

Credit
Professionals
International



2001/2002
Education Manual

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TO YOU, THE HEARTBEAT OF CPI



Welcome to the beating world of Credit Professionals. We know that the educational manual that Mary Jo Mularz has prepared for you will assist you in all areas of your career and personal development. Mary Jo, thank you for your perseverance and commitment to our organization and for a great manual.

As you all know, this is the year of the HEART. We want you, the members, to revive your heart and grow with us into a stronger and more viable organization. Our mission always is to support you the members by providing quality educational material through our manual.

We commend you the members who actually wrote the articles. It truly is a task. To the members who secured their employers to write, a huge thank you to both. I know that those employers are the ones that truly understand the value of membership in Credit Professionals.

A quote from 'Home Grown Wisdom'....

"Information without implementation leads to immobilization.
Information with implementation produces impact."

I challenge YOU to implement these chapters into exciting programs for your local and make an impact in your community.

Continue to keep your HEART beating strongly for CPI.

*Nona Ellzey, MPCE
International President*

HEART OF CPI



It is with pleasure that I present to you the members (heart) of CPI your 2001/2002 Education Manual. At the annual conference in 2000, I asked the Second Vice Presidents to help in the preparation of this manual. I am proud to say that a member of CPI or his/her employer wrote each Chapter. I think this may be a first.

Each chapter will bring you knowledge in the area of bankruptcies, leadership, Human Resources, credit bureaus, what can you do beyond credit reports in collection of bad debts, insurance, job status, repair clinics, whether it's best to lease a car or buy one, and all about your Foundation.

Going to the HEART OF CPI has given me the opportunity to make new friends and renew friendships made through the years.

History – maintain by establishing new associations and making an effort to contact another association.

Enthusiasm – can't be measured, but if you have it, it can be contagious.

Accountability – all must make an effort to maintain and recruit members.

Recognition – you may be a winner at the 2002 conference—Set your goals.

Teamwork—we will be stronger and our HEART will beat faster as we reach our goals.

*Mary Jo Mularz, CCCE/MPCE
International First Vice President*

HR ... the evolution continues



By Ruth Zardezed, CCUE

In the 1980's, the term *human resource department* began to emerge. This was an outgrowth of the realization of how important the human resource function is to management. A properly managed human resource department (**HRD**) CAN BE A COMPANY'S GREATEST ASSET AND AN EMPLOYEE'S BEST RESOURCE. The role of a human resource department is to work with management in achieving the company's goals while attending to employees' benefits, training, safety and wellness. It is no longer a department that just carried out personnel tasks.

In the past, it was normally large companies that added personnel departments to their organizational charts to assist with employee record-keeping and employment responsibilities. In smaller companies, the owner or manager usually handled those tasks. Today, however, with the tangle of regulations, a shrinking employment pool, and the realization that rapid technology changes require training to be a constant, **HRDs** are springing up in all size companies. In addition, businesses are facing increased competition with a declining profit margin and are requiring human resource departments to help control costs as well as providing training programs to ensure their employees are capable of providing good customer service.

The expectations of an **HRD** can vary from company to company, but the main functions generally include:

Benefit Management and Salary Administration

A fair salary and benefits program must be in place and monitored in order to retain and/or attract employees. A responsibility of the human resource function is to strike a balance between meeting employees' benefit needs and cost saving through benefit cost containment. In order to do this effectively; the **HRD** needs to periodically audit the policies. In addition, these programs usually bring with them a wealth of required forms and reports. Even more

important, the **HRD** becomes the source for answering employees' questions regarding their benefits, such as questions about forms, types of insurance, differences in the options, etc.

In many cases, employers look at benefits together with salary as a total compensation package, as benefits usually equal about 30% of an employee's salary. For employees, benefits can represent additional non-taxed compensation, savings on expenses, and security for themselves and their families. Therefore, this function is one of major importance.

Compliance with State and Federal Laws

ADA, ADEA, EPA, FLSA, FMLA, COBRA, ERISA, OSHA are only a few of the legal aspects of employment with which a business must comply. Fondly referred to as the "Alphabet Soup," this can present quite a challenge to anyone in business today. Rules and regulations are constantly changing. And, even if a law doesn't change, many of the compliance issues are based upon size of employment, so with a company's growth comes a new set of regulations. Keeping abreast of employment laws is vital. One way to accomplish this is through involvement with an organization such as **SHRM** (Society of Human Resource Management). **SHRM** is a national **HR** organization with local chapters. They distribute legal briefings, status of laws, alerts and other informative material to their members. This type of support enables an **HRD** to stay abreast of all changes in employment laws.

Training

Enlightened organizations see the need for ongoing employee training. An investment in the workforce is necessary to remain competitive and helps to retain a loyal, proficient and stable work force. The human resource department will often assess the training requirements and needs of each employee, develop and monitor an education plan in accordance with the budgeted line item, and evaluate educational resources to ensure dollars spent on education have a valued return. In addition, they may be responsible for providing internal training programs as well as new employee orientation sessions.

Employee Information

In order to ensure fairness, efficiency and compliance, most businesses utilize a policy manual and/or an employee handbook. Although the **HRD** does not have the ability to set personnel policies, they are usually the ones who have the primary responsibility of research, development and recommendations of such policies. Once policies are enacted, **HR** must assist management and supervisory level employees in the implementation of all policy requirements. In addition, **HRD** is normally responsible to keep the employees advised of any changes or additions to current policy.

HRD maintains employee records and personnel files. Documentation maintenance can vary from manual (pen and paper) to sophisticated Intranets via a company's in-house data processing system. Typically, an employee's personnel file will contain an application or resume, payroll tax withholding forms, copies of benefit applications, appraisal forms, achievements (i.e. educational and recognition) and other pertinent data.

In recent years, exit interviews have been commonplace when an employee terminates. These are usually conducted by **HRD** and the information is developed into a report that is then shared with the management team to help assess internal operations, employee benefits and the overall work environment.

Recruitment

One of the most recognized duties of **HR** is filling open positions. This, of course, means finding candidates who fit the requirements of a specific job description. This can be an internal or external process depending on the company's philosophy. If **HR** has developed a skills inventory of current employees and has maintained complete personnel files on all employees, it can greatly expedite the internal process. Using external sources to solicit candidates can be a more lengthy process. It is usually the **HR** department that recruits, prescreens, and tests potential candidates prior to interviews being held. Ideally, the recruiting process is a team effort between **HRD** and the supervisor needing the position filled. When both work together and both have complete information, the hiring process goes much more smoothly.

Size Requirements

Although every company is different, a general rule of thumb is that if there are less than 50 employees, one individual handles the **HR** function. With the wide assortment of software now available, and creative outsourcing (a widely accepted performance strategy that permits selected functions and their day-to-day management to be transferred to third party providers, i.e. payroll) this is not an impossible task for the right person. Who is that "right" person?

Well, serving in a one-person **HR** department can be compared to being a country doctor rather than a specialist. You have to know a little bit about everything, and at the same time, realize that you can't be an expert on everything. A person working in **HR** has to be extremely organized or will become overwhelmed very quickly. Important attitudes for **HR** include energy, confidence, resourcefulness, flexibility and learning orientation. (A sense of humor doesn't hurt either.)

In addition, networking is critical because one of the challenges a one-person **HR** department faces is keeping motivated and growing. Having contact with people outside your own company enables you to keep in touch with what's happening in the marketplace. Working alone, it is very easy to create your own vacuum and greatly limits the inspiration you need to do your job effectively. Belonging to a national organization (such as **SHRM** mentioned earlier) will keep you from feeling like a "lone ranger" when it comes to handling **HR** concerns.

Ideally, whoever manages the **HR** function should be considered part of a company's management team because the main function of Human Resources Management is to help people be better in the future than they were in the past. In order to achieve this, **HR** needs to know what's in the company's future. This is an area that has not yet fully developed, but as was stated in the beginning of this article...."**the evolution continues.**"

About the author

Ruth E. Zarzeded is President/CEO of CCSD Federal Credit Union in Elmira Heights, NY and a Past International President of CPI. During her career she has been actively involved in personnel management and training and firmly believes that employees are a company's most valuable asset. She is a Certified Credit Union Executive and currently serves on the board of directors of several credit union affiliated organizations on the national, state and local levels. Zarzeded is married to Frank and has three grown children.



IS THIS JOB RIGHT FOR ME?



By Marylyn Tack

Do you find yourself waking up at 2:30 or 3:00 a.m. unable to go back to sleep – unable to turn off your thoughts? Did I fax the final report to my manager? I forgot to turn in my expense report. Oh my God I didn't call Mr. Jones back, I hope I don't lose the sale, I really need those points to make my monthly goal.

At any time, even when you love your job, you may feel stressed, unmotivated, underutilized and unappreciated or you may not be able to determine your purpose or true direction. An effective individual will look at his or her skills, goals, interests and values on a regular basis to determine if he or she is in the right position. Do you feel your current income and lifestyle makes it impossible to change jobs and that you are stuck working for this company?

Fear can be overpowering do not let fear stand in your way of making the decision of your future. Fear of not finding another job, fear of finding another job, fear of staying with the company or fear of moving to another company cannot rule your decision. You must overcome these thoughts and move on to make your decision based on your knowledge and skills. You must be able to look into the mirror and view your reflection. Does it look back at you and say, "Why can't you do this - it is so simple? You're a lousy salesman. You're never going to succeed."

You must make a change in how you see yourself in this mirror. You must see the positive because others see it in you. You must believe in yourself and make a change. Take small steps. Next time you look in that mirror say to yourself, "Gee you're looking good, did you change your hair? I know you're going to get the sale today. I'll have that talk with my boss today. I know I can do anything I put my mind to, I am successful."

Find out your worth. Every so often you need to determine how it is changing and what you need to do to grow and develop your worth. Research into

similar positions in your company, or a related one in another company, this will reveal the financial worth of your own position. Don't under estimate the value of your longevity with your current company. A person becomes increasingly valuable over time, as their knowledge and education increases their productivity. You might be in a position to obtain a salary increase or a more advanced position within the company.

You are the single most powerful investment in your future. You are the instrument of your own performance, and to be effective, you need to recognize the importance of taking time regularly to sharpen your skills and renew your focus. To do this we must be proactive. To be proactive is to change from the inside out. To effect positive change in what we do, I can be more creative, I can be more diligent, I can be more cooperative, and I can be more tolerant. Some people think that proactive means pushy, aggressive, or insensitive but that is not true. They are smart, they know what they want, and they are value driven. It takes initiative to make a change in your performance.

So take advantage of this time of self-reflection and re-evaluate your career. Where it now stands and where you want it to be in the future. Re-evaluate your career before you make any other changes or improvements. You should sit back and take a look at your current career situation. Changes take place over time and you should periodically analyze your position. In order to be happy you must know yourself. Take time to assess your skills, likes, dislikes and aptitudes.

Go the extra mile in your job. It is so easy just to do what is expected, show up and put in your eight hours. This is not only not satisfying to you, but sooner or later your employer will know. Starting today, show some enthusiasm. Be positive and be proactive about your tasks. Keep a positive attitude. This will make you more productive and happier.

You must be proactive taking the time to sharpen your skills, change your attitude or move on if the negative outweighs the positive.

Stay on top of emerging trends in your industry. Keeping on top of what is happening in your industry is vital to furthering your career and education. Read professional publications or attend conferences or workshops in your field. Check out newspapers and magazines. They are full of information about new trends in the business world. This will keep you informed and able to discuss trends and issues intelligently and you will enhance your position.

Education does not ever end, it continues throughout your entire life. Evaluate what areas you need to brush up on. Take advantage of what you know and determine what will enhance your personal or professional life and sign up today for a class that will create balance between your personal life and your professional life.

