



NATIONAL FOUNDATION FOR  
CREDIT COUNSELING

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# **2012 State of the Credit Counseling and Financial Education Sector**

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Just how do we - American families and communities, small businesses and large corporations, the federal and local governments, national nonprofit organizations, the NFCC, and the entire nonprofit credit counseling sector move to a better place and transition to what we envision is a manageable and sustainable future? Simply put, it comes down to “shared responsibility.”

To quote Dr. Martin Luther King, Jr., “*We are caught in an inescapable network of mutuality, tied in a single garment of destiny. Whatever affects one directly affects all indirectly.*”

It speaks volumes that at this 47<sup>th</sup> NFCC Annual Leaders Conference, we have attracted such high profile speakers, significant sponsorship support, and the highest attendance levels from the NFCC membership in recent years. We’re here because there is a lot at stake. We care. There are no easy answers and more than ever, we recognize *we can’t “do it” alone.*

Our speakers will elevate discussions and cover topics of critical importance to the NFCC—housing, financial education, government regulation, financial services, consumer credit and branding. They will speak to solutions for the broad populations we serve: adults of varied backgrounds and ethnicities, students, the aging, military, and the under-served.

We gather this week to discuss both the challenges and opportunities we face, and have scheduled ample time for this dialogue in groups; one on one with national partners; member-to-member within geographic regions; within committees and workshops; and less formally during receptions and break-times. Let’s use these next few days to explore the possibilities--accepting from the start that we are in a different place from a few years ago. Our mutual challenge is to make adjustments and plan for a sustainable future. As one member friend said recently, “These are challenging times, but champions adjust.”

Tuesday night we will honor some very special people at The NFCC’s Awards Dinner. This year’s Client of the Year will share a very touching and compelling story about financial recovery. The family’s journey mirrors the experience of many in our communities. It also reinforces our collective vision of building *a national culture of financial responsibility.*

What are the current realities?

Consider the headlines:

- “Economy stalled—Fed plans jolts to get the economy off its duff”
- “Unemployment will not improve in 2013—and not anytime soon”
- “Foreclosures will dominate through 2013”
- “Nearly one in every six borrowers with a student loan is in default”
- “28.3% of households are unbanked or underbanked an increase of 13% since 2009”
- “In just 21 years Social Security will be able to pay only three-quarters of its promised benefits”
- “Across the country...fertile ground for scam artists who have found new and creative ways to prey on millions of Americans”

The facts are millions of Americans are vulnerable and have been disfranchised during and since the Great Financial Crisis. *Many* have lost their jobs and their homes. *Many* still carry excessive

amounts of debt, and have declared or are considering bankruptcy. With the decline in home values and increases in prices for goods and services, and employment prospects still tentative, people are struggling to stay financially solvent, or simply make ends meet.

Others are recovering from the consequences of poor money management and are overwhelmed not knowing their options moving forward. They are often confused and skeptical about what financial products and services would serve them best. Many of these individuals have also emerged from the financial crisis with severely damaged credit and limited access to mainstream financial services.

Traditional institutions have lost credibility and the confidence of many Americans. Many place the blame of the financial crisis and their personal circumstances directly on the financial services industry. The continuing financial “scandals” and legal settlements in the U.S and overseas have tarnished the reputation of the financial services industry. Many resent the government for not doing enough to help the little guy while bailing out the financial services and auto industries.

The environment is bewildering and people have come out of the financial crisis with a high degree of distrust and cynicism.

For the NFCC whose members have provided financial education and credit counseling for more than 60 years, it is a confounding time. During the economic turmoil, as a well respected and trusted institution, we were the bridge for people in our communities to traditional institutions—the federal and local governments, national and local financial service providers including mortgage and insurance companies, the media, and other national partners. We advocated for and worked with debt stressed consumers and at-risk homeowners providing them with guidance, information, and tools; and establishing plausible action plans aimed at financial stability. During the height of the recession, NFCC members counseled four million people--saving homes, reducing credit card debt, identifying alternatives to bankruptcy, and providing innovative education programs targeted to specific demographic groups. But those numbers are declining.

Over the last several years, there has been a marked shift in consumer attitudes and behaviors about money and financial products. Much of this is a direct result of the regulatory reforms imposed on the financial services industry and new policies and practices within the financial companies.

The result has been a shift in services —declining client volumes, and changing mix of services which has also materially impacted agency funding. The NFCC and its members have responded with changes to operations, business models, staffing and so forth to align with the new realities. In an Agency Cost Study of a representative sample of members, which is just completed, we found that from 2009-2011 agencies decreased core financial counseling-related expenses by 16.2%, with wages and benefits reduced 20.4%. In other words, the NFCC membership is making hard decisions and taking the necessary steps “to get our house in order” while charting new courses for the future.

