

Meeting the Mandate

Consumer Counseling and Education Under the Bankruptcy Abuse Prevention and Consumer Protection Act (BAPCPA)

A Six Month Progress Report
April 19, 2006

Prepared by



NATIONAL FOUNDATION FOR
CREDIT COUNSELING

*Knowing the difference can
make all the difference.*

Executive Summary

In April 2005, Congress ended more than 10 years of debate by enacting the Bankruptcy Abuse Prevention and Consumer Protection Act (BAPCPA), which substantially overhauled U.S. bankruptcy law. For the first time, the law also required that debtors must participate in a credit counseling session before they could file for bankruptcy (pre-filing counseling) and also must take a course on personal financial management before their debts could be discharged (pre-discharge education).

Although the National Foundation for Credit Counseling (NFCC) did not take a position on the overall legislation, it saw the counseling and education requirements of the new law as an important step forward in public policy that could help give millions of individuals the knowledge, for the first time, to take charge of their financial life.

As a first step in assessing the impact of the new law, which took effect on October 17, 2005, the NFCC has prepared this report, which includes a survey of its 106 member agencies approved to conduct pre-filing counseling and/or pre-discharge education as mandated by BAPCPA. This report details the actual experience of credit counselors and the consumers they serve and identifies key issues for the future.

Among the report's most significant findings:

- The surge in bankruptcy filings to a record one-month total of 619,000 in October 2005 just before the law took effect has made it impossible to clearly assess the law's long term impact at this time. From a record of more than 2 million last year, bankruptcies are currently at a 20-year low and likely to end less than 1 million for the full year 2006;
- NFCC member agencies stepped forward to meet the law's mandate by providing more than 188,000 financially troubled American consumers who considered a bankruptcy filing with bankruptcy counseling sessions in the first five months after BAPCPA took effect;
- Most individuals who came to NFCC agencies for pre-filing counseling were in desperate financial shape with debts that vastly exceeded their income. And, their biggest source of difficulty was poor money management;
- Many consumers did not have the ability to cover the costs of the counseling, in which case the fee was waived. The average cost for providing pre-filing counseling sessions across delivery channels (phone, Internet, and face-to-face) was \$50.96. NFCC agencies received an average fee from clients of \$37.71, leaving a shortfall of \$13.25 per session.

- The counseling funding gap faced by credit counseling agencies threatens their ability to fulfill their new public mandate as well as maintain traditional financial counseling and education services for consumers, especially if bankruptcy levels return to pre-BAPCPA levels;
- The vast majority of bankruptcy counseling services are being provided either by phone or the Internet, while only slightly more than 1 in 10 (13 percent) of pre-filing sessions provided by NFCC members involved face-to-face counseling. Of concern is that consumers might lose the option of obtaining in-person, face-to-face counseling sessions which is how an estimated 50 percent of regular financial counseling is conducted today; and
- In the period after the October 17 run-up, even with a historically low level of bankruptcy filings, the demand for bankruptcy-related counseling has forced some agencies to divert resources from other financial education services. With the number of filings on the rise, the ability to effectively serve both bankruptcy and non-bankruptcy consumers is in question.

Introduction

In April 2005, Congress concluded more than 10 years of legislative consideration by passing the most substantial revision of U.S. bankruptcy law in more than a quarter of a century. Officially called “The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005” (BAPCPA), the law was designed, in part, to ensure that bankrupt individuals with the means to do so repay at least a portion of their debts. The National Foundation for Credit Counseling (NFCC) took no position on the overall legislation.

In its role as a consumer advocate and financial education and credit counseling organization, and as a guide for policymakers, the NFCC is providing this public report on the experience of NFCC members and their consumer clients during the new law’s first six months.

The report begins with a look back.

A Look Back

Concerned about the rise in bankruptcy filings to levels rarely seen except in times of economic distress, business groups in the mid-1990s began an effort to reshape U.S. bankruptcy law. Proponents said alleged abuses were imposing needless costs on all Americans by forcing creditors to raise interest rates and compelling retailers and others to charge higher prices to offset losses from bankruptcy. They further stated that it was time to crack down on what they saw as a growing number of Americans who were accumulating large debts with the deliberate intention of escaping payment by filing for Chapter 7 bankruptcy.

