Evaluation of Outcomes: The NFCC's Sharpen Your Financial Focus Program

The National Foundation for Credit Counseling® (NFCC®) is pleased to unveil the findings from a comprehensive, independent evaluation of credit counseling conducted by researchers at The Ohio State University. The study assesses the long-term impact of nonprofit financial counseling by comparing financial health outcomes for the NFCC's Sharpen Your Financial Focus® (Sharpen) clients with those of non-counseled individuals.

SHARPEN YOUR FINANCIAL FOCUS

Second Edition: Published March 2018

NFCC

Begin a brighter financial future today.

Sharpen Client Outcomes: Key Findings

SHARPEN CLIENT PROFILE*

- 63% of Sharpen clients are female, with an average age of 43.
- The median Sharpen client has reported $2,800 in monthly income, $10,000 in nonliquid assets (such as housing equity) and no savings.
- The median amount of monthly housing- and debt-related expenses for clients are around $910 and $1,000, respectively.

Reasons for Seeking Counseling: Financial Shocks

- 63% or clients face a reduction of income due to a change in employment or job loss.
- Almost 30% struggle with medical expenses or increases in debt payments driven by higher interest rates.
- Many have a poor or declining credit standing.

Clients' Precounseling State: Falling Behind

- Only about one-third keep a budget, and only 60% of those follow it "most of the time."
- Of the two-thirds of clients with credit cards, 56% regularly use more than one card. 21% regularly use five or more credit cards.
- For clients with credit cards, 41% pay the minimum amount due on their last credit card statement. Another 30% pay less than the minimum amount due.

**43,072 consumers received services through the Sharpen initiative from September 2013 through March 2015.*

CLIENT IMPACT AFTER THREE MONTHS OF COUNSELING

Based on the responses from an NFCC survey, Sharpen clients reported that the program is making a positive impact in their financial lives just three months after counseling.

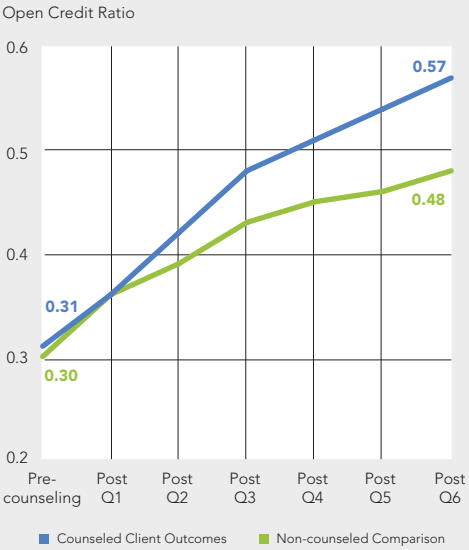
Comparative Evaluation:

Key findings from a smaller subset of over 6,000 Sharpen clients matched to a group of similar non-counseled individuals

Researchers at The Ohio State University conducted a comparative evaluation, matching 6,094 Sharpen clients to a group of 6,005 similar non-counseled individuals. Outcomes for the two groups were measured on a quarterly basis from the quarter prior to counseling through six quarters post-counseling.

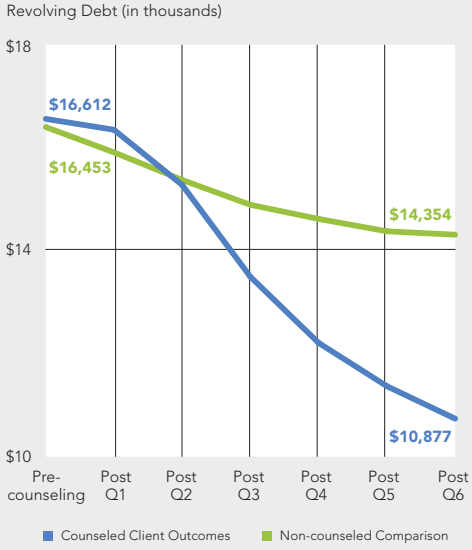
AVAILABLE LIQUIDITY AND CREDIT TO BALANCE RATIOS

The ratio of available credit for counseled clients grew at a faster rate than the comparison group after the first post-counseling quarter and was 19% higher six quarters after counseling.



