

# Bad loans caused by loss of jobs

**Editor's Note:** Because of the subject matter of this article, those interviewed requested that they and their employers remain unidentified. Therefore, the people in this story have been given false names.

By GREG PROPPS  
Special to the Battalion

**EVEN BEFORE OUR** car has stopped in the driveway, we can see the curtains of the old, leaning house being snapped shut. As we walk to the porch, most of the inside lights are being doused.

The people inside already know who we are and what we want. And they would like us to think no one is home.

We are out "chasing" for a finance company - trying to collect on loans that, for one reason or another, have gone unpaid.

**THE FIRST AND** second knock on the door are met with silence. A third, more determined knock brings results. The door is cracked open, and Nancy, the assistant manager of a local finance company, asks to see her loan customer.

"She's not home," says the voice behind the blackened doorway. "Do you know where she is?" asks Nancy.

"She's not here - won't be back 'til after midnight," says the voice.

**THE VOICE KNOWS** we won't come back that late. Nancy leaves her card and asks that the customer call her the next day. Before we get back to the car, the lights inside the house have all come back on.

At the next stop, we make it inside the house, but the man says his doctor still won't let him work, and his government checks are late this month. Maybe next week.

At the next house, three rabid looking dogs keep us from getting out of the car.

And so it goes for the next four calls.

Collection calls like this are not new to Nancy. Most of her custom-

ers simply don't have the money to repay their defaulted loans. She says in almost every instance, the problem can be traced back to local unemployment.

**NANCY WORKS FOR** a "B" finance company, whose maximum loan is \$100. Finance companies are classified as "A" or "B," depending on their upper limit on loans.

Before Nancy grants a loan, a customer must show enough income to repay, have an acceptable credit rating, and show a permanent local address. If these check out, she grants the loan, and hopes it will be repaid smoothly.

What often happens, though, is that her loan customer will get laid off, or hurt on the job, and fall behind in his payments. Sometimes, said Nancy, they will just quit, and figure if they aren't working, the loan won't have to be repaid. Three and four month delinquencies are not uncommon.

If Nancy can get her overdue customer to make at least one payment, she will refinance the loan, extending the time, but raising the interest. If it goes unpaid for a fixed amount of time, it is written off the books as a loss.

**ADD THE PRINCIPAL** to the amount spent in time, mileage and office expenses while trying to collect, and each unpaid loan represents a considerable loss for Nancy's company. Last month, she wrote off \$900 in principals alone.

When Nancy writes off a loan, she reports her loss to the local credit bureau. That, in effect, prevents her customer from obtaining a loan anywhere else in town. If the delinquent customer moves to another town, the bad credit rating follows.

To keep all this from happening, Nancy's customer, who probably has another job by this time, borrows from another finance company to repay the first, borrows again to repay the second, borrows again to repay all the monthly bills, and soon

it all swarms on him. He owes money all over town, and can't repay a single debt.

This is where Mike comes into the picture. Mike is the assistant manager for a local "A" finance company. Nancy's customer comes to him, and gets a consolidation loan. Mike pays off all the "B" companies, and the customer now has only one loan to pay off.

**ONCE THE CUSTOMER** pays the "B" companies, they consider him a good risk again, and are willing to grant him another loan. Mike said it is not uncommon for his customer to reopen with the "B" finance companies, lose his job, and start the spiraling pattern all over again.

This time, though, the customer is behind in his regular monthly bills, his payment to the "B" companies, and to Mike's company as well.

That's when Mike starts having to make collection calls of his own. Mike said that in September, 280 of his 1,300 accounts were delinquent. He also said that for this year, he has already written off \$24,000 in unpaid debts. He estimated that 99 percent of these unpaid accounts were because of unemployment.

Mike, who makes other loans besides the consolidations, said a first payment default is not uncommon. His customer, who at first appears to be a good credit risk, will get a large loan, and promptly quit his job or get laid off. With no money coming in, he is unable to repay his loan. Mike says he sees this sort of thing happening almost daily, and his company must absorb the expenses incurred in trying to collect.