“Bankruptcy has gone from a stigma to a financial planning tool for many,” National Retail Federation General Counsel Mallory Duncan, said at the time. “Every one of those filings means more bad debt getting passed on to consumers, and consumers are tired of picking up the tab.”¹

¹ “Flurry of Activity Precedes Changes in Bankruptcy Law,” by George Chamberlin, *Daily Transcript*
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Annual Bankruptcy Filings by Chapter: 2000-2005

Bankruptcies – Non-business filings			
Year	Chapter 7	Chapter 13	Total 7 & 13
2000	859,220	383,894	1,243,114
2001	1,054,975	425,292	1,480,267
2002	1,109,923	455,877	1,565,800
2003	1,176,905	473,137	1,650,042
2004	1,137,958	449,129	1,587,087
2005	1,659,017	412,130	2,071,147
Total Non-Business Bankruptcies since 2000 = 9,564,643			

(Source – Administrative Office of the U.S. Courts)

Opponents said the proposed new measures would mostly penalize honest individuals who had fallen on financial hard times because of illness, layoffs, or other events that were beyond their control. In their view, rising bankruptcies resulted from growing economic disparity that made it increasingly difficult for those at the lower rungs of the economy to make ends meet. One Harvard University study said that about half of all bankruptcy filers were forced to seek debt relief because of heavy medical costs.² Rep. John Conyers (D-MI), for example, said BAPCPA punished the poorest Americans and “massively tilts the playing field in favor of credit card companies and against ordinary workers and families.”³

In the end, Congress established a “means test” to determine which individuals were eligible for full discharge of debts through Chapter 7 of the Bankruptcy Code and which individuals were limited to a repayment plan under the Code’s Chapter 13. The law also included other measures to limit bankruptcy, as well as additional restrictions on how frequently an individual may file for bankruptcy.

New Credit Counseling Requirement

The overhaul, which took effect on October 17, 2005, also included a historic new effort to promote financial literacy. BAPCPA required that debtors participate in a financial counseling session before they could file for bankruptcy (“pre-filing counseling”). It further mandated a second session on personal financial management before their debts could be discharged (“pre-discharge education”).

Skeptics viewed the counseling requirements as just one more barrier to bankruptcy filings that would create a new expense for individuals already in financial distress. But financial literacy advocates viewed the counseling requirements as an important step forward in public policy that could help give millions of individuals the knowledge, for

² “House Passes Bankruptcy Bill” by Stephen Labaton, *The New York Times*, April 14, 2005

³ Statement by Rep. John Conyers, Jr. during Committee Markup of S. 256 – Bankruptcy Bill, March 16, 2005; “House Passes Bankruptcy Bill” by Stephen Labaton, *The New York Times*, April 14, 2005

the first time, to take charge of their financial life. The counseling community also saw a chance to help end the cycle of debt that plagued many who file for bankruptcy. There was a feeling that debtors should get the chance to explore all of their options--a form of financial consent--before deciding to file for bankruptcy.

Jane McNamara, CEO of an NFCC member in Farmington Hills, Michigan, said the counseling rule might help keep people out of future financial difficulty. "One of the bad things about going through bankruptcy is people don't learn how to manage their money currently," McNamara said.⁴

The Implementation Challenge

With the bill signed into law, it was now time to see whether it could be implemented effectively.

For bankruptcy attorneys and judges, merely understanding the implications of the 500-page law would itself require substantial energy. Assimilating the terms of the new means test, which is tied to median income levels in the debtor's state of residence, was a critical challenge and errors in calculation could potentially raise attorneys' liability risks. The additional requirements appeared likely to substantially increase the cost of retaining an attorney to help with the bankruptcy process.

Implementing the new credit counseling requirement also presented a daunting challenge. To protect consumers from falling into the hands of predatory ventures operating under the guise of providing credit counseling, the new law established a process for becoming an approved credit counseling agency. Only nonprofit agencies would be allowed to offer pre-filing bankruptcy counseling and even those agencies would have to seek approval from one of two federal entities.

