

DEBTORS MUST HAVE SESSION BEFORE FILING FOR BANKRUPTCY

New law to strain credit counselors

BY EILEEN ALT POWELL
Associated Press

NEW YORK — Separated from her husband and struggling to buy food and other necessities for herself and two daughters, Bridget Glover watched in horror as her credit card bills mounted. She thought filing for bankruptcy would be the only way out.

"I even got second jobs, but that wasn't enough," recalled Glover, a benefits coordinator from Wheatley Heights, N.Y. "Every time I had to pay bills, I would pull out my checkbook and cry. I couldn't answer the phone because I knew it was bill collectors."

Instead of bankruptcy, Glover sought help from a nonprofit credit counseling agency and worked out a debt repayment program. Three years later, she's nearly finished.

Stories like Glover's are a reason nonprofit credit counselors are being given a greater role in the bankruptcy process.

Under a new federal bankruptcy law that takes effect Oct. 17, debtors must take part in a credit counseling session in the six months before filing bankruptcy applications, paying as much as \$50 for a 90-minute session. The law also mandates that many complete a financial education course before their bankruptcies are final, and some of these courses will be handled by credit counselors as well.

The counseling requirement is ex-

pected to double to 3 million the number of Americans seeking help each year from nonprofit credit counselors, straining an industry already grappling with funding problems and investigations into whether some agencies abused their not-for-profit status.

Joel Greenberg, head of Novadebt in Freehold, N.J., which helped Glover, said it's unclear how many people will be able to avoid bankruptcy through counseling.

"We expect that many of these people will be in very deep trouble by the time they come to us," Greenberg said.

And many financially troubled consumers have never developed money skills, said Howard Dvorkin, president of a Florida credit counseling service.

"For many of these people, this could represent the most time they've ever spent in their lives focused on their personal finances," Dvorkin said.

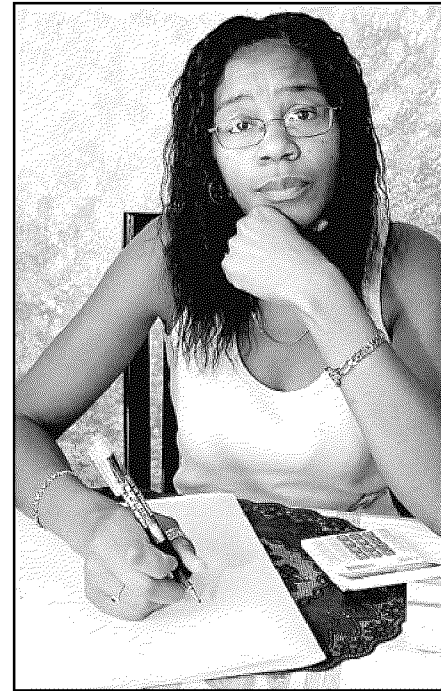
Counselors will help them analyze their spending and work out a budget. Some people are likely to need the counselors' help in negotiating with creditors to get a manageable debt repayment program going.

Still, Dvorkin acknowledged, "it's going to be a huge challenge to deliver these services effectively and efficiently" to those coming in one step ahead of bankruptcy.

Ideally, credit counseling should be done in face-to-face sessions. But be-

cause of the increased load, the new law also will allow phone counseling and Internet counseling.

This has led some consumer advocates to suggest Americans facing bankruptcy will be subjected to "drive-through counseling" that will do little to re-educate them about good habits.



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Bridget Glover sits with her bills in her home in Wheatley Heights, N.Y. She got help from a credit counseling agency.