

NBC 4

NBC4 Investigates The National Consumer Council (NCC)

A Team 4 Reports Exclusive Investigation

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LOS ANGELES -- You may have heard the ads promising an escape from credit card bills where you can settle your debt for pennies on the dollar. Should you sign up?

In the past, overextended consumers have had two choices: bankruptcy or credit counseling. Now, a new option, debt negotiation companies tell financially strapped customers that if they can't repay their bills they may be able to negotiate.

Annette Applewhite, a former council member in Monticello, Miss., told NBC4, "It just made me ashamed to live...I was going down the drain. I had a good position, a good job."

Catherine Wendling is a yoga instructor in Santa Monica, Calif. Wendling told NBC4, "I had debts on two cards."

The two women are no different than millions of Americans who are saddled with credit card debt, but they have something else in common.

They both got a phone call, then a letter. A pitch, from an organization based in Orange County, Calif., called the National Consumer Council or NCC.

Wendling told NBC4, "It gave me hope."

Harvey Warren, the president of the NCC sat down for an interview with NBC4's Michele Ruiz. Ruiz asked Warren, "What is the mission of the National Consumer Council?" Warren replied, "To return people to (a) debt free standard of living."

Warren said he works with politicians, even presidents, to advocate for people in debt.

Warren told Ruiz, "I've said, look someone needs to be a responsible voice out there. It needs to be a nonprofit organization speaking on (the) consumer's behalf."

This self-proclaimed Ralph Nader of credit says his 'charity' and its corporate sponsors can help you get out of a financial hole. How do they do it?

First, Warren says, let his sponsors negotiate your credit card debt.

One of those corporate sponsors promises to take over the burden of dealing with your creditors and their collection calls.

Applewhite said, "They told me I would not have to deal with the creditors anymore."

Wendling said she was told to, "Ignore the calls...if they get you on the phone, follow the script."

And that's not all.

DEBT NEGOTIATION COMPLAINTS

To file a complaint about a debt negotiation program please visit one, or all, of the following websites:

 [Better Business Bureau](#)

 [Federal Trade Commission](#)

 [California Attorney General's Office](#)

 [Department of Corporations](#)

 [California Department of Consumer Affairs](#)

These agencies are eager to hear from you.

Wendling said, "They tell you also to stop paying the creditors."

And where does the money go instead? According to another sponsor's contract they put your money in a trust fund. They say when you've saved enough, negotiators cut a deal with your credit card companies to cut the amount you owe, but that could take years.

Warren told NBC4, "You're right, it does take some time. It takes as long to get out of debt as it does to get in."

Ruiz asked Warren, "And in the process people's credit is going down the tubes?"

Warren replied, "Yes, and that's one of the things we disclose to them, categorically."

Warren goes on to say most of the people who sign up are already in financial trouble. He told NBC4, "We're dealing with people who can't pay their bills."

Ken Abbe, a watchdog with the Federal Trade Commission said even if debt negotiators do cut your debt, there's a price. Abbe told NBC4, "What will show, appear on the consumer's credit report is charged off or settled, which is a negative note on their credit report."

The president of the Better Business Bureau, Bill Mitchell, said NCC misleads consumers with its non-profit status. Mitchell told NBC4, "They use this non-profit shield to legitimize their operation. It brings them a lot of business."

Warren responded, "We're really trying to work the public agenda, why the BBB has taken issue with us, I cannot explain."

While the NCC is a nonprofit entity, its corporate sponsors are for-profit businesses including London Financial Group and Financial Rescue Services. These sponsors donate money to the NCC and the NCC refers some people to these sponsors for debt negotiation services.

It is this business model that has some in the industry concerned.

The Department of Corporations regulates companies involved in debt negotiation. Deputy Commissioner Andre Pineda told NBC4, "All you have to do is say the words nonprofit and people say 'They must be angels,' and are just so happy to trust them with their life, their savings and so forth."

Wendling told Ruiz that the nonprofit status of NCC gave her confidence. "Sure it gave me confidence...it's an organization trying to help people out with their debts."

Wendling said she was misled about the sponsors. But Warren insists that people are informed upfront.

Team 4 Reports uncovered 140 Better Business Bureau complaints from around the country, some about the NCC and others about its corporate sponsors. Some say no one ever contacted their creditors. Others say when they wanted out of the program, they couldn't get their money back.

What did Warren say about all of this? Warren told NBC4, "All these things people say were not done, were done."

Ruiz queried, "You have people here who say they were forced into bankruptcy."

Warren replied, "Michele, when they called us they were about to go bankrupt. That's the problem."

Warren invited NBC4 to visit the NCC's headquarters where Ruiz were greeted by 10 satisfied customers. One customer told NBC4, "I saved 60 percent on one (credit card), and 70 percent on the other."

These customers were flown in from around the country by the NCC.

When Ruiz asked them, "Are you all satisfied?" the customers responded in chorus, "Yes, absolutely!"

Regarding the BBB complaints, the NCC said only two complaints remain unresolved. Yet many of those same people told Ruiz they were far from satisfied.

Satisfied or not, as a result of this Team 4 Reports investigation, the Department of Corporations is currently investigating the NCC and its corporate sponsors involved with the debt negotiation program. The DOC has not reached any conclusions in its investigation. However, Team 4 Reports gave Wendling's contract with the National Consumer Debt Council, another NCC sponsor, to Pineda. After DOC lawyers reviewed the contract, Pineda said, "the fees they are charging are beyond what is allowed in the state of California."

DOC lawyers put together a graph comparing the fees to what the state law allows. For example, California law allows an establishment fee of \$50.00. Wendling was charged over \$654.00. It also shows Wendling was being charged a maintenance fee that was more than \$2,500 above the legal limit.

Warren said, "For the amount of manpower it takes to help these people, and the time it takes to help these people, I don't think it's a high fee at all."

Later, the NCC's lawyer sent a letter stating the fee limits don't apply to the NCC or its corporate sponsors.

Ruiz asked Pineda, "So you are saying no matter how you look at it they are violating the law?"

Pineda replied, "They are not just breaking it by a little but a lot."

Applewhite admits she got herself into debt, but her experience with this program was costly. She told NBC4, "I can't tell you how upset I am over this. It cost me a lot money. It cost me my pride."

The NCC said debt negotiators did successfully settle three of Applewhite's credit cards and had she stuck with the program they could have resolved the rest of her debt.

As for the DOC's investigation, the NCC said it and its corporate sponsors are cooperating fully with the DOC's investigators.

If you're thinking of signing up with a debt negotiation program, the FTC tells us to look out for these red flags:

- Fees up front.
- If the fees start to amount to a huge percentage of the debt.
- Scripts telling you to avoid your creditors or hold back information from them.
- Instructions to stop paying your credit card bills.

One last thing you should know: the IRS considers the forgiven debt as taxable income.

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