Most counselors were required to obtain approval from the Executive Office for United States Trustees (EOUST), a division of the Justice Department responsible for the nation's bankruptcy courts. Agencies based in Alabama and North Carolina would need to seek approval from the Administrative Office of the U.S. Courts (AOUSC). In just six months, the EOUST and the AOUSC would have to build an approval and oversight system from scratch. In addition to establishing clear criteria for the applying agencies, assess course materials, and set up rules governing fees and bonding requirements, the EOUST and AOUSC would have to review and approve enough applicants so that sufficient services would be available nationwide on October 17.

There were some initial difficulties. Some rules, including requirements for bonding, had to be revised. And, the approved application for agency certification was not approved until August 2005, less than two months before the first debtors would begin to seek assistance.

⁴ Ibid

The Credit Counselors Get Ready

After BAPCPA was signed into law, the NFCC national leadership and its 115 member agencies enthusiastically embraced the opportunity it presented to expand financial literacy. Counselors hoped that, over time, the new attention to counseling would encourage more consumers to seek assistance before a financial crisis.

In preparation, the NFCC surveyed its membership to determine their capacity to meet the anticipated demand for counseling sessions. The survey also assessed funding needs and sought to determine the best way to allocate funds that would hopefully become available. The survey results indicated that NFCC agencies would need to more than double their counseling volume to greater than two million sessions each year to accommodate the new counseling and education mandates in the law.⁵ There was serious concern that in the absence of significant new funding, credit counselors would be unable to meet the demand for the new bankruptcy-related services – or that they would have to shift resources from other work, which would limit the net gain in financial literacy.

“What we had,” recalls NFCC President and CEO Susan C. Keating, “was a large unfunded mandate. While we embraced the opportunity, we were very concerned about how we would find the resources to do the job properly. Even nonprofits have to cover their rent and pay their employees.”

Initial estimates were that NFCC member agencies would need approximately \$20 million to expand capacity -- hiring and training enough qualified counselors and acquiring necessary computer and other infrastructure. In addition, it was clear that additional funding would be required to cover the cost of the actual counseling sessions. In the absence of public funding, the credit counseling community reached out for help to credit grantors and other financial service companies who had fought hard for the new law to help provide this funding and would be the most likely to benefit financially from the new law.

A group of financial services companies, acting under the umbrella of the Financial Services Roundtable⁶, formed the Council on Consumer Finance and made an initial pledge of up to \$10 million to support capacity building for the credit counseling “industry.” With this development, NFCC member agencies moved forward with their certification applications. A smaller number of non-NFCC agencies also stepped forward.

⁵ “National Foundation for Credit Counseling Members Gear up for New Bankruptcy Law,” Member Survey by the NFCC, September 7, 2005

⁶ The Financial Services Roundtable represents 100 of the largest integrated financial services companies providing banking, insurance, and investment products and services to the American consumer.

October 17

As the implementation date approached, there was concern that a dearth of certified counselors might create problems for consumers. The EOUST had approved just 65 agencies nationwide (including 54 NFCC members) to provide pre-filing counseling. Seventy-nine agencies were approved for pre-discharge education by October 17.

The *Rocky Mountain News* proclaimed: “Bankruptcy Law Hits Snag: Few Counselors” and cited nervous consumer advocates predicting that there wouldn’t be enough counselors to serve all of those in need of help.

“They [the EOUST] are completely overwhelmed. Any agency would be by these new rules,” Consumer Federation of America legislative director Travis Plunkett said.⁷

Initially the EOUST may have been slow in processing applications, and some counseling agencies may have been slow to seek certification. But they were saved by a new reality – relatively speaking, there just weren’t very many people filing for bankruptcy and in need of pre-filing counseling services.

Just about anybody who was thinking about filing for bankruptcy hustled to file in the final weeks before the new law took effect. Uncertain about what the law meant, but evidently unwilling to take a chance, Americans had filed for bankruptcy at an astonishingly high pace in September and the first half of October 2005. During September, nearly 240,000 Americans filed for bankruptcy – about 100,000 more than in the typical month. The number of filers exploded in October to almost 620,000 – more than 400,000 of them in the last week alone before October 17.⁸ By comparison, the monthly rate of filings had averaged about 130,000 during the preceding three years.

