

## **More families swamped in a tide of bills** - Hutt News, 03 March 2009

Come to us before the crisis, say budget advisers

Seek help early.

That's the piece of advice that Colin Lewis, field officer for the NZ Federation of Family Budgeting Services, keeps emphasising.

With Christmas credit card bills and first hire purchase instalments landing in letterboxes at the same time as back to school costs kick in, February is always busy for the budget advice services for which the NZFFBS is a training, advocacy and capacity building umbrella organisation. Mr Lewis says the economic downturn is adding an extra layer of stress.

"Right at the moment, things are a lot worse. The number of families coming for budgeting help is increasing."

The beneficiaries who made up the bulk of clients when he was a budget adviser himself back in the 1990s "are still there. But people on middle incomes are having problems too."

Mr Lewis says couples or families with combined incomes of \$70,000-\$80,000, or even more, often have a mortgage and other debt load to match. An "equilibrium" is maintained until something unforeseen happens - a job ends, a new child arrives and the mother has to cut back her paid work hours, for example. That's when rising petrol, power and other costs can swamp the budget. The lower mortgage interest costs haven't yet kicked in for some people on fixed mortgages.

Mr Lewis says it's unfortunate that there's still a "stigma" attached to asking for budgeting help. "We tend to stay away from budget advisers in the same way as dentists; we try to ignore that there's a problem."

Budget advisers come across people who just put unopened bills in a shoebox because they know they haven't got the money to pay them.

"That's the worst thing they can do. The message we're trying to get out is to come and see a budget adviser before there's a crisis." By the time two or more payments have been missed, "everyone is stressed". The creditor/s, with no communication from the person with the debt, "doesn't know what's going on, so the debt collectors are called in".

A budget adviser can help someone in trouble work out where the money is going, identify priorities and if necessary negotiate with creditors about lower levels of repayment. Mr Lewis says many creditors will give "credence" to requests from debtors they know are working with members of the Federation of Family Budgeting Services.

"They reason it's better to get a lesser amount coming in than none." And the creditors will know the budget adviser will be working with the client "to make sure they're keeping up their side of the deal".

Mr Lewis says budget advisers "don't tell clients what they must do; then if it was to go pear-shaped we'd be accountable". Rather it's about analysing the situation and laying our options. That may include the non-asset procedure for bankruptcy - a "last resort", which has a number of ramifications.

While the Federation had a number of advisers "embedded" with the Griffins factory in the weeks leading up to its closure last year, Mr Lewis says he's had no specific feedback on local job losses adding to financial pressures. "All we know is that (budgeting) services are getting very busy. It's that whole thing with people being uncertain what's around the corner with jobs."

At the Petone CAB Budget Advisory Service, co-ordinator Lanscella Sue says numbers coming in for help are about the same, it's just that "the rush came early".

And it's not that people blew budgets at Christmas. Mrs Sue says there's evidence that many of the clients were quite careful about December spending; "quite a few clients eased back, or did things like buying group presents and not the individual present thing".

For most of those swamped with debt, "it's longer term stuff".

Unfortunately, it's still quite common for people to go to loan shark type finance companies, with true annual interest rates of 25-30% or more.

The Petone service is dealing with people who have lost their job. One who sticks in Mrs Sue's mind is someone made redundant in January who didn't qualify for John Key's 'Re-Start' package because the income threshold is calculated using the past year's total. The case has been referred to BEST (a beneficiaries' advocacy group).

Asked to comment on the uproar over a Work & Income case manager telling a client seeking an emergency grant to take out a loan and pawn cellphones and the children's PlayStation, Mrs Sue said the advice to get a loan is patently absurd. "One option we may give is to sell items that are surplus."

But she warns people not to leap to conclusions over cellphones, which may not be the 'luxury' outsiders perceive. Some budget advice clients have cut off home phones to save on monthly rentals. A pre-pay cellphone means they can't spend more than they've got.

Mrs Sue says the Petone Service gets on average 15-20 new clients each month, with about half that number again being assisted on an ongoing basis.

Are you busy on the budgeting front? we ask Erin McMenamin, of Supergrans Lower Hutt. "Is the Pope a Catholic?" comes the typically forthright reply. "It's diabolical. I cannot remember so many budgets needing to be done so fast. People need mentoring, advice...it's like the place has gone mad."

Mrs McMenamain says a number of them are enquiring about the new bankruptcy procedures, "but that's not really helping anybody - not the retailers or the clients".

### Credit deals

Too many stores are signing up people to credit deals without ascertaining if they can afford the repayments, she says - but concedes that some people will lie about their circumstances.

Fortunately, this period of big demand is coinciding with a "good" number of Supergrans volunteers - 30 in all, including half a dozen working out of the new Wellington branch.

As well as their money problems, families and individuals are wanting one on one mentoring, and guidance on everything from menu planning, basic cooking, hygiene, household management, establishing routines for the kids, etc.

With all the talk of worsening economic conditions, the Supergrans founder wonders what's next. "If we're like this now, what will it be like in six months' time? Ah well, no doubt we'll cope."

Erin agrees that pre-paid cellphones can actually help people for whom money is tight. And she points out that many of them txt rather than call, because it's cheaper - "which is hard for me, because I'm so slow at texting!"

Fewer people with problems with unpaid power bills and the like, more with bigger problems - particularly in default on mortgage repayments. That's the situation Peg Upfold of the Hutt City Budget and Advocacy Service describes.

It can be a vicious circle for those who miss a mortgage payment or two. "People might leave it until they get the lawyer's letter, which comes with another \$600 on the bill." The bank might demand a valuer take a look at the property (at the homeowner's expense), and then they find out the value has dropped and they're in negative equity.

Mrs Upfold says it's definitely a case of fronting up to talk to creditors early. Some banks/lenders are more helpful than others, and offer a default interest rate that is "not horrific".

She checked the service's statistics and found her 12 volunteers have taken on 31 new clients in the last month or so, with another 37 'ongoing' - "and that can be help for four months, six months, years..."

Other people are getting into trouble over car repayments. Those who have stood as guarantor are being drawn in. Mrs Upfold says some people don't seem to appreciate they don't actually own the car until it's paid off, "and that as soon as they drive it off the lot, its value has dropped."

Creditors, even finance companies, appear to welcome the chance to work with debtors who have sought help from a recognised budget advice service. There's

often room to move if the debt is \$500 or \$1,000. But when it's double that, or more, the situation can get very messy.