Delinquent and charged off accounts present another problem for Mike's company. Too much time spent chasing and collecting, rather

than working with new accounts or doing routine office work. Potentially good customers don't get services like they should, due to someone else's unemployment.

**TOM, A COLLECTION AGENT** for a local bank, sees still another angle of the nonpayment circle. Tom's bank makes large commercial, construction and personal loans. His view is as follows:

A local industrial firm has a large layoff. The people out of work are generally the same ones who get into debt to Nancy's "B" company. When they are in debt to her, chances are they are in debt to local retailers as well. The retailers can't collect what is owed to them, and they must take loans to repay their own bills. The retailers borrow from Tom's bank, and when nobody repays the retailers, they too become delinquent, and it is Tom's turn to collect. It is a nasty circle, usually

with unemployment at the hub. Tom said from his point of view, it is the small businessman who is hurt the most. In most cases, he would like to keep good credit, but can't, due to the bad credit of others.

In the cases with the small businessmen, Tom says he generally refines the loan over a longer period of time. This costs the customer more in interest, but should allow him to climb out of debt.

When Tom extends a personal loan to someone not presently working, it is designed to give the customer a month to get back on his

feet. Tom calls it "extending unemployment," because often the month passes and the customer is still out of work and still in debt.

**SUMMING UP HIS** collection work, Tom said, "Unemployment is the whole reason for default. You can always trace it back to that."

The Texas Employment Commission says the November unemployment rate for Bryan-College Station should stand at 2.5 percent. Taken at face value, that figure doesn't look too bad. Nancy, Mike and Tom would disagree.

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## Report recommends fabricated food tests

United Press International

WASHINGTON — "Steaks" made of soybeans instead of beef could be a common feature of the future American diet. But before that happens, congressional researchers say, the nutritional implications should be studied.

The Office of Technology Assessment, an arm of Congress that studies the impact of technology on people's lives, has taken a broad look at how modern food marketing technologies will affect future society.

Food specialists at OTA said they believe the most significant technological change described in their 88-page study is the impact of engineered or fabricated foods on the human diet.

Fabricated foods are being used as substitutes for common foods or as ingredients.

Substitutes include non-dairy coffee whiteners, soybeans, fabricated breakfast sausages, ham and steaks made from vegetable protein and imitation cheese, whipped toppings and egg substitutes made from vegetable oils.

Sales of fabricated foods totaled more than \$6 billion in 1972 and are expected to reach \$11 billion in 1980.

"People don't realize the tremendous impact that that is going to have on our society," said J.B. Cordaro, who headed the food technology research effort.

Some fabricated foods may not provide adequate levels of vitamins and minerals, he said.

Cordaro said substitute foods could be used for infant formulas and for pregnant women without knowing the effects.

Substitutes for orange juice contain plentiful amounts of vitamin C, but may not include necessary trace minerals found in natural orange juice, he speculated.

Cordaro made a strong plea for guidelines and standards on what ingredients should be in engineered and fabricated foods.

"We need to know what standards would be and what the consequences would be if we switched," he said.

The Food and Drug Administration and the Agriculture Department have done insufficient work on fabricated foods.

The agencies also have too little cooperation and often conflicting regulations on food ingredients and labeling, researchers said.

The OTA study said federal officials must consider how the foods should be labeled so that the ingredients are properly identified and yet the labels do not become barriers to consumer acceptance.

The OTA study said many people worry that consumers of fabricated foods are not adequately protected because of lack of regulation and insufficient nutrients in the foods. However, it said, others believe that these regulations overly restrict the development and acceptance of what may be a viable solution to the problem of maintaining an adequate, dependable and nutritious food supply.

Advantages of substitute foods have been cited as lower costs, extended food supplies in times of shortages, reduced energy use, better control of nutrition and more efficient use of resources.



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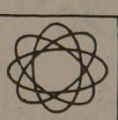
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