



NATIONAL FOUNDATION FOR
CREDIT COUNSELING

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NFCC PRESS RELEASE

For Immediate Release
February 1, 2010

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ALARMING NUMBER OF FINANCIALLY DISTRESSED CONSUMERS OPT TO IGNORE THEIR DEBT OBLIGATIONS

NFCC Survey Reveals Consumer Responses When Financially Stressed

Silver Spring, MD – The January National Foundation for Credit Counseling (NFCC) online poll with more than 11,000 responses revealed that 10 percent selected ignoring their debt as the first action they would take if in financial distress. This number closely mirrors the current unemployment rate and credit card charge-off rates.

“At first glance, the response makes perfect sense. After all, if you are out of work, you’re worried about keeping a roof over your head and food on the table. However, simply ignoring the situation is possibly the worst possible decision a consumer can make. Not only does it not resolve the problem, it exacerbates it,” said Gail Cunningham, spokesperson for the NFCC.

The encouraging results from the survey, called the Financial Literacy Opinion Index (FLOI), were that the largest number of respondents, 38 percent, said their first action would be to seek help from a legitimate credit counseling agency if in financial distress. This shows that consumers are aware that substantive help is available to them, and understand that reaching out for that help sooner rather than later is the first step they should take.

Since credit counseling and debt settlement are two very different options, the survey also tested consumer responses related to debt settlement. Thirty-three percent knew that talking directly to their creditors to arrange a settlement was the right thing to do. However, having 14 percent say that reaching out to a debt settlement company would be their first step is a troubling number. Many state Attorneys General, as well as the Federal Trade Commission, have launched investigations into the debt settlement industry, often finding that consumers receive little, if any, assistance from such firms.

Personal bankruptcy filings nationally are trending upward. However, it is interesting to note that only five percent of consumers said bankruptcy would be their first choice if in financial distress. Bankruptcy can be the right answer for some, but other options should be thoroughly considered before opting to file, and consumers appear to understand this.

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“It can be argued that proper choices are never more critical than when in financial distress. Although it is encouraging that more than two-thirds of respondents knew to seek legitimate credit counseling or reach out to their creditor as their first step, those who chose other options are on a slippery slope, one which could lead to a full-blown financial disaster,” continued Cunningham.

The survey question, answers and results are below:

If I were in debt beyond what I could manage on my own, my first point of action would be to

- A. Ignore the debt since I can't pay it = **10%**
- B. Seek help from a legitimate credit counseling agency = **38%**
- C. Consider debt settlement through a debt settlement company = **14%**
- D. Talk directly to my creditor(s) about debt settlement = **33%**
- E. File for bankruptcy = **5%**

Note: The NFCC's January FLOI was conducted via the homepage of the NFCC Web site from January 1-31, 2010 and answered by 11,341 individuals.

Consumers who find themselves financially stressed would be smart to do as the majority of poll respondents indicated they would – reach out for help to a legitimate credit counseling agency. The find the NFCC Member Agency closest to you, call toll-free to (800) 388-2227, or go online to www.DebtAdvice.org. For assistance in Spanish, dial (800) 682-9832.

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The National Foundation for Credit Counseling (NFCC), founded in 1951, is the nation's largest and longest serving national nonprofit credit counseling organization. The NFCC's mission is to promote the national agenda for financially responsible behavior and build capacity for its members to deliver the highest quality financial education and counseling services. NFCC Members annually help more than three million consumers through close to 850 community-based offices nationwide. For free and affordable confidential advice through a reputable NFCC Member, call (800) 388-2227, (en Español (800) 682-9832) or visit www.nfcc.org.