



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

A thesis submitted to the Graduate Faculty in partial fulfillment of the requirements for the degree of
MASTER OF SCIENCE in Home Economics
Montana State University
© Copyright by Cynthia Elizabeth Bryson (1971)

Abstract:

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

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

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

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

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

In presenting this thesis in partial fulfillment of the requirements for an advanced degree at Montana State University, I agree that the Library shall make it freely available for inspection. I further agree that permission for extensive copying of this thesis for scholarly purposes may be granted by my major professor, or, in his absence, by the Director of Libraries. It is understood that any copying or publication of this thesis for financial gain shall not be allowed without my written permission.

Signature Richard E. Johnson
Date August 2, 1971

AN EVALUATION OF THE CONSUMER CREDIT COUNSELING
SERVICE IN MISSOULA, MONTANA

by

CYNTHIA ELIZABETH BRYSON

A thesis submitted to the Graduate Faculty in partial
fulfillment of the requirements for the degree

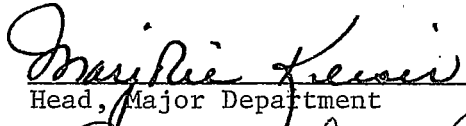
of

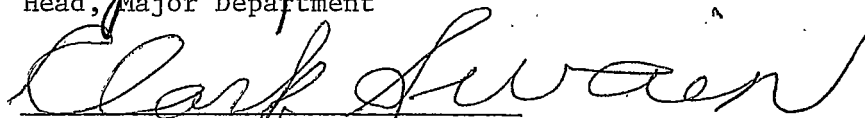
MASTER OF SCIENCE

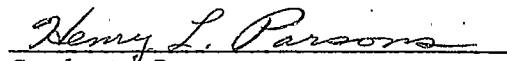
in

Home Economics

Approved:


Head, Major Department


Chairman, Examining Committee


Graduate Dean

MONTANA STATE UNIVERSITY
Bozeman, Montana

August, 1971

ACKNOWLEDGEMENT

I wish to express my sincere appreciation for the excellent cooperation and supervision given to me on this project.

My special thanks to:

Dr. Clark Swain, my advisor, and his wife, Eleanor, for their supervision in the preparation and writing.

Dr. Marjorie Keiser, Director of the School of Home Economics, for her continual cooperation, advice, and encouragement.

Dr. Gordon Simpson for his thoughtful consideration and assistance.

Mr. Ewing Heisel, President of the Missoula Consumer Credit Counseling Service and other members of the agency for their assistance and cooperation in making this project possible.

TABLE OF CONTENTS

Chapter	Page
I. INTRODUCTION	1
Purpose of the Study	3
Hypotheses	4
Definition of Terms	5
II. REVIEW OF LITERATURE	7
Need for Credit Counseling Service	7
Credit Counseling Services	12
Studies of Consumer Credit Counseling Service	18
III. PROCEDURES OF THE STUDY	23
Selection of the Sample	23
Procedures	23
Client Questionnaire	23
Business Questionnaire	24
IV. RESULTS	25
Sample	25
Background Information	27
Effectiveness of the Counseling Service	52
Improvement of Service	55
V. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	58
Summary	58
Conclusion	61
Recommendations	62
APPENDIX A: Letter to Clients and Questionnaire	65
APPENDIX B: Letter to Businessmen and Questionnaire	73
APPENDIX C: Board of Director's Questionnaire	76
APPENDIX D: Forms used by Counseling Service	78
APPENDIX E: Chi-Square Tests for Independence	88
SOURCES CITED	97

LIST OF TABLES

Table	Page
I. Characteristics of Clients	20
II. Description of Clients	29
III. Causes of Indebtedness	42
IV. Length of Unemployment	43
V. Service used while Unemployed	44
VI. Referrals to the Counseling Agency	45
VII. Means of Liquidating Debts	46
VIII. Length of Counseling	48
IX. Source of Learning about Counseling Service	49
X. Length with Service	50
XI. Special Arrangements for Payment	51
XII. Counseling Achievements	53

LIST OF FIGURES

Figure		Page
1.	Location of the Missoula Consumer Credit Counseling Service	26
2.	Employment of Husbands	32
3.	Employment of Wives	34
4.	Number of Children	36
5.	Annual Family Income	38
6.	Amount of Indebtedness	40
7.	Causes of Indebtedness	41
8.	Means of Liquidating Debt	47

ABSTRACT

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

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

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

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

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

CHAPTER I

INTRODUCTION

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

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

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

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

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

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

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

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

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

It is of utmost importance that clients be taught the basic

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

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

Purpose of the Study

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

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

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

6. Reaction as to degree of success.

Hypotheses

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

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

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

Definition of Terms

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

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

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

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

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

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

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

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

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

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

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

CHAPTER II

REVIEW OF LITERATURE

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

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

Need for Credit Counseling Service

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

Social Relationships

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

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

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

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

Rise in Credit

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

the installment plan.

