Leading Strategically Through the Recovery
The Increasing Need for Credit Counseling as Customers Face Massive Financial Impact
5/7/20

Amy Perkins
Thanks again to everybody who joined. Thank you for attending the latest in this insideARM roundtable series, Leading Strategically Through the Recovery. I'm so excited to have with me today Chris Viale. Chris is the CEO of Cambridge Credit Counseling, where he spent the last 25-plus years, over 25 years, leading and advancing the credit counseling industry. I've learned so much from him in our initial conversation. I'm excited for you guys to learn more.

Before we jump in, I want to take a moment to thank our sponsors and cover a little bit of housekeeping. Thank you to LiveVox for their generous sponsorship of this entire series. If you don't know, LiveVox is a leading provider of enterprise cloud contact center solutions, managing 12-plus billion interactions annually. With more than 15 years of pure cloud expertise, they empower effective channels of choice engagement strategies, cross-collections and recovery and much more, I'm sure.

All right, so a couple of housekeeping items. Everyone who has joined the webinar today has been muted. However, you can send your questions via the question box in the window that should be on your screen. You can do that at any time, but we'll be holding for questions during the Q&A period towards the end.

We will be providing this webinar for replay on the insideARM's website, so if you found it valuable and would like to direct other people there to see it, please feel free to do so. And the last thing I'll say is this information we're going to share today is not intended to be legal advice and can't be used as legal advice. I would highly recommend nothing I say ever be used as legal advice. So we'll just make that broad, general statement there.

Okay, so let's get to the good stuff now. Welcome again, Chris. I'm really looking forward to today's discussion. So, if you're ready, I'll just jump right in.

Chris Viale
Yeah, thank you, Amy, for having us and, yeah, let's go.

Amy Perkins
Great, sounds good. Okay, first of all, I wanted to start and allow you to share with the audience really what is the state of credit counselling right now. And I know that you had mentioned you all have been working on a lot of new and innovative things within that space, but can you just bring everybody up to speed with what you guys have been focused on before COVID-19 came our way?

Chris Viale
Sure, yeah. So, credit counseling has had one product all for consumers for 50-plus years, our debt management program where we help consumers repay their unsecured debt over a 60-month period of time. Generally takes 50 months or so to get someone clear of it. But that's the one product that we've had. We've had different tiers of concessions that creditors would offer. Some creditors offer interest rates as low as zero percent or 2 percent or 6 percent or 9. And the payments can vary a little bit, dependent on the client's hardship.

But that was the only tool that we had in our tool belt to help consumers that we were counseling. So, when we were doing all our counselling work, we would counsel 100 people. Of those 100 people that we go through a counseling session with, which is a deep dive into their budget, about 40 percent or so we could actually help with the product that we have, had in the past. And, of that, maybe 20, 25 percent would ultimately join the program. So, 70, to 75 percent of the people that we're talking to, that our counselors spent time with, we didn't have solutions for them.

So, the industry really has been working on innovation for 10-plus years, but has not been able to really get anywhere. So, two years ago or so, the two trade associations, which is the NFCC and FCAA, got together and said, okay, let's stop trying to work separately on this and let's come together and see if we can collaborate, educate regulators and creditors and get into this innovation aspect of our industry, which has been pretty much dormant on that front for decades.

And we started that work a couple of years ago and, prior to COVID crisis, we actually have had two really good pilots in motion. One pilot was a less-than-full balance, post-charge-off program. It's similar to a D&P, but it's paying 50 percent of the debt over 36 months, so it's a less-than-full balance product, for post-charge-off accounts, not pre-charge-off. So that was one product that was in development and being tested by some of the major creditors and five of the larger credit counseling agencies.

Another product that I developed and worked directly with two of the major credit card companies on is called the Extended Modification Solution, EMS. This product was developed for consumers that are already on a debt management program, but run into a secondary hardship. That secondary hardship isn't extreme enough for them to have to file bankruptcy, but they can't afford their debt management program payments because we can't lower it any further than what their budget allows that we set up originally.

So, what the Extended Modification Solution does is it allows us to bridge consumers with a lower payment for a period of time until they can either get through that expense that interrupted their budget or that hopefully they can restore some income they might have lost through the secondary hardship.

So, we send lower payments the same way we send our regular payments to the creditors to cover interest during this period of time, so there's no negative amortization that's happening. And the account slowly ages past-due. And it takes eight months for the account to get to a point where it would charge off with these lower payments going through. So it gives us a window of time to get the consumer back up to their regular D&P payment and keep the concessions intact. And what's good about the program is the creditors that participate do not charge fees, they don't increase the interest rate, so all concessions stay intact for the consumer when these lower payments are happening. It's very successful. It helps people sort of gauge through a process that in the past we would just have to let them go.