Then bankruptcy filings all but stopped. During November and December combined, just under 35,000 Americans filed for personal bankruptcy. And, for the first time in memory, Chapter 13 filings, which require filers to participate in a court-supervised repayment plan, exceeded Chapter 7 filings in the months immediately after the law took effect.

Bankruptcy Filings by Month and Chapter, Second Half 2005			
Month	Chapter 7	Chapter 13	Total
July	99,370	31,571	130,941
August	127,394	37,172	164,566
September	195,931	40,906	236,837
October	546,245	73,142	619,387
November	5,348	8,267	13,615
December	9,061	12,305	21,366

⁷ “Bankruptcy Law Hits Snag: Few Counselors,” *Rocky Mountain News* by John Accola, October 8, 2005

⁸ Commercial Law League of America

The reduction in filings was a blessing for credit counseling agencies. It gave agencies additional time to get ready and ensure that the consumer needs were met. This included hiring and training personnel as well as installation and expansion of systems.

NFCC Six Month Survey Results - The Law in Action

For the first six months following the new law, there was significant media coverage surrounding the changes in the law and its impact on consumers. As BAPCPA approached its six-month anniversary, the NFCC felt it important to separate supposition from fact and turned to its members for hard data about their experience. As we previously mentioned, it is still too early to assess the law's impact on the level of future bankruptcy filings or its impact on consumers struggling with significant debt. The survey of approved NFCC agencies conducted in late March 2006 nonetheless, uncovered a number of clear truths:

- NFCC members had stepped forward to meet the Congressional mandate to provide counseling to financially troubled individuals who were considering bankruptcy;
- Most individuals who came to NFCC agencies for pre-filing counseling were in desperate financial shape with debts that vastly exceeded their income and had no alternative other than filing for bankruptcy;
- Most consumers cited poor money management as their primary reason for requiring bankruptcy counseling followed by loss of income and medical expenses;
- Many consumers did not have the ability to cover the costs of the counseling session in which case the fee was waived. The average cost of providing each pre-filing counseling session was \$50.96 across delivery channels. NFCC agencies received an average fee of \$37.71, leaving an average shortfall of \$13.25 per session provided;
- The vast majority of bankruptcy counseling services was being provided to consumers either by phone or the Internet, with slightly more than one in 10 pre-filing sessions being conducted face-to-face. This compares to a channel mix of 50 percent face-to-face; 42 percent phone; and 8 percent Internet for traditional financial counseling;
- The counseling funding gap faced by credit counseling agencies threatens their ability to fulfill their new public mandate as well as maintain traditional financial counseling and education services for consumers, especially if bankruptcy levels

return to pre-BAPCPA levels, and in fact, some agencies are considering discontinuing bankruptcy services; and,

- The demand for bankruptcy-related counseling was forcing some agencies to divert resources from other services.

NFCC Members Step Up

Reflective of a collective commitment to meet their expanded public service mandate, NFCC member agencies led the industry into the post-BAPCPA era. By the end of March 2006, 106 of the NFCC's 115 members were certified by either the EOUST or the AOUSC to provide some form of bankruptcy counseling. NFCC agencies accounted for 70 percent all credit counseling agencies approved to conduct pre-filing counseling.

Eighty-Four NFCC member agencies had been approved to provide pre-discharge education. Eighty-Two NFCC member agencies had been approved to provide both services, accounting for nearly 80 percent of agencies that were authorized to provide both services.

NFCC agencies appear to be providing the vast majority of pre-filing counseling sessions. Through March 24, NFCC agencies reported that they had provided 188,000 consumers with pre-filing counseling sessions – or about one-third of their counseling workload even though bankruptcy filings had fallen to their lowest level in two decades. The agencies conducted more than 500,000 total counseling sessions during the same period.

A total of 132,398 individuals had filed for personal bankruptcy during the same period, which means that counseling sessions were outstripping actual filings. The disparity likely reflects the fact that some individuals may choose not to file for bankruptcy and others may wait to file for up to six months after completing a counseling session. In addition, the law requires each individual named on a bankruptcy petition to participate in counseling and obtain a certificate even though a married couple may file a joint bankruptcy petition.

