DEBT RELIEF

Performance and Satisfaction Information Report

CAMBRIDGE
CREDIT
COUNSELING
CORP.

2011
Transparency
Project

Second Release

"When you do a thing, act as if the whole world were watching."
-Thomas Jefferson

www.cambridge-credit.org/transparency

EXECUTIVE SUMMARY

This Performance and Satisfaction Information Report is the second such release made in connection with Cambridge Credit Counseling's Transparency Project, which was designed to present and explain the services our agency provides to the public, and to openly display the various outcomes achieved. The agency has pledged to produce a new report each quarter.

In the years since Cambridge first earned its ISO registration, the agency has become dedicated to the idea of continual improvement. In fact, a good deal of the data presented here was gathered by our agency's Quality Assurance Department in conjunction with our ISO quality management processes. Until recently, we had only used the results of those audits to help enhance the consumer's experience with our agency. In 2010, as the need for publicly available data became critical, Cambridge embarked on its Transparency Project, compiling and publishing these statistics on a quarterly basis.

It's worth noting that the Transparency Project was not undertaken as a means of promoting Cambridge in any way. Though we're proud of the various processes we've developed to help us adapt to changing consumer needs and circumstances, particularly those brought on by the economic recession, we are quite *dis*satisfied with some of the data presented here, and we're already taking action to improve our performance in several areas.

The form and content of this report is similar to our first release. It begins with data related to the consumer's initial contact and counseling sessions, detailing why they contacted the agency and the root causes of their financial hardship. We also present information about the debt management plan enrollment process, displaying data regarding the establishment of benefits from the consumer's creditors. Another section examines the degree to which a debt management plan helps promote overall financial wellness, including data that indicate how many clients have begun budgeting, building savings, and tracking their expenses. There is also a section dealing with DMP outcomes, both positive - those who were able to take advantage of the consessions granted by their creditors to pay their debt in full, and negative - those who left the agency with significant balances remaining on their accounts. This is followed by a presentation of client satisfaction statistics, derived from the client's counseling and DMP support experiences. Finally, the report includes information and data about the agency's community outreach activities.

Cambridge believes that the unfiltered reporting of performance and satisfaction data is crucial to the health of the debt relief profession. Only through the presentation and examination of this data can the industry hope to improve its services, securing consumer and regulator confidence in the process.

SECTION I:

THE INITIAL COUNSELING EXPERIENCE

Reasons consumers seek credit counseling

An effective credit counseling relationship is predicated on trust, the establishment of which often begins when the counselor first hears the most urgent needs of the consumer. In these initial conversations, the consumer's stated concern must be addressed by the counselor, even though the problem they describe may only be the outward manifestation of a much deeper issue. Failure to address the stated concern can easily create a barrier to trust, limiting the effectiveness of the education and advice presented thereafter.

Reviewing the most common reasons that consumers cite for seeking the assistance of a credit counseling agency is crucial in determining and meeting the shifting needs of the debtor community. Cambridge reviews this data quarterly to ensure that the advice we provide is appropriate to consumer concerns (Chart 1). It is important to recognize that socio-economic conditions can cause these needs to change. In 2011, more people are out of work and for longer periods of time than in any other period since the Great Depression. Many consumers who had emergency savings have depleted those assets and, with home values in decline, are unable to access equity to stay afloat.