We rolled that program out at Cambridge with a couple of the major banks, almost two years ago. And that innovative work that we did and proved concept of that, we brought six other agencies on, brought eight other creditors on. This was all right before COVID hit. So, the work that was being done on some of these innovative products has come at a time that is allowing for us to expand a lot more of what we're doing because of the need of COVID right now.

Amy Perkins
Yeah, I was just going to say, from a timing standpoint, it's unfortunate that we're in this situation and more people are going to need it, but I'm really relieved to hear that you've expanded your options for consumers. Especially now, since so many people are going to be coming through this that really do have more short-term hardship situations, or just haven't navigated any of these before. I think they're going to be looking to groups like yours and obviously like ours more than ever to try to get up to speed and get educated on what their potential options are. And I truly believe the more options we have available to people that get us all to a win-win situation, the better off we are. And I know this is probably a sensitive topic on this webinar, but I know that I'm hearing that debt settlement volumes are just already going through the roof, so it's good for us to be talking about this free credit counseling option, too, so that creditors and others can continue to keep that in the forefront. So that's good work on your part.

I guess now COVID-19 is here, how are you adjusting or modifying your vision or strategy to help make sure you guys are there for these consumers who are going to be coming through?

Chris Viale
So, it's rapid response. It's been 16-hour work days for the past two months in regards to try and develop the new products on top of the two that we already talked about.

The first thing we did is, with EMS, we trained—there are 81 agencies in our industry within the two trade associations and a couple of independents. So, the first thing we did with EMS, the Extended Modification Solution, for all of our existing clients, there are roughly a million consumers that are on debt management plans. So, we wanted to deploy EMS out to the entire industry. So, we trained 81 agencies over the past, well, it was a month ago, but for a good four-week period of time we were getting all those agencies on-boarded on EMS so that they had a way to save their debt management clients through this Extended Modification Solution. So that was the first step.

Then we developed the two trade associations—incredible leadership, Rebecca Steele and Jeff Faulkner at the NFCC and Laura Pollack and Judy Sorensen at FCAA—really worked hard together to come up with our, what we call CERP—it's our Counsel Emergency Response Program. And what this is is, it's really four-part. What we're trying to do is help consumers navigate the deferrals that the creditors are willing to help consumers with right now on top of EMS and on top of trying to develop a plan for 60, 90, 120 days from now, when those deferrals are over, what are consumers going to do when their payments start to come due again.

And it has been a whirlwind of efforts to try and corral all of the creditor community to have a concise approach of how to deploy these deferrals. Because, when this all hit, the credit card companies, just like all of us, their capacities were limited because they couldn't work in their call centers anymore. So they had to deploy everyone at home. And a lot of their call centers were overseas that were shut down and they couldn't even work from home. So consumers were trying to contact their creditors and couldn't even get through to get deferrals or find out what relief the credit card companies had.

That's changed a little bit. The credit card companies have done a great job. Our industry did a great job of getting our people deployed at home. And now what it is is just trying to navigate the different deferral programs that each creditor has. It's a mix-mosh of different programs. Some creditors offer one month of deferrals. Some are two months. Some are 90 days. Some are you have to call every month and validate that you have a COVID issue, a hardship that's related to the need for deferrals. Others are blanket policies.

One of the problems of all of it is that interest keeps clocking on all of these deferrals. So, consumers think they don't have to pay, but yet their balances are increasing. And that goes for people on debt management plans and people not on debt management plans.

So, deferrals are fine if a consumer truly needs it. So, there's been just an awful lot. We've been working hard to try and figure out exactly what we can deploy to consumers. And we hold conference calls three days a week with all the CEOs, Monday, Wednesday, Friday. We just moved to Monday, Thursdays. But, for the past six weeks, we've had hundreds of people on these 5 o'clock, Monday, Wednesday, Friday calls to update the industry on all of the efforts that we're doing to try and help them deploy these assets to their staff, to be able to help consumers. We set up a whole separate resource library where all new updates of these programs get funneled through and out to the agencies.