Listen to what others are saying to you. You will be surprised at how much you are able learn about yourself and your job. Learn how to take feedback whether it is positive or negative you will truly benefit if you can simply accept it by replying with a simple "thank you." If you see it as legitimate you can respond with appreciation for having this pointed out to you. If you disagree you can calmly state your position without becoming angry or upset.

If you have tried all these things and you are not satisfied with the career you have chosen for yourself then you must be prepared to say "this job is not right for me" and then move on to a new opportunity.

About the author

Marylyn Tack is currently a Vice President and Banking Center Manager for Bank of America. She has been with Bank of America for 29 years. She has a total of 35 years in the banking industry. She is a graduate of Robert O. Anderson School of Banking. She is a member of Credit Professionals International and is currently District 9 First Vice President and Parliamentarian for Las Madrugadoras, her local association.

West Central Illinois CPI
wants to express gratitude and
congratulations to

Linda Bridgeford, CCCE,
as President of District Five CPI and to

Mary Jo Mularz, CCCE/MPCE,
as International First Vice President of CPI.

LEADERSHIP



By Mary Jo Mularz, CCCE/MPCE

What is leadership? Is it the gavel? Election as President or Chairman of an organization? Can it be taught? Is it a responsibility or a privilege?

Think about how many times we use the expression, "that person is a real leader". What makes us say that? We often confuse the title of "Leader" with having leadership traits. The title of "leader" in its many forms may mean nothing more than "Head of" something. On the other hand, we all know people who exhibit leadership and who have no formal titles or formal authority.

Leadership is one of the most observed and least understood phenomenon on earth. A recent study turned up 130 definitions of the word. There is no central concept of leadership because those who researched it have worked in separate disciplines in pursuit of different and often unrelated problems.

However, we know one sure thing about leadership, namely, that the roles of leader and follower must be united conceptually. Where there is a leader, there must be a follower. The process of leadership must be seen as a part of the dynamics of Conflict and Power. But Power-holding and brute-power are separate and distinct from leadership.

Former Chicago Bulls Coach, Phil Jackson, in his book, "Sacred Hoops", discusses the elementary traits of leadership as: having vision, empowering others, building consensus, helping others reach their potential, having strong values, having compassion and in building skills in others.

To capture the hearts, minds and souls of followers, leaders must be inspirational. This ability depends on perfecting four qualities—

- (1) Selectively expose your weaknesses, which creates trust and builds solidarity among the followers. If you tend to be disorganized, it will allow followers to then see you as a human and approachable.

- (2) Rely on their instincts to know when and how to act.
- (3) Manage employees with "Tough Empathy"—giving people what they need not what they want. This allows you to balance respect for the individual with the job that needs to be done.
- (4) Reveal their uniqueness. Leaders, who dare to be different—as to style of dress, handshake, imagination or expertise, can use these differences to keep a social distance and motivate others to perform better.

The challenge facing prospective leaders is for them to be themselves, but with more skill. You can manipulate these four qualities to come up with a personal style that works for you.

LET'S LOOK AT THE DIFFERENT TYPES OF LEADERSHIP:

AUTOCRATIC: The most restrictive leadership style—in this style the leader defines the problem, sets the solution and permits little opportunity for group interaction or modification suggestions. He/she totally dominates all aspects of the decision-making process and imposes his/her wishes on the interacting group, regardless of the group's Interest. Normally this style of leadership is used when the administrator has very little confidence in the group's ability to find a satisfactory solution to the issue at hand.

BENEVOLENT: A Benevolent leader holds some confidence in the interacting group, yet still wishes to impose his/her solution to a problem. They will assume a paternalistic posture and interact with the group in a conciliatory manner. Rather than giving direct orders, this leader offers suggestions with the strong implication that these be followed to reach his/her desired goal.

CONSULTATIVE: You will find this type of leader in a group with strongly stated interest and independent minds. He/she will turn to a "consultative" style. The leader will state a goal and then call on the group for a collective decision on how to best reach that goal. With the group interests being a large consideration the leader will encourage group participation. But, while there is a great deal of openness and two-way communication, the leader still maintains and exercises a certain amount of control over the groups direction.

PARTICIPATIVE: This leader has complete confidence in the group's ability not only to reach an acceptable solution, but also to adequately define the problem and chart a course of action.

In such situations the leader can say, in effect "this is the problem, what do you suggest as a solution and how do you think the solution can best be implemented?" This style demonstrates a great deal of trust in the group's capabilities. Rather than setting the direction and tone of the policy, the leader asks the group to come back with recommendations for his endorsement.

WHICH IS BEST?

No one leadership style is going to work in all cases. It is a skill that determines one's personal success as a leader. The same leadership style may not be appropriate for all stages of the decision-making process. A leader may vary his style of leadership, but he/she cannot force people to behave in ways that are uncongenial to their personalities.

Every leader must know how to make room for two-way communications. The leader must be flexible, matching the appropriate behavior to the issue, the goals and the groups confronting them. The success of leadership will ultimately be reflected in the continued prosperity of the group, which he/she leads. You will be surprised at the leadership that can emerge in times of strife and stress. Take for example, the leaders that emerge in time of war – many who were privates, took command and led their group to safety or saved many lives by making leadership decisions at the right time.

HIGH PRODUCTIVE LEADERS SPEND TIME ON:

- MOTIVATING SUBORDINATES
- PROVIDING STRUCTURE
- KEEPING THEM INFORMED
- CONSTRAINING
- RETRYING NEW IDEAS
- SHOWING CONSIDERATION FOR FOLLOWER(S) AND THEIR NEEDS.

LOW PRODUCTIVE LEADERS:

- DEMAND MORE THAN CAN BE DONE
- CRITICIZE
- TREAT SUBORDINATES WITHOUT RESPECT TO THEIR FEELINGS
- RIDE THEM FOR MISTAKES
- REFUSE TO ACCEPT IDEAS
- LITTLE COMMUNICATION
- DEMEAN MEMBERS OF GROUP
- GIVE LITTLE OR NO CREDIT TO OTHERS.

Can leadership be taught? According to Bob Gunn, who leads Gunn Partners, a Fortune 500 company, "to say leadership can be taught suggest a curriculum and the notion that techniques of leading can be transmitted via frameworks, reading materials, and other instructional aids."

Most teachings of leadership are in reality "change management" practices that try to create a social system of leadership. The common thread among leaders appears to be a willingness to take an idea and put it on the table. They are also willing to speak out, advocate and sometimes fight for their beliefs.

The old assumptions about leading may have been right for times past, but it's unlikely that such assumptions will serve us well now. The world is moving too fast!

The truth, I believe, is that everyone has all of the capacities necessary for leading, so keeping up with the times is only a question of recognizing this innate ability and acting on it. Granted, it requires faith not only for those in positions of authority, but also for everyone else.

Each of us needs to look within ourselves and see how we answer the question, "am I able to lead?" Are you passionate about an issue, idea or cause? Can you create passion in others? Are you willing to risk? If you answered "YES" to these questions, then you might just be a leader.... Many are and don't know it.

So, dear friends, is leadership taught? Probably not, but then again, it doesn't have to be taught, for leading effectively does not require learning something but simply looking inside to discover your own answers to the question of how to express your natural gifts.

Be a communicator, stand up for those you lead, create a common cause and learn from others.

Leadership is responsibility, but it is also a privilege. At every level in any arena, within a community, the privilege presents itself in two parts; the opportunity to serve and the opportunity to learn.

Following are some quotes from the graduate school of business, University of Chicago Alumni and others in positions of leadership when asked what makes a smart leader?

Leadership and learning are indispensable to each other. *John F Kennedy.*

You will never be a leader unless you first learn to follow and be led. *Tiorio*

A leader serves his people and his company/organization, never the reverse. *Stephen Breckley, President, Bluewater American, Inc. (Provides interim leadership to organizations.)*

Leadership is not management. A manager plans and executes through control. A leader develops and communicates a focused vision. *Arthur Velasquez, President, Azteca Foods.*

A leader is decisive, but his prime responsibility is not to decide but to create an evocative situation, stimulate an atmosphere of objective participation and keep the goals in sight. *Robert Galvin, Chairman, Motorola, Inc. Executive Committee.*

When interacting with others in a leadership position, the leader should consider:

- The situation or issue at hand
- The goal or goals to be attained
- The confidence in the followers who will help to obtain the goals, and
- The right kind of communication process.

The leader considers these factors and selects the leadership style.

Your "Attitude" will decide which type of leader you will be.

What is your leadership style? What is your attitude toward being a leader or to your leaders of today? Think about it! Do you need to make some changes? Only you can answer these questions.

In a society, the followers needs and demands are evolving, and this requires that our leaders be dynamic.

As the late Sam Rayburn, then Speaker of the House, said: "You cannot be a leader and ask other people to follow you, unless you know how to follow too."

Mary Jo Mularz has been a member of CPI since 1962. She has been an active Member at the Local, District and International level. Currently she is serving as International First Vice President, and Membership and Extension Chairman. Mary Jo and her husband, Stan, live in Davenport, Iowa. Parents of nine children (one deceased), thirteen grandchildren and three great grandchildren. She also is active in her Church, Pilot International and serves on her Home-owners Association Board. She is employed by Roger Clawson State Farm, Moline, Illinois.

Credit Bureaus: past, present and future

By Aaron Huber

In Charles Dickens' classic novel, *A Christmas Carol*, the heartless Ebenezer Scrooge is visited by three ghosts: Christmas Past, Christmas Present and Christmas Yet To Come. The trio is eventually convincing enough to compel even the hardest of hearts to change.

In considering the ghosts of the credit reporting industry, we might go through similar emotions as Mr. Scrooge did in viewing what the visitors had to show him. Some of us might experience fear or anger as new distribution channels; technology and regulation threaten our normal revenue streams. Others may be delighted by the many opportunities they see with new delivery methods and niche markets. Customers of the reporting agencies will see how far the industry has come in creating products and services that lead to better, more effective and profitable lending practices.

To preface our ghostly visits, it is important to consider the role credit reporting plays in our society and economy. It is widely understood that the United States economic system relies heavily on credit spending by both consumers and businesses. The system of historical reporting and verification of a debtors past performance has greatly enhanced the lending capabilities of credit grantors, provided ease, convenience and has improved the buying power of the vast majority. While the credit industry should not accept too much credit for the historical prosperity in the U.S., one need only look at the struggles of developing countries' economies and their attempts to embrace a similar system of credit to boost their economic growth, as evidence of the industries economic importance.

Credit Reporting Past: Local to National

Like many others, the credit reporting industry began in a localized way. Merchants in cities and towns around the country wanted to be able to sell their goods to customers by establishing payment terms. In order to do this, the

merchants felt it was necessary to verify the customer's ability to pay and review those customers' past history of paying.

As a means to accomplish this, the merchants and lenders in a community would get together and establish a credit bureau. Many of these bureaus were set up, as member owned associations or co-ops. The members manually reported the payment histories of the customers to the bureaus, who would keep the paper file information in file cabinets or file drawers.

Many of these local credit bureaus still exist, tracing their beginnings to the late 1800s and early 1900s. The agency I work for today was established in 1912 as the Merchants and Manufacturers Association of Phoenix.

As the United States economy grew and expanded beyond local markets, there was a need for merchants to exchange information across local boundaries, so a manual system of exchange between the hundreds of local credit bureaus was established. After World War II, we had a period of economic expansion fueled by new big-ticket items such as automobiles, appliances, furniture and televisions that could be purchased by credit. Department stores and gasoline companies began issuing credit cards to the masses. These circumstances necessitated a new, more efficient way of exchanging credit history information.