Counseling Sessions by NFCC Member Agencies

(Oct 17, 2005 – March 24, 2006)

Bankruptcy-related:	187,967
Regular counseling:	320,683
Total Sessions:	508,650

The NFCC's largest volume members accounted for about 77 percent of the pre-filing sessions provided by NFCC members during the law's first five months. These same agencies accounted for only 55 percent of the non-bankruptcy counseling. It appears

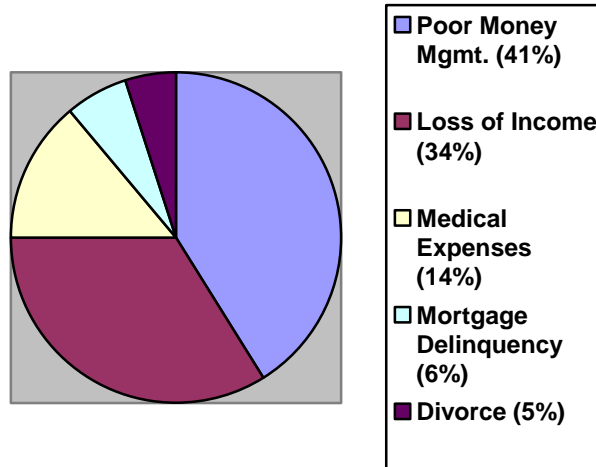
likely, though not certain, that these agencies' relatively heavier reliance on phone and Internet counseling has expanded their base of bankruptcy clients and helped fill geographic gaps among agencies certified to provide bankruptcy counseling. For consumers living in parts of the country with few, if any, certified agencies, the availability of counseling services from these larger agencies is a significant benefit.

Consumers' Poor Money Management is Main Reason for Financial Problems

The NFCC survey demonstrated that individuals who are considering bankruptcy face serious financial issues. A substantial portion of these individuals have been victimized by a cut in income – either due to a reduction in pay or loss of a job. But the single most important reason for their difficulty, the survey said, is poor money management.

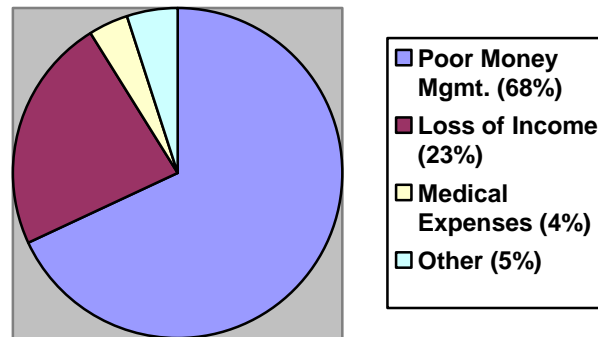
The survey found that the total debt of individuals receiving pre-filing counseling substantially exceeded their annual income. Although the biggest single reason consumers found themselves facing bankruptcy was poor money management, loss of income was also a major contributor to financial difficulties, while medical expenses had a smaller impact.

Primary Reason Individuals Require Bankruptcy Counseling



The same reasons drove regular counseling during this same period, but the proportion of counseling recipients who had difficulty managing money was far higher for these individuals (68 percent) than for those on the cusp of bankruptcy.

Primary Reason Individuals Turn to Regular Credit Counseling



According to survey respondents, individuals who received pre-filing counseling had average unsecured debts of \$40,673, but average income of just \$31,255. The average unsecured debt for those who sought regular counseling before turning to bankruptcy was about half as large at an average of \$20,997.

Women were more likely than men to seek credit counseling before a bankruptcy crisis. Sixty-one percent of those seeking regular counseling assistance are women. The breakdown for pre-filing bankruptcy counseling was 54 percent female – 46 percent male.

Despite hopes of some proponents of BAPCPA that pre-filing counseling would help consumers find better choices than bankruptcy, bankruptcy appears the only realistic option for the vast majority of debtors by the time they've reached pre-filing counseling. For example, according to the survey results, only 3.2 percent of those who turned to NFCC agencies for help opted for voluntary Debt Management Plans in lieu of seeking bankruptcy relief.

“Ninety-nine percent of the clients seeking our assistance with pre-filing counseling had no other viable options available to them at the point at which they sought counseling,” one NFCC agency said in its survey response.

