2011 State of the Credit Counseling and Financial Education Sector Address

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Never before have we had the strength of leadership and support we have today. Only a year ago we held the first Board meeting of the new NFCC Board of Trustees—a governance entity envisioned in your vote for bylaws changes in 2009. Under Board Chair Cathy Allen's leadership, the Board has quickly gotten to the heart of matters and is hitting its stride. Three committees have been formed: Public Policy chaired by Chuck Blahous; Communications chaired by Richard Levick; and Funding Diversification chaired by Brady Deaton. These committees which include other Board members and representatives from member agencies are focusing on policy—most specifically the Federal government's response to the housing crisis; our messaging—especially in the social media space; and funding diversification—with considerable attention to our role in improving financial literacy levels for Americans and expanding credit solutions to consumers who are overextended.

I want to take a moment to thank Richard Levick who you will hear speak on Wednesday on how agencies can best leverage social media. He has given countless hours of pro bono support, increasing the NFCC's capability and reach in social media. I'd also like to thank Kevin Rhein, Senior Executive Vice President and CIO of Wells Fargo who provided Denis Russell, the NFCC's CFO, and me invaluable guidance with the business and financial restructuring that took place at the NFCC earlier this year. The new NFCC Board is passionate about the NFCC mission, and eager to help us navigate through the complexities and challenges we are facing.

The NFCC has forged valuable partnerships with organizations that share our commitment to improving the financial skill and understanding of American consumers. It is a tremendous opportunity to be here together and explore additional opportunities for the future. Many of these partners have also made impressive contributions over the course of this year to fund member programs and their development, and have contributed sponsorship dollars in addition to their professional time.

In addition to partners and friends, I want to thank our members who tirelessly give of their time making a difference each day in the lives of so many who are in tough financial circumstances. Many members also serve on committees leading the way in helping our sector navigate through these troubled times. NFCC Members are reaching out to their Members of Congress on important issues, and directing our efforts with new client programs and projects to improve operating processes particularly tied to client repayment plans. With this level of passion and commitment, support and alignment, the NFCC will continue to *make a difference in helping people and families get their feet on the ground financially*.

For 60 years, the National Foundation for Credit Counseling has been the *go-to* resource for consumers in financial trouble. Through good times and bad, we have been a consumer advocate and worked with the financial services industry to help individuals and families achieve financial stability. This past year, however, has represented one of the tougher years in our long history. Although it has not been easy, our members are dealing with the challenges, and are proving, once again, that resiliency is one of our core strengths.

I don't need to remind you what's happening with the ongoing housing crisis, the level of consumer debt, high unemployment, very slow economic growth, and the continued loss of consumer confidence. And even though the recession is technically over, Federal Reserve Chairman Ben Bernanke recently warned Congress about the "fragility of the current economic recovery." And there are serious threats of a global double dip recession.

We are seeing a *little* good news sprinkled throughout – some consumers are spending less, paying down debt, and saving more which is encouraging. The NFCC's vision of creating a national culture for financial responsibility is being realized by more people, and we are seeing changes in attitudes and behavior about money that we have worked hard to instill in people over many decades.

These are tough times for *everyone* – corporations, organizations, communities, and families across America.

Consumers are overwhelmed with credit card debt, mortgage debt, and student loan debt, to the point that they don't see a way out. And there is frustration and a loss of trust in the financial services industry, a sort of "where's my bailout?" backlash that has contributed to a concerning attitudinal shift by others resulting in an indifference to foreclosure, bankruptcy, and poor credit ratings.

Also with rising foreclosure rates, we've seen more scams like the "rescue" programs that purport to help distressed homeowners keep their house, but in reality strip them of their equity and put them further behind…or out on the street. And then there are continuing predatory practices by some for-profit "debt relief" companies that bombard the public with often misleading messages, leading to confusion and further eroding confidence that anyone or anything can actually help their situation.

Government practices and decisions are at odds. I think we're all concerned about the circumstances in Washington and what the future will bring. Corporations are reinventing themselves or risking viability. Our partners in the financial services industry are especially under the gun and we're seeing increasing layoffs, mergers, divestitures—the works.

The last 18 months have taken their toll on the nonprofit counseling sector and NFCC Members. Trends are difficult to understand and all of us are desperately trying to better understand what they really mean; what they will look like in a year; and the best decisions to make for the organizations we represent and there are layers of complexity we've never seen before. It is tough to read the tea leaves.

It just makes no sense that housing foreclosure rates are at an all-time high and Congress has eliminated $88 million in housing counseling dollars from HUD, and that reinstatement of housing counseling dollars for the FY 2012 is in serious doubt. It makes no sense that people who want to be responsible and pay back their debt have few options available to them other than to file bankruptcy because alternative solutions like the debt management plan don't offer adequate concessions or funding to member agencies to administer. And, it makes no sense that although everyone across America is concerned about finances, there is little real substance and investment being made to truly <u>improve</u> financial literacy levels.