The answer was automation. Several companies, including Chilton, CBI-Equifax, Pinger, Trans Union and CDC (purchased by TRW) joined the race to automate this process by storing and delivering the information by computer. One story has been told about TRW's early "automated" delivery. A customer would call their data center in Orange, California; the telephone operator would key in the data at a terminal; the report would print in another room and an individual would place the printed report on a conveyor belt back to the telephone operator who would read the printed report back to the customer.

After automating, the next step was creating a national file. The best way to do this was to go to each of the thousands of local credit bureaus and get them to submit their data to the national file. Each of the companies that had automated attempted to either purchase local bureaus or sign affiliate contracts with them to house their data and give them access to a national file. At the time, many affiliate relationships were formed to the benefit of the local bureaus, the customers and the national database companies (vendors) by providing both local merchant data with data from national companies in nationwide databases housed by the vendors.

During this period of automation, congress felt it was necessary to put in place some regulations that would protect consumers and in 1971 the Fair Credit Reporting Act was enacted. Since this time many State laws have been enacted along with some amendments to the original law that place very strict

regulations on the reporting agencies, furnishers of data and users of the information.

Credit Reporting Present: Consolidation, Diversification and Privacy

Last summer my family and I visited Knott's Berry Farm, in Southern California. To my delight and terror they had a new ride called the Supreme Scream. This ride transports open-air riders straight up to a record-breaking 254 feet. As you reach the top, legs dangling, there is a brief pause as you look out over the city, then suddenly the ride power-blasts you straight down in a gut-wrenching three seconds flat! Velocity of the downward plunge tops 50 miles an hour, bringing terrifying new meaning to the term "negative gravity." But the towering thriller isn't finished with you yet. There's still another heart-pounding wallop as riders rebound halfway back up the skyscraping tower before a final, merciful landing at the launch pad below.

Today's industry and general business environment is not unlike this ride. Just looking at it before getting on can be overwhelming. Today we face some scary propositions in our businesses including economic uncertainty, industry consolidation, new, non-traditional competitors and the ever-growing concerns about information privacy. While these factors post threats, there are many opportunities for traditional credit bureaus to embrace some of the new distribution channels, delivery methods and niche markets to enjoy some newfound areas of success.

Consolidation is not new, and many will say we have been going through this for years. The original national credit reporting agency vendors are down to three, Equifax, Experian and Trans Union. As the traditional customers of the industry (banking, finance, insurance, retail and collections) continue to consolidate, a great deal of the once local business moves to a national or regional level; causing the traditional local credit bureaus to lose contact with customers who may have once been in their market. The business model of a local credit bureau owning a database and affiliating with one of the national vendors is a thing of the past. While some still do this, the form and economics of the relationships are changing in which the affiliate becomes more of a sales agent for the vendor. The vendors have purchased many of the affiliate bureaus or their contracts have not been renewed.

To address this, many of the bureaus are diversifying their products. Agencies that once only sold consumer credit reports are now branching into, resident screen, pre-employment screening, database management, collections and other businesses to diversify their services and offset their reliance on one product and vendor.

Equifax, Experian and Trans Union are facing a need to add value to their basic, commoditized, credit report products to differentiate themselves and

reduce reliance on a single product line. Agencies are beginning to look at the consumer as a customer and stream of revenue as they allow resellers to distribute their reports directly to consumers, most recently with disclosure of risk score as part of the report.

The Internet has opened up a whole new array of distribution methods, channels and customers. Recently my neighbor purchased a new car at a local dealership. He walked onto the lot with his financing in place, obtained over the Internet through a bank in Florida. As part of this almost instant process, a credit report was accessed automatically and a decision was returned without human input. Almost all reporting agencies are delivering reports securely over the web, many are offering other products and data sources, such as resident history databases, automated decisions and credit scoring. Other sources of data such as public records are also becoming available online. Customers used to have to decide what type of software they were going to use to dial up and access the credit information and if that software would be compatible with their system. Today these customers no longer have to use software, they can go to the Internet and connect to their credit reporting agency, validate who they are and get access to the file. Consumers are also able to receive their reports over the web.

The perception of such readily available information has caused a fear among consumers about the privacy of their information. Some uses of information such as locating consumers and marketing have come under fire; accused of being privacy invasions. Other privacy concerns like identity theft and fraud continue to be in the headlines and on the agendas of lawmakers. While the industry has done an admirable job of self-policing new rules regarding the use of consumer's identifying information will continue to affect the way creditors and reporting agencies do business.

Credit Reporting Future - "flat out freakin' crazy"

In a recent article written for Fast Company magazine, business guru Tom Peters describes the past five years of business as "nuts" and indicates that the next five will "go from nuts to flat out freakin' crazy".

While I do not know his definition of "nuts" or "crazy", I can comfortably say that things are certainly not going to slow down. The changes will continue to come and windows of opportunity will open and close faster than ever before.

I will attempt to give some predictions. Some border on the obvious and others are pure speculation. Before doing so I must add a disclaimer that I was last place in my office pool for the NCAA College Basketball tournament and I do not have any special crystal ball.

Consolidations will continue with the relatively new twist of banks, insurance and investment groups getting together to form suites of service for consumers.

These consolidations will affect the credit reporting agencies and industry consolidation will continue and will begin to affect the resellers and new niche market distributors as they become more prevalent targets and acquirers. If the free flow of information to legitimate parties is not disrupted too much by new regulation, the speed and delivery of information will continue to improve through the Internet and Intranets and decisions will become faster and more standardized.

Delivery and data gathering methods may improve to a point where other database companies will be able to enter the market and challenge the big three national reporting agencies. The agencies' ability to mine their data and provide better predictors and targets for their customers will be vital. Most of the small local bureaus that continue will be sales agents for either one, or resellers for all three national reporting agencies. Some of these agencies will continue to diversify into more technology-based areas such as customized decision modeling, application processing, database management and data mining.

About the author

Aaron Huber is the Vice President of Business Development & Strategic Planning for Merchants Information Solutions, Inc., a holding company in Phoenix, Arizona that owns a credit bureau affiliated with Experian; a mortgage, tenant and employment screening company; a direct to consumer reseller; a collection agency and a digital imaging company. Aaron has been involved in the credit reporting business for 13 years. He received his Bachelor of Science degree from Arizona State University and a Master of Business Administration in Finance from Western International University. He has been a senior examiner on the Board of Examiners for the Arizona Governor's Award for Quality. Aaron is married to Kimberly and they have 5 children, 4 boys and a brand new baby girl.

This article was submitted by Sue Stricklin, Phoenix AZ. Sue is Secretary/Treasurer of the Business Connect Professionals (division of CPI) of Phoenix. She is a Past President of District 11. Sue was a "surprised" hat winner at the Seattle Conference.

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MOVE IT, DISCUSS IT, AND VOTE ON IT.



By Terry Rowe, CCCE

Robert's Rules, Agenda, Policy, Procedures, By-laws, Standing Rules, Articles of Incorporation, and a tornado of terms storm through your head preparing for your first meeting. This is your chance to get up and conduct. Do you feel like the destruction started before your meeting? Well, come along and discover the not so mysterious solutions to running an effective and efficient meeting.

How often have you attended a meeting of your church group or an organization only to wonder what just happened? Was anything decided? Everyone is talking at the same time; you cannot follow what is going on, why does this meeting have to last for two hours, why are we going over all of this detail? Who is in charge? Why can't we decide on something?

Ever have these thoughts run through your head?

It has happened much too often for most of us. All organizations know there must be a better and more effective way to conduct a meeting, but have not discovered the secret. Or maybe they have heard, but it sounded too complicated and rigid for "their" type of organization.

If you are a chairman of a committee, a newly elected presiding officer or an interested and committed member, this is for you.

THE BASIC MEETING

A basic meeting should take no longer than twenty to thirty minutes. How do you do that? Let's discuss what tools you will need.

Robert's Rules of Order and Parliamentary Procedure can assist you along with a copy of the Bylaws of your association and standing rules, which should include the officers' duties.

Start out by acquainting yourself with all of the information concerning your organization. Read those bylaws, standing rules, and previous minutes.

Now, brush up on your Parliamentary Procedure. What is that? Parliamentary

Procedure is as old as our Early English ancestors' birthdates. The rules were implemented to facilitate the democratic transactions and decision making that governed the pre-elected and elected bodies of our government. The formal beginning was with Thomas Jefferson who compiled a manual of parliamentary practice, which was adopted formal by the House and the Senate.

These newly adopted rules were very complicated and too complex for the average politician and not easily read by others, let alone understood. They were so complex that they did not convert well to either church meetings or other organizational meetings. Because of the need for parliamentary practices, Henry Martyn Robert wrote a book of rules that he designed to be used by the non-legislative organizations.

They are now universal and translate the boundaries of any State, Country, or Universe.

The basics are:

1. The minority must be heard, but the majority must rule.
2. Parliamentary Procedures insure the rights of the majority to decide.
3. They serve to protect the rights of all individual members and those of the absentee member.
4. The laws of Parliamentary Procedure are to insure a fair and impartial balance between the organization's officers and its members.

Now, let's get onto your first meeting. The dreaded first rap of the gavel.

We will address and discuss some basic officers' duties as we go through the meeting and the functions to make it run smoothly.

Presiding officer, start your meetings on time. Come to the meeting place early and insure the set-up is correct. Have all information to be given out at each person's place setting, and if your organization dictates, the place cards should be set at the designated places.

Start the meeting at the appointed time, providing a quorum is present.

You are the enforcer for your organization. You will maintain the order of the meetings and you will see that the membership is well represented. Control cliquish behavior by not letting splinter groups or past presiding officers take over and push issues through or disallow them for personal gain. You will not have a vote at the meetings unless it is to break a tie vote, and you will not discuss items unless you leave the Chair first.

Check with all officers, especially those giving reports prior to the meeting to insure that they will be in attendance and have their reports ready. Copies of those reports will serve as reference material. Remember, the President is ex officio on all committees.

Have your agendas, hand out material, a copy of the last meetings minutes at hand, check to see that your officers will be in attendance, and practice the meeting before getting there. You need to convey a confident but not dictatorial manner. You are the presiding officer in control of the floor. The order of the meeting is in your hands. Keep sideline talking squelched. You must not show favoritism or partiality and exercise the general supervision over the association's affairs.

Now let's go over the Agenda.

An agenda is the outline of your meeting. It is the business that must be conducted to properly run the association to keep it on the correct time line and follow the instructions as outlined in your by-laws. Your officers and chairmen will need to give reports and you should check with your executive board for any items that will be presented at the meeting.

A sample of an agenda could be:

1. Call the meeting to order
2. Opening
 - a. A welcome by the Presiding Officer
 - b. Invocation
 - c. Pledge of Allegiance
3. Minutes of the Previous Meeting
4. Reports of Officers
 - a. Treasurer
5. Report of the Executive Board Meeting
6. Reports of Standing Committees
7. Reports of Special Committees
8. Unfinished Business
9. New Business
10. Announcements, Program
11. Adjournment

Reminder: In the opening, God is always before country for the order of Invocation and Pledge to the Flag. Other countries often include a toast.

The Call to order, Opening with the Invocation and Pledge to the Flag should take no longer than 5 minutes.

Some organizations prefer to print and mail the minutes in order to cut the time used to only a couple of minutes to move their acceptance or correction and accept. If read they will still fall within a reasonable time frame. *2 minutes.*

The report of the Board Meeting is to be reported on by the Secretary, who will present the highlights of the Board meeting and include those items requiring action. Items requiring action will be taken care of under the appropriate order of business. *3 minutes.*

Standing Committees and Special Committees reports are just that, reports. This is not the time to work out the details that should be taken care of by the committees. Keep the reports short, to the point. *5 minutes.*

Unfinished business. These are items from the last meeting left unresolved. This could be an upcoming event or the time has come to take some form of action with a matter. *5 minutes.*

New business: Much of this will come from the Board Meeting. *5 minutes.*

Announcements should include the next meeting date, time and place and who is responsible for the program, or what that program will be. If there are refreshments after the meeting, it would be announced at this time along with a thank you to the person who was responsible for them. *5 minutes.*

The program should last 30 minutes and allow a respectable length of time for questions if appropriate. Remember – always leave them wanting more.