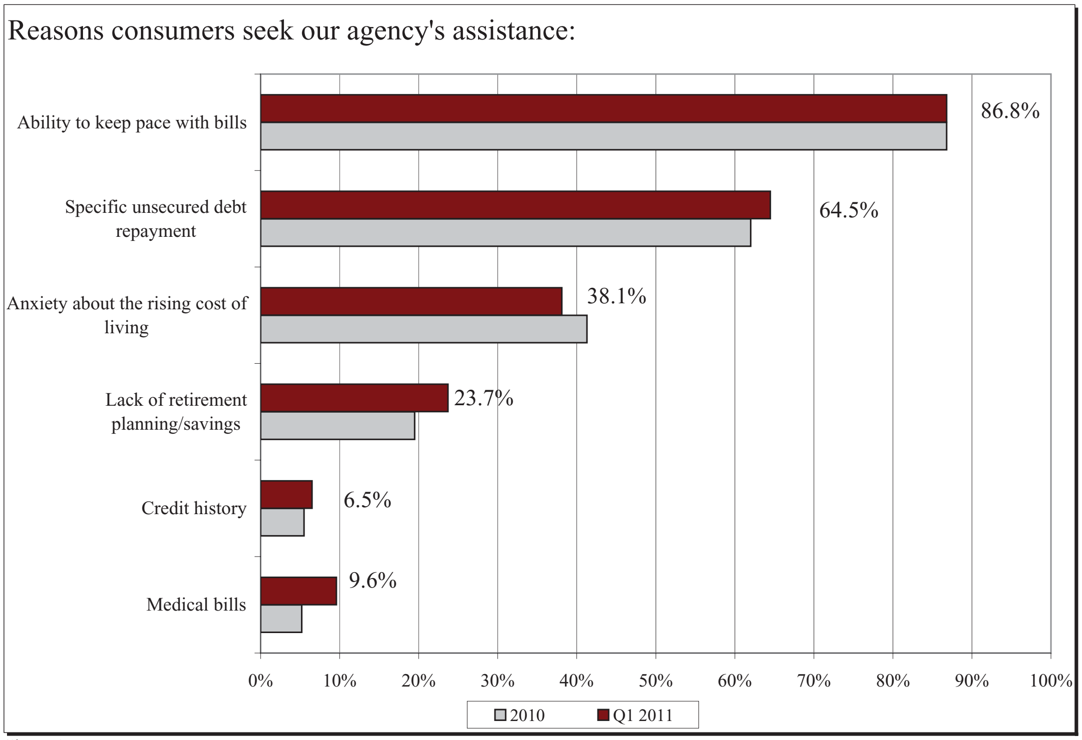

Chart 1

The data presented here compares the first quarter of 2011 to the totals from 2010. There was no movement for *Ability to keep pace with the bills* (86.8% of consumers contacting the organization for both data periods). There was a slight shift upward for *Specific unsecured debt repayment* (64.5% for the first quarter 2011 vs. 62.0% in 2010.

Root cause analysis of consumer's situation

Addressing the consumer's perceived problems is only the start of an appropriate counseling session. In order to truly understand the consumer's situation, the counselor must determine the underlying causes of their financial difficulty. Chart 2 shows the factors most frequently cited by consumers as the cause of their hardship.

While the two biggest items, *High interest rates* and *Lack of planning*, remain problems for a majority of those counseled, each factor decreased slightly compared with 2010 totals. Factors on the rise, though still occurring in a minority of the Action Plans developed for consumers this quarter, are *Increasing costs* (9.5% more than in 2010) and *Unexpected expenses* (a factor that increased by 3.6%).

THE INITIAL COUNSELING EXPERIENCE

Not surprisingly, the factor increasing the most dramatically is *Loss of income*. In 2010, roughly half (49.5%) of the individuals who reached out to Cambridge for help had lost some or all of their wages. In the first quarter of 2011, that number skyrocketed to 62.4%. This may appear like an isolated increase, but as Chart 2A shows, *Loss of income* has been increasing nearly every quarter since the start of 2010.

