



NATIONAL FOUNDATION FOR  
CREDIT COUNSELING

*Knowing the difference can  
make all the difference.*

***NFCC PRESS RELEASE***

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**NATIONAL FOUNDATION FOR CREDIT COUNSELING BACKS PLANS  
TO HELP CONSUMERS REPAY DEBTS**  
*NFCC Instrumental in Creating and Promoting Initiatives*

Silver Spring, MD – The National Foundation for Credit Counseling (NFCC) applauds the recent collaboration between financial institutions and consumer advocate groups and others to assist struggling consumers with repayment of their debt obligations and has pledged to continue to lead the initiative. For two years now, the NFCC has worked with partners and stakeholders to improve the affordability of repayment terms, and now sees the opportunity for success.

In September 2006, a subgroup of the NFCC Advisory Council began work on a 60/60 or Less than Full Balance (LTFB) Debt Management Plan (DMP) solution. In essence, this new product would have allowed consumers who cannot afford a full repayment program to pay 60 percent of what they owe over a 5-year period.

One purpose was to address the 2005 Bankruptcy Abuse Prevention and Consumer Protection Act (BACPCA) requirement, but more importantly, to offer an alternative solution for the most distressed consumers. To be successful, the project had to secure regulatory approval to treat the program as a “workout plan” rather than a “settlement” for 1099 reporting, and loss recognition and reserve purposes. In spite of broad support by members of the NFCC’s Advisory Council, in late August 2007, the regulators turned down the recommended structure but left the door open for further discussion.

In September 2007 work began on a new plan with a broader set of concessions that would provide relief to a larger population of distressed consumers including developing a statistically sound test of the various alternatives. Because three of the proposed concessions are outside of current regulatory guidelines, regulatory approval to test is required.

In the last two weeks, the Financial Services Roundtable and the Consumer Federation of America have joined together on behalf of the NFCC Advisory Council subgroup to seek support from interested Members of Congress and to petition the Office of the Comptroller of the Currency to approve this testing.

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Assuming that the regulators give permission before the end of 2008, the “Concessions Test” is expected to begin in March 2009 and require between six and nine months to gather the needed consumer sample. Results analysis will not be available until the end of 2009, thus it will be 2010, in all likelihood, before these concessions are widely available.

Meanwhile, consumers are still struggling to meet their debt obligations, and cannot be expected to wait until 2010 for help. This prompted the NFCC to consider how to secure meaningful consumer relief NOW while still working within current regulatory guidelines (no new regulatory approval needed).

In September, NFCC President and CEO Susan C. Keating issued a public Call to Action (CTA) during the NFCC Annual Leaders Conference, challenging all creditors to develop and implement a two-tiered set of Debt Management Plan (DMP) concessions to address the immediate need for an affordable, sustainable DMP while the NFCC pursues longer-term solutions through the “Concessions Test.”

Under the Call to Action, the NFCC is asking ALL creditors, by March 31, 2009, to adopt, and implement, a universal, two-tiered DMP program offering either a maximum monthly fixed payment of 2 percent of balance, or a hardship payment of 1.75 percent of the balance with a program Annual Percentage Rate (APR) to ensure that enrolled balances will liquidate within the existing 60 month regulatory guideline.

Following the public Call to Action, Keating sent a letter to chief executives at the 10 major credit card issuers as a step in moving this effort forward.

“For more than five decades, the NFCC has provided counseling and education to millions of financially strapped families. Debt management plans are one tool for helping those financially distressed to pay back their debt obligations over time. However, concessions provided by credit card companies have seriously eroded these past few years, making it difficult for clients to pay down their debts,” said Susan C. Keating, president and CEO of the NFCC. “With these challenging economic times it is more important than ever for everyone to come together and support solutions to get Americans back to a healthier and more financially responsible future.”

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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).*

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