



## HOUSING AND CREDIT COUNSELING, INC.

Consumer Credit • Homebuyer • Rental Housing  
1195 SW Buchanan, Suite 101, Topeka KS 66604-1183  
Phone: 785-234-0217 or 800-383-0217 • Fax: 785-234-0237  
E-mail: [hcci@hcci-ks.org](mailto:hcci@hcci-ks.org) • Web: [www.hcci-ks.org](http://www.hcci-ks.org)  
*Serving Kansas since 1972 with offices in  
Topeka, Lawrence, and Manhattan*

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TO: Senate Financial Institutions and Insurance Committee

FROM: Marilyn Stanley, Interim Executive Director  
Housing and Credit Counseling, Inc. – CSO.0000003

DATE: January 30, 2017

RE: SB 87

Good morning Mr. Chairman and members of the committee. Housing and Credit Counseling, Inc. (HCCI) CSO #0000003 appreciates the opportunity to provide testimony in support of SB 87 to modernize the Kansas Credit Services Organization (CSO) Act.

### **About HCCI**

Housing and Credit Counseling, Inc. is a nonprofit agency founded in 1972. HCCI provides counseling and education about budgeting, credit, debt repayment, mortgage delinquency, student loan repayment options, rental housing issues, and homeownership opportunities. HCCI is approved by HUD and is accredited by the Council on Accreditation.

HCCI is a member of the National Foundation for Credit Counseling and is registered and regulated in Kansas as a CSO by the Office of the State Bank Commissioner since enactment in 2004. The Better Business Bureau of the Great Plains named HCCI as an Integrity Award Winner for a four-state region.

HCCI has offices in Topeka (since 1972) - in Lawrence (since 1988) - in Manhattan (since 1992) and in Emporia (since 1996).

HCCI counsels and educates over 7,000 families each year about debt management and credit building.

SB 87 improves clarity for services and fees charged to consumers that fall under the CSO.

### **Benefits for Consumers**

SB 87 – if passed - will benefit consumers in two primary ways.

- 1) The average Debt Management Plan (DMP) consumer counseled by HCCI owes an average of four creditors, each one with a different billing cycle. Consumers will benefit as SB 87 will allow up to 20 days for the CSO to disburse funds paid by the consumer to the consumer's creditors. This more lenient time period (expanded from 10 to 20 days) provides the flexibility for consumers to make their DMP payment on a convenient cycle of pay periods and reduces the frequency of late fees

billed when the CSO could not then make the “pass through” payment to the creditors before the end of each creditor’s billing cycle.

- 2) With the passage of SB 87, CSO’s will be required to do a thorough review of each consumer’s personal credit report; thereby fostering the consumer’s understanding of how their debt negatively impacts their credit score and consequently how their debt repayment builds credit over time.

### **Benefits for CSO’s**

SB 87 – if passed – will result in two major positive impacts on agencies such as HCCI that are meeting all of the designated requirements of the CSO Act.

For HCCI this means:

- 1) Permission will be given by the CSO Act for the agency to collect a reasonable fee for the amount of time and complicated effort actually involved with counseling types for debt management issues such as: student loan repayment options; debt collection for medical and other consumer debt; bankruptcy.

HCCI’s actual counseling effort for these types of debt can be as high as \$150 per client for a 1.5 hour initial visit plus follow-up over a period of weeks or even months. Currently HCCI can only charge a maximum of \$50 per consumer regardless of the amount of time and effort expended.

- 2) SB 87 will clearly define that the wide variety of debt management counsels HCCI does may be charged a reasonable fee and will not be isolated strictly to payment for establishing a Debt Management Plan (DMP) for the consumer.

A Debt Management Plan is not the only option for consumers and sometimes a DMP is not the most optimal solution. Too often HCCI observes that some counseling agencies (especially those doing business in Kansas by a 1-800 phone number) separate out consumer issues, in an effort to only counsel those households that will commit to a Debt Management Plan and therefore may be charged a higher counseling fee.

### **In summary**

HCCI supports passage of SB 87 as fewer consumers qualify to enter into DMP’s either because:

- 1) they do not have sufficient income to meet the required minimal payment; and because
- 2) many creditors are unwilling to reduce interest rates and thereby reduce the total amount of debt and interest to be paid.

HCCI views passage of SB 87 as a progressive and more fair way to enable consumers to responsibly address debt by seeking counseling at a reasonable fee.