

Susan C. Keating Address to the NFCC Advisory Council June 5, 2008

I want to begin by thanking you for your ongoing support of the NFCC and your commitment to the credit counseling sector, and expressing the NFCC's appreciation for your making the trip to be here in person for the Advisory Council meeting. As you have seen the agenda, you know we have a very full day ahead. My hope is that each of you will actively participate so we can determine how best to move forward. There are a number of initiatives that are pending and represent considerable work on the part of the Advisory Council Working Groups, and we need to consider what initiatives we tackle in the upcoming year. Our objective is to ensure that the counseling sector remains relevant and viable over the long term.

We are all acutely aware that we are operating in unprecedented economic times with our country facing its worst housing crisis since the Great Depression, rising personal bankruptcies, and record consumer debt. When in our lifetime have we seen on a wholesale basis the numbers of consumers and families in such dire financial straights? These financial problems cross geographies, ethnic groups, professions, and income levels. [And if you didn't see the news coverage, we just learned about former "Tonight Show" sidekick Ed McMahon who very well may lose his home in Beverly Hills to foreclosure.]

Consumer financial literacy has never been more in the forefront with our country's leaders and our stakeholders from the public and private sectors. What is clear is that we are dealing with the consequences of a lack of consumer financial education, financial information and disclosures, and consumer protections in a financial world that has become incredibly complex and challenging to understand, much less manage. Add to this the broader implications of the global markets, financial disintermediation, an outdated US regulatory system, consideration that we are in an economic recession, and hope of easy or early resolution seems remote.

On a national scale actions are resulting in:

- corporate mergers and acquisitions;
- widespread efforts and different methods to raise new capital;
- significant leadership turnover at top financial and government institutions;
- regulatory changes;
- legislation aimed at addressing the housing crisis and focused on consumer protection and funding (counseling) services; and
- changes in government partisanship.

For each of *us*, our work is directed at new policies, and a renewed focus on risk. New services to individuals and families and community outreach are on a scale not seen since The Great Depression and the years immediately following WWII. There are extensive infrastructure changes taking place within the government and in corporate America—all

of which will likely have an impact on those we serve, our organizations, and each of us individually for years to come.

In other words, the challenges for all of us are enormous. Knowing each of you and the organizations we represent, I can say with confidence that we are individually and collectively doing what we can to respond, making changes and working towards a financially healthier future for American families.

Many of you know that I came to the NFCC 4 ½ years ago after a 29 year tenure in banking and financial services. The real incentive for me in making the transition was to bring my experiences from the corporate financial world into the nonprofit sector and help bridge the two with the ultimate objective of helping consumers who are financially strapped and, at a higher level, working to improve consumer financial literacy levels in this country.

What you may not know is that throughout my financial services career I spent considerable personal and some professional time on Boards and working national and regional initiatives primarily directed towards economic development and education. So the professional transition for me to the NFCC is one that fulfills a longstanding personal interest and passion.

It is why during my time at the NFCC I have served with an unrelenting focus on helping the NFCC Membership reach more individuals and families with “the gold standard” in service delivery and as efficiently as possible. I have done so with a spirit of collaboration and teamwork, inclusiveness (within the membership *and* the sector), and always with the goal of driving for what is best for the whole, not just for a few with special interests. This is not always easy. As a membership organization there are always differences of opinions, and at times competing agendas, that must be heard and recognized. This is actually a real strength of the NFCC and what often makes what we do better in the long run.

As I think about these last years simplistically, I think about them this way (while saying to you that the journey has been anything but simple.)

- 2003 was about repositioning the NFCC and taking back the leadership of the sector. It was also a time of delineating the “good guys from the bad guys” in nonprofit credit counseling.
- During 2004, the NFCC focused on brand building and regaining credibility with key stakeholders. NFCC agencies began to see a stabilization of fair share funding after a number of years of serious declines.
- 2005 was Bankruptcy Reform.
- 2006 was further “shake out” in the counseling sector-- the IRS CAT and the Pension Reform bill 501(q) and competition from the new “for profits.”
- In 2007 the NFCC’s national voice was recognized and heard. Members further expanded services and improved delivery capabilities. A new vision and 3-year strategic plan was developed by the NFCC Board of Trustees.

The *results* can be summarized even more simply.

This year, NFCC agencies will serve just under 2.5 million clients compared to the three quarter million clients in 2003. Our services and funding sources are growing and are more diverse than ever. The NFCC has retained the brand status of “the gold standard.” There is important collaboration with new national partners and relationships and many longstanding relationships are broader and stronger.

And NFCC Members are key to and actively delivering quality counseling to so many in need in the midst of the housing crisis and economic turmoil.

I am hoping some of you had the opportunity to view the “TODAY” show May 5th. Eight NFCC counselors were selected to be on a panel and provide debt advice to viewers calling in live to the show throughout the broadcast. More than 1000 calls from financially desperate consumers came through to our counselors that morning. Perhaps you also heard about the NFCC’s National Poster Contest winner, Harrison Noh, nominated by NFCC Member, Greenpath, who had the opportunity to visit with Federal Reserve Chairman, Ben Bernanke and Senator Carl Levin of Michigan, to name a few. Some of your organizations were invited to a forum at the Federal Reserve under Federal Reserve Board Governor Randall Kroszner where the NFCC, among others, was asked to weigh in on proposed changes to Reg Z, Truth in Lending. Travis Plunkett of the Consumer Federation of America was also there. Perhaps you saw the Webcast hosted by VISA at the Chicago Fed where the NFCC participated in a panel about financial literacy for Generation Y. I think you’re aware that the NFCC National Foreclosure Mitigation Counseling Program Intermediary (NFMCP) is the largest in terms of participating agencies and received the largest funding award available to support loss mitigation counseling during the current housing foreclosure crisis.