CHANGE IN REVOLVING DEBT

During the 18 months following counseling, Sharpen clients decreased their revolving debt by nearly $6,000—a statistically significant reduction of $3,600 more than the comparison group.



FINANCIAL IMPROVEMENT SIX QUARTERS AFTER COUNSELING

In addition to tracking survey outcomes, the evaluation tracks credit report outcomes for a subsample of nearly 9,000 Sharpen clients. This analysis demonstrates that Sharpen is making a positive financial impact on participants' financial lives.

Six quarters after counseling, Sharpen clients achieved:

$17,000
average decrease in total debt.

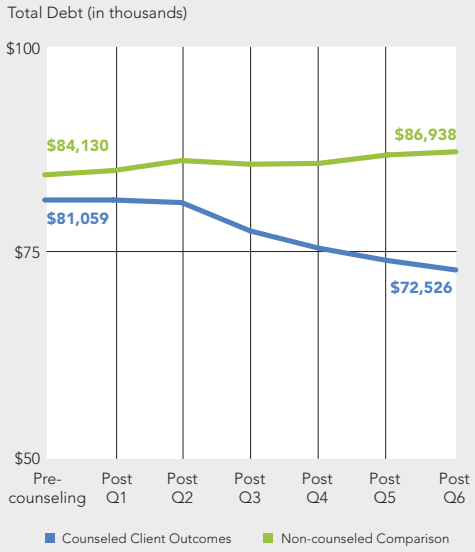
$8,000
average decrease in total revolving debt.

50-point
average* increase in their credit score from baseline.

**Average bottom 25th percentile of clients.*

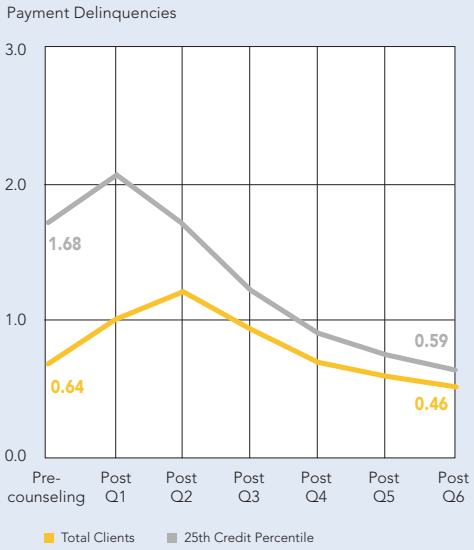
CHANGE IN OVERALL DEBT LEVELS

During the 18 months following counseling, Sharpen clients decreased their total debt by almost $9,000—a statistically significant reduction of $11,300 more than the comparison group, whose total debt increased slightly during the same period.



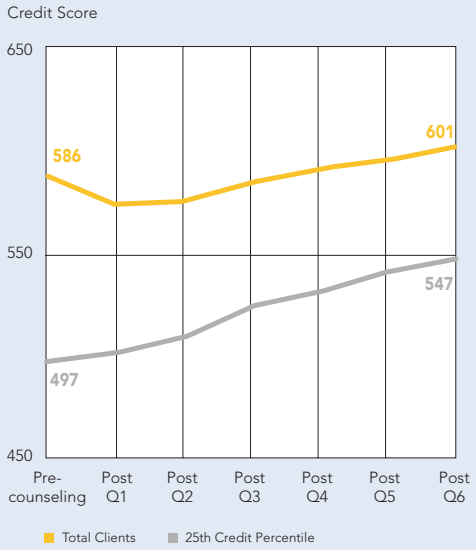
CHANGE IN PAYMENT DELINQUENCIES

The average decline in delinquent payments was about 0.18 for all clients analyzed and 1.1 for those in the bottom quartile of the credit score distribution at baseline.



CHANGE IN CREDIT SCORES**

The average credit score of Sharpen participants improved from 586 to 601. Moving them over the 600-point threshold opens up access to more affordable credit.