We talked to the creditor community, the top 32 banks we're working with. The top 10, majority of our time is spent with them, because that's 70 percent of the industry. And it is just ongoing, day after day after day to try and get everyone on board to either offer EMS or expand the less-than-full balance programs in the charge-off phase, which you're going to see a ton of people moving toward, as well as now we're looking at some new, innovative products, like a 72-month debt management program, a pre-charge-off, less-than-full balance program that runs similar to like a settlement product, but it's more consistent and has monthly payments flowing and it's not an adversary type of event, where we're working with the credit card communities to accept these programs. So there's just a ton of work that's going on.

Amy Perkins
Well, I really applaud you and really the entire group. I think this is noble work and necessary work for so many people who are going to be looking for it.

I guess I have a process question on how this all happens on your end. So, you design these products and come up with these solutions. But, are you 100 percent dependent on the creditors adopting and saying they're okay with your programs for them to be able to refer consumers to you? Or do you guys do your own marketing, too, to go direct to consumers to offer them the credit counseling support they need?

Chris Viale
I'll answer the second part of the question first. The credit card companies do have referral lines out to our industry. But the majority of what we get is from our own direct marketing or earned media. We have a lot of financial journalists that will publish stories about the work that we're doing and they'll put our locator lines in those stories, whether it's a toll-free number or our website, so that people know they have a safe place they can turn to where they're going to get a true education and counseling to develop a real plan for them, rather than just pushing them into a product.

So, to your first point, we do need the credit card companies working with us to deploy a lot of these products. Many of the banks are on board and they've worked with our industry as a partnership for decades and many of them are incredibly great on trying to work through the innovations that are needed right now.

A lot of this comes down to federal approval from the FDIC, the OCC and CFPB. So we're working with all of those federal branches to lessen some of the regulatory constraints around some of the programs and limitations that creditors have to offer these workout programs. And all those discussions have been incredible. We just met with the FDIC just prior to this call and we're meeting again with the OCC tomorrow morning. And we've met with them several times. And the CFPB, as you know, held a convening on the debt relief space last month or two months ago, which highlighted a lot of the work that we're doing. So they're fully supportive of this.

So, really, it's a matter of getting the regulations aligned with the products and services that we're trying to expand to consumers. And it's about affordability for consumers. Our old debt management plan had one payment and that one payment only and, if it didn't fit within the budget, that's all we could do. These innovations are allowing us to expand that 20 to 25 percent of 100 people that we're talking to and being able to offer them something, more in the range of 50 to 60 percent of the people we're counseling will have the opportunity to join one of these different types of programs.

Amy Perkins
That's so good. So, more options and then broader eligibility or match, I guess, with those options. I think that's really perfect 15:37.

I mean, I have to tell you, when I, I was in banking for a long time before I came here to insideARM and the strategy position and I was scratching my head when we started revisiting this conversation recently, because I'm like, gosh, the last few years I was in that role, we didn't talk much about credit counseling or really look at that or pursue that as something that we wanted to do more. I was kicking myself a little bit. I know when I first came into the industry, it was the thing. It was always a part of the suite of options that we talked to consumers about and I know now there's a lot of competing interests and things like that, but I'm glad to hear that you guys are bringing more and I'm happy to help you bring more of this message to the forefront because I think free and options, options that match—now more than ever I can't imagine why this isn't where we need to be sending people or companies need to be partying together, so it's good stuff.

I guess that leads the question, I know some consumers, based on what they hear from you, are you doing any education to teach consumers what a debt settlement path is versus a credit counseling path? And how those things are similar or different? I mean, obviously, the key thing is, from just a layperson out here, one thing is that most debt settlement processes cost a little bit in addition to what you're giving [up 16:59]. Credit counseling is free.

But it sounds like now that you have other options, you guys are on a little bit more of a level playing field otherwise. Is that fair?

Chris Viale
Well, it's hard to say it's fair. The debt settlement industry, they earn so much money off of what they do and they're able to monetize their advertising in different ways that non-profit credit counselors can't. So, to level set what consumers hear on TV or … see on TV or hear on the radio or see online, it's virtually impossible for us to compete against the debt settlement message that's out there.

So, what we find are consumers are confused. They really very often don't get an opportunity to even talk to us because we can't get in front of them so easily. So, until there is … we have an ability to be able to advertise in a some kind of similar way to be able to cast out our message to the public, it'll never be a fair field.

Now, when you talk about free credit counseling, the work that we do in educating and working with consumers, all of that's free. We do charge a tiny bit of money to consumers that do join our plans to help subsidize the efforts that we have. And we do get some money from the creditor side in fair share or grants to help support the work that we're doing.