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

Bankrupts

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

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

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

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

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

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

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

Credit Counseling Services

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

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

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

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

National Consumer Credit Counseling Service

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

History

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

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

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

Purpose

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

states that a counseling service can:

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

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

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

Consumer Credit Counseling Services in Montana

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

Consumer Credit Counseling Service of Missoula

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

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

Purpose

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

Officers

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

Business Members

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

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

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

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

Counselor

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

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

The duties as stated by the counselor were:

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

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

Studies of Consumer Credit Counseling Services

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

Purpose of Study

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

Characteristics of Clients

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

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

Type of Program

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

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

TABLE I
CHARACTERISTICS OF CLIENTS (AVERAGE)

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

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

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

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

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

Organization of Payment

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

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

CHAPTER III

PROCEDURES OF THE STUDY

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

Selection of the Sample

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

Procedures

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

Client Questionnaire

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

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

Business Questionnaire

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

CHAPTER IV

RESULTS

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

Sample

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

Clients

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

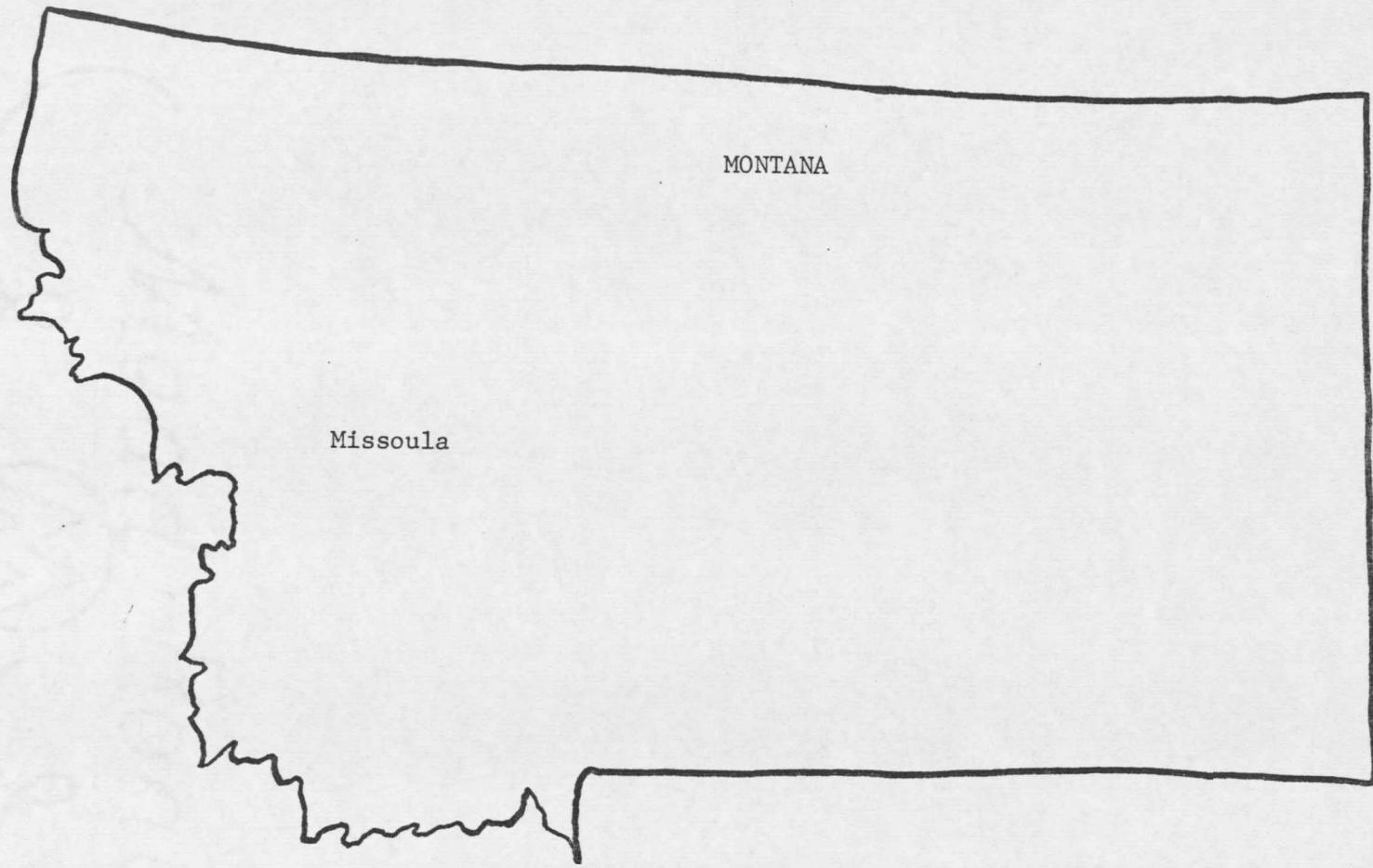


Figure 1. Location of the Missoula Consumer Credit Counseling Service

Business Contributors

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

Counseling Service

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

Background Information

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

Clients

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

Age

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

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

Education

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

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

