Credit when credit's due

For many, borrowed money can be a costly affair

BY LORI ROBISON
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Credit can be fun and easy to live with, but overcoming a mountain of debt is definitely not a hike through the park.

"You can't run from (debt)," Vicki Kuntz, risk manager for the National Bank of Commerce, said.

In her experiences lecturing about credit at area colleges and high schools, Kuntz expressed surprise at many students' attitudes that high debt and bad credit will not return to haunt them after graduation.

When these graduates begin looking for houses a few years after school, she said, they find themselves face-to-face with a bad credit history.

Kuntz said NBC no longer solicits credit card customers by mail because too many customers were running up a high level of debt and having trouble paying it off later.

"We weren't helping them," she said, adding that credit approval ratings for cards dropped 70 percent after the mailings stopped and tougher restrictions for card approvals were implemented.

Tom Struebing, office manager for Credit Advisors, Inc. in Lincoln, blamed the availability of easy credit, increased credit limits and low, temporary introductory rates as major reasons for the significant rise in his business's customers in over their heads with credit card debt. Credit card companies are giving cards to practically anyone who wants one, he said.

"Cards are becoming more available to more people now than ever before," he said.

But the potential pitfalls for college students do not end with the never-ending deluge of credit card offers arriving in the mail. There is also the necessary tradeoff of loans for education many must make to attend classes and buy books.

According to Amanda Koelling, student loan clerk for NBC, the average four-year loan debt for students borrowing federal loans is between $17,000 to $18,000, though Nebraska enjoys a lower default rating of 11 percent compared to the approximately 19 percent loan default rating for the nation, she said.

Koelling said most banks provide federal loans to almost any college in the state, with the exception of a few colleges (including UNL) operating under the William D. Ford Direct Loan Program. And, she said, the procedure is not as strict as for approval for other loans or even credit cards.

The federal government, she said, not the bank, is ultimately responsible for collecting the debt and reimburses the bank automatically in case the student defaults on the loan. If the school has certified that the student is eligible for federal loan money, she said, then we will usually approve it.

Kuntz said that for those who do find their debt more than they can handle, keeping in touch with their creditor is a major step toward resolving the debt.

After the first collection letter is send to a debtor, Kuntz encouraged calling and talking with the bank or creditor. Most creditors are willing to work with their customers, she said, especially if that customer is willing to make an effort to resolve the situation.

Many creditors will accept a payment lower than the minimum stated on the bill, she said, others may lower financial charges or consolidate the debt, resulting in lower monthly payments. Kuntz stressed that only by maintaining contact with the creditors and showing a willingness to pay off the debt will creditors try work within the customer's economic situations.

And with consolidation, she said, whether through the creditor or through a credit consolidation company, a debtor may maintain a good credit history.

Koelling agreed, suggesting consolidation of loans as a possible remedy for loan debt ills. The loan repayment period will be extended, she said, and the monthly payments will go down, although the student will end up paying more in the long run from higher interest rates on their consolidated loans.

Struebing said agencies like his work directly with the collection agency or creditor to set up payments the debtor can live with.

Credit consolidators can reduce the interest rates being charged on credit cards, he said, they can also stop late charges from accumulating on the principle owed.

The consolidator's main concern, he said, is to keep the customer from going bankrupt, destroying their credit history for years to come.

A budget is usually worked out with the customer, including utilities and rent, and then a minimum monthly payment set based on that budget and the amount of debt owed (usually 1.5 to 2 percent of the debt)., he said

Although credit card companies automatically close a person's account when paying through a debt consolidator, customers can reapply if they want to.

"But most don't," he said.

Even though consolidation is an option many in debt take advantage of every year, there are some debtors who, for whatever reason, have not returned the money they owe. When that happens, the job of collecting on the debt usually falls to a collection agency.

Jackie, a Lincoln resident who asked that her last name not be used, knows what it means to have her name in an active file with a collection agency. After attending Union College from 1983 to 1986, she was left with a relatively modest $9,000 loan debt that, with interest, resulted in a total debt of $13,000.

However, a series of moves kept her out of touch with her creditor (who later send the defaulted loan to a collection agency). Finally, in 1993, the agency found her address and work number and began demanding payments. Jackie said the collection agency called her at work, despite her employer's request for the agency to cease the calls, and at her home, jamming her answering machine regularly with messages demanding payments.

Jackie said the agency has garnished her paycheck for payments for the last two years, and she steadfastly refuses requests by the agency that she consolidate her loans because of the higher interest rates that would result.

Two months ago, after being sent a statement reflected an increase in principle of $2,000, Jackie has decided to declare bankruptcy rather than deal with an agency she said she had no faith in.

"It's my own fault," she said. "That's where I made the big mistake in my life—to borrow money."

Len Beckenbach, owner and manager of Collection Concepts in Lincoln, said most debtors his company contacts pay their debt off through monthly payments or seek the help of a debt consolidator.

And for those who don't or for those who move without notifying creditors, he said, collection agencies have at their disposal a variety of methods to track debtors down.

Using a technique called "skip tracing" collection agency experts can trace the debtor by utilizing Internet sites run and updated by such organizations as the American Collector's Association, based in Minneapolis. With the help of the information highway and a few quick clicks on the right icons, agency detectives can track debtors anywhere in the nation through official records from phone and utility companies.

Collection agencies may also use more conventional methods such as speaking with neighbors, former employees and relatives in the search for a debtor.

But this search is limited in its scope and in the extent agency representatives may go to collect debt.

According to a consumer bul-

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