And the impact of this is that NFCC Members are seeing fewer clients than a year ago, consumer calls to the NFCC's toll-free line are down, and agencies are having to respond by reducing staff, tapping into reserves, and merging.

For now, unfortunately, we have to accept that this is "the new normal." This is it folks, a new reality. No whining, let's just deal with it.

So just how *do* we deal with it?

First, <u>we all have to get our house in order</u>. We need to reexamine our service offerings and make the changes necessary to be relevant and sustainable. Which services are critical to stabilizing families and communities versus which are outdated or nice to have? How can we provide more solutions to clients, and bring added value to partners and other stakeholders?

What about "our" financial statements? Realistically what funding will be available throughout the next year and when? Fundamentally we have to be ready to accept, if not embrace, considerable change if we are going to live our vision, stay in the forefront, and survive. We are being bombarded by changes and variables that we have never had to face before. We need to be nimble and ready to adjust to new circumstances. We need to continue making tough decisions.

Tom Watson, Jr., the head of IBM who spearheaded its phenomenal growth in the 1960s said, "Every time we've moved ahead in IBM, it was because someone was willing to take a chance, to put his head on the block, and try something new."

In difficult times like these, as we try to define "the new normal," there are also opportunities if we are willing to take a chance as Tom Watson urges. That is why we need to be thinking solutions and, in some cases, considering bold moves. That is my challenge for you today: to think boldly, be willing to let go of the old, and be prepared to change the way we do things.

Secondly, <u>we must better communicate our value and our situation in the marketplace</u>. We have all the tools within our membership and across the sector that we need to create and refine best practices, and track client outcomes and impacts. We need to create a system-wide movement for change organizing the data we have with consistent messaging to stakeholders. We need to coordinate this with other nonprofit credit counseling and housing organizations. One sector. One voice. The work currently being done by the HUD Housing Coalition is a fine example of this in action. And in recent discussions with Dave Jones and Joel Greenberg from AICCCA, we've agreed the NFCC and AICCCA need to work together on our messaging in support for nonprofit credit counseling.

<u>We must continue to work with the Federal government</u> to improve consumer protection and reconsider its response to the ongoing housing crisis. The current Administration moved to Washington with a Main Street agenda that has yet to seriously materialize. Our outreach to Congress, the Consumer Financial Protection Bureau, HUD, and NeighborWorks will continue with serious intensity until we see additional progress.

<u>We must expand and simplify the solutions for clients who *want to responsibly repay their debts.*</u> Nonprofit counseling agencies need more tools and ones that are simple to administer. For anyone here who has ever sat in on a counseling session where a DMP is a possibility, I am sure you will agree with me that it is amazing that we are ever able to get an acceptable repayment proposal completed for a client.

<u>We must change the nature of the relationship between the credit counseling sector and the financial services industry</u>. Every financial services company in this room agrees our work is important and they want us to survive. But we have some serious flaws in two main areas. As I just said, the consumer debt solutions that are currently available are not working for many

consumers, and the level at which the agencies are funded for the services delivered is not covering the costs.

We recognize that our financial services partners are dealing with a lot – increased oversight, regulation, media scrutiny, layoffs, and restructuring. We get it. But we are all missing the forest for the trees. There is a serious systemic flaw in the system set up decades ago with the debt management plan as a tool and in how our Agencies are funded. And with the help of our Board of Trustees, we plan to elevate this discussion to higher levels within the financial services industry. I can't think of a better time for all of us to work together to drive for change that will make the difference to millions of Americans who might otherwise declare bankruptcy or succumb to fast and easy promises and pay a high price for it.

Another thing we can do better is to leverage the influence of our NFCC Board members, partners, and friends. People want the NFCC to succeed with our vision, so we have to ask for the help we need to foster success.

And finally the nonprofit counseling sector needs to *all* step up to the plate and play on a single team. Strong, visionary leadership is needed, and our entire sector and membership has to be aligned and reading from the same playbook. I've challenged our Board of Trustees, our Operating Committee, and other leaders to keep thinking boldly, to stay in touch regularly with the membership, and to help us seek out new opportunities that will move us into the future.

So let's get down to some specifics. Let's start with expanding and simplifying client solutions.

More than two years ago, I issued a "Call to Action" to expand the debt repayment tools available for clients. The financial services industry and the credit counseling sector responded, and due to fine efforts on everyone's part, agency counselors have helped 200 thousand clients work to pay off their outstanding debt through the "Call to Action." These clients would likely have otherwise declared bankruptcy, or chosen a quick fix that might not have been in their best interests. Although the CTA is far from perfect, it is a step in the right direction, but it is time to do more with debt repayment plans. The NFCC plans to do just that. In fact, we have been working on a broader suite of solutions, including a less than full balance option with a working name of the “Credit Solution Plan.” Its intent is to simplify the process using standard criteria and implement an agency funding model to provide sustainable financial support for nonprofit counseling, education, and repayment activities.

A number of NFCC Members and partners are helping us in the development process, and I want to especially thank Andy Walsh from Bank of America for his work to date and willingness to help lead this transformative change.

