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Debt relief firms grows rapidly



Chief Executive Officer, Richard Rodriguez, left, and the Chief Operating Officer, Michel Telson of Reliance Inc. in Lake Worth. Reliance Inc., is a faith-based financial services firm. (Carline Jean, Sun Sentinel / December 19, 2010)

By Harriet Johnson Brackey, Sun Sentinel
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Richard Rodriguez, chief executive officer and founder of Reliance Inc., worked in the mortgage industry with Michel Telson in the bad old days a few years ago when mortgages were being churned out with little concern for borrowers' ability to repay the loan.

"I remember thinking, Where does it all stop? It was pass the buck, pass the buck, tossing hot potatoes all day," Rodriguez said. He stepped off that track, using some of his savings, to start the faith-based financial services firm that does debt counseling, credit repair, negotiation with the IRS and mortgage modification. Telson is chief operating officer of the **Lake Worth Firm**.

"We are attempting to remedy some of the damage that was done," Telson said, "because people need help."

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The company's business exploded as the economy fell into recession, following the collapse of the mortgage and housing markets in South Florida and elsewhere. Revenues in 2009 were \$2.9 million, up from \$375,543 three years earlier, for a growth rate of 663 percent. For next year, the partners say they expect to hit \$5 million. That earned the firm the rank of 452 on the Inc. 500.

Both men say their Christian faith guides their business goals. And they make a point to advertise on a Christian radio station.

Consumers who use their services have to pay for it, even though they could credit counseling and help on loan modifications for free from not-for-profit agencies and government-funded housing counselors. Reliance charges its customers on a sliding scale, ranging from a few hundred dollars for credit repair help to \$2,000 or more to handle a mortgage loan modification.

"When the economy took a dive, I lost my job and I was in trouble with my credit cards," said Barbara Bigelow, a retiree who lives in Naples who is a former customer. She said the firm arranged a debt settlement that cut her \$10,000 in debt in half. She has now paid that off.

Bigelow says she used Reliance because the process of remedying a debt problem required skills that she doesn't have. "I gave up on myself many times," she says of the two-year process. And, when she told a Reliance counselor how much money she could pay to satisfy one of her credit card bills, the counselor kept working and negotiated the debt even lower.

Still, the debt repair industry is controversial and has been a target of consumer groups calling for reform. Debt settlement companies

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draw so many complaints about excessive claims about reducing debt that the Federal Trade Commission this year tightened its oversight.

Reliance has drawn fire, as well. There have been 26 complaints filed against Reliance Inc. in the last three years at the Better Business Bureau. Twelve of those were resolved and the BBB's web site indicates the rest could not be voluntarily settled.

Rodriguez said most of the unsettled complaints are requests for refunds, sparked by the dismissal of a group of employees in 2008 who were trying to lure Reliance customers to other firms. "I'm not giving you the money back if I put you on a payment plan or a debt settlement and you decide to go to another company," he said.

There are no current complaints on file about the firm at the Florida Office of Financial Regulation, which licenses mortgage loan originators.

To continue on its growth path, Rodriguez, who financed the startup with his own money, says the firm has a plan for relief for underwater mortgages – those in which the borrower owes more than the home is worth. He's raising capital and seeking investors to fund a \$10 million plan to buy mortgage notes from banks at a discount and use a combination of mortgage modification and refinancing to reduce the principal or the amount owed by the borrower. And he has hopes of opening a broker-dealer unit that would sell insurance, annuities and securities.

"As we're dealing with people getting out of debt, in the process it's a major clean up and we teach them how to save. Then they have more disposable income and they can think more about retirement," Rodriguez said.

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