At the national level, the NFCC has worked to support the membership by engaging the media, government, and national partners in meaningful ways. Let me highlight a few of the results:

-After government funding for housing counseling was zeroed-out in FY '10, the NFCC actively reminded policymakers of the importance of such funding to their constituents. Full funding at the FY'12 level for the first half of FY '13 has been secured.

-The NFCC continues to build a relationship with the Consumer Financial Protection Bureau highlighting predatory practices impacting consumers and opportunities for expanding financial education programs in our communities.

-We secured nearly \$5 million in funding to support housing services from the government and private sector including funding for member outreach in support of the Independent Foreclosure Review, or IFR, and facilitated member actions for state level engagement to provide services as part of the Attorneys General Settlement.

-Through new national partnerships we garnered an additional \$2.5 million in funding primarily for member financial counseling and education.

-The NFCC Advisory Council continued its work to expand credit repayment solutions or credit solutions plan (CSP), reengineering the DMP and reconsidering funding for traditional financial counseling.

-Through August NFCC communications has achieved total media outreach impressions of more than 4.8 billion with nearly 125,000 PSA airings. We have also expanded our social media penetration with consumer engagement increases over 2011 of 37% for Facebook and 41% for Twitter.

Certainly these results represent progress, but somehow it doesn't feel like it. Why? Because the pace of change and the levels of complexity we are operating in are enormous.

For example, look at the world of consumer credit.

From 2011 to 2012:

- Credit card balances dropped to \$672 billion which is the lowest level since 2002 and a decline of 22.4% from their peak in 2008
- 60 day delinquencies on credit cards decreased by 21%
- 30 day delinquencies on first mortgages decreased by 15%
- 60 day delinquencies on auto loans decreased 23%

Serious deleveraging has occurred. These changes are welcomed and in many cases applauded by the NFCC pointing to our vision of Americans becoming more financially responsible. However, these trends have put our sector further on the defensive.

In 2013, we plan to continue our work forging national partnerships, securing funding, continuing to be part of the solution to the nation's housing problems. WE will begin implementing elements of the Credit Solutions Plan and request fair "fair share" funding of

financial institutions for traditional financial counseling. Although our legislative agenda will likely be limited, given the election year, we will continue to work with government agencies including the CFPB on consumer protection and other issues, and as always we will build and protect the NFCC brand.

It is time to rebalance, however. As Hemingway once said, “Now is no time to think of what you do not have. Think of what you can do with what is.”

I want to take us back to my opening comments about the state of the economy, the under and unemployment levels, the limited access to credit, the unbanked and the retirement prospects for an aging population. Despite trends specific to credit, each us know that over these last years just about everyone has taken a hit financially. Mainstreet needs trusted advisors to provide information, options, knowledge, and tools. Isn't that what NFCC counselors and educators do? How can we get the message to everyone, and reframe the value of counseling and ensure financial education sessions are absolutely relevant to the needs of today's consumers? How about funding these services?

The NFCC has a six-decades-long history of working with millions of American consumers. NFCC members are the standard bearers, the gold standard. At the national, we are the bridge builders. That's why so many organizations and people that are vested in financial capability and stability are here with us in Charlotte. *Having said that, how do we build a manageable and sustainable future together?*

First, it has to start with public awareness—reaching out to everyday people in believable and powerful ways. Messaging should include the learnings coming out of the recession, and how families must reassess their financial position, protect, and better prepare themselves for the future. Nationally, through the NFCC, and locally through our community-based member agency network; using PSA's, social media, and leveraging partnerships. We believe stakeholders will support increasing public awareness.

Let's introduce more broadly MyMoneyCheckUp the Financial Stress Test we announced last year as a step for consumers to take on the road to financial stability. The Test was designed by the NFCC in collaboration with The Ohio State University, the University of Wisconsin, and the University of Chicago. Since last October, more than 8,000 people have taken the test to assess their overall financial health and individual behavior relative to their finances. Upon completion of the test, consumers are provided with additional resources, including a connection to NFCC member agencies where they can go for further reviews and counseling.

Let's consider what occurs in one of our agencies during a counseling session delivered by a NFCC certified counselor in one of our member agencies. Goals are set. A full budget review is completed which includes an oral/written representation of expenses debts and available resources for the individuals or family. An Action Plan is prepared which includes budget adjustment recommendations, identifies resources available specific to the individual's or family's needs, as well as any community referral such as legal aid or family service agencies. In many cases, targeted education is included that is particularly relevant to the participating

individuals. For 2013, we at the NFCC are proposing the “Three step solution”—a Fitness Test, Financial Review, and a Deep Dive consumer-centric specific Education Program.

I can’t think of a set of services more relevant than ever before for people in our communities.

And I can’t think of an organization better than the NFCC and our national member agency network to deliver the review and education services in a way that will get mainstreet back on its feet.

Thank you for joining us. Share your thoughts. Be part of the solution together. Thank you.