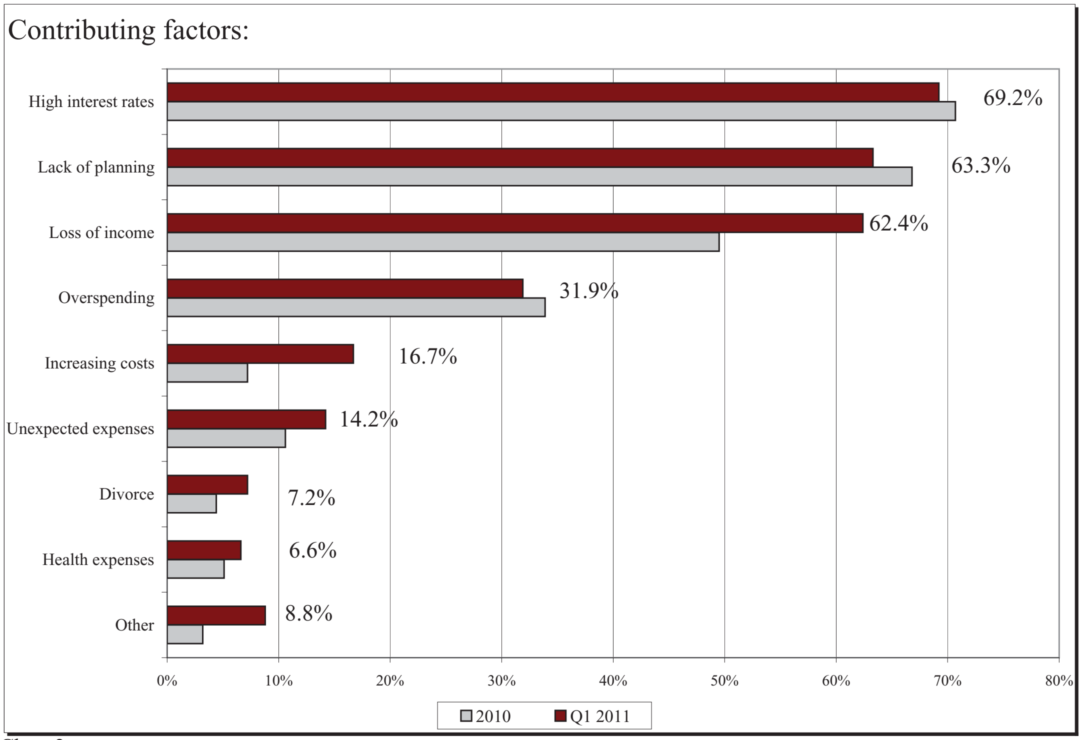

Chart 2

Although the loss of income had most often occurred prior to the request for assistance, many consumers had actually adapted to their changed circumstances, finding other sources of income in the wake of the initial event. In fact, only 15.5% of inquiring individuals were recommended to increase their income, either by seeking full-time employment or additional part-time income. A closer examination of the consumer's budget often revealed that they had managed to afford their ongoing obligations, but had recently begun to overspend. That behavior, combined with the level of debt built up over the period of decreased income, made it impossible for these consumers to handle any additional financial adversity.

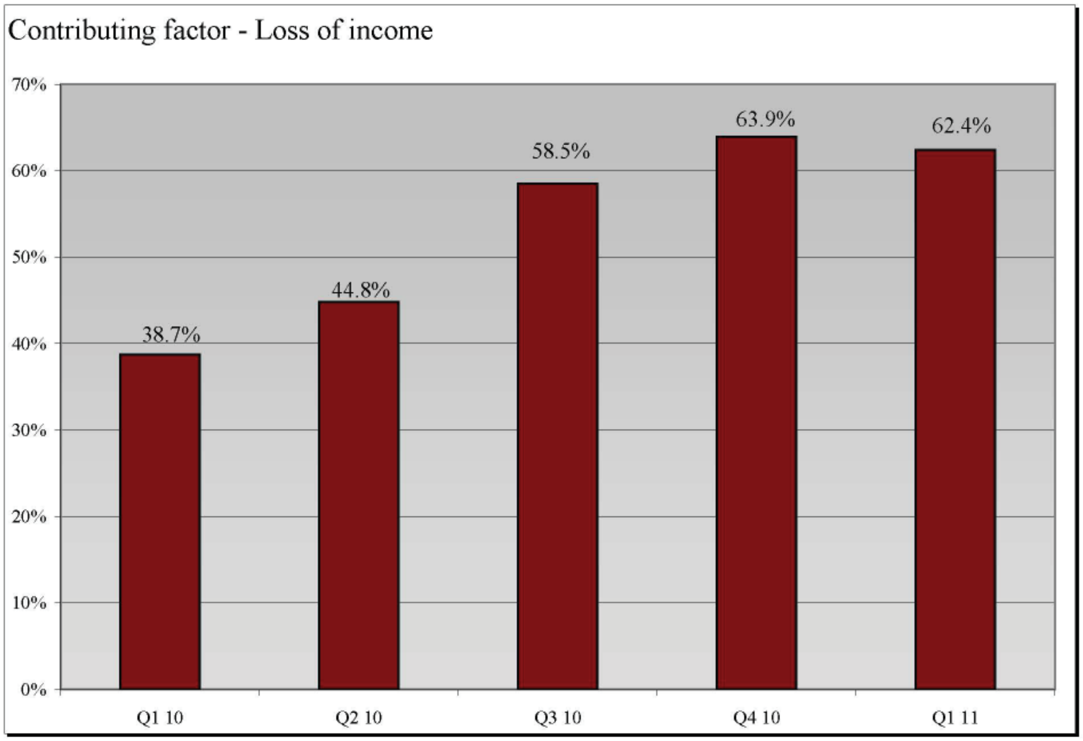

Chart 2A

SECTION II:

DMP ENROLLMENT AND ACCOUNT BENEFITS

DMP suitability

After a counselor has a complete picture of the consumer's financial situation, they can begin presenting appropriate options. Oftentimes multiple alternatives are suggested, and the counselor will weigh the pros and cons of each with the consumer. If appropriate, one option may be a debt management plan, or DMP.

