



NATIONAL FOUNDATION FOR  
CREDIT COUNSELING

*Knowing the difference can  
make all the difference.®*

**2015 State of the Financial Counseling and Education Sector**

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**National Foundation for Credit Counseling**

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## **Serving the Financial Education Needs of Vulnerable Americans**

We're here, we can be trusted, and we're ready to serve.

The members of the National Foundation for Credit Counseling—the nation's largest and most-respected network of nonprofit financial counseling services—have always been there when consumers needed us. Year after year—including those following the Great Recession—we've helped millions of struggling Americans improve their financial future.

At last year's conference, we talked about the changing needs of those we serve—and the imperative to change our approach to meet those needs. Since then, NFCC members, staff and friends have been hard at work on that challenge. We've gained momentum on how best to target our services to those who need them most. And we look forward to more progress in 2016.

Our focus remains on vulnerable Americans: those overwhelmed by student loan debt, breadwinner moms and military service members living paycheck to paycheck, retirees and those hoping to retire who are worried about their financial future, and families new to our country who need tools and information to help them succeed financially.

We continue to see positive trends in the economy, now growing at an annual rate of 3.7 percent. Unemployment, bankruptcy filings and the mortgage delinquency rate are at pre-recession levels. Credit card delinquency rates and debt are at historic lows, although they're showing signs of trending upward.

Other trends are troubling. Median household income has fallen 9 percent since turn of the century. About 70 percent of households face savings, income or debt challenges. At \$1.3 trillion, student loan debt is the second-largest form of consumer debt after mortgages. Military members and veterans have higher-than-average credit card debt and fewer assets. About 29 percent of households age 55 and older have neither retirement savings nor a pension.

NFCC surveys confirm the need for financial tools and counseling targeted to today's consumers. Sixty percent of those surveyed admit they don't have a budget. One in four aren't paying their bills on time. One in three carry credit card debt from month to month. More than half have little confidence they're saving enough for retirement. And three in four say they would benefit from advice on financial matters from a trusted professional—like the counselors at NFCC member agencies.

Our surveys show that student loans in particular are putting pressure on people's finances. One in 10 are repaying their own or their children's loans. Of these, more than three-fourth say

paying student debt affects their personal financial situation, half are unable to save for emergencies and two in five can't save for retirement.

We've been working on several fronts this year to address these challenges. We're activating our three-year strategic plan, focusing on the key areas of membership, branding and communications, new segment services and operational excellence. We're creating best-in-class services designed to reach the most vulnerable Americans and support NFCC members as they help those struggling to get to a better place financially. Underpinning all of this is our constant effort to strive for excellence in all we do.

We were pleased to welcome three new members this year: American Consumer Credit Counseling, NeighborWorks Umpqua and Take Charge America. These are top-notch organizations that have demonstrated deep commitment to financial education while sharing the values NFCC members are known for.

We're continuing to identify high-quality nonprofit financial counseling organizations and other types of groups that would benefit from the value NFCC membership offers. As we grow, we expand our national impact on consumers and raise the level of standards across the nonprofit financial counseling sector.

Our development of a fresh, new branding and communications strategy presents an opportunity to chart a new path for the NFCC brand in close partnership with our members. Our strategy—based on extensive research—includes refining our vision, mission and values to focus on consumers and creating a new logo, tagline and messages that reinforce our quality story while honoring our history and reputation.

But what this effort is really about is bringing the NFCC member network together to leverage our marketing and communications to achieve a stronger collective impact. This approach will enable us to better represent the incredible NFCC network of agencies and counselors who meet stringent quality standards, who are trained and certified, and who merit consumers' trust.

Our goals are to increase client connections for NFCC members and drive enrollment in our Sharpen Your Financial Focus™ programs. We hope to spark member engagement and local market use of cobranded communication materials that promote your agency along with your NFCC member affiliation.

We're targeting our branding and communications strategy to the consumer segments identified in the NFCC strategic plan, starting with breadwinner moms and military members and veterans. During 2016, we'll expand our outreach to student loan borrowers, retirees-at-risk and Latino

and Hispanic families. Overall, we want to foster awareness—both nationally and locally—that when consumers work with NFCC members, they'll have a quality experience.

Closely allied with our branding and communications effort—and building on our decades of experience in housing and financial counseling—is development of new services targeted to key consumer segments. Our first is a comprehensive, technology-driven National Student Loan Counseling Program. The program's holistic approach will empower those burdened with student loan debt to make informed decisions about repayment options that take into account their complete financial picture.

Earlier this year, we acquired the Student Loan Alliance®, a joint venture formed by seven NFCC members to build a national platform for student loan counseling. We've expanded on this foundation by creating a counseling protocol, a training program for counseling professionals and a certification program to assure quality. Federal agencies—including the Treasury, Department of Education and Consumer Financial Protection Bureau—have provided helpful input.

We're working to validate the protocol, training and certification elements, as well as train and certify the initial group of counselors, before our broader rollout of the program in 2016. We're also working to create a sustainable business model and robust data platform to support the program. Through third-party evaluation, we'll continually measure the program's impact to verify we're achieving our goal: a best-in-class program that fills an urgent need for Americans with student loan debt.

As we move forward on our student loan counseling program, we're looking ahead to a program for another vulnerable group: retirees at risk. In 2016, we'll consider the direction we need to take to address the needs of those who are trying to figure out how to prepare for retirement and those who are already retired but struggling to make ends meet. We'll develop a comprehensive program that incorporates assessment tools, counseling and retirement planning education and prepare for a later rollout.

I'm pleased to report great progress as we start year three of Sharpen Your Financial Focus™—our nationally driven grassroots initiative to help Americans improve their financial situation. We've served 50,000 people through the program's three-step process: a financial stress test in the form of the MyMoneyCheckup® online tool, a one-on-one financial review to address immediate issues and financial education targeted to clients' needs.

