

How to Start a Credit and Debt Counseling Service

Here's a business idea that meets all the aspirations of the American Dream. You can start small with little or no investment, develop it in your spare time, and parlay it into a \$100,000 a year income - all within the next twelve months or so.

Really, all it takes to move on this one is an empathy for people, a basic understanding of money management, about 500 business cards, some smart advertising, and you're in business. Your greatest expense or investment, of course, will be for advertising.

The first and most important thing to learn is the "thought processes" in the minds of the people or firms that lend money. No one lends money with the thoughts of foreclosing on the loan and taking away a borrower's collateral. Whenever the lender is forced into such a situation, everybody loses. The borrower loses his possessions, and the lender ends up with about one tenth of the money he originally loaned out.

Therefore, the lending institution will generally do everything possible to work with the borrower as long as he continues to show good faith in attempting to repay the full amount of the loan. The most important thing a borrower should do, once he finds himself in a financial bind, is get in touch with his creditors and apprise them of his situation. Usually, the lender will set up a meeting for an open discussion between himself and the borrower, in order to adjust or work out a more convenient repayment schedule.

Most people who borrow money are having money management problems to begin with, and are actually terrified to death at the thought of people from the loan company calling them. Although they generally won't admit it, most are aware that they are having problems managing their money. They are embarrassed about it, and instead of openly seeking help, they attempt to cover up the problem, and then hide from or avoid the very people who want to help them.

Over the past three years, personal and small business bankruptcies have been soaring to record levels. At the bottom line, very few people want to file bankruptcy against their creditors, because regardless how easy it is, the thought of having "gone bankrupt," still leaves a stigma.

And this is where you step in with your Professional Credit and Debt Counseling Service. You should never have any trouble finding clients.

Remember, step one is always to notify the client's creditors. This is the first instruction (or job) that you give to the client after you've heard his story. The borrower should be the one to notify the creditors, and ideally, he should call each on the phone, set up a meeting and then

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discuss with the lender his current financial situation as well as his plans to rectify the problems, and resume payments. The plan he'll discuss with the lender will be the plan you assist him in setting up.

If the borrower is in over his head and with no other alternative, you should immediately advise him to file for relief under "The Wage Earner's Plan," as explained in Chapter 13 of the Federal Bankruptcy Act. In essence, this "plan" gives the debtor time to regroup and reorganize his financial situation without being hounded by bill collectors.

Anyone who's capable of earning wages, salaries or commissions, can make use of this plan. It should in no way be thought of as bankruptcy. This is simply a court supervised method for a borrower to pay off his debts. The borrower simply draws up a plan to pay off his debts over a three-year period. If the court accepts the plan, the lenders are almost obligated to accept it. While more recent bankruptcy laws still leave room for abuse by dishonest "big business," they fortunately have improved the outlook for the "little guy."

Your job as a Credit and Debt Counselor is to meet with the overextended borrower, listen to his problems, and help him to plan a budget to live by, and set up a plan for the proper management of his income that will include money for him to live on, plus regular payments to his creditors. In the beginning, you can meet in the borrower's home, pretty much the same way an insurance agent does. Later on, you'll probably want your own office, but a formal office for your business will never be absolutely necessary.

Many people are reluctant to be seen walking into a Credit Counselor's office. Again, there's a personal embarrassment - the thought of their friends seeing them, and the worry of what other people will think of them. So if you do opt for an office, make it as unobtrusive and as confidential as possible. A sign stating "Money Management Consultant" would be appropriate. Gaining the confidence and trust of your clients will be the secret of your success. And do not underestimate the power of "word-of-mouth" recommendations by grateful clients.

Follow the methods of the insurance salesman, making everything as comfortable as possible for your clients. So long as you listen to your client's problems, and then work with him to plan a budget he can live with while paying off his bills, you won't be required to have a license in most states. You simply listen, assist the borrower in planning a budget, and he administers it himself. He makes all the contacts with his creditors, and makes all the payments

directly to them. To give you the money and have you disburse it among his creditors would require a license for your business.

Step two in your service is to find out the total amount of cash your client has coming in each month, and on what dates. Calculate according to his current obligations, how much he needs for living expenses: Rent or mortgage payment, utilities, food and clothing. The remainder of his available income is then budgeted for division among his creditors.

One of the best (and easiest) methods of money management within a budget is via envelopes. The wage earner marks a different envelope for each of his obligations. He then makes predetermined amount of deposit in each of these envelopes each payday.

Thus, if his mortgage was \$500 per month, and he brought home \$750 each pay day, you'd probably advise that he "deposit" \$250 each payday into the mortgage envelope. And so it would be with each payment envelope.