A DMP is a structured repayment plan that, with the cooperation of the client's creditors, is designed to give the consumer breathing room in their monthly budget through the granting of interest rate concessions and/or fee waivers. For every 100 consumers who contacted Cambridge during the first quarter of 2011, roughly 38 would have been presented with the debt management plan as one of their options, and approximately 21 would have enrolled. (For details, please see Chart 3.)

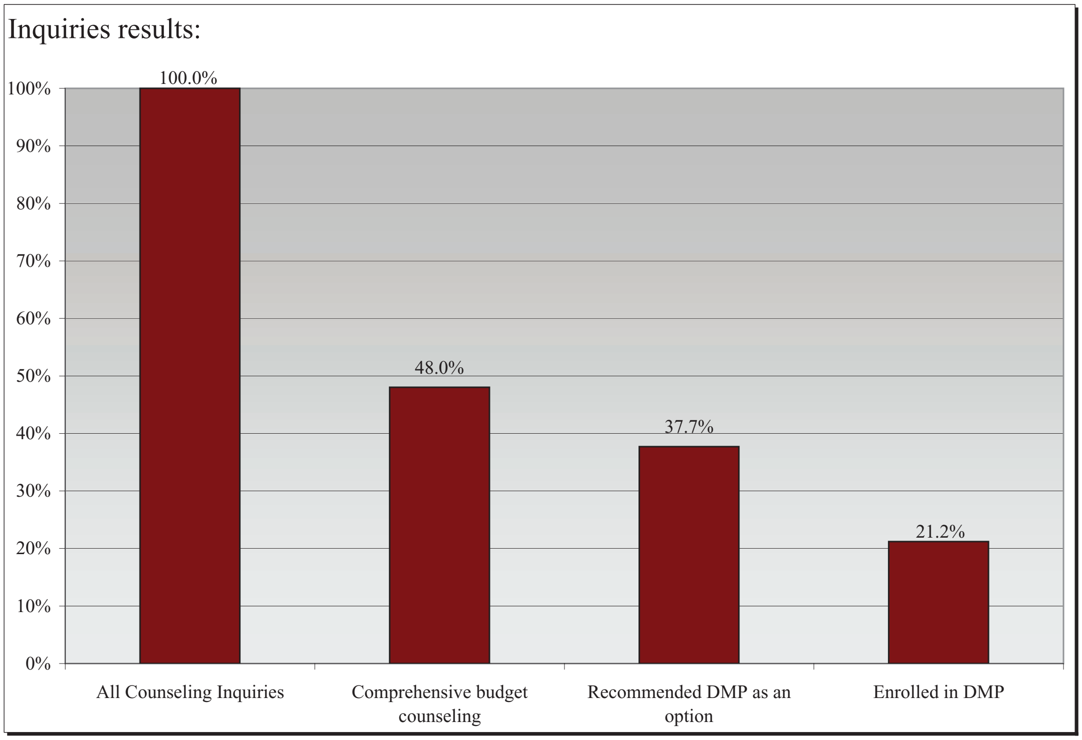

Chart 3

Roughly one in five consumer inquiries resulted in a DMP enrollment during the quarter, a higher percentage than average at Cambridge. While there are several factors that may have contributed to this increase, including the downturn in the economy, the primary reason probably has more to do with who is inquiring about the services. A growing number of the agency's inquiries are from individuals who've been referred to Cambridge by clients already on our program. Since these consumers are referred by people who understand the benefits of a DMP, they are more likely to be looking for that specific option when calling. Chart 3A shows the direct correlation between these referrals and the percentage of inquiring consumers who join the program.

In addition, Chart 3A also includes a line representing those clients who are rejoining the program, that is, consumers formerly enrolled in a DMP who were previously unable to complete the plan due to a change in their financial situation, or who may have found the discipline they lacked and wish to resume their enrollment. These individuals must repeat the counseling process and, if the DMP is a viable option, the enrollment process.

