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CREDIT COUNSELING

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NFCC PRESS RELEASE

**Embargoed until 10:00 a.m. ET
April 13, 2010**

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NATIONAL FINANCIAL LITERACY SURVEY REVEALS SILVER LINING TO FINANCIAL CRISIS *Serious Gaps in Financial Literacy Remain – Re-affirming Need for Financial Education*

Silver Spring, MD - As the U.S. economy continues to emerge from the global recession, some Americans have responded by making positive behavioral changes in their financial lives, thus providing a silver lining to those dark financial clouds.

The results of the National Foundation for Credit Counseling's (NFCC) fourth annual Consumer Financial Literacy Survey released today on Capitol Hill sent somewhat of a mixed message, but do suggest a slightly positive trend in a few specific areas.

- ***Showing improvement since 2007 (39 percent), more than two in five adults (43 percent) now keep close track of their spending. However, more than half (56 percent) still do not have a budget, and more than 11 million adults (5 percent) do not monitor their overall spending and don't know how much they spend on food, housing, and entertainment.***
- ***The proportion of adults who have non-retirement savings has increased from 63 percent in 2007 to 67 percent in 2010. Nonetheless, three in ten (30 percent), or more than 68 million people, report that they have no savings and only 24 percent are now saving more than they did a year ago because of the current economic climate. Nearly two in five (39 percent) Gen Y adults – more than any other age group – report having no savings. Of those with no savings, one in four say that, if faced with an emergency, they would charge that expense to a credit card (25 percent) or take out a loan (29 percent), thus adding to any existing debt.***
- ***A greater proportion than last year gave themselves high grades on their knowledge of personal finance, suggesting an increase in adults' self-perceived level of personal financial literacy. In 2009, 41 percent graded themselves as C, D or F, with only 34 percent falling into that category in 2010. Interestingly enough, even with this increase, nearly four in five adults (78 percent) agree that they would benefit from advice and answers to everyday financial questions from a professional, and nearly one-third (31 percent) strongly agree.***

“Sometimes it takes hitting bottom to facilitate change, and this is apparently what has happened with many American consumers. Tracking spending and creating non-retirement savings are two of the building blocks to financial stability, and the recession has served as a harsh reminder of this to millions who have been affected by the economic downturn,” said Susan C. Keating, president and CEO of the NFCC. “We are encouraged by the positive developments, but nonetheless remain concerned about the many areas where the survey exposed continued financial deficiencies. We still have a long way to go before Americans consider themselves financially literate, and the NFCC is proud to take the lead in the march toward this goal.”

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Some interesting findings related to debt and credit are as follows:

- **28 percent, or nearly 64 million adults, admit to not paying all of their bills on time.** Among minorities, this number is at 47 percent for African-Americans and 42 percent for Hispanics;
- **Though a majority of adults (67 percent) say they pay for most purchases with cash or a debit card, about two in five (41 percent) report that their household carries credit card debt and more than 11 million people (5 percent of adults) say they carry \$10,000 or more in credit card debt from month to month.; and**
- **In spite of it being free, nearly two-thirds of adults (65 percent), or nearly 148 million people, have not ordered a copy of their credit report in the past year. And nearly one-third (31 percent) do not know their credit score.**

As it relates to housing, the survey revealed the following:

- **44 percent of adults, or about 100 million people, currently have a home mortgage** and, of those, one in three (33 percent) say that the terms of their mortgage somehow turned out to be different than they expected; and
- **80 percent of adults feel there are situations where it is acceptable to default on a mortgage, and two of the top three most justifiable circumstances place the blame on the lender.**

"The data is compelling and speaks to the need to take action. Many U.S. adults continue to engage in risky financial behaviors and certain subgroups of the population – young adults and minorities in particular – are at greater risk than others. Now is the time to invest in America's future with a national commitment to financial education," continued Keating.

The 2010 Financial Literacy survey was conducted by telephone within the United States by Harris Interactive on behalf of the NFCC between March 4 and March 8, 2010 among 2,028 adults ages 18+. Results were weighted for age, sex, geographic region and race where necessary to align them with their actual proportions in the population. The full survey will be available Tuesday afternoon, April 13, at www.NFCC.org.

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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 four million consumers through close to 830 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. Visit us on Facebook at <http://www.facebook.com/NFCCDebtAdvice> and on Twitter at <http://twitter.com/NFCCDebtAdvice>.