It is an exciting time for the NFCC and we have a lot to be proud of. However, our work is not done. Quite the contrary. I will talk about additional 2008 plans in a few minutes.

The evolution of the credit counseling sector is a marvel to contemplate. Around since the 1950’s, virtually intact and unchallenged until the 1990’s, it has undergone a remarkable transformation to what it is today which many of you have contributed to. We don’t have time today to catalogue the changes but many of the challenges and issues continue to be sorted out. To name a few:

- the tension between charitable and mission-based service vs. for-profit or lender-like services;
- nonprofit vs. for-profit credit counseling (not necessarily the same as above);
- competition within the nonprofit community;
- national vs. community-based and big vs. small agencies—although not always the same thing;
- face-to-face vs. phone and Internet service delivery; and,

- fair share and charitable contributions vs. fee for services and prospects for sustainable funding sources.

For years, credit counseling agencies have had choices and business decisions to make. These decisions have ultimately led to further differentiation, and that will continue especially given the current market dynamics. Competition for limited resources and funding is intense. Services are expanding. Regulation is increasing. Some of the new market entrants provide a new range of products and services that may or may not be offered with the best interests of consumers as the basis for what they do.

Within the NFCC there have been rigorous debates and important decisions made along the way relative to these challenges and issues. Final determination is always made based on consideration of what makes sense for *the broader membership*. There are some interesting examples of these over the years such as accreditation, standards, training and counselor certification, and new member requirements. These ideas have been challenged and discussed at length, and subsequent decisions have actually led to the NFCC organization that you know today.

Obviously, not all agendas are met all of the time which shouldn't be a surprise considering that we are a membership organization. However, at each and every meeting I have attended during my 4 year tenure, the hard discussions ultimately boiled down to questions about implications to consumers and quality delivery.

At the NFCC the consumer and quality ALWAYS prevail. That is the NFCC difference and what will continue to be embedded in our work together in the future.

As you know, NFCC Members have been considering changes to the NFCC governance structure for the past 15 months. Just this month, the final recommendations by the Governance Task Force were put to new draft Bylaws which may move to a Member vote in the coming weeks. The changes proposed reflect lengthy review and consideration about how to maintain the NFCC's leadership position in this complex and challenging environment. The proposed structure leverages the knowledge and experience of the NFCC Membership with the experience, influence, and resources that invested external individuals would bring to the NFCC. The NFCC Governance Task Force and Board of Trustees strongly support the changes, as do I. We'll keep you apprised of the results if and when the Bylaws go to a vote.

I have been asked about the letter I sent to Faith Schwartz, who is heading the Hope Now Alliance. Faith has done an admirable job of leading the charge for the Alliance and we have met several times on subsequent occasions. That letter which was reviewed with and endorsed by the NFCC Board very specifically expressed the very widespread concern about the scope, nature, and availability of housing counseling services being offered through the Alliance by the Homeownership Preservation Foundation. The letter was not about the NFCC Membership or Members. It was addressing *very serious concerns that have been raised about service levels, the quality of the housing counseling, and the resulting potential impact to the many families caught in this financial crisis*. The timing

of the letter was in anticipation of the increasing need for housing counseling services throughout 2008.

It is now *many* months later, and as I have heard from the experts, there is no end in sight to mortgage foreclosures. Only now are more HUD-approved Intermediaries being asked to participate on the hotline calls. However, the participation is on a limited basis and at the discretion of a select few. This is wrong, my friends. Further, any call center model that perpetuates indefinitely multiple client handoffs through multiple delivery channels that are not of the client's choice is problematic. This is particularly true given the seriousness and substantive nature of the credit problems we are dealing with. Further, it doesn't make sense when there are many additional resources available with additional service capabilities.

That is why we at the NFCC are continuing the dialogue with Faith, with Steve Bartlett at the FSR, John Dalton with the Housing Policy Council, and Colleen Hernandez at the Homeownership Preservation Foundation. From the beginning, we have urged a sector-wide approach using all HUD housing Intermediary capabilities. Also, since the Hope Now Alliance was announced last October, we at the NFCC, as the largest housing counseling provider, have willingly offered to provide our experience and services towards broadening the scope and availability of services through the government-sanctioned hotline. That offer still stands.

Let me state our vision once again: "To create a national culture for financial responsibility."

The NFCC strategic plan will be updated by the NFCC Board at their July meeting which is why your work and input here today is so important to us. For the remainder of 2008, staff resources are working on the following specific initiatives, again at the Board's directive:

1. Strategies for addressing financial literacy at the national and community levels.
2. An alternative governance structure to ensure future relevance and viability of the NFCC that has been shared with you previously.
3. Product development which includes so much of what all of you have so generously contributed to with your time and resources, specifically, improved creditor concessions, and privacy and security for agency environments and platforms.
4. Expansion of partnerships.
5. Legislative and regulatory changes.
6. And, of course, further strengthening the brand.

First and foremost, however, is navigating through the economic problems facing us all and working within the Membership to heal from the recent letter exchanges.

I want you all to know, as I stated to the NFCC Board two weeks ago, nothing has changed my commitment to the NFCC. With the express wishes of the NFCC Board I

humbly accept the challenge of moving forward and working together to achieve a healthier, more financially responsible, and successful future for everyone.

Thank you.