The NFCC’s work in Washington continues. The Consumer Financial Protection Bureau has been bringing together functions that were previously spread across seven different Federal agencies. The CFPB has broad regulatory authority when it comes to consumer financial matters, and there is the potential for some great things to happen as they clean up scam artists, predatory lenders, payday loans, auto title loans, and other shady operators. The NFCC has been engaged in meetings and roundtables at the CFPB and has formally filed an extensive comment letter outlining the role and history of nonprofit credit counseling and distinguishing what we do from others.

On the debt settlement front, last year the NFCC spearheaded a public information campaign to educate consumers about the difference between the for-profit debt settlement companies and nonprofit credit counseling. This is in addition to supporting the Federal Trade Commission’s Telemarketing Sales Rule that has curbed many of the abusive practices. And, though Congress is distracted by other priorities at the moment, we still feel strongly that Federal legislation addressing further consumer protection around debt settlement is important.

NFCC Members continue to seek solutions to the housing foreclosure dilemna. Today, housing counseling represents 36 percent of all counseling services, and in the past year members have worked with more than three quarter of a million homeowners. This work is at risk, however if the Federal government and private sector don’t fund the counseling going forward.

In addition to the HUD funding cuts, NFCC Members have been struggling to help homeowners through the Emergency Homeowners Loan Program (EHLP). Earlier this year the EHLP allocated nearly 23 million dollars to help 30,000 homeowners avoid foreclosure and get back on their feet financially. The NFCC was the largest recipient under the program, and is encouraged about its prospects like all EHLP grantees. Unfortunately, participating members have experienced countless challenges. Our members spent untold resources and counseling time with the intent of helping 5,774 homeowners, but due to a plethora of issues around eligibility requirements, the implementation time-frame, and ever-changing program guidelines, the entire program is projected to underperform.

But I believe that there is a cause for some optimism.

The private sector is stepping up to the plate, and that is heartening to see. Just two weeks ago, Wells Fargo announced it was substantially increasing its commitment to housing counseling nonprofits from 5.4 million dollars to 12.4 million. This generous support is going to go a long way this year, starting with the $250,000 grant to the NFCC, and is giving us entry with other top servicers to consider bridging the gap created by the loss of government funding this year. We are also in negotiations with the private sector for longer term fee-for-service contracts to fund the important role that housing counselors are playing in helping to stabilize homeowners.

One of the more innovative new relationships is with Outreach Financial Services (OFS) of Jacksonville, Florida, a private firm that specializes in distressed mortgage servicing. OFS recognizes that holistic counseling, such as our members offer, is demonstrating better results for homeowners and has created a model that will incorporate community-based housing counseling delivery.

You will hear more about this solution to the housing problems later in the conference. I hope you will join me in congratulating and supporting OFS in their important venture.

I also want to recognize the number of new programs, partnerships, and tools we have to offer to our members:

We have a new alliance with United Way Worldwide that will help our member agencies more fully engage with their local United Ways including additional new funding partnerships. We are developing more formalized programs to offer bundled services – credit counseling, job training, housing counseling, social services – just what consumers need and all in one location. We are proud to partner with the United Way to help move consumers into a more stable financial position.

Today as we meet, one of our new partners, the National Association of Hispanic Real Estate Professionals, or NAHREP, is convening just down the road in Los Angeles. As we announce this new partnership to you, they are announcing it to the 2,000 attendees at their annual conference. Through referrals to the NFCC Member Agencies from NAHREP affiliates, this relationship expands access to financial education and vital credit and housing counseling services specific to the Hispanic community.

We are working with the Bank of America charitable foundation on a pilot program in four different communities that is looking at the long-term effectiveness of credit counseling with families recovering from foreclosure and/or bankruptcy. We're working beyond families in crisis and want to quantify the role of counseling and its impact on consumer actions and behavior. This data will be enormously helpful to NFCC Members in applying for future grants, and will be a terrific tool to help the NFCC make the case in Washington to reinstate and expand funding for counseling services.

We are also partnering with Visa's Practical Money Skills for Life financial literacy programs, which will allow us to provide a wealth of free, high-quality money management resources to our members through a new co-branded web portal. NFCC Members will be able to access free digital copies of a wide range of materials in both English and Spanish, including video tutorials.

There is still so much to do, and it goes well beyond financial recovery, but much of our efforts will continue to be directed towards financial recovery.

However, looking to financial literacy, next month we will be rolling out our new Financial Assessment Tool, an online self-assessment resource which gives consumers an assessment of their overall financial health and an insight into their own behaviors.

NFCC has many resources available in addition to the financial literacy tool. There are educational materials and financial tips, many of them in Spanish as well as English, available via the NFCC website, serving to complement the every day work of NFCC Members in our communities to improve financial capability.

In closing, I want to once again encourage you to use the next several days to collaborate. Think boldly and out of the box. Think solutions. Embrace change and innovation and continue for decades ahead to do what the NFCC has done best for the past 60 years – provide quality financial counseling and education to millions of Americans who desperately need and want your trusted guidance and solutions.

Thank you.