



NATIONAL FOUNDATION FOR
CREDIT COUNSELING

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NFCC PRESS RELEASE

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Recession Has Positive Impact on Consumers' Financial Habits

More Than Half of Poll Respondents Reduced Debt

Silver Spring, MD – The August online poll hosted by the National Foundation for Credit Counseling (NFCC) revealed that as a result of the economic crisis, 51 percent of the 3,201 respondents took steps to reduce their debt.

“If there is a silver lining to the recession, it is that it has served to refocus consumers’ attention on their personal finances,” said Gail Cunningham, spokesperson for the NFCC. “When times are good, we tend to put our finances on auto-pilot. The recent financial wake-up call has been harsh, but may have been the splash of cold reality many Americans needed to regain control of their finances. Consumers have apparently become uncomfortable carrying debt, realizing how detrimental it can be to their overall financial well-being, and have gotten serious about doing what it takes to pay it off.”

Reducing debt was by far the most frequent response when queried on how consumers used the economic crisis to improve their financial situation, followed by 20 percent saying that the crisis has inspired them to begin tracking their spending and develop a budget. The NFCC’s 2010 Financial Literacy Survey (FLS) conducted in March, five short months ago, showed that only 37 percent of Americans have somewhat of a good idea about how much they spend or keep close track of their spending, thus having 20 percent make this positive adjustment to their financial behavior is indeed a step in the right direction.

Ten percent of those responding indicated that the crisis caused them to review their credit report. In spite of the report being free, the NFCC’s FLS found that only 34 percent of Americans had ordered their report in the past 12 months. Since the credit report is the basis of the all-important credit score, as well as a good way to check for identity theft, reviewing the credit report is a critical component of good financial habits. Nonetheless, consumers remain somewhat reluctant to obtain their report.

Only six percent of respondents reported that they have begun saving more. Even though this is a small number, it is a definite move forward, as the FLS showed that 30 percent, or more than 68 million people, report that they have no savings. Today’s paltry rate of return on savings accounts

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provides little incentive to save. However, no one has ever regretted having a financial safety net when an emergency or unplanned expense dropped into their life.

“Overall, the results of the poll are encouraging. There’s still plenty of room for improvement, but Americans appear to be taking positive steps toward financial stability. Nonetheless, it remains to be seen if these changes will be embraced once the economy recovers, or if consumers will have short memories and revert back to financially destructive behavior,” continued Cunningham.

Thirteen percent of respondents indicated that they had made no changes as a result of the economic crisis. These people could already be in good financial shape with no room for improvement (unlikely), have not faced the financial facts, or don’t know where to turn for help getting started. If you fall into any of these categories, you would be well-served by scheduling an appointment with a trained and certified NFCC counselor. To be automatically connected to the NFCC Member Agency closest to you, dial toll free to (800) 388-2227, or to find a counselor online, go to www.DebtAdvice.org. For assistance in Spanish, call (800) 682-9832.

The actual August survey question and results are as follows:

I have used the current economic crisis as an opportunity to improve my own financial knowledge by:

- A. Tracking my spending and developing a budget = **20%**
- B. Reviewing my credit report = **10%**
- C. Reducing my debt = **51%**
- D. Putting more into savings = **6%**
- E. No change in behavior = **13%**

”Note: The NFCC’s August Financial Literacy Opinion Index was conducted via the homepage of the NFCC Web site (www.DebtAdvice.org) from August 1-31, 2010 and answered by 3,201 individuals.

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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 800 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>.