

## In Focus: Banking & Finance

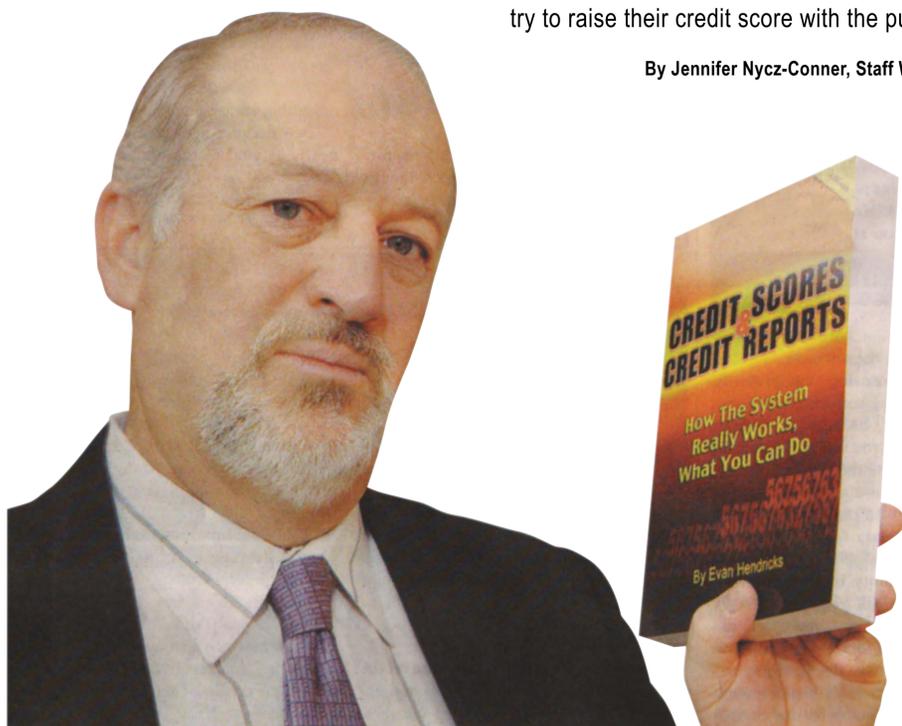
An in-depth look at the news trends shaping one of the region's most significant industries

### Trend Spotlight

## Who's credible in the credit industry?

Credit counselors and debt management firms try to raise their credit score with the public

By Jennifer Nycz-Conner, Staff Writer



CREDIBLE SOURCE: Evan scans and slams the scams of the credit industry in his book. PHOTO: JOANNE S. LAWTON

Glance through your bulk e-mail folder or spend some time watching late night TV, and it's almost guaranteed that someone will promise to help you get out of debt. Fast! Free! Easy!

And oh-so-trustworthy.

There are definitely some bad apples hanging on the credit-advising tree. That tree took a shaking this month when Andris Pukke, founder of the now-defunct Germantown-based credit counseling firm AmeriDebt, agreed to pay up to \$35 million to settle two lawsuits accusing him of misleading debt-laden consumers.

There are plenty of legitimate counselors out there who are on the up-and-up and need to rise above the dust kicked up by the industry's less-than-stellar types to connect with consumers who truly need their help. Here's how they can do it.

### PUTTING THE "ED" IN CREDIT

Evan Hendricks knows the credit industry and has a 2-inch thick book to prove it.

Hendricks, who lives in Cabin John, is the author of "Credit Scores & Credit Reports: How the System Really Works, What You Can Do." It's an in-depth look at the entire credit industry, ranging from reports to scores to scams to legislation. The book, which sold out its first edition with no marketing, is now in its second edition.

Hendricks spends a full chapter exploring the wild world of credit repair and credit coun-

selors. He says there's a tremendous need for solid consumer education and credit counseling right now, yet people find themselves wondering whom they can trust.

"There's a serious number of people going for credit repair, but there's kind of a low satisfaction level," Hendricks says.

If more agencies followed the old adage of "If you did good, you'd do well" and truly helped guide people through the minefields, "I think it would be a tremendous business," he says.

It's important to understand the distinction between the credit counseling agencies and the credit repair firms.