Many people find this kind of system scary in the beginning, but after they've used it for a month, they swear by it as the only way to keep bills up to date.

Of course, the most important thing you want to advise your clients to do is destroy all their credit cards. Best of all, have them cut them in half, and send them back with a short note explaining what they are doing and why - getting a handle on their debts according to their actual income. Basically, that's all there is to your counseling service.

You'll need a first meeting to hear the problems, and to make your proposals. A second meeting will be in order to polish and endorse the planning. Perhaps a third meeting at the end of the first month to assist them in making their payments from their obligation envelopes. Finally, you'll want to keep in touch with them and ask how they are doing from time to time. You'll find that most of the people you serve today will need your services again at some time within the next five years - sad, but statistically true.

It's a "fast-track" and ever-changing world. People who are poor money manager today invariable encounter money problems again and again, regardless of how often they get everything paid off. This is, unfortunately, what keeps the lending institutions in business, and presents the opportunity for you to become wealthy as a Professional Credit and Debt Counselor.

You'll need a receipt book. Drop by any large stationery store and get the most impressive one available. You should charge \$100, more or less, for your services. Three counseling sessions, with the payments at \$10 per month spread over ten months is an ideal

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arrangement. Explain your fee during your first contact - \$100 in payments of \$10 per month per ten months. You'll find the sound of a \$100 fee affords an intangible degree of respect for your services, while the explanation of modest \$10 monthly payments closes the sale for you.

Always carry an attaché case, and at each meeting, work at the kitchen or dining room table. If it's a husband and wife, be sure that each is seated beside you. If it's just one person, have him or her to your right if you're right-handed; to your left if you're left-handed. Never have a client opposite you, across the table. Round tables are best for empathy, agreement and cooperation; this has been proven psychologically - just believe it, and be guided accordingly.

Always carry a yellow legal pad, and have plenty of pencils with erasers available. The legal pad lends authority to your knowledge, while leaving plenty of room for alternatives. The pencils and erasers eliminate the symbolic fear of every thing being "cast in stone," and conveys the feeling of negotiation.

You should be well-dressed, a portrayal of the traditional "financial officer," and yet in warm colors to accentuate your empathy with the problems of your clients. By all means, you should be sparkling clean and well-groomed. Do not smoke during a meeting with a client, and always diplomatically refuse any alcoholic drinks that may be offered. Try to "talk" with your clients. You must never show any signs of disapproval of the actions that resulted in your clients being in their present predicament, nor should you sound as if you're lecturing or speaking to children. Remember - and you can tell your client - this has happened to many stable, conscientious people.

Maintain an attitude of understanding and a sincere desire to help them out of their current "tight spot." Don't let them get going on a deprecatory tangent, either. Should they start down that path, simply tell them, "These things happen to everyone, and what's done is done; the important thing now is working out the solution to the problem."

As mentioned earlier, your only real investment to set yourself up in this business will be for advertising. Even that does not have to be a "saved up" cash outlay. You can start off by planning to run a two-column wide by three-inch deep advertisement in your most read area newspaper. Check with the newspaper office to get the best price on a bulk space contract.

Under this kind of agreement, you sign to pay for a certain minimum number of column inches for the next year, and as a result, your rates are considerably lower than those paid by the

infrequent advertiser. Best of all, the newspaper will bill you after the ad has run, and allow you 30 days from the date of your billing to pay.

You should plan to run an ad in the newspaper for at least three days a week, especially in the Sunday editions, every week. You might also want to run the same ad in several of your weekly Shoppers Newspapers. Definitely have a flyer made up describing your services. About once a month, hire 7th or 8th grade school children to hand these out for you in the busy shopping centers. Another good place to hand them out is at the entrances to your state's employment service offices. Small 3 by 5 announcement cards or descriptive business cards on all the bulletin boards in the area will also pull in business. Finally - and most importantly - just as soon as you can afford it, an advertisement and listing in the yellow pages of your telephone directory should be bought. Telephone directories come out on a regular (usually annual) schedule, so check ahead, and anticipate cost and date you may expect results.

A good place to check for help in writing your advertising is your area colleges. The students will generally help you in exchange for the opportunity to build a portfolio. There's never a need to pay the "out-of-sight" high prices demanded for professional copywriting and advertising design by some agencies, even if you have the money. All finished ads are unproven, and you have no guarantee that one is better than another until you begin testing or using it.

The important element is that your ad says what you want it to say - that is looks good and makes you feel that it will appeal to your potential customers - that it instills a confidence within you that it will bring in the customers. Use the "AIDA" formula: ATTENTION, INTEREST, DESIRE, ACTION!