With no further business to come before the assembly this meeting is adjourned.

Thirty minutes for the meeting and another 30 for your program will easily fit into most busy members' schedules.

Keep the visiting and sharing of experiences or ideas for after the meeting or during refreshments. Those things could also be discussed at committee meetings where there is a less rigid time element and a less formal meeting environment. It is also a good idea to have brainstorming meetings for ideas and interaction of members.

Teach, Teach, Teach. It is up to you to make sure your members are trained in running a meeting. They should learn how to make and word motions. They need to know when to amend the motion. To vote on amendment first and then the motion as amended. Keep motions short, concise and to the point. Always ask for second, and discussion before asking for the vote.

Robert's Rules of Order will cover the duties of the Secretary and the manner in which to keep the minutes. What to include and what to leave as discussion. Remember, Secretaries, it is your job to get a copy of those minutes to the Presiding Officer and to discuss any items that were not settled or that need to be included in the next agenda for attention by either the Board or at the next regular meeting of the membership.

The Treasurer's duties are also covered. The Treasurer gives the report of the finances, but the report is not adopted. It is filed for audit. The annual audit report however, is voted on and is usually done on a quarterly, semi-yearly or yearly basis.

It is important to know the line of succession just in case one of your elected officers or standing committee chairmen are not in attendance and a report needs to be given, or in the case of the President, who will run the meeting.

The function of the Executive Board and Board of Directors and how to conduct the business of those boards are also addressed. Remember, your Board of Directors meetings are to be kept confidential until reported to the membership as a whole.

The formality of these meetings will vary greatly depending on size, however you must still follow basic and orderly procedure. Some basic differences should be noted.

- A. Board members may make motions while seated.
- B. Motions will not require a second.
- C. Debates are not limited.
- D. The chairman can make the motion, debate, and vote without leaving the Chair.

Discussion is still limited to the subject or motion on the floor, and only one person may speak at a time.

Robert's Rules also will address Convention meetings in detail.

This is really a little big book. It contains so much good information. If your organization is using an old hardbound version, list it on E-bay and use the profit to purchase a newly revised easy to read large print version.

Adopt the use of this tool, work with it, learn it, teach it and you will be most comfortable in your new mission; leading your organization for the ensuing term. You will be confident because you know what you are doing. Your members will enjoy attending meetings that are timely, informative and that give them the opportunity to be part of the decision making process. Your guests and guest speakers will also appreciate the timeliness of your meeting and the flow. They just might want to come back, or better yet, they may ask to join you in the future.

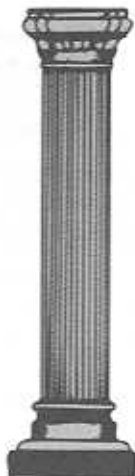
Adjourned.

About the Author

Terry I Rowe, CCCE is the Branch Manager of the Jerome and Twin Falls, Idaho Branches of Pioneer Federal Credit Union. Terry is a Past International President, District Ten President and Idaho State Credit Association President. She served as the International Parliamentarian for the 2000-2001 year, Advisory Committee, Human Resources Committee, and is President of the Credit Education Resources Foundation for 2001/2002.



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BEYOND CREDIT REPORTS: PUBLIC RECORDS AND OTHER INFORMATION SOURCES



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Michael R. King
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I. CAN I GET THE INFORMATION ON A CUSTOMER FROM A CREDIT REPORT?

A credit report is a basic tool for either evaluating a prospective customer's creditworthiness or for locating assets to collect a judgment. "Those who hunger for information often need look no further than to a person's consumer report — which summarizes, among other things, credit history and credit worthiness," according to Circuit Judge Cudahy, in the case of *Duncan v. Handmaker*. Concern over the possible misuse of such personal information led Congress to pass the Fair Credit Reporting Act (FCRA) to regulate consumer credit reporting agencies and users of consumer credit profile reports. Therefore, consumer credit reports may not always be available to a creditor.

Under the FCRA, when consumer credit reporting agencies are asked to furnish personal credit reports in connection with any credit transactions not initiated by the consumers, the consumers must give prior written consents or the reports may not be obtained. The FCRA does not apply to reports used to extend credit to businesses because Congress did not intend for the FCRA to apply in commercial contexts.

Recently, the Federal Trade Commission (FTC) clarified the issue of whether business creditors may use consumer credit reports for business purposes without people's written permission. The FTC took the position that consumer credit reports may not be obtained or used for any purposes, even for commercial transactions, without prior written consents of the individuals. Many people disagree with the FTC position and some believe the FTC will

change its position, but can you afford to risk violating the FCRA?

The civil liability for noncompliance with the FCRA is set forth in 15 U.S.C. §1681n:

(a) Any person who willfully fails to comply with any requirement imposed under this subchapter with respect to any consumer is liable to that consumer in an amount equal to the sum of

(1)(A) any actual damages sustained by the consumer as a result of the failure or damages of not less than \$100 and not more than \$1000; or
(B) in the case of liability of a natural person for obtaining a consumer report under false pretenses or knowingly without a permissible purpose, actual damages sustained by the consumer as a result of the failure or \$1000, whichever is greater;

(2) such amount of punitive damages as the court may allow; and

(3) in the case of any successful action to enforce liability under this section, the costs of the action together with reasonable attorney's fees as determined by the court.

(b) Any person who obtains a consumer report from a consumer reporting agency under false pretenses or knowingly without a permissible purpose shall be liable to the consumer reporting agency for actual damages sustained by the consumer reporting agency or \$1000, whichever is greater.

Under 15 U.S.C. § 1681h(e), a consumer can only bring an action for defamation, invasion of privacy or negligence if the false information was furnished with malice or willful intent to injure. But a class action on behalf of all the individuals upon whom you wrongfully obtained consumer credit reports could be costly.

So what can you do if the credit report is unavailable or lacks the information you need?

II. BEYOND THE CREDIT REPORT.

Although successful credit transactions can involve good luck, having a good plan or strategy will make you much luckier. Spending some quiet time with the file, reviewing its contents, and thinking about the potential assets to support the proposed credit can be the most productive work you do. Take those thoughts and ideas and make them parts of a coherent strategy for the account.

A. Knowing the Customer.

Too often creditors do not really know the identity of the customer. Too often, unfortunately, the salesman merely copied the name on the stationery or on the marquee, along with the address, and opened an account and shipped products on credit. When the creditor does not know the true identity of the debtor, the challenges of receiving payment are multiplied.

B. Identifying the Customer.

The customer may be an individual doing business under a trade name. The customer may be several individuals operating as a de facto general partnership without any formal documentation. The customer could be a true "mom and pop" operation owned and run by a husband and wife. The true identities of individual customers are crucial.

The customer may be a corporation, a partnership, a limited partnership, a limited liability company, a professional liability company, or a limited liability partnership. The business name on the order form turned in by the salesman may or may not have any legal connection with the true customer. The type of entity, however, will make a great deal of difference with respect to the rights and remedies of the creditor when it is time for payment.

The starting place in determining the true identity of the debtor is the creditor's own records. You should make sure that you have all of the records, including old credit applications, copies of checks, credit reports and correspondence. By delving into your company's records, you may just unearth the real legal entity or entities that should be responsible for the account. Keep in mind that this process may also expand the potentially responsible parties. For example, if you learn that the customer is in fact a general partnership, then all of the general partners and their spouses (many of whom were probably never identified to you) are jointly and severally responsible for payment of the account.

If your company obtained an accurate and complete credit application, then the job of identifying the responsible party on the account should be already completed. If you do not have the luxury of a complete, accurate and current credit application, then keep in mind you may later need to assemble the same information which should have been assembled prior to extending credit. For example, you will want to identify the individual customer's residency status, his or her family, his or her work history, and his or her credit history. The areas in which you need information are:

1. The customer's identification and personal data;
2. Employment and income information;
3. References; and

4. Information pertaining to assets and liabilities.

The basic personal information on an individual credit customer should consist of the full and complete name (including maiden name and any other previous married name), age and date of birth (as well as the age and date of birth of the spouse.) You also need an accurate residence address and the social security numbers for both spouses. In addition, the phone number or numbers are important. Keep in mind that directories exist from which you can determine the address and name which go with a particular phone number or the name and telephone number which go with a particular address.

For an individual, employment information should include the name, address, and telephone number of the employer, the number of years employed and the monthly income. Personal references for an individual should include the individual's parents, brothers and sisters, and closest friend. The name of the spouse and the information concerning the spouse's parents, siblings and friends may also be important in the future for purposes of locating, as well as identifying the debtor.

Even though the easiest and most complete way to obtain credit information is from a credit reporting service, these reports may not always be accessible or complete. You may find it useful to call credit references to see if they will share information from their files. A good network with your fellow credit professionals can be invaluable.

The types of information you will need on a business are similar to those needed on individuals, but will vary depending on the type of business entity. Section III.A. of these materials will suggest to you some of the different information available as to different types of entities.

III. HOW TO CHECK ON WHETHER THE POTENTIAL OR CURRENT CUSTOMER HAS ASSETS SUFFICIENT TO JUSTIFY THE EXTENSION OF CREDIT.

In order to locate assets, a creditor needs to be diligent and knowledgeable about the customer. The investigation into the assets of the customer or potential customer should begin as soon as possible. The purposes of early investigation are, first, to determine whether the account is likely to be paid and to make decisions accordingly, and, second, to determine assets at the earliest possible time in order to be prepared to collect if the account is not paid satisfactorily.

A. What You Already Know About The Customer — Informal Discovery.

There are both formal and informal means of investigating assets and of

learning more about the customer. The informal investigation begins by searching all files and assembling all possible information about the customer which may already be "in house." Copies of financial statements and credit applications, even outdated financial statements and credit applications, can be very helpful. Copies of cancelled checks and bank statements help to identify sources of income. Contracts, invoices and related documents can help provide information concerning jobs worked on by the customer. These documents also may identify alternative addresses, alternative persons with information concerning the customer and his assets, and sometimes additional parties liable for the account.

The informal investigation and the knowledge you will be able to obtain from existing credit files about the customer will be helpful in assisting you to make use of numerous sources of information from the public records.

1. Public Records.

a. Department of Transportation.

One of the most useful sources of information in most states is records of the motor vehicle division of the Department of Transportation. Usually, you can search these records by license plate number, vehicle identification number or owner's name. Obviously, it is helpful to know what motor vehicles are titled in the name of your customer. Almost as important as learning which vehicles the debtor owns, is learning the amounts of the liens and the identities of the lienholders. In most states, this information is contained on the printouts which are available from the motor vehicle division. If the liens on a vehicle are considerable, you will not consider the vehicle to be a significant asset when extending credit. The identity of the lienholders is important, however, even if there is no equity in the vehicle. Quite often a debtor will have other banking relationships with the financial institution which finances a vehicle. Therefore, the motor vehicle records may lead you to other assets or other credit references

You may also wish to obtain a copy of the driver's license from the Department of Transportation. The copy of the driver's license will generally provide you with a photograph of the debtor and a physical description and address. The driving record from the Department of Transportation is also sometimes illuminating.

Mobile home ownership can also be researched at the customer service department of the motor vehicle division or some similar agency. A separate indexing system is often available pertaining to mobile home ownership which provides title, registration, and lien information.

b. Corporation Commission.