Cambridge has developed several metrics to determine whether the DMP option is being recommended only when appropriate. One measure is to examine the number of enrollees who make their first three monthly payments, on time and in full. The

DMP ENROLLMENT AND ACCOUNT BENEFITS

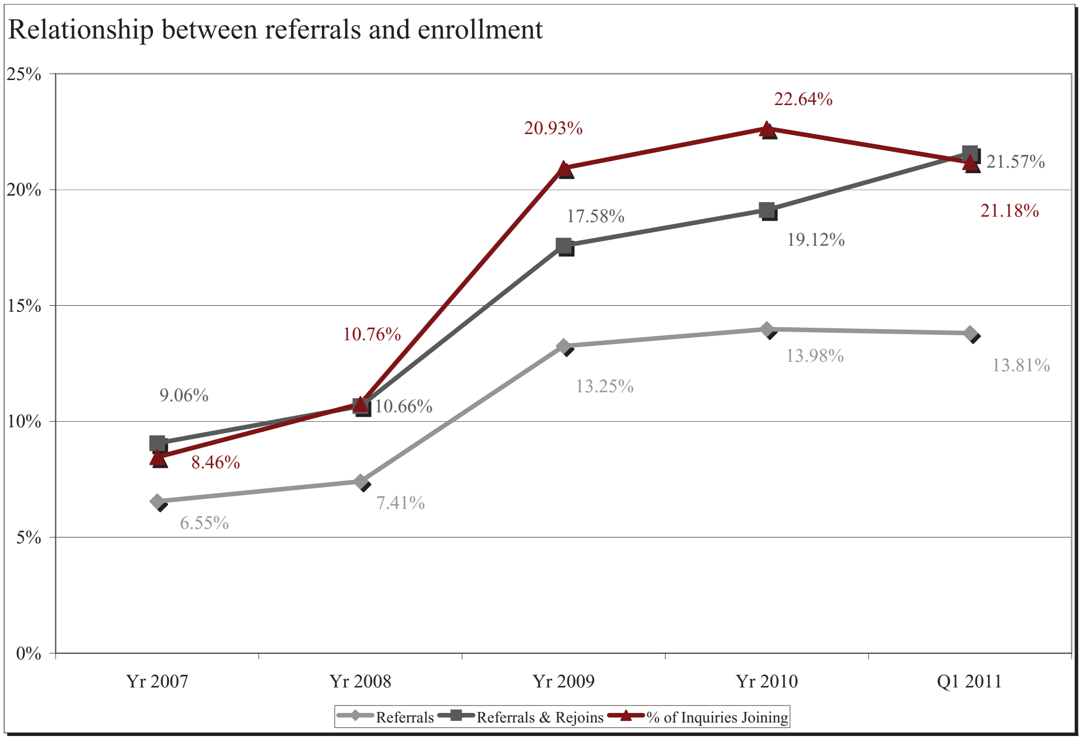

Chart 3A

three-month threshold is chosen for several reasons. First, the vast majority of creditors will either have extended benefits by this point or will have denied the payment proposal if they felt the consumer was not suitable for a DMP. It is at this point, therefore, that the consumer should be able to decide if they are satisfied with the concessions granted by their creditor(s). Second, the first three months serve as a transition period for the client; many clients who were behind will have to adjust to resuming payments to their creditors. Also, some consumers have problems adjusting from paying their bills throughout the month to a one-time, consolidated payment. This can feel daunting to some individuals, even though the combined amount is less than the amount they previously paid on their own during the month. Third, the client's counselor would have reached out to them for several post-counseling sessions by this point, so they should have a better understanding of what will be expected of them to succeed, as well as an appreciation of the ongoing educational aspects of their plan. A DMP is not a "quick fix" and typically requires a concerted effort from all parties involved if it is going to succeed. Finally, and partially because of the first three items, Cambridge has a 90-day refund policy regarding an enrollee's initial fee. The number of clients who invoke this policy can serve as an indication that the DMP option is being offered too often.

For DMP enrollees who would have met this threshold during the first three months of 2011 (these would be individuals who enrolled during the closing months of 2010), 93.60% made their first three payments under the debt management plan. This marks a slight decline from last years mark of 94.87%.

Another way of measuring the appropriateness of a DMP recommendation is by how successful Cambridge is in securing creditor benefits. When Cambridge conducted its comprehensive audit of each new client's account during the fourth month of enrollment, 96.87% of common creditor accounts had been granted benefits in keeping with creditor policies. This is a minor decline from the 98.00% rate reported from 2010 audits, but this can be explained by variations in the specific creditors enrolled, and by the consumer's circumstances at the time of enrollment. If the reduced rate is sustained, or worsens, Cambridge's policies require data review and corrective action to be taken to rectify the situation.