“Most of the consumers we have counseled are in a crisis situation and are too far gone to save them from bankruptcy,” said another agency. And, a third agency noted that some situations are so dire that “bankruptcy is not a long-term solution” because “even after bankruptcy they will not be able to pay modest living expenses.”

Delivery Channels

More than six of 10 (61 percent) bankruptcy counseling sessions took place over the telephone during the law's first five months and Internet counseling accounted for 26 percent of counseling sessions. Only slightly more than 1 in 10 (13 percent) pre-filing

sessions involve face-to-face counseling. Although some agencies still provide almost all sessions in person, others have virtually eliminated face-to-face sessions because of the cost of providing in-person services – a trend that could pose a potentially serious loss for consumers.

“Our members deliver quality service whether by phone, Internet or in-person, but the public interest demands that consumers have the widest possible range of choices, and access to services that best meet their needs,” Keating said. “For some individuals and in some circumstances, face-to-face counseling may be the most effective and that option must remain available.”

The dramatic move away from face-to-face counseling is a change for NFCC members and runs counter to the agencies’ own forecast just six weeks before BAPCPA took effect. At that time, NFCC members estimated that about half of all bankruptcy counseling would take place in person, and only 10 percent would occur on-line.

Quality service is possible by all three modes and distance options may make counseling possible for many individuals who could not otherwise obtain assistance. However, the NFCC believes that consumers benefit from the widest number of options.

The survey data shows that the NFCC’s nationally-approved members have turned almost exclusively to distance counseling options. Just over 5,000 of the 146,000 sessions provided by this group of agencies took place in person. Among the remainder of the NFCC agencies, 45 percent of sessions were conducted face-to-face. For some agencies, however, face-to-face remains the predominant method.

Bankruptcy-related Counseling Sessions by Modes of Delivery

All NFCC Agencies

Phone:	114,232	61 percent
Internet:	49,858	26 percent
In-person:	23,877	13 percent

The Counseling Funding Gap

The shift toward distance counseling appears, at least in part, to reflect movement from a more to less expensive counseling mode as limited resources compel the agencies to seek the most cost-effective way to deliver bankruptcy-related services.

The NFCC survey shows that there was an average cost of \$50.96 for providing each pre-filing counseling session across delivery channels. NFCC agencies received an average fee from consumers of \$37.71, leaving a shortfall of \$13.25 per session provided. Breaking it down by channel delivery, an in-person counseling session, including

overhead, costs an agency almost \$55 on average to provide, or \$17 more than the average counseling fee. Phone counseling, by comparison, costs slightly less than \$53 per session to provide, and an Internet session costs about \$45.

Channel Costs to Deliver Pre-filing Counseling

Face to face: \$54.92 (\$17.21 loss per session)
 Phone: \$52.77 (\$15.06 loss per session)
 Internet: \$44.91 (\$7.20 loss per session)

If 2006 bankruptcy filings are as currently projected by industry experts, NFCC member agencies could record a net bankruptcy funding shortfall of more than \$12 million this year. That shortfall will be even greater if filings trend back to recent historic levels.

2006 Projected Shortfall (based on VISA projection of 925,000 filings)

Pre-Filing Counseling (000's)				
	Face-to-Face	Phone	Internet	Total
Number of Sessions	117	562	245	925
Total Expense Dollars	\$6,453	\$29,680	\$11,009	\$47,142
Client Fees	\$4,414	\$21,129	\$ 9,209	\$34,752
Estimated Annual Funding Shortage				\$12,390

Keating notes, “This ‘counseling funding gap’ is causing a migration away from the traditional way counseling services have been provided and consumers might lose the option of obtaining in person face-to-face counseling unless the nonprofit counseling agencies are able to secure additional funding.”

And options for covering the deficit are limited. Raising fees to debtors high enough to cover costs is not a viable option. NFCC agencies are committed as a matter of policy to provide service to any consumer who walks through the door, even to those who cannot pay. In addition, BAPCPA restricts fees to an undefined “reasonable” amount and the law further stipulates that credit counselors must provide service even if the recipient cannot afford to pay. Also, agencies must notify the EOUST or AOUSC before they raise fees.

