Service

CONSUMER CREDIT COUNSELING SERVICE
408-410 Miners Bank Bldg.
Butte, Montana 59701

Phone 792-1101 Sept. 17, 1969

Financial Institutions:

Banks	$14,670.14	
Finances	37,443.30	
Credit Union	498.00	
Personal Loans	56.00	
		Total $52,667.44

Retailers:

Appliances	$ 1,702.28	
Building Materials	1,186.70	
Clothing	736.32	
Department Stores	4,940.47	
Drugs	357.08	
Food & Dairies	2,113.47	
Furniture	1,033.33	
Gas, Oil & Auto Stores	1,229.03	
Hardware	192.96	
Jewelers	423.55	
Mail Orders	1,507.58	
Music Stores	355.00	
Specialties	883.07	
		Total $16,660.84

Services:

Ambulance	$ 115.00
Attorneys	113.00
Auto Repairs	1,037.24
Bars	28.40
Burial	463.20
Collection Agencies	4,955.35
Dentists	792.90
Doctors	5,422.45
Hospitals	3,894.22
Insurance	274.32
Justice Courts	136.07

Services: (continued)

Landlords	$ 1,555.00	
Public Utilities	6,333.77	
Public Welfare Dept.	21.00	
Veternarians	257.70	
		Total $20,399.62
Grand Total		$89,727.90

CONSUMER CREDIT COUNSELING SERVICE
408-410 Miners Bank Bldg.
Butte, Montana 59701

Phone 792-1101

FEBRUARY 12, 1970

DISBURSEMENTS 11/2/68 to 2/9/70

Financial institutions:

Banks	$24,196.89	
Finances	62,863.96	
Credit Union	671.39	
Personal Loans	198.00	
Home Loans	247.00	
	Total	$88,177.24

Retailers:

Appliances	1,379.77	
Building Materials	1,720.27	
Clothing	1,639.77	
Dept. Stores	7,782.77	
Drugs	536.31	
Food & Dairies	4,044.18	
Furniture	2,086.16	
Gas, Oil & Auto Stores	2,534.58	
Hardware	337.35	
Jewelers	631.00	
Mail Orders	2,046.43	
Music Stores	503.50	
Specialties	1,744.89	
	Total	$26,986.98

Services:

Ambulance	281.00
Attorneys	225.00
Auto Repairs	1,245.53
Bars	39.40
Burial	791.20
Collection Agencies	7,178.70
Dentists	1,292.90

Services: (continued)

Doctors	12,316.02	
Hospitals	7,118.92	
Insurance	489.62	
Justice Courts	204.63	
Landlords	3,386.28	
Public Utilities	9,668.63	
Public Welfare Dept.	38.10	
Taxes	4.50	
Veternarians	430.60	
	Total	$44,711.03

Grand Total $159,875.25

CONSUMER CREDIT COUNSELING SERVICE
408-410 Miners Bank Bldg.
BUTTE, MONTANA 59701

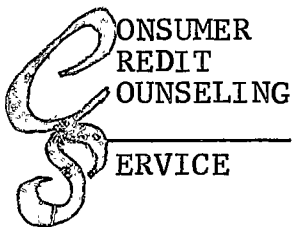
Phone 792-1101

FEBRUARY 17, 1970

Active Cases	123	
Cases Not Active:		
Cancelled non-payment	11	
Paid in full	3	
Paid to where could handle self	5	
Cancelled - Bankrupt	8	- active 1 week to 30 days
" "	1	- active 60 days
" "	1	- no cooperation from creditor
" Request of debtor	8	
" Left town	8	
Referred to Credit Bureau	1	- main creditor
Interviewed:		
Never returned	10	
Sufficient Income	13	
Sufficient assets	3	
Insufficient income	8	
No cooperation from creditors	2	
Creditors remitted to	436	
Total indebtedness		$424,100.26

APPENDIX G

FORMS USED BY COUNSELING SERVICE



a non-profit
COMMUNITY SERVICE

TO HELP PEOPLE
HELP THEMSELVES

In solving their debt problems
and
Avoiding Bankruptcy

CONSUMER CREDIT COUNSELING SERVICE
OF BUTTE, INC.

FREE OF CHARGE

408-410 Miners Bank Bldg.
Butte, Montana
Phone 792-1101

TO AID DEBTOR -
CREDITOR-
EMPLOYER-
COMMUNITY

WHAT IT IS -

The Consumer Credit Counseling Service of Butte, 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. Most of our citizens, of course, were right. Their judgment was good. They bought wisely. They accumulated assets.

Some, however, planned poorly, or did not plan at all. 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 entail 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.

It is 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 strickly selfish angle are saving losses from bankruptcy, as well as restoring over-extended customers to a condition where they can make further purchases intelligently.

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.

(Copy of Brochure)

HOW IT WORKS - (continued)

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. Client agrees to pay a specific amount, weekly, semi-monthly, or monthly into the counseling office. This money is deposited in a local bank and will then be distributed on a pro-rata basis to the various creditors once a month.

8. During counseling period clients learn to live within a budget and handle own affairs.

FREE COUNSELING

No charge is made for any service, counseling or for the advice and recommendations given--regardless of the number of interviews or the number of contacts required with creditors.

Incorporated as a Non-Profit
Community Organization

BOARD OF DIRECTORS

OWEN BUSH
Assistant Vice President
First Metals Bank & Trust Co.

PETE BRACCO
Owner-Manager
Capital Finance Company

L. G. MITCHELL
Assistant Vice President
Miners Bank of Montana

WILLIAM KALAN
Credit Manager
St. James Community Hospital

(copy of brochure)

BOARD OF DIRECTORS (cont'd)

PHIL JUDD
Owner-Manager
Phil Judd Sporting Goods

LEONARD KELLY
Manager
J. C. Penney Co.