DMP ENROLLMENT AND ACCOUNT BENEFITS

Savings through a debt management plan

The purpose of a debt management plan is help consumers safely pay off their debt obligations and to teach them how to maintain budget discipline in the future. Clients who commit to a plan are rewarded through concessions granted by their creditors, generally in the form of reduced interest rates and fees.

Category	On own	Through DMP	Reduction/Savings
Annual Percentage Rate	21.6%	8.0%	13.5%
Average monthly debt payments*	$761.57	$554.95	$206.62
Average monthly interest charged	$283.16	$101.30	$181.86
*Note: Average Monthly debt payment through DMP includes average monthly fee			

Table 1

As noted in Table 1, the average monthly debt payment through a DMP includes Cambridge's average monthly fee. Cambridge's fee structure adheres to each state's laws and is capped at $75.00 for the initial (one-time) fee, and at $50.00 for the monthly maintenance fee. In almost all cases, the fee is less than that. In fact, for consumers who enrolled in the DMP during the first quarter of 2011:

- Cambridge's average Initial Fee was $39.96
- Cambridge's average Monthly Fee was $25.22

In addition, Cambridge reduces or eliminates some enrollee's fees based on their financial situation. For clients who enrolled in the first quarter of 2011:

- Cambridge waived or reduced 31.94% of Initial Fees
- Cambridge waived or reduced 36.29% of Monthly Fees

Fair Share funding

Like most of its peers in the non-profit credit counseling profession, Cambridge's community education and counseling efforts are supported in part by "fair share" donations from creditors. For every monthly client payment received in the first quarter of 2011, Cambridge received an average of $13.47 from creditors.

Creditor proposal acceptance

After a consumer decides they are going to enroll in a debt management plan, Cambridge's client support team begins a process designed to establish benefits for the most possible accounts. The chart below (Chart 4) displays the overall proposal acceptance level for first proposals (the initial terms proposed to the creditor to establish the account on the DMP) for common creditors during the first three months of 2011.

The acceptance percentage is down slightly from the average recorded in 2010. Cambridge periodically reviews this data to determine why such declines occur. This data analysis often leads to corrective action being taken to eliminate the issues that were believed to have caused problems.

One element that the organization examines closely is the percentage of accounts that require an increase in the proposed payment amount. More than some others, this is a factor the agency can control, since the proposed payment is based on the balance provided by the consumer, verified by reviewing their credit report, and calculated by applying the agency's knowledge and understanding of creditor policies. Increases in the amount of the monthly payment also change the repayment term