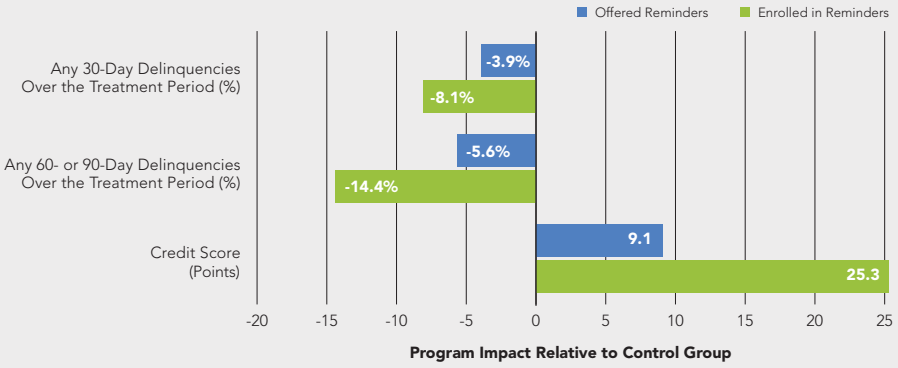


Sharpen Client Outcomes: Key Findings

The Added Impact of Automated Email Reminders

In addition to evaluating Sharpen counseling outcomes, a randomized controlled trial of automated payment and financial goal email reminders was conducted for clients from two NFCC agencies. The purpose of the automated email reminders is to help credit counseling clients stay on track with their financial goals and avoid missed bill payments. Outcomes from this program were tracked for approximately one year after the initial counseling session and are in addition to the impact of credit counseling shown on earlier pages. They show that:

- Simply *offering* credit counseling clients the opportunity to receive automated email reminders leads to better outcomes than clients just receiving counseling.
- These improvements are even more pronounced for those clients who actually enrolled to receive automated email reminders.
- Data from one agency participating in the automated reminder study indicates a 32% increase in DMP enrollment rates for those clients offered the opportunity to enroll in automated email reminders (29% offered reminders enrolled in a DMP compared with 22% not offered).



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Dr. Roll's research centers on issues relating to consumer financial programs and policies, specifically the ways in which nonprofit and public programs can impact financial behaviors, credit outcomes, asset-building and other financial indicators for lower-income or financially distressed households. He received his Ph.D. in Public Policy and Management from the John Glenn College of Public Affairs at The Ohio State University. Prior to pursuing his graduate studies, he also worked as a consultant and research analyst for The Nielsen Company.

The NFCC would like to recognize and thank all funders who make the Sharpen program possible and JPMorgan Chase for directly supporting the impact evaluation of automated email reminders.

ABOUT SHARPEN

The Sharpen program** is a nationwide initiative of the NFCC and a broad cross-section of supporters who are committed to increasing the financial well-being of Americans. As of December 2017, the NFCC and its member agencies have captured data on nearly 90,000 clients through the Sharpen program, which debuted in 2013.

ABOUT THE NFCC

Founded in 1951, the National Foundation for Credit Counseling® (NFCC®) is the nation's first and largest nonprofit dedicated to improving people's financial well-being. With a national network of member offices serving 50 states and Puerto Rico, our NFCC® Certified Credit Counselors are financial advocates, empowering millions of consumers to take charge of their finances through one-on-one financial reviews that address credit card debt, student loans, housing decisions and overall money management. Make one of the best financial decisions of your life. For expert guidance and advice, call (800)388.2227 or visit www.nfcc.org today.

For more information, contact Bruce McClary, Vice President of Communications, NFCC at **202.780.5432** or **bmcclary@nfcc.org.**

***The Sharpen program, the NFCC and the NFCC's nonprofit member agencies do not provide services designed to improve credit scores or creditworthiness, "credit repair" services or advice or assistance regarding "rebuilding" or "improving" your credit record, credit history or credit rating. The NFCC and its nonprofit member agencies are not credit repair organizations as defined under federal or state law, including the Credit Repair Organizations Act. The retrospective analysis in this study does not necessarily reflect results for all clients, and no promises or representations are made as to the effect on an individual's credit score or creditworthiness.*