Another theoretical option – deferral or elimination of other services – would be extremely unpalatable and would amount to robbing Peter to pay Paul. Nonetheless, some agencies reported in the survey that traditional services are suffering – through deferral of services and/or a delay in appointments for consumers who are seeking help. Reducing traditional services that enable people to put their financial house in order

before money problems put them at the brink of bankruptcy would undermine the fundamental tenet of BAPCPA’s credit counseling requirement.

One agency reported that it had to delay the start of a new Financial Empowerment Program because, “The labor and financial resources needed to implement this program had to be redirected to provide bankruptcy counseling and education.”

“Lack of funding and volume prohibits available appointments for traditional credit counseling,” another agency reported. A third agency said that for a time it shifted appointments from face-to-face counseling to phone counseling to handle demand, and said “lack of funding to put in place counselors” was a factor. “We were assured that funding from creditors would be available to help defray costs, most of which did not come true,” this agency said.

The Creditor Community

The establishment of the Council on Consumer Finance by the Financial Services Roundtable was a landmark initiative that brought creditors together in an important forum to address policy issues related to the new bankruptcy law. In the absence of public funding, the credit grantors and other financial services companies recognized the need for resources to support the counseling and education mandate, and made a financial commitment to fund initial agency capacity building up to \$10 million. This was coupled with a commitment to assess additional funding needs for capacity and ongoing operations 90 days following the enactment of the new law.

As of the writing of this report, only about 60 percent of the original pledge has been granted to counseling agencies, and the Council, as originally established, is being disbanded. Although suggesting the door is still open, the creditor community is not clear about what financial support will be provided in the future.

The Law’s Impact and Looking to the Future

It is far too early to assess the law’s impact on bankruptcies and individuals who are struggling with debt. Some might argue the decline in bankruptcy filings in the last six months indicates that the system is now weeding out individuals who should not be filing. But it seems highly likely that the huge surge in filings just before October 17 has skewed the data in such a way that we cannot draw any firm conclusions at this time. We likely need several years of data and other attitudinal information to draw any firm conclusions to understand the long-term impact.

From the NFCC’s perspective, the law appears to be successful in terms of its credit counseling provisions: agencies are delivering what consumers need; in the volume

demand; and we believe that our clients are benefiting from the experience and education provided – delivered with the highest integrity and competency.

And although the dramatic drop in bankruptcy filings since October 17 has held demand for bankruptcy-related counseling well below the historic norm, we are concerned that the current economic environment will push many more Americans into financial difficulty. This includes: a rising cost of living and record consumer unsecured debt levels; increasing interest rates; and new regulatory changes for minimum payments due. Couple these trends with the high percentage of new adjustable rate mortgages and it is reasonable to assume that bankruptcy filings will increase once again to prior levels.

As we look ahead, here are some of the questions from a public policy and consumer impact perspective that we need to ask ourselves, the public, our policymakers, and the creditor community. These are not solely NFCC questions, but concern all of us.

Do we believe that the current low level of bankruptcy filings is likely to continue?

We think not. And if it's not – how are we going to meet any significantly increased credit counseling demand?

Do we believe that consumers should continue to have access to face-to face counseling, if they so choose? We believe they should. Isn't a choice in education between in-person and remote delivery options in the best public interest?

How can nonprofit agencies continue to provide quality counseling and education when it faces a financial loss when it delivers these services? We are committed to providing needed services, but clearly require additional funding to perform them.

As we look even beyond the next few months, how can the private and public sectors help make the credit counseling and education mandate of the new bankruptcy law remain viable and robust for Americans? We look forward to further discussion and debate on this topic.

Financial literacy is at the core of the NFCC's mission as it leads to a better quality of life for the people that we serve. The NFCC is dedicated to helping people learn to manage their money and avoid financial difficulty, as we are all better off if people are equipped with the tools they need to build a sound personal financial house.

The NFCC, founded in 1951, is the nation's largest and longest serving national nonprofit credit counseling organization. The NFCC's mission is to set the national standard for quality credit counseling, debt reduction services and education for financial wellness, through its member agencies. With nearly 1,000 community-based offices nationwide, NFCC members help two million households annually.