What we're trying to expand on right now is that model itself. Is that model broken that we're reliant on the creditor community for the funding and the small fees that we can charge? Is that enough to really support the work that we're doing and be able to get the message out to consumers through marketing or other means? And a lot of this innovation work around this COVID crisis is bringing a lot of opportunities to the table that we think we're going to be able to hopefully level set what consumers can hear about the different options they have access to.

Debt settlement programs are good for people, right? Some people need that. They don't want to file bankruptcy. They can't afford the plans that we have. They're in a position where a settlement might be the right option for them to go down. And we all endorse that. We believe that that product should be in our tool belt to be able to help consumers and that's a lot of what our less-than-full balance debt management programs, our DRP plans, are all about on the going forward basis.

But I sort of went in circles on your question there, because it's hard to say, my vision, our vision of the industry is that consumers should be able to have proper information about the choices they have. And, in the environment the past several years, they haven't had that opportunity.

Amy Perkins
Yeah. I agree. I think you did a great job balancing that. That was a tough question [on our side [19:59]. I appreciate the way you tackled it.

All right, so, I will say on that note, though, I know you guys are working on so many things. I am excited to tell the audience that, for our Strategy & Tech conference, you'll be doing a full hour session sharing more details and information about strategically and tactically where you guys are headed, so I know these guys are excited to hear more about that. Hopefully by then some of those things will have probably matured even more. So that'll be awesome to hear more, I can't wait.

So, getting back to some of the questions I had, after COVID-19 … I shouldn't say "after," I mean, as the wave of consumers come through from COVID-19, is there anything else in addition that you can share that you think you guys are going to be able to uniquely do for customers impacted by the pandemic?

Chris Viale
So, in the short term, the next 30, 60, 90, 120 days, our deferral program and working with consumers to navigate that, that's the most important thing that we're working on to just let consumers know that we're going to help you figure out, based on your budget currently, where you can fit this in so that you don't have to file bankruptcy, so you don't have to go underground and just ignore the situation that's in front of you.

As we're coming through, what we're envisioning is going to happen, and we're talking to all the major creditors, as well, they're looking at doubling their capacities to handle the collections side of their banks. We're looking at doubling the size of our capacity. We roughly had about 1,300 counselors amongst our 80 agencies currently. And in polling all of our agencies, we've determined through the leaderships of each agency that, within the next six to 12 months, that we can up our staff by 50 percent and then 12 to 18 months, hopefully agencies will be able to double the amount of counselors they can have ready to deploy to the consumers that are going to need this when this process is finally over and there's some normalcy back to income levels or different jobs that people might have to take. What do we have? Third-some-odd million unemployed right now and what's that number going to get to? Fifty million? I don't what the predictions are.

But the banks are looking at 15 to 20 percent break rates. Which are three to four to five times higher than they've ever seen. And this is going to be even much worse than back in the recession, because the recession was really tied to housing, it wasn't tied to unemployment or income curtailment that we're seeing. So, this is really going to be a massive wave that's going to come over our bow and we need to be here for that. And that's part of why we're … we've got the industry trained on the EMS, Extended Modification Solution, for current clients. We're getting the industry trained in the next four to eight weeks on less-than-full balance programs so that we can deploy that across the industry. Because there'll be a lot of charged-off accounts that are going to be coming down the pike and we want to be able to offer them solutions in that bucket, which we'll have.

We are working very fast with the OCC, FDIC and CFPB on the 72-month debt management plan. And why that's important is, when we go out 72 months, it allows us to lower the payments even further to help consumers. Plus, creditors are going to go down to 2 percent or zero percent interest on those plans, so we really will be able to get those payments low to help consumers, when they first start these debt management programs.

And then we'll be working on the less-than-full balance front end product, where this is for consumers that don't have accounts that charged off. Where, if we recognize the fact they can't afford their regular minimum payments with their creditors, but they may be only a month behind or they're still current, but they haven't got to that charge-off status as of yet, we're going to be working with ways to accelerate the ability to help consumers, instead of having to wait till accounts charge off.

So those are the things that we have in the pipeline. And over the next one to three months, we're hoping that we can have the 80-plus agencies in our industry fully trained, ready to go and then we'll be increasing our staffs to handle the demand that's coming through.

And we're working with a lot of these federal regulators and the banks to create more consumer awareness around our products and services so that maybe a lot more earned media will pick up on what we're doing to help consumers to get the word out there.

I know that many of us are working with a lot of different EAP programs and different unions, whether teachers' unions, nurses' unions, ways that we can get in front of their workers and their employees so that people know there are safe places they can turn where they're going to get real good counseling and education.

