



NATIONAL FOUNDATION FOR  
CREDIT COUNSELING

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**NFCC PRESS RELEASE**

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**NFCC URGES CREDIT CARD COMPANIES TO ADOPT PLAN TO HELP  
CONSUMERS REPAY DEBTS**

*Call to Action Merits Immediate Attention*

Silver Spring, MD – Earlier this week, the Office of the Comptroller of the Currency (OCC) issued a letter providing further guidance on long-term debt repayment solutions. They recognized the challenges faced by troubled borrowers in this economic environment and suggested that there are a number of tools and programs that fit within current guidelines that banks may offer their customers today.

The National Foundation for Credit Counseling (NFCC) Member Agencies' certified counselors work with clients first-hand and find that many are simply not eligible for debt repayment plans, sometimes short of eligibility by less than \$100 per month. Over the last several years, plan concessions, including payment amount, interest rate and program term, have been pulled back by many creditors. As a result, counselors are seeing an increasing number of consumers who have no other option but to walk away from their debt or file for bankruptcy.

“Help for consumers has been deteriorating, resulting in an increasingly large number of borrowers unable to afford either their original contractual monthly payment, or the current workout arrangements offered,” said Susan C. Keating, president and CEO of the NFCC. “Remember that we’re talking about consumers who want to repay their debts in full, have sought help in doing so, but due to job losses, illness or other financial strains, are not able to.”

In September, Keating publically issued a *Call to Action*, asking the nation’s top credit card issuers to quickly adopt better and more widely available repayment terms for distressed consumers. This was in addition to the NFCC’s work with others—including creditors and representatives from the Financial Services Roundtable and the Consumer Federation of America—to test new types of concessions for the longer term which would include repayment plans with a 72 month payout and Less than Full Balance options.

Keating sent the *Call to Action* to each of the top 10 credit card issuers, and the NFCC has been in active discussion with them urging the adoption of better concessions to help today’s consumers manage their outstanding debt and avoid bankruptcy. The NFCC proposal asks all creditors to:

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- Set consumers' monthly payments at 2 percent of their existing balance, except in cases of extreme hardship where the payment rate would be further reduced to 1.75 percent of balance;
- Waive late and over limit fees; and
- Trim interest rates to a level that would liquidate the entire debt in 60 months or less.

In turn, consumers would be required to build a cushion against unexpected financial challenges by setting aside at least \$25 of their monthly income into an emergency account.

These terms fit within the current regulatory guidelines. In other words, creditors have the latitude to immediately adopt the NFCC's proposal and expand concessions to help distressed consumers.

Keating urged all creditors to put the plan in place by March 31, 2009. If this were to happen, the NFCC estimates that eligible clients enrolled into a program could increase by up to 15 percent; whereas today they have no other options but to walk away from their obligations or file bankruptcy.

The NFCC is experiencing a dramatic uptick in phone calls and inquiries as consumers recognize the urgency of their financial situations and are considering their options. Consumer outreach to the toll-free National Locator Line which automatically connects callers with NFCC Member Agencies is up 70 percent over October 2007.

"Consumers want to honor their debt obligations. Creditors want to be repaid. This puts money back into circulation that would otherwise be lost to bankruptcy. The people we're talking about aren't unwilling to pay; they're simply unable to repay under the current interest rate and fee provisions," Keating said. "Now is the time to pull together and make this happen."

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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 two million consumers through close to 850 community-based offices nationwide. For free and affordable confidential advice through a reputable NFCC member, call 1-800-388-2227, (en Español 1-800-682-9832) or visit [www.nfcc.org](http://www.nfcc.org).*