

## \$500 OFF ANY BANKRUPTCY!

Can't banks find a way to beat the lawyers?

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UNconventional Wisdom is a periodic guest blog, where authors hold up the so-called common wisdom to a fresh perspective. To propose a guest blog, email either William Streeter, editor in chief, or Steve Cocheo, executive editor

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I just received a circular in the mail--you know, the local one that gives coupons for things like new windows, security systems, basement clean-up, and local Chinese and Italian restaurants.

Even though I never use any coupons inside the circular, I always look anyway. I am glad I did.

Right there, across from the Lasik surgery ad, I found a coupon for \$500 off any bankruptcy!

I am not kidding. I literally froze when I spotted it. I thought it must be a play on words and that I'd misread it.

Alas, I read it correctly.

A law firm had taken out a full page ad in our humble circular to advertise that you can save \$500 in legal fees for your bankruptcy needs.

The ad shows a couple that is so happy. They are now debt free!

Bankrupt. But debt free!

The law firm is saying that by hiring them to file Chapter 11 you can keep your car and home and stop foreclosures on top of other forms of debt relief.

It will make you feel better

Of course, in and of itself the ad was absurd.

But I was struck by the message.

I live in an extremely rural area and I know that many people have already called. They will file bankruptcy, clear debt, and keep their homes. It will make them feel better.

What has become extremely clear to me is the absence of bank ads in circulars like these.

Why aren't banks out there speaking to the other side of this concept, that: "You don't need to go bankrupt because we can help."

Those who will answer this ad are almost certainly being misled on what bankruptcy means to their current and future credit rating.

But I keep coming up against the public perception and belief that banks can't help them. (Or worse yet, as some believe, won't.)

The reason these law firms are able to make such a killing on this is because no one will touch these folks with a 10-foot pole. Maybe your institution is included.

Banks don't want this business

As a community bank consultant, I watch what community banks are doing. And I am beginning to see more and more

community banks that are living up to the industry's reputation of not lending. I have often told people, over the last few years especially, to go to community banks because they can give people the customized, tailored service they can't always obtain elsewhere.

But now I am seeing so many banks that I have respected would rather let the lawyers deal with these consumers.

The risk profile of banks has changed dramatically, causing this "no" mentality. Banks want loans, but the population of what is considered an "A" credit has dwindled, leaving even good credit out in the cold.

But there is another side to these bankruptcy ads. Your own customers may be answering this ad and now you will deal with the workout of the loan anyway.

A workout entails time/money for your own legal counsel, your lenders, your compliance department, and all of that on top of regulatory constraints against actually getting the full principal back.

Bankruptcy has been made much easier than a loan, my friends.

The coupon expires March 3.

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