With a corporation, limited liability company, or other registered business entity, the records from the Corporation Commission will provide you with the articles of incorporation or articles of organization. The Corporation Commission records will also normally identify the directors, officers and major shareholders of the corporation. Checking the accurate name and actual legal status of a registered business is always wise.

c. U.C.C. Financing Statements.

Listings of liens against some collateral, such as fixtures, can be obtained from the County Recorder's office. The UCC-1 financing statements recorded with the County Recorder are readily available and useful sources of information. Liens against most items of personal property are generally filed with the Secretary of State's office. After July 1, 2001, in states adopting Revised Article 9 of the U.C.C., almost all UCC-1 filings will be with the Secretary of State's Office. You should almost always check for UCC-1 financing statements recorded with the County Recorder and filed with the Secretary of State's office. Obviously, these liens indicate assets owned by the debtor. Older liens will indicate assets in which there should now be some equity due to the payments which have been made on the underlying obligations.

As with motor vehicles, the lien filings indicate those parties that have extended credit to the debtor. Quite often a debtor will maintain a deposit relationship with the financial institution which provides credit. A credit reference call to a prospective customer's bank could be helpful to your ability to make a good credit decision.

d. County Assessor's Office.

In many states you can check the County Assessor's records to determine if your debtor has title to real property in the county. The County Assessor's records will not generally give you the recordation history on the parcels, but will provide you with the fact that the debtor holds title to property in the county. The Assessor's records may also indicate the assessed values of the properties. A statewide database of all county assessors' records is now available in many states.

e. County Recorder's Office.

The County Recorder's office will provide the recordation histories of real property parcels. These records will reveal the mortgages and deeds of trust against real property and will assist in the determination as to whether there is equity in real estate. These records will also indicate other financial institutions which have extended credit to the customer. Sometimes the recordation history will be useful in determining whether fraudulent transfers have occurred and it will also reveal the parties from whom the debtor has purchased property.

Usually you will want a title company to research these matters for you.

By reviewing the Deeds of Trust and other real estate liens of record, which are generally indexed under the subjects' names, you can determine whether or not a person has a beneficial or equitable interest in any real property.

Judgment liens are also recorded at the County Recorder's Office and, of course, knowing whether there are unsatisfied judgment liens is helpful in evaluating your customer or debtor.

f. Federal Aviation Authority.

The Federal Aviation Authority in Oklahoma City keeps the records on all aircraft. These records will reveal whether your debtor holds title to any aircraft and will also provide the information about liens against the aircraft.

Aircraft ownership searches may be conducted through the Aeronautics Division of the Department of Transportation in some states, which maintain nationwide aircraft registration records. The searches can usually be ordered by the owner's name or the "N" number or serial number of the aircraft.

g. Livestock Boards.

Some states have special agencies or boards which keep livestock records. If you have reason to believe that your debtor may have an interest in livestock, you should check those records.

h. Litigation Reports.

The court records will provide information concerning other legal actions against your customer or potential customer, including whether any judgments have been entered against your customer on behalf of other creditors. If the customer or potential customer has been sued by numerous other parties or is being sued by numerous other parties, that information will help you in evaluating whether it is worthwhile to extend credit. A record of ongoing litigation will also help you in your determination as to how to deal with the debtor. The more litigious the debtor has been, the less likely you will be to give the debtor the benefit of the doubt in the credit process.

United States District Court records will provide information about federal litigation and judgments involving the customer.

You should also check the records of the U.S. Bankruptcy Court to determine whether your customer or any related entity has filed for bankruptcy court protection. Even the records from prior bankruptcies can be very helpful in identifying assets. Of course, if the debtor is already in bankruptcy, you need to

know it. The schedules of assets and liabilities filed with the bankruptcy court by the debtor are generally fairly complete and accurate and, therefore, helpful to your assessment of certain accounts, especially those arising after the bankruptcy is concluded.

Litigation reports can be obtained from investigators. Essentially a litigation report is a compilation of all litigation involving the party at the state court and federal district court levels. Obtaining complete and accurate information about small claims or justice court litigation is more difficult. Knowing whether your customer is a plaintiff in a civil proceeding can be very useful because it helps to identify a potential asset. Knowing the other potential and pending liabilities of the customer is also helpful.

One of the most beneficial sources of information is the dissolution of marriage decrees and property settlement agreements which are filed with the court upon the divorce of individual debtors. Generally, the listing of assets is very complete and the parties to the proceedings are in unique positions to assure the accuracy of the information concerning assets. These records will help you to assess the veracity of the customer in its disclosure of assets and liabilities to you.

i. Tax Liens.

Tax liens are recorded with the County Recorder's office. The existence of numerous unsatisfied tax liens may convince you to decline or limit credit.

j. Fictitious Name Filings.

Depending upon the state, there is usually an agency that keeps records of fictitious name filings. Whenever a business is doing business under an assumed trade name, you need to know that before extending credit. Keep in mind that individuals, partnerships, and corporations may all operate under names other than the actual legal names of the entities.

k. Trade Name Registrations.

Trade name registrations are also generally available from the public record, although the particular agency in charge of such records may vary from place to place.

l. Limited Partnership.

Certificates of Limited Partnership are filed with the Limited Partnership Division of the Secretary of State in some states, or with other state agencies in other places. So are certificates relating to limited liability partnerships. Therefore, to determine whether an entity is a limited partnership or a limited

liability partnership, you should check the records of the appropriate state agency. Moreover, you should check these records to determine whether your debtor has an interest in any limited partnerships or limited liability partnerships.

m. Watercraft.

Watercraft ownership searches are conducted through the Game and Fish Department or similar state agency. Information usually can be requested by serial number, hull number, or alphabetically by the owner's name. The Game and Fish Department or other similar agency usually provides the year, make, model and size of the watercraft as well as the serial number, hull number and registration expiration date. Lien information may not be maintained, but can usually be determined from the Motor Vehicle Department records on the boat trailer.

n. Industrial Commission.

The Industrial Commission in most states has records of workers' compensation claims. This information can generally only be accessed by Social Security Number. The Compensation Claim public records will provide an idea of how much money the debtor receives from this source. These records also identify employers, but that information may be dated because it relates to the employer at the time the claim arose. This information can sometimes be of limited value, but is more or less restricted from general disclosure depending upon the state.

o. Professional Licensing Records.

Depending on the type of business a debtor is involved in, professional licensing records can provide additional information. Professional licensing records are usually researched in person, but out-of-state searches can be conducted by telephone or through correspondence. The Registrar of Contractors provides thorough licensing and bond information on individuals or businesses in the construction industry. The Department of Liquor Licenses and Controls can be contacted regarding any restaurants or lounges owned by an individual or business. The Department of Fruits and Vegetables maintains license and bond information on produce hauling companies in some states. Records of the Department of Real Estate, the Insurance Department, the Bureau of Medical Examiners, the State Bar Association, as well as many others, are available.

2. Conclusion

Depending upon the nature of the customer and the types of potential assets, there may be other public records which would be relevant. A certain amount of creativity and flexibility is helpful in the process of investigating assets.

A variety of asset information and location information is available through several database sources on a nationwide, but limited basis. The availability of records varies greatly from state-to-state. For example, databases are available for most jurisdictions with motor vehicle information, drivers' license records, real property records, UCC liens, business entity (e.g., corporations, limited liability companies, limited partnerships, etc.) filings, tax liens, judgments, and bankruptcies. Some states make fictitious name filings available on a county-by-county basis.

Each state has its own restrictions on the release of drivers' license and motor vehicle records. For the most part, the records are more available in the western U.S. and more restricted in the eastern states.

And then there are states, such as Texas, with well over 100 counties and no statewide record keeping on real estate. Some of the smaller counties do not have their records on computers. Rather the property records are still hand-entered, physical paper records. While much is available over the internet, some searches must still be done the old way.

So keep in mind that sometimes you may need to go beyond the credit report to make a sound credit decision, and there are numerous other sources of useful information.

MICHAEL R. KING is a founding partner of Gammage & Burnham, P.L.C., a Phoenix law firm with diverse areas of emphasis. His practice primarily centers around bankruptcy and creditors' rights, commercial litigation, including uniform commercial code cases and real estate and business law. He is a former member of the Creditor! Debtor Rights Committee and is a current member of the Bankruptcy, Real Estate and Construction Law Sections of the State Bar of Arizona. Mr. King is the past Chair of the Board of Trustees of the Maricopa County Bar Foundation. He is an active alumnus of the University of Arizona, where he received his B.A. and J.D. degrees, with distinction and with high distinction. Mr. King is a member of Business Professionals Connect, the Phoenix association of Credit Professionals International.

Predatory Lending

By Sharon Gaskell

When I first heard the phrase "Predatory Lending," I pictured hungry wolves stalking and pouncing on weak, defenseless prey. After reading several articles on the subject I found my instincts were not too far from reality. The hunger is greed for volumes of easy money that the lenders desire. The wolves are unscrupulous lenders that have no consideration for their prey and have no conscience regarding the repercussions that such loans have on the prey. The prey are usually low income, uneducated, minority or elderly borrowers that may or may not qualify for prime rate loans. The predatory lenders stalk their prey by advertising in newspapers, on radio or television, and by direct mailers or phone calls. They gear the advertising toward low income and minority families, saying such things as: "little or no down payment is needed," "Consolidate your bills," "Repair your home," "Instant approval" and "No credit, no problem."

Predatory lenders pounce on their prey by using abusive practices that might include outright fraud, excessive fees and interest rates, points, hidden costs, and deceptive balloon payments. They also require unnecessary insurance and include prepayment penalty clauses in the loan papers.

Predatory lending occurs when mortgage companies, through fraud and various methods of deceit, gouge customers with exorbitant prices, intentionally charging borrowers more than they can afford. They charge thousands of dollars in unnecessary fees, sometimes as much as 10% of the loan. Predatory lenders charge interest rates 3 to 16% higher than the prime lending rate. They have low "teaser" interest rates on adjustable rate loans, which increase significantly early in the loan. Lenders say they charge higher interest because borrowers have less than perfect credit but 25-40% of those borrowers would qualify for good conventional loans at local banks. Points are charged on many loans thus increasing the amount of money the borrower is charged up front. When a balloon payment is written in the contract, the borrower may not be able to refinance, causing the borrower to lose the home in foreclosure. Some lenders

require credit insurance premiums be financed in the loan with up front lump-sum payment, increasing loan costs. Finally, some lenders hide prepayment penalty clauses in the contract that are 4 to 5% of the loan and; typically have a five year lock out period. These are deferred fees the investors fully expects to receive and the borrowers never expect to pay. Legal jargon in the paperwork makes it hard for the educated, let alone the uneducated, to comprehend.

Predatory lenders give home loans they know the borrower can't ever pay off. They might wait until a little equity is built up in the property then want the borrower to refinance to "consolidate" debts or for home improvement. This practice is called "flipping" and results in more fees being collected on the loan. In most cases these loans leave the borrowers worse off than they were before the loan. Instead of strengthening neighborhoods with increased home ownership, predatory lenders contribute to deterioration in the areas they do business in by stripping home owners of their equity and overcharging those who can least afford it. This leads to foreclosures and vacant houses in the area.

The greed for money is the driving force of the predatory lenders. HUD compiles an annual list of sub prime lenders that report under the Home Mortgage Disclosure Act (HMDA). In 1998 the list comprised of 239 subprime lenders, 168 were regulated only by the Federal Trade Commission (FTC). Thirty-six of those institutions were banks or subsidiaries of banks and savings and loans that were regulated. Thirty-five were banks or subsidiaries of bank holding companies which were also regulated but sheltered from normal bank regulatory apparatus.