An attention-grabbing headline (or first line) - a line or paragraph that definitely appeals to or arouses the self-interest of your potential customer; a "hooker," or image-building description that causes the prospect to picture how much better his life will be as a result of availing himself of your services; a line that relieves the prospect's fear of making the wrong decision (such as "Satisfaction Guaranteed"); and a demand that he take immediate action such as "CALL NOW!" Do not approve, and do not run any ad that does not contain all these ingredients.

Here's an example of an ad that should work very well for you:

ARE BILL COLLECTORS HOUNDING YOU?

Now there's a way to stop those dunning letters and embarrassing phone calls. Get out of debt completely - without bankruptcy! Preserve your good credit rating; maintain your present lifestyle; worry no more about bill collectors! Just an hour or so of your time, and your money problems can be solved! Your satisfaction is guaranteed! Phone 123-4567 right now for an appointment.

Nationwide Credit Counselors

123 Tenth St.

City, State.

A classified ad might read:

Solve all your money problems with this easy and completely legal solution. 100% guaranteed anywhere in the U.S. Call Consumer Credit Solutions at 123-4567.

At the same time your newspaper ads begin to appear, be sure to get a press release about your business to the business editors and consumer advocates at all the newspapers, radio and television stations in your area. Of help to you in this area will be our report #045, titled, The Inside Secrets of Getting Free Publicity For Your Business.

It's generally not worthwhile to advertise this particular kind of business on radio and TV, unless you do so on a "per inquiry" basis. For more details on this approach, see report #017, titled, How To Get Free Radio Advertising For Your Company.

After any free radio and TV talk shows, and newspaper feature stories about your business, the next best method of spreading the word about your business will be via the guest speaker route at civic club meetings. And don't forget the women's clubs. Your talk to these groups should be "scripted," simply explaining the alarming number of bankruptcies, the great losses suffered by business because of bankruptcies; the exasperatingly poor record of the American people with money management responsibilities; and urging for support to get "back to the basics" and teach practical money management courses in the schools, and be example in the home. Such a talk should bring you a big round of applause and a continuing source of referrals.

To carry this effort just a little further, set up Credit and Debt Counseling Seminars or Workshops. You can arrange to hold them in the banquet rooms of well-known restaurants in

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your area, meeting rooms at your local community college, fraternal club meeting halls, motels, or even churches - because of the suspicion that you are setting up to sell something when you don't charge an attendance fee. Most people are aware of the bottom line - that you are trying to sell them something when you invite them to a seminar or workshop. However, most feel that when there is a cover charge, the basic information you will be giving will be more useful than that given when there is no charge to attend. And if they have paid some kind of fee, they will be more at ease in listening and evaluating, without the pressure when they have come "for free."

Seminars are one of the most lucrative (and fastest) ways of getting a new business off to a running start. When you stage seminars, it is imperative that you flood the area with advertising, being sure to promote the seminar, not the product that you are really selling.

Your seminar script should be basically the same that I have outlined for you as a guest speaker, the difference being that instead of closing with a call for more education in money management, you briefly outline the simplicity of the "envelope deposit" system. You then close with an open invitation for those with particular problems or needing special help to call your office and set up an appointment for personalized counseling service.

Even before you officially open for business, you will want to have a tentative list of people you can possibly train as employees to handle the workload as your business grows. Rather than pay these people a salary, simply give them a commission for each client they handle. In other words, you can sign a client for \$100 over 10 months, sell the account to a factoring company for 80% of the total, collect \$80 in cash immediately, pay your commission counselor \$30, and bank \$50 in profit with no real work involved on your part. And if you have hired a good counselor, you can rest assured that your client has been well served.

Basically, that is how easy it is to put this kind of business together and make it start paying off immediately. Remember, you must be constantly soliciting new customers, and building the number of customers you or your counselors talk to each day. You should strive for an average of three counseling sessions per day, five days per week, before seriously considering additional help.

At \$10 per month from each account, this will give you \$150 per week or a total account billing of \$1,500 per week. By factoring your accounts at 20% of their total value, you will have an immediate cash income of \$1,200 for the week. The factoring company will handle all the billing and bookkeeping, eliminating your need for those services.

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The way to success in this business is, however, to keep this happening every week. It will depend upon your advertising, the service you give, and the reputation you build.

The prime requisite will be work and perseverance on your part, but once you are established, with a few commission counselors working for you, the business can easily gross \$150,000 per year in even small to medium size cities. You now have the knowledge; the rest - the action part - is up to you. Best of luck!