Credit counseling focuses primarily on debt consolidation and reduction for overextended consumers. The counseling firms are often nonprofit organizations that place a heavy emphasis on consumer education when it comes to things like budgeting, saving and learning to using credit wisely. Credit repair firms are service businesses that help people clean up their credit reports and optimize their credit scores. Credit repair also is becoming a service that people are seeking out, especially as one or two points on a score can mean the difference in hundreds or thousands of dollars worth of interest. Both kinds of credit operations have taken a lot of shots in the media in recent years. And both are now actively striving to separate themselves from the bad apples.

### CREDIT COUNSELING

Last spring, Congress passed the Bankruptcy Abuse Prevention and Consumer Protection Act (BAPCPA). The legislation requires that all individual debtors who file bankruptcy on or after Oct. 17, 2005, must undergo credit counseling within six months before they file bankruptcy. They must then undergo a financial management instruction course after filing.

In other words, anyone who goes through the bankruptcy process is required to get help.

To make sure that people facing bankruptcy are meeting up with the good guys, the U.S. Trustee Program, the Justice Department division that oversees the bankruptcy system, is compiling a list of approved budget and credit counseling agencies and financial management instructors. Bankruptcy filers must select a counselor from that list to satisfy their requirements.

While the U.S. trustees oversee bankruptcy proceedings, the Federal Trade Commission regulates the credit counseling and credit repair agencies.

One thing the FTC recommends consumers seek in a credit counselor is third-party accreditation. The National Foundation for Credit Counseling in Silver Spring is eager to talk about the industry's efforts to clean up its act.

"We welcome the scrutiny," says Nick Jacobs, an NFCC spokesman. "We fully recog-

nize that there are bad actors in the industry.

Anything that can be done to weed out the bad actors ... we welcome it."

All of the NFCC's accredited member organizations are registered 501(c)(3) nonprofit organizations, which means they have to prove that they are providing an educational or charitable service. They also must be willing to work with a client regardless of the person's

ability to pay.

"You don't see that in a for-profit model," Jacobs says.

NFCC has rigorous membership requirements, and all members must be accredited by the Independent Council on Accreditation.

### CREDIT REPAIR

Credit repair agencies specialize in helping consumers clean up their credit reports and navigate the murky waters of the "big three" credit agencies. Unlike their counseling brethren, credit repair groups are often for-profit ventures.

The industry is moving away from its mot-

ted past into an important service sector, says Madison Ayer, the founding partner of Veracity Credit Consultants, a Denver-based credit repair agency with offices in D.C.

Critics of the repair industry point out that you can do all these things yourself for free. But that riles Ayer, who says such talk reflects pre-Industrial Revolution thinking.

"You can also repair your car yourself," he

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says, but it's often more efficient to take it to a mechanic.

Do-it-yourselfers would be taking on the credit-repair task without the tools and expertise of a credit service as they work their way through the main credit reporting agencies: Experian, Trans Union and Equifax.

Most of Veracity's clients, who pay \$39 a month for their monitoring and repair services, stick with the company an average of seven to eight months, Ayer says. Most people show up with a mission in mind, such as obtaining a mortgage.

"They usually stay with us until that mission is successful," he says.

Businesses are warming up to credit repair services. Small business owners and real estate investors are always having their credit pulled or seeking some kind of financing.

Two decades ago, credit scores weren't nearly as vital to the bottom line as now. "Your credit report is becoming one of your most important assets," Ayer says. "It's only natural that you'd want to protect that."

To help repair their own rep, Veracity and about 15 other repair firms are creating The Organization of Responsible Credit Advocates to monitor the industry, keep the scam artists at bay and generate positive recognition for legitimate repair providers.

The most effective way to win consumers' trust is to promise only what you can deliver, says Alice Hrdy, an assistant director with the Federal Trade Commission.

That means not promising that they can get all of those legitimate dings removed from reports.

"Negative information has a place on your credit report, as long as it's accurate and within the time period," Hrdy says. "Time heals all wounds, including negative information on your credit report."

That message also applies to the credit counseling and repair firms as they to restore some credit to their profession.

EMAIL: JNCONNER@BIZJOURNALS.COM  
PHONE: 703/816-0339