What has or can be done to stop or at least make predatory lending harder to accomplish? First, in 1994 Congress passed the Home Ownership Equity Protection Act (HOEPA). The act defined "high cost" home purchase as loans that charge closing fees o 8 points or more and having an annual percentage interest rate (APR) OF 10 percentage points above prevailing Treasury rates. HOEPA sets disclosure requirements and prohibitions of many practices. There can be no balloon payments in the first five years of the loan. Certain prepayment penalties are prevented, as are negative amortization loans and some advance payment requirements. Unfortunately, this legislation was not the answer.

According to HUD the number of subprime purchase and refinance loans grew more than 850% between 1993 and 1998. During the same period all other refinance and purchase loans had only risen 12%. The Federal Reserve convened a nine-agency work-group to come up with other approaches to tighten enforcement of existing statues, to identify and limit predatory practices. They recommend more education of lenders and borrowers to

limit the profits subprime lenders are making. In the meantime states are attempting legislative remedies. North Carolina enacted amendments to broaden the HOEPA net. The North Carolina law prohibits prepayment penalties, loan-flipping and single premium credit life insurance on most homes. It limits up-front fees to no more than 5 percent of the loan or an APR of 10 percent above comparable Treasury rates. The law also requires borrower counseling before closing and prevents use of balloon payments, negative amortization and lending without consideration of the ability to pay. This law was a model for similar statues in Illinois, Kansas, Maryland, Missouri, Minnesota, South Carolina, Utah and West Virginia. Another federal statue that indirectly helps limiting predatory lending practices in the Truth in Lending Act (TILA) that requires all creditors to calculate and disclose costs in a uniform matter. Lenders must disclose payment schedules, prepayment penalties, and the total cost of credit in a dollar amount and as an APR. Other statues that help at a lesser extent are the Real Estate Settlement Procedure Act (RESPA), the Equal Credit Opportunity Act (ECOA) and the Federal Trade Commission Act.

Legislation is not enough by itself. There is also involvement by consumer organizations such as Coalition for Responsible Lending and The Association of Community Organization for Reform Now (ACORN). ACORN is the nation's oldest and largest grass roots community organization of low and moderate income families that works to improve local conditions and addresses such issues as affordable housing, quality education, increased home ownership, and living wage jobs. ACORN is vocal in 21 states and 34 cities. They engage in direct action against both large and small predatory lenders, exposing abuses in an attempt to encourage lenders to change their practices. ACORN suggests that the following protections be instituted on high-cost home loans: no balloon payments, no financing of fees, no mandatory arbitration clause, no high-cost loans without Home-Ownership Counseling, no prepayment penalties, no origination of mortgages without regard to repayment ability, no flipping of home loans and no financing of credit insurance. They also advocate that there be legislation to increase consumer protection to include increasing the strength and number of protections for borrowers on high-cost loans and provide stronger legal remedies for victims of illegal lending practices.

What is the future of predatory lending? We cannot depend on legislation or pressure from consumer organizations to eliminate or slow predatory lending. As credit professionals we can educate the public on fair credit practices. We can educate our industry as to what is fair versus what is greed. Finally, we as a society need to be responsible for one another and realize you do not get something for nothing. Predatory practices by some now will affect all of us in some way later.

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About the author

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CREDIT UNIONS FIGHT BACK AGAINST BANKRUPTCY



By Kathryn Greiner

Bankruptcy filings by American consumers and businesses jumped 17 percent in the first three months of this year, and filings are projected to reach 1,467,000 for 2001, shattering records set two years ago. As a credit counselor for 25 years, here is my personal view of why people are filing bankruptcy:

Consumers don't understand how to subtract their average living expenses from their net income to determine how much is available for installment payments, and therefore take on too much credit.

Shrinking minimum payments have dramatically increased the cost of credit and the duration of payments. Debtors cannot see the end of credit card debt like they can with installment loans, and bankruptcy provides an "end".

Bankruptcy is promoted by attorneys in the Yellow Pages, on television and in newspaper ads as the solution to financial problems. Attorneys have obtained the names and addresses of people who have been sued from court's public records and then have written to the debtors, encouraging them to seek bankruptcy "relief".

Reading ads in the newspaper classified section, it appears bankruptcy will not prevent access to new credit or hurt one's credit report. Predatory lenders advertise "Past Bankruptcy O.K." Credit Repair Clinics promise a "100% new file!"

Exasperated families and friends sometimes encourage bankruptcy. In 1994, 10.5% of bankrupts got the idea to file from a friend or family member. By 1996 that percentage rose to 42.4%.

Gambling debt: In 1997 New Jersey-based SMR Research conducted the study "The Personal Bankruptcy Crisis" that showed that "overall personal bankruptcy is 18% higher in the 298 counties which have legalized gambling and 35% higher in counties with 5 or more gambling outlets." 480 Internet gambling sites intensify the problem.

Job loss, illness, and divorce are financial traumas for those without savings. One study showed bankrupts knew 18 to 24 months before filing that they were in trouble.

Some have filed because of the economy and resulting layoffs. You have seen the recent headlines. *"Chrysler Cuts 2,700 from Workforce"*. *"Delphi to Reduce Workforce by 5%"*. *"Ericsson Slashes 3,300 Jobs"*. *"Disney Cuts Workforce by 4,000"*. *"Nortel Slashes 5,000 More in Latest Job Reduction"*. The nation's unemployment rate climbed to 4.5 percent as the economy shed 114,000 more jobs in June 2001, capping the biggest three-month job decline since the last recession a decade ago. The Labor Department reports that job losses were centered in manufacturing, which suffered its 11th straight month of job cuts as factory workers continue to bear the brunt of the yearlong economic slowdown.

It is estimated 150,000 Americans under age 25 will file this year. Filings by those 25 and younger rose 51% during the 1990's and now account for 7% of the nation's bankruptcy filings. Young adults are able to pay credit cards and a car loan while they live with their parents, but when they move out they can no longer keep up and are going bankrupt on relatively small amounts of debt. Others have filed for bankruptcy fearing the new law that would make it more difficult for people to erase their debts in bankruptcy courts. Supporters of the bankruptcy reform legislation have pointed to the surge of bankruptcy filings in recent years, when the economy was strong, as evidence of abuse of the system. (This legislation is currently stalled in Congress.)

The 1990's saw record levels of employment and personal income. The 1990's also saw record levels of personal bankruptcy filings. Think about that fact. Millions of people filed for bankruptcy in some of the greatest economic times this country has ever seen. What will happen now that the economy is on the decline? This is especially troubling since America's savings rate is at one of the lowest points in history. People have not been setting money aside for the rainy days that appear to be on our horizon. The go-go days of the 1990's appear to be gone for the time being.

Every credit union in the country can tell you about the losses they have suffered due to the plague of bankruptcy filings, which have swept our nation over the past decade. Credit Unions charged off about \$1 billion in debts due to bankrupt members in 1999. Credit Unions need to work on bankruptcy prevention and we recognize that each bankruptcy is a person in trouble. A basic philosophy of credit unions is people helping people: "for people, not for profit." Credit unions realize that bankruptcy can no longer be seen as just a cost of doing business.

Members are bombarded with ads touting the ease which a simple bankruptcy filing can solve their problems with creditors. With the leadership of the

Michigan Credit Union League, a Bankruptcy Task Force was founded in an effort to counteract such ads and to let credit union members know about the alternatives to bankruptcy. Initially formed by a few credit unions in the Huron Valley Chapter, there are now Task Forces in Chapters around the state. I have been a member of the Huron Valley Chapter of Credit Union's Bankruptcy Task Force since its inception. Our BTF was formed to:

Work for legislative change to the Bankruptcy Law that would discourage filing for those who can afford to pay their debt.

We spoke to members of the National Bankruptcy Review Commission and have spoken with our legislators.

Provide seminars on bankruptcy to CU staff.

We brought in bankruptcy judges, trustees and creditor attorneys to explain the bankruptcy process and answer staff questions. The speakers were helpful in explaining how CU staff could improve their preparation for bankruptcy court.

Develop tools and programs to help members avoid bankruptcy.

Having identified what traits members exhibited who were considering bankruptcy, our BTF developed several 8 1/2 x 11 posters that encourage financial counseling as an alternative to bankruptcy. These are posted in both credit unions and employer worksites.

We also put anti-bankruptcy ads in the newspaper. One simply offered help finding bankruptcy alternatives through an 800 phone number to a budget counselor. Another ad spells out ways to cut spending to free up money to pay debt. Our motto is "Your Credit Union Cares."

We produced a video through community access TV on how credit unions can help members avoid bankruptcy. We have provided credit education seminars for members, sometimes holding them in member's workplace.

Speak in schools on the careful use of credit and on what to do if good credit goes bad.

Student's evaluations of presentations show how eager they are to understand about credit. One senior wrote: "Thank you for the great presentation you gave our class. The information was of extreme importance to my future. With this information I will be very careful in dealing with credit..." Another student wrote, "Your overheads were interesting. I am sure that all that tiny print was stuff I would probably have never read and never understood!"

The Bankruptcy Task Force produced a newsletter with articles about the wise use of credit written by and for high school students, called "On My Own". The newsletter is available in a PDF file on a CD-ROM for web sites and for reprinting.

Study and discussion has shown that financial counseling can thwart bankruptcies. Lenders and collectors from credit unions around the nation are learning

how to do financial counseling for their financially troubled members. When a loan is no longer the solution to their problem, a loan officer is trained to help the member analyze their problem and help them find other solutions. The goal is to *really help* that person, investing in the long-term relationship with that member so that when they are creditworthy they will come back to the credit union for their next loan.

Collectors with budget counseling training are better equipped to see the member's entire financial situation and therefore able to develop a workout plan the member can really stick with. Not every delinquent member is willing to accept the counseling, but those who do are very grateful and loyal to the credit union.

A few credit unions provide debt management for financially troubled members, actually paying the member's bill each month. Many credit unions refer members to a local, non-profit debt management firm, where the credit counselor receives money from the debtor each payday to distribute to creditors. Debt management helps to make sure each creditor get a fair share of the debtor's funds, and the counselor provide on-going guidance for the debtor as problems crop up.

Other credit unions provide budget counseling in-house, where the goal is to teach the member cash management skills. With a plan for their paychecks and creditors, many people can manage their own bill paying, reduce debt, begin to save and successfully avoid bankruptcy.

With budget counseling, we start with a written budget analysis to clarify income sources, basic living expenses and debts. We ask the members what triggered their financial problems and how they want things to be. With discussion and a payment plan, members see what they can change to meet their goals. Using a computer program we set up payment plans that reduce interest expense and accelerate debt reduction. This program helps guide an inspire members to continue their payments to a specific ending time; When the member needs help communicating with creditors, we will write a letter to creditors explaining the member's situation and what they plan to do about it.

The number of financial counseling sessions that it takes to get the member stabilized varies. In my program, I see a member privately for a two-to-three hour session to do a budget analysis and write out a plan of action. Some members return for my Money Management Skill Building workshop, where they learn long term cash management skills. We discuss how and why to save, even on a tight budget. Finally participants learn how to improve creditworthiness and how to use credit wisely. Participants come into the class embarrassed and self-conscious, and leave chatty, determined, hopeful and excited.

Most budget counseling programs start part-time, and are not openly marketed to members until the lender or collector becomes a seasoned counselor. In larger credit unions financial counseling eventually becomes a full time position.

Statistics show that financial counseling is an effective tool to combat bankruptcy. The University of Michigan Credit Union surveyed the accounts of their member counseled over a three-year period, and found only 6 of 658 members counseled (1%) subsequently filed for bankruptcy. Bankruptcies dropped further when the credit union made confidential counseling available to any member without referral.

As a member of Credit Professionals you may be able to help stem the tide of bankruptcies in your area.