GUY OSSELLO, SR.
Owner-Manager
Ossello's

ADVISORY BOARD

Name	Firm
F. E. Lienemann	First Metals Bank
Harold Pitts	Miners Bank of Montana
William Freebourn	Legal Aid Society
John Prothero	County Attorney's Office
Anton Sibbel	Household Finance
Dr. James Silva	Dentist
Charles Cortese	Hennessys
John Delaney	Silver Bow General
Thomas Powers	Mayor, City of Butte
Rose Shaw	Credit Bureau of Butte
Horace Ayers	Anaconda Co.
Leonard Uren	Montana Power Co.
William Neary	Miners' Union and Anaconda Fed. Cr. Union

(Copy of Brochure)

CONSUMER CREDIT COUNSELING SERVICE
Miners Bank Bldg., Room 410
Butte, Montana 59701

Telephone 792-1101

Directors

Pete Bracco
L. G. Mitchell
Bill Kalan
Phil Judd
Owen Bush
Leonard Kelly
Guy Ossello, Sr.

November 7th., 1968

Dear Sir:

The enclosed brochure explains a service which is vitally needed by the citizens of Butte. This service will aid many families in financial distress. By resolving their financial problems today, they will become good customers in the future. This service is of extreme importance to you as a businessman. This is definitely going to curtail the number of bankruptcies. This alone will save you money.

Many firms are members of this Counseling Service. The membership fee is based on the size of your firm and volume of credit business. These memberships and fees to non-members are the only means of financing this service. If you are not a member, there will be a fee to counsel one of your customers. You can eliminate this fee by becoming a member.

This is a community effort, Every business is involved and has a lot at stake. Please contact the writer for more information today.

Very truly yours,

Marion Coughlin

(Copy of Letter sent from Counseling Service to Businesses for Solicitations)

AUTHORIZATION AND RELEASE

THE UNDERSIGNED hereby authorize Consumer Credit Counseling Service its employees, agents and counselors as follows:

to act for us in a plan to liquidate our outstanding obligations

to contact our creditors, asset holders and other interested persons to secure information and assistance

to make necessary arrangements with our creditors and other persons including our employers, to reach a satisfactory conclusion to our present financial problems--

We hereby agree:

to abide by your advice and follow your recommendations

to cooperate with our present creditors on our behalf until we have your recommendations

to fully perform our obligations as agreed upon in your plan for liquidations of our debts--

We understand that:

you will not make advances to creditors out of your own funds--

all payments to creditors will be disbursed from money deposited with you by us for this purpose---

you will make a service charge of $2.00 (Two dollars) per month under this agreement--and that any other money taken by you from funds deposited will be applied against the balance due on our indebtedness to you--

We further agree that:

you may notify any recognized credit reporting agency of our agreement with you and of the action you will take to pro-rate payments to our creditors and to release you and any reporting agency so notified from

any liability in disseminating this information to any of its members who inquire about our credit report--

to hold you, your employees, agents, counsellors and depository banks harmless from any claim, suit action or demand by our creditors, ourselves or any other person arising out of any transactions or representations herein.

DATED THIS _____ day of _____, 1969.

SIGNED_____

SIGNED_____

(Agreement for Wage Assignment)

Wage Assignment Card

Employee - Name _____ Working No._____

The Anaconda Company
Butte, Montana

Gentlemen:

Please pay to the order of _____,
Butte, Montana, all money now due, or hereafter to become due me, for labor performed during the week ending _____, or period_____, for The Anaconda Company, Butte, Montana.

Signed_____Date_____

The undersigned hereby agrees in consideration of such acceptance and payment, to fully protect, indemnify, and save harmless The Anaconda Company against any loss or damage it may sustain by reason of such payment or acceptance.

Signed - Assignee_____

CONSUMER CREDIT COUNSELING SERVICE

410 Miners Bank Building
Butte, Montana 59701
Phone 792-1101

Re:

The customer in our caption has contacted this office for counseling service. His total indebtedness is $_____. He can pay you $_____ monthly. These payments will commence in 45 days or sooner.

We have reviewed this individual's liabilities. We are confident this individual will liquidate all debts with your participation.

If this arrangement is not satisfactory, please advise.

Counselor

Marion C. Coughlin

(Please return this lower section)

CREDITOR_____

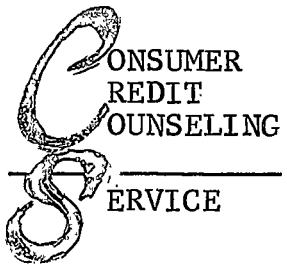
DEBTOR_____

BALANCE_____

ACCEPTED BY_____

DATE_____

(Form Used by Counseling Service to Send to Creditors)



of Butte, Montana 59701
408-410 Miners Bank Bldg.

Phone 792-1101

Name_____
Address_____
Wife_____No. Children_____
Employer_____
Wife's Employer_____
Your Phone Number_____Date_____, 19_____

ASSETS	CREDITORS			
Cash in Bank	List Names and Addresses	Total Balance	Monthly Payment	Adjusted Monthly Balance	Creditors O.K.
Cash on Hand					
Stocks and Bonds					
Other Investments					
Auto: Make					
Year Type					
Home:					
Purchase Price					
Improvements					
Estimated Value					
Other Real Estate					
Loans to Others					
Loan Value of Life					
Insurance					
Other Assets					
	BE SURE EVERY ACCOUNT YOU OWE IS LISTED				
TOTAL ASSETS	TOTALS				

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

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

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