So a lot of that's all what we're working on. Because it's going to come across our bow, for sure.

Amy Perkins
Yes, you're absolutely right, the wave is going to come through, for sure. And I assume when you're talking to regulators, their primary concern is being able to assess who really needs it and not delaying the inevitable, right? If someone's really in a situation where you look at it and the program really isn't the solution, which sometimes that really is just the case. Sometimes a situation for a consumer is so long-term and so big that these types of things can't help. But for the majority that we can appropriately assess, they certainly can. I'm assuming that's some of the discussion you're having with regulators. How to assess and how to know if it's a short-term problem or a long-term problem. All of those things go into that.

So I just say that to say I can appreciate first-hand the work, the amount of work that you are doing to influence all the right stakeholders to ultimately find solutions for consumers, it's really impressive.

I guess I'll ask you this. Well, first I'll say to the audience: If you have questions, fire them away. I'm about to ask Chris my last question, so get those questions in the queue, if you have them.

But the last thing I'll ask is, you have a captive audience here—a mix of lenders, agencies, tech companies. I guess, what would you say is our call to action, Chris, to help you help the consumers through this process and help, one, to make them more knowledgeable to expedite them through the process at all, just tell us how we can help you?

Chris Viale
Yeah, it's all a matter of engagements. Anything we can do to collaborate on helping consumers navigate the issues and the problems they're going to have trying to solve their entire debt problems, not just credit card debts or unsecured debts. You have a lot of collection agencies in your audience. We work with several of them. We'd like to have everyone on board. Resurgent and PRA are part of our EMS and part of our less-than-full balance programs. But there's no reason that we can't have your Midlands and all the others that, your debt buyers and collection agencies part of this solution.

So it's really all about collaborating and not being afraid to work together to try and figure out innovative ways to work together and processes and flows that can make it easy for consumers to get on these solutions and to work through trying to repay what they want to repay back. That's what consumers want to do. They don't want to walk away from their debt. They're not looking to settle for less than what they owe. In the event that they do have the capacity to be able to pay what they owe, that's what they're looking for. And we just need to engage as industries and understand that who are we looking out for? The consumer, right? At the end of the day, that's what we're looking for.

And we've got the federal regulators on board. To your point, yes, they want us doing a waterfall to make sure the consumer needs these helps. They also want the bank to be very safety and soundness about how they're handling these consumers. Efficient write-offs are necessary to make sure that the rules that govern what they're doing are applicable and being applied the right ways. And that's what we're building. We're building all those safeguards within all these programs so that it's not a salesperson pitching a consumer on a product so they can make commission off of it. It's about right-sizing the consumer, meeting them where they're at and getting a program deployed to them that we can execute on.

And we need partners. We need partners and we need everyone to be engaged. At the end of the day, if that happens, everybody wins.

Amy Perkins
Yeah, absolutely. Well, I'm happy to provide this platform to you to get the word out more and more. And, like I said, we'll hear more in July and we'll have a broader audience there, too. So, I'm with you. I think the more people that know—the more companies that know about the variety of solutions that are out there and available to help them help customers, the better off we all are. So, I appreciate, again, the work that you're doing and I'm happy that we're able to work together to get the word out about that.

I don't think…

Chris Viale
There's one other point, too. Sorry. We're solving for everything, right? The consumer has six to eight different accounts when they come to us and we're solving for that entire portfolio. Where individual creditors, individual collection agencies, they're solving for just their account. That can help a consumer, sure. But it's the whole list of counseling that our staffs do that solve for everything that makes it work and it makes people stick to these plans so that's it's successful. So, I just wanted to bring that point up, too. Because everyone's trying to do work and good work. But in our wheelhouse, we're solving for everything for that consumer. We're solving for their mortgage. We're solving for their student loans. And we're solving for their unsecured debt. Everything is done under our umbrella.

Amy Perkins
I'm glad you made that point, because that is an important, a very important element and I think that's the right thing for the customer, for sure.

All right, well, it doesn't look like we have any questions, so I think I'm going to go ahead and wrap us up. Once again, thank you, Chris, for being here with us today, and thanks to our audience, as well, for spending the afternoon with us.

I do want to say one last time, thank you again, to LiveVox for their support of the webinar. We really appreciate their thought leadership and that they value this type of communication.

I will say if you have any questions about the content in today's presentation or any of the presentations we've done through this webinar series, please feel free to send me a note at Amy@insideARM.com. And I think that's it. We hope to see all of you guys next time and you guys can safely disconnect.