- Provide classes to teach basic budgeting and the wise use of credit, how to reconcile a checking account, and how to understand and improve credit worthiness. These skills help your customers avoid the financial pitfalls that can lead to bankruptcy.
- Offer personal budget counseling to help customers determine how much credit they can afford as well as to assist them when they are in financial trouble.
- Offer credit with sensible repayment terms. Explain to customers how minimum payments of 2% of the balance that some credit card companies offer can more than double the cost as well as the time it takes to repay the debt.
- Develop small loan rehabilitation programs to reward customers-at-risk for the successful repayment of their debt.
- Post information on alternatives to and the repercussions of bankruptcy.

In 25 years of being a credit counselor, I have spent the last 10 years as a budget counselor working for credit unions. Daily I counsel members with financial problems. Some having already filed bankruptcy shared their regrets.

One member wrote: "In January 1988 I received the worst advice that I ever had. That was to file bankruptcy! I was told all the wonders of filing and how people re-establish their credit almost immediately. Well, being young and naïve, I filed. Ever since then it has been a nightmare. Not being able to buy a car or get a loan or a credit card like I used to...having to buy everything with cash. It's embarrassing." This man may not have filed if he had been told about the consequences and alternatives to bankruptcy. Half of all filers are not aware of alternatives. Two-thirds of them would not have filed had they known. This means you could substantially reduce bankruptcies just by telling customers why they shouldn't file!

Bankruptcy repercussions are misunderstood or unknown. The rumor that bankruptcy doesn't hurt much is becoming true for high-income earners (with good legal assistance) who retain their earning power and rebound relatively quickly. The repercussions are more deeply felt by low-income consumers.

Explain the ramifications of filing:

- It's not a fresh start -- it stays on one's credit report for 20 years.
- New credit is very expensive.
- Mortgages are hard to get.
- Employers review credit reports, so one could be denied a job, a promotion or denied a security clearance if they are in the military.
- Nothing is learned in the process, and they are likely to re-file.
- It can increase the cost of car, renter's and life insurance.

We are excited about our progress so far and are eager to see more join our efforts to fight back against bankruptcy. The effect of a bankruptcy filing on your company's bottom line is obvious. The effects of a bankruptcy filing on your customers are not always apparent until well after they file. Preventing a bankruptcy through education is the best interest of both.

Is your business prepared to help your customers through difficult times? Now is the time to make plans to head off bankruptcy filings. Have your loan and collection people watch for customers who are over-extended. Have credit counselors on staff or be able to refer your customers to honest, non-profit counselors that help our customer set up a budget and live within their means. Be prepared to restructure debt to help customers with lost income. Encourage your customers to save! Let them know that your institution will do all it can to help them avoid the Ten-Year Mistake called bankruptcy.

In Case of Emergency

Some resources for those having difficulty managing finances:

Yellow Pages: Check the phone book for a non-profit credit counselor in your area.

Quicken Information on debt reduction, cleaning up credit and borrowing wisely. Also includes a debt calculator to determine how long it will take to pay off debts on various payment plans. www.quicken.com

'Money Troubles: Legal Strategies to Cope With Your Debts', by Robin Leonard (Nolo Press, 2000)

Slash Your Debt - Save Money and Secure Your Future, by Gerri Detweiler (Financial Literacy Center, 1999)

'Surviving Debt - A Guide for Consumers in Financial Stress' (National Consumer Law Center)

About the Author

Called the "Budget Guru" by the Ann Arbor Observer, Kathryn Greiner has been helping people improve their budgeting skills since 1976. Through the University of Michigan Credit Union's subsidiary, First of Washtenaw, Kathryn provides budget counseling to members of 10 credit unions in Southeast Michigan. These credit unions pay First of Washtenaw so their financially strapped members do not have to pay for the help.

Trained and certified as a credit counselor, Kathryn developed a Credit Education Program to teach consumers the skills needed to avoid bankruptcy, repay their debt and improve creditworthiness. With her unique blend of compassion, realism and humor she helps them find sensible, workable answers to their financial problems.

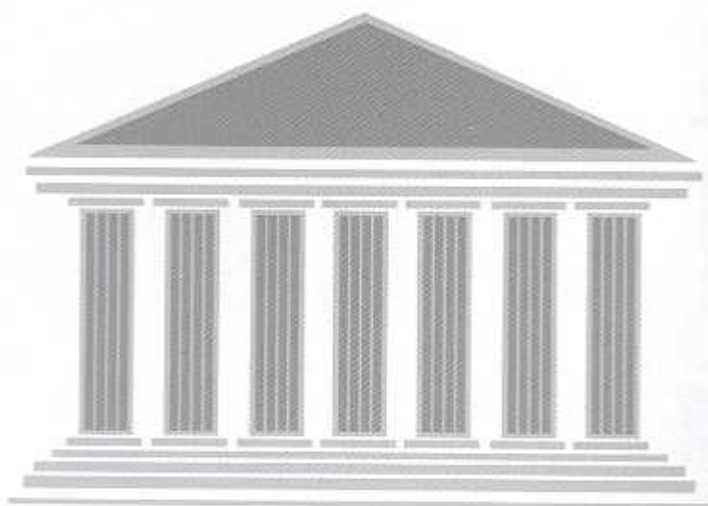
Kathryn works with the Credit Union National Assn., the Michigan Credit Union League and Eastern Michigan University to train credit union staff how to provide budget counseling in-house for their own members. Ms Greiner has published articles, hosted a call-in radio talk show for two years, produced bankruptcy prevention and credit education videos and has spoken throughout the country on how to control spending, reduce debt, begin to save -- and still enjoy life!

Ms Greiner helped found the Huron Valley Chapter of Credit Union's Bankruptcy Task Force to identify the causes of bankruptcy and train credit union staff and members about alternatives. Kathryn is the editor of the Bankruptcy Task Force newsletters: the UPDATE for CU staff, and ON MY OWN, a newsletter on the wise use of credit by and for high school students.

Kathryn has been a member of Credit Professionals of Ann Arbor since 1982, and has served as an officer as well as assisting many committees. She attributes much of her career success to the leadership and speaking skills she acquired working on committees in Credit Professionals. Kathryn has two children, Alex 16 and Sarah Beth, 13, and she celebrates her 30th wedding anniversary with Rob this year.

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To Lease or Not!



By Mary Lou Addy, CCC/MPCE

Whether you are 18 or 80 the purchase of a vehicle should be a pleasant experience. The purchase of a vehicle should not be taken lightly. Next to a home it will probably be the second largest purchase most of us will make.

It is a good idea to do your homework before you undertake the purchase of a vehicle either new or previously owned. You want to be sure that your choice fits your needs and your ability to make payments and maintain the vehicle. When you are buying the car on credit you need to think about the amount of money you can put down, how much you can pay a month, how much you will have to pay for taxes and insurance.

Why used?

Usually you can get more car for less money and without such a large initial depreciation of the vehicle. There are some things to be aware of. The car IS used and you don't always know its history. You may be able to make a larger down payment and pay more each month so the car can be paid for much faster than a new car.

Why new?

New cars offer you just that... a vehicle that has not been previously owned, and will most likely last longer than a used car. There is a more extensive warranty in case of problems. New cars are frequently offered with lower rates and extended terms to buyers.

Some dealers offer limited warranties on used cars and extended warranties on new cars. Extended warranties are purchased to cover items outside the manufacturers warranty and runs along at the same time as the manufacturers warranty. They may also offer financing, various types of insurance such as credit life and disability, anti-theft insurance and GAP insurance. GAP is used in the event that your car is totaled and your regular insurance does not pay off the total lien. Most lenders will allow the extended warranty and insurance to be added to the loan for the car.

Remember that if you make a larger down payment and finance or shorter term, this will help you when you decide to trade in your car or purchase another vehicle. You do want to exercise caution so you are not “upside down” in your trade. That term means you owe more for your car than its trade-in value.

In recent years leasing, rather than purchasing, a vehicle has become very popular. Leasing a car rather than purchasing one is no longer a novelty. In fact in 1999 almost half of the autos financed in the United States were leased. Even used cars are starting to be leased. Here are some questions and answers for you about leasing.

How much difference is there in leasing rather than buying?

An easy way to explain leasing is to look at it this way – when leasing, you pay for the use of the car rather than paying for the car itself. You agree to use the car for a specified length of time for a certain amount of money, but do not own the car.

You mean that after making all those payments I still wouldn't own the car?

That's right. You need to remember that purchasers don't own the car either until the last payment is made. However, the main reason is that, in general, leasing allows you to drive a better vehicle for smaller monthly payments than if you were financing a purchase of a car. The cost of borrowing (interest) is one factor in the difference in the monthly payment.

How can I tell which is best for me?

Good question – Here are some standard guidelines which apply in most cases:

Leasing is better if you...

- Drive less than 15,000 miles a year
- Keep car well maintained
- Want a better car for lower monthly payments
- And you don't mind not owning it).

Buying is better if you...

- Keep a car more 5 years or longer
- Often trade car before it is paid for
- Pay cash for your car
- If owning the car is important to you.

You'll need to consider several factors in making your decision. For instance, if you keep your car for several years, have low mileage and pay cash, buying is the better option, even if you don't keep it well maintained.

What about fraud and cheating on car leases? Do I need to worry about this?

Yes, this has happened and still may. It was more of a problem when leasing first became popular and before adequate guidelines and safeguards were

developed.. You shouldn't have a problem if you lease from a reputable dealers.

What should I watch for in a lease to be sure everything is on the up-and-up?

There are several options you need to consider, and they should be stated in the lease. Is the lease written in clear, plain language? These are some of the things to look for along with some definitions and descriptions:

Capitalized cost: (often called CAP cost) The price you've negotiated for the vehicle. The lease price is the purchase price plus accessories and lease service fee. (Sales taxes may be extra.)

Residual: This is the predetermined value of the vehicle at lease end. It is usually based on a percentage of the MSRP.

MSRP: "Factory Window Sticker" The manufacturers total price (before any dealer added equipment)

Money Factor: Used to establish your interest rate. The CAP cost plus the residual times the lease interest.

Early Termination: Some people want to get out of the lease early. A lease is a legally binding document which means you are responsible for the entire lease period. Even when it is possible, it can be very expensive to terminate the lease early.

Mileage Allowance: This usually is about 12,000 to 15,000 miles a year. In addition to the mileage allowance the lease should also detail charges if the mileage for any year is more than the allowance.

Excessive wear and tear: This should be defined clearly by the dealer - what is acceptable, and what kind of charges do you face if it is not acceptable. Wear and tear refers to not taking good care of the vehicle or poor maintenance on body and engine. The lease will cover "Maintenance and Warranty" and should specify clearly the responsibilities of the lessee, the dealer, and the manufacturer.

For accidents, there is something called "GAP Insurance." If your leased car is totaled in an accident or stolen, you are still responsible for the rest of the lease payments, just as you would be for a car loan. GAP insurance pays for the difference between any insurance proceeds and the balance due on the lease, minus the deductible.

What happens at the end of the lease?

Here's what to look for -- Can you:

- Turn in the vehicle and lease a new one?
- Buy it? If so, at what cost?
- Extend the lease on the vehicle you have?

When you are discussing the lease with a dealer, do not hesitate to ask questions about any part of the lease. If you want something changed, added,

or deleted it won't hurt to ask. And don't forget – the purchase price of the car is negotiable on a lease just as it is when you're purchasing the car.

Armed with this information making a decision on whether to purchase or lease should be easier. Good luck!

About the Author

Mary Lou Addy is the International Immediate Past President. She has been a member of Bremerton-Kitsap CPI for over 40 years, and has nearly thirty years of perfect attendance. Mary Lou is the Business Manager for West Hills Honda of Bremerton, WA. She was District 10 President in 1982/83 and District Ten Credit Professional of the Year in 1987.



I joined CPI.

Now my boss thinks
I'm a genius.