Not only are we serving people in need, we're making a real difference in their lives. We know this from our collaboration with researchers at The Ohio State University, member agencies and Experian on a multiyear effort to gather and analyze data on program participants.

We'll have a full report on our research soon. But preliminary results clearly demonstrate the power of counseling and education to enable families to successfully manage their finances—even those facing major challenges. They prove the phenomenal impact of the work that NFCC agencies and counselors have done every day.

Preliminary research highlights show that 67 percent of Sharpen Your Financial Focus participants say the program helped them better manage their money, 68 percent say it helped them set financial goals, 70 percent improved their overall financial confidence, and 73 percent are paying their debt more consistently.

Over a year and a half, the average credit score of participants improved from 588 to 608—over the 600 threshold that opens up access to more affordable credit. And their revolving debt dropped—from more than \$12,000 to just over \$5,000. On top of this, we've seen a marked reduction in the number of client payment delinquencies and a 15 percent decline in the number of revolving accounts they have open.

Also interesting is that 23 percent of program participants have an increased sense of trust when it comes to their relationship with their financial institution. That's positive news for our stakeholders.

During year three, we'll take what we've learned and move into Sharpen 2.0. We'll target our messaging to specific groups—including breadwinner moms, military members and veterans, and student loan borrowers—to draw people into the program and make those all-important connections for our members. We'll add personalized follow-up and financial management tools tied to each client's action plan—including e-coaching, automated reminders by email or text, to keep them on track to meet their financial goals.

I am very excited to announce today that Synchrony Financial has provided a generous three year grant of \$4 million as the first funder of Sharpen 2.0. Just as President and CEO Margaret Keane on behalf of Synchrony Financial made the very first grant commitment to jumpstart Sharpen Your Financial Focus in 2013, Synchrony's will be the first for Sharpen 2.0 and bring their total Sharpen funding to date to over \$7 million. This funding will help thousands of people improve their financial future, especially student loan borrowers and breadwinner moms. The NFCC is truly fortunate to have Synchrony as a partner in helping people live better financial lives.

Another major program we're advancing is the Credit Solution Plan™. In development for several years, the CSP offers a simple, effective set of solutions for clients with extensive debt along with quality financial counseling to enable them to work toward financial health over the

long term. Executing the CSP is taking longer than expected, in part because the technology changes required to implement the program remain a challenge for members and financial services companies. But we are staying the course and making measured progress.

NFCC members have been adopting the CSP counseling protocol this year. And I'm optimistic that as creditors come on board, it will create momentum that encourages others across the industry to participate in this important effort. It's critical that we continue to push forward. We're at a point in the economic cycle when credit card delinquencies are lower than they've been in years. But now is the time to pursue full implementation of the CSP so we'll be ready to serve consumers during the next economic downturn.

Central to the progress we've been making on efforts such as branding, Sharpen Your Financial Focus, a national student loan program and the Credit Solution Plan is our emphasis on operational excellence. Every day, we strive on behalf of our members to make what we do more effective, more efficient and more relevant to the consumers we all serve.

We're on target to finish the year with a balanced budget and put money into reserves. We believe maintaining the national organization's financial strength is critical as we carry out our strategic plan and implement new programs. We recognize that many members are challenged by the changing financial counseling environment and their efforts to re-envision how they serve clients. We're working diligently at the national level to support our members' ability to diversify and reach the people they can have tremendous impact on at the local level.

Our efforts to forge deeper national partnerships are yielding many positives. We're expanding our collaboration with the Consumer Financial Protection Bureau to deliver financial education workshops in libraries across the country. The CFPB features the NFCC network on its website as a trusted source for financial counseling. Our work with TD Bank to provide adult financial education seminars includes eight new states and Washington, D.C. And our newly formed partnership with NerdWallet has connected thousands of consumers struggling with payday lending to the NFCC and member agencies.

We continue to position the NFCC and its members as the premier providers of housing counseling services. The housing crisis may be easing, but many still facing foreclosure risk would benefit from members' help, as would first-time buyers and those who lost homes but may be ready to return to the market. The NFCC and our members have received more than \$6 million in federal funding this year to support foreclosure prevention and homebuyer education. We're continuing our commitment to strengthen compliance practices in response to increasing government requirements on housing grants.

The NFCC and other housing counseling organizations are working with the housing sector to help more families find sustainable paths to homeownership. Fannie Mae's new affordable lending product for first-time buyers requires homebuyer education provided by nonprofit counseling agencies approved by the U.S. Department of Housing and Urban Development. It also offers no-cost counseling to borrowers—a positive step toward integrating housing counseling more fully into the mortgage origination marketplace.

We're capturing significant media attention and achieving new milestones for public awareness. We remain the go-to media source on financial education, enabling us to share useful information with and generate mentions in many prominent outlets. Our announcements on the acquisition of the Student Loan Alliance and the results of the Consumer Financial Literacy Survey helped double our media mentions in the first half of 2015 over the same time last year.

With the help of our members and friends, we've made good progress this year. Going forward, we'll continue our drive to address the financial education and health of today's most vulnerable Americans.

To succeed, we need to strive with our partners—both long-time and new—to foster a healthier economy and better financial environment for everyone. We need to deepen our relationships with the financial services industry to prepare people to manage today's financial products and services more successfully. We need to deliver our message to consumers who need help, who don't know where to go or who to trust: We're here, we can be trusted, and we're ready to serve.

It's time for all of us to rally with a united voice, capitalize on the extraordinary value of our national network of trusted agencies, and vigorously pursue new opportunities to serve the financial education needs of all Americans.