DMP ENROLLMENT AND ACCOUNT BENEFITS

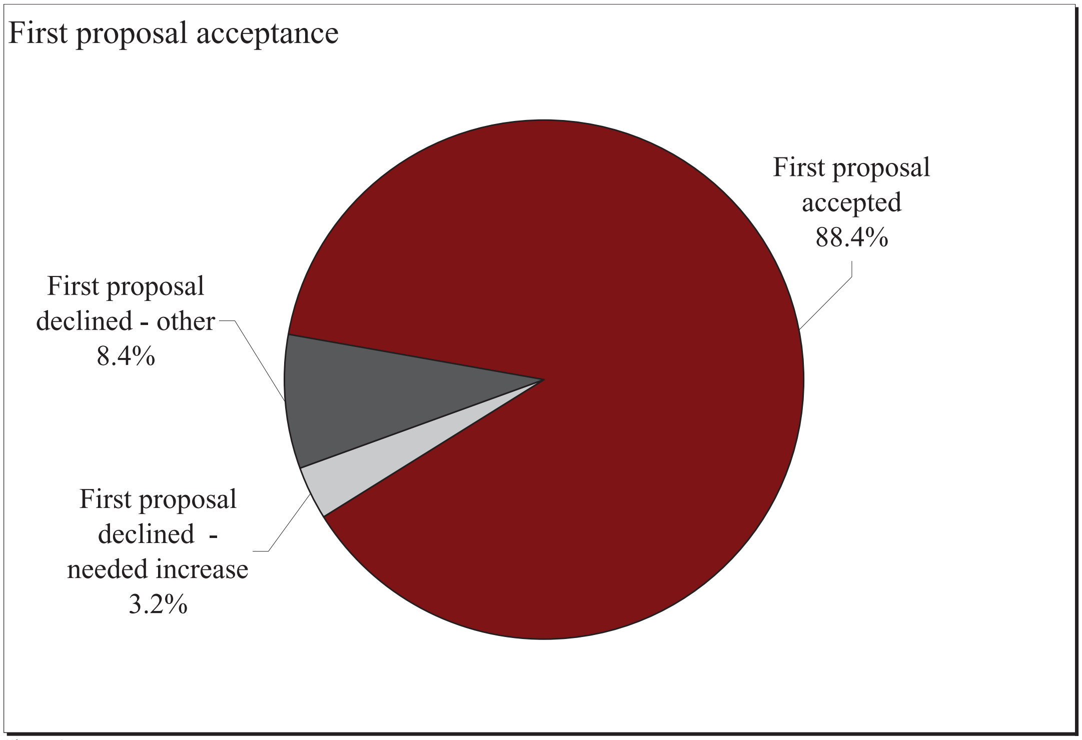

Chart 4

for the consumer, possibly pushing an already tight budget to the brink. This key metric ran counter to trend in the increasing denial rate. Expressed as a percentage of the total number of proposals, creditors needing an increase to accept the proposal declined from a 4.0% average in 2010 to 3.2% for the first quarter of 2011.

Table 2 displays a more comprehensive breakdown of the various denial reasons provided by the credit granting community, comparing the percentages of proposals declined for the listed reasons. This table also shows the results from 2010.

Denial Reason	2010	Q1 2011	Difference
Creditor needs increase	4.03%	3.16%	**-0.87%**
Previously extended benefits	2.00%	2.73%	**0.73%**
Account set up on promo plan	0.58%	1.28%	**0.70%**
Account previously on another DMP/In-House Plan	0.26%	1.14%	**0.88%**
Short-term benefits previously granted, more review needed	0.00%	0.98%	**0.98%**
Account is in legal status	0.50%	0.60%	**0.10%**
Various	1.46%	2.40%	**0.94%**

Table 2

As mentioned earlier, fewer proposals were declined because the amount of the payment was too low. Three categories in which somewhat significant increases were seen include *Previously extended benefits*, *Account previously was on another DMP/In-House plan*, and *Short-term benefits previously granted*. Cambridge believes these increases represent a group of consumers who have exhausted, or are in the process of exhausting, the options being presented by their creditors. Oftentimes these DMP enrollees have directly contacted some or all of their creditors, looking for temporary (or permanent) interest rate reductions.

It is also important to note that the rejection of an initial proposal does not mean the creditor will never grant benefits on an account. As discussed in the next section of this report, the percentage of accounts receiving full benefits increases by the time of the benefits verification audit performed on each account.

DMP ENROLLMENT AND ACCOUNT BENEFITS

Benefits verification

Four months after each client's enrollment, Cambridge conducts a Benefits Verification Audit, essentially a comprehensive review of each creditor account to ensure that appropriate benefits have been established and to determine whether any additional actions need to be taken to make certain the DMP continues properly.

Audits conducted during the first three months of 2011 involve clients enrolled during the months of September, October and November 2010. These audits revealed that:

- 96.87% of common creditor accounts are properly enrolled
- 99.78% of these accounts are no longer receiving fees
- 35.3% of these accounts are still, at some level, considered past due.

The number of properly enrolled accounts also experienced a slight decline from the average 2010 numbers. At first this trend seemed alarming, but after reviewing the proposal numbers the decrease makes sense. If a larger number of consumers have already explored benefit granting programs and creditors are opposed to giving them another opportunity to receive those benefits, then acceptance of program terms will be problematic. Another contributing factor is that some creditors require more than 4 good-faith payments in order for the consumer to become eligible for a benefit program. These clients may be eligible to receive benefits in the future, provided they remain committed to the DMP.

The past-due percentage is also worse than the 2010 numbers (29.8%). Please note, however, that this does not mean these accounts are not receiving benefits. In fact, the vast majority are, but the accounts may be reported as past-due on the consumer's credit reports. Regardless of the severity of the delinquency, Cambridge works with the client to develop a plan to eliminate this status.

Newly enrolled clients

As a 501(c)(3) non-profit agency, Cambridge's primary focus is educating consumers. The agency is committed to the idea that better educated individuals will make better financial decisions in the future. It is critical, then, for Cambridge to monitor the way we deliver that education. This process also plays