When I got my CPI education manual this fall, I was able to tell him all about the Credit Bureaus, Predatory Lending, Human Resources and what Credit Unions are doing to fight bankruptcy.

Then the Credit Connection came – I filled him in on the latest legislation and what you can say when giving references for former employees.

After our last few local association meetings, I was able to give him some tips on who to contact in local law enforcement when we get bad checks and how to find the best business bank accounts.

I just hope I get to the next issue of *The Credit Professional* before he does.

He thinks I'm a genius. Thanks, CPI.

LIFE INSURANCE IS FOR THE LIVING



By Tony Jackson, State Farm Insurance Agent

What is The Purpose of Life Insurance?

You and your life policy have similar purposes in this world. It's your job to provide food, clothing, shelter, schooling, medicine, and many other things for your loved ones. You do all these things while your life policy is tucked safely away in a box. Out of your hard-earned dollars you pay for your life policy. At times, it may appear that your policy is worthless to you, but someday (and who knows when) you and your life policy will change places.

When you are laid to rest, your policy will come alive and begin its job. It will provide money to help with food, clothing, shelter, schooling, medicine, and those other important things that your family will continue to need.

How Much Life Insurance?

There are many different theories how much life insurance one should have. Here is a simple formula illustrating some things to consider when deciding the amount of life insurance.

- ✓ **L** = Loans: mortgage, car loans, home equity loans, credit cards, student loans. (Actual outstanding balances; If no mortgage, generally 10 years of rent)
- ✓ **I** = Income replacement: How much of your income will your family continue to need? (Generally, annual income amount divided by expected rate of return)
- ✓ **F** = Final Expenses: unpaid medical bills, funeral cost, estate taxes, attorney fees (Generally, 6 x monthly income)
- ✓ **E** = Education: How will your children afford college? How much will it cost? (Generally, 4 x expected annual cost, or \$20,000, per child)

What is the Price of Waiting?

There are many very good reasons why one should not wait. Some of those include:

- The cost of life insurance goes up as you age
- There will be time in your life when you are uninsurable
- You are certain to die, but uncertain as to when

These are very true statements, but the most compelling reason is simply that life insurance is not for the people who die – It's for the people who live. Your loved ones who you leave behind will pay a tremendous price if you fail to prepare for the unexpected. Therefore, I encourage you to contact a life insurance professional to plan for your family's financial security.

HOME-BASED BUSINESSES NEED INSURANCE

By Tony Jackson, State Farm Insurance Agent

The dream of owning a business is becoming a reality for thousands of people each year. For many, that means starting operations at home. Examples of home-based businesses include internet sales & marketing, Pampered Chef, Tupperware, Avon, Mary Kay, Party Lite, Home Interiors, Amway, etc. However, your business may be in jeopardy if you don't have the proper insurance.

You need business insurance because most homeowner's policies place limits on business related property and liability. For instance, a copier or fax machine used for business and damaged in a fire may not be fully covered because it is considered business property.

Also, the homeowner policy does not cover business liability, loss of income, exterior signs, and many other important items. If a client were injured at your home while conducting business, your homeowner's policy would not apply. Anyone who operates a home-based business and does not have the proper insurance is putting his or her business and personal assets at risk.

Business insurance may provide many or all of the coverages listed below:

- ✓ Accidental direct physical loss coverage for business property
(Examples include: fire, lightning, explosion, smoke, theft, and vandalism)
- ✓ Broader off-premises property coverage
(Examples include: property in transit, property of others in your care)
- ✓ Loss of income coverage
(Replacement of income due to suspension of your operation because of a

covered claim)

- ✓ Extra expense coverage
(Extra expenses incurred to get your business up & running after a covered claim)
- ✓ Contractual liability coverage
(Examples include: bodily injury, property damage, personal injury, and advertising injury)
- ✓ Liability of employees while acting within the scope of their employment
(Protection for your business from claims caused by your employees while working)

Many entrepreneurs start their businesses on limited budgets and try to cut corners by keeping expenses at a minimum. But when you consider what you get, business insurance becomes a tool you can't afford to be without!

About the Author

Tony has been a State Farm Agent in Jackson, Michigan since 1997. Previously he served State Farm as Accounting Supervisor for the Michigan Regional Office. He is a graduate of Western Michigan University with a BA in accounting. Tony has won many awards in his years with State Farm. He is involved with his Church, the Greater Jackson Chamber of Commerce, National Association of Insurance & Financial Advisors and was elected "Boss of the Year" by Jackson, Michigan Credit Professionals. He is married to Alisa and has four children, Christopher, Tony II, Adrienne, & Shakia.

This article was submitted by Barbara Chapin, CCCE/MPCE, of Jackson, Michigan CPI. She is currently serving as Marketing Chairman for CPI and is the Immediate Past President of District Five.

What you Should Know About Your Foundation!!!



By Mary Nebeker

At our last International Conference in Seattle, I heard one of our "first timers" say, "What's the Foundation?" We seasoned CPI members assume/expect that all of our members should instantly know everything we know.

All of our members don't attend State, District, or International meetings. If a local president doesn't share information about all the programs that are available, how can our members know what neat, interesting, exciting programs we have?

The Foundation (Credit Education Resources Foundation) is the tool that accepts donations that are tax-deductible through a 501(c)(3) corporation. It was born at an August meeting in St. Louis in 1987 and was chartered in 1989.

All of the funds that come to the Foundation are through donations. The Walk-A-Thon was the first way we used to gather funds. This program was very successful for several years. The local associations, as well as International, were holding Walk-A-Thons. This year, the local and international Walk-A-Thons raised over \$76,000. A percentage of the funds go to the Center for Missing and Exploited Children, a percentage goes to the Foundation and a percentage goes back to the local association. The funds that are retained by the Foundation are used to create new educational information for our members and the public at large.

In the last few years, fewer and fewer local associations have been holding Walk-A-Thons. Looking for additional means of non-dues funding, we applied for several grants, but have not yet been successful with this project.

Other ways that funds flow into the Foundation are: personal donations, memorial donations and donations for other reasons. This is only a small part of our funding, but donations to the Foundation are always welcome.

For the last several years at International Conference, we have held a silent auction. District Presidents, the Foundation President and the CPI Executive Committee each bring an item valued at at least \$25.00. A typical raffle item might be a basket with several small items representative of their area. Members purchase tickets throughout conference and a winning ticket is drawn for each item near the end of conference. This year, the auction raised nearly \$1,500 for the Foundation.

The Certification program has become quite successful. More members are becoming certified each year, and some of the first to be certified are coming up on their first five-year renewal. Through August of 2001, over 100 CPI members have been certified.

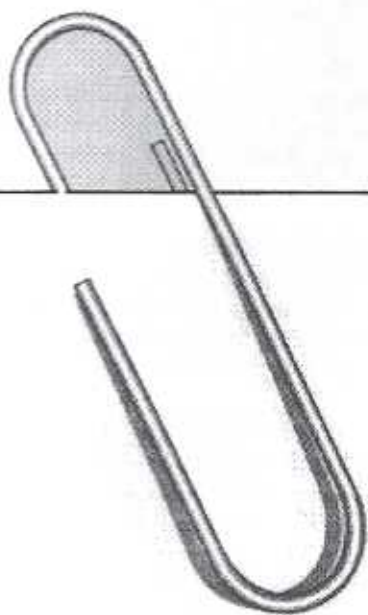
There is an application fee of \$10 to apply for certification, and an additional certification fee is assessed depending on what level of certification the member is qualified for. For more information about the certification program, contact the corporate office or see the Certification advertisement on page 28 of this education manual.

The Foundation currently funds the magazine, *The Credit Professional*. Funds that were donated by long-time members Helen B. Sawyers were used to create and produce the tapes and CDs *Take Charge of Your Life*. For more information on this project, see page 22 of this publication.

The Foundation continues to accept donations and look for creative and productive ways to gain revenue to teach and train our own members and then to teach the community at large.

About the Author

Mary Nebeker is the Vice President of the Credit Education Resources Foundation. She was CPI International President in 1992/93 and has served as Foundation President several times. Mary is a member of Brigham City Utah CPI.



*Just
A
Note!*

This is the first educational manual with no questions at the end of each chapter.

As very few local associations give the education test, it is the decision of the President and First Vice President that we no longer make up the education test.

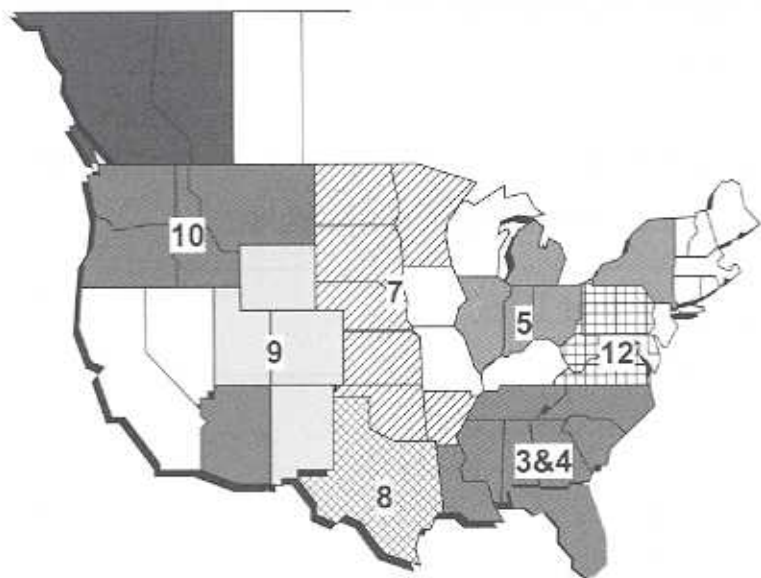
If an Association wants to give their members a test, just make up the questions on your own.

This is an effort to more effectively make use of the office staff's time.

Manual, Exams, Cards

1. Manuals are the basis for the educational programs for the local associations. Each local CPI is expected to have regular meetings which include educational programming. You may use the manual articles, monographs and other materials from the corporate office that you feel are most appropriate for your CPI local.
2. Manuals and membership cards are mailed to each member when dues for the current year are paid.
3. Although the test is not required, many associations still use the test as an educational tool. As of this year, the education chairman of each local association is responsible for developing a test for their local association.
4. Examinations are given and corrected locally. Examinations must not be given a second time, unless members did not take it at a regular meeting. A score of 80% is passing.
5. Education cards are available (upon request) from the corporate office.
6. Some local associations award the education cards at the Annual Bosses Dinner or Breakfast. Others send them to the member's employer, sometimes for information purposes, for the employer may want to present the card to the member. However it is done, it should be significant, for this is the core of the CPI objective: successful accomplishment of the educational program. In addition, it is visible evidence that the members are interested in personal and career development.
7. If you have any questions, please contact the corporate office. The telephone lines are open 8:30 a.m. – 4:30 p.m. (central time), Monday through Thursday. Phone: 314/961-0031, Fax: 314/961-0040. Address: 525-B N. Laclede Station Road, St. Louis, MO 63119. Email: creditpro@creditprofessionals.org.

CPI DISTRICTS



Credit Professionals International is set apart in districts as follows:

- District 3 & 4: States of Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee.
- District 5: States of Illinois, Indiana, Michigan, New York, and Ohio.
- District 7: States of Arkansas, Kansas, Minnesota, Missouri, Nebraska, North Dakota, Oklahoma and South Dakota
- District 8: State of Texas
- District 9: States of Colorado, New Mexico, Utah and Wyoming
- District 10: States of Alaska, Arizona, Hawaii, Idaho, Montana, Oregon and Washington; Provinces of Alberta and British Columbia, Canada
- District 12: States of Pennsylvania, Virginia, West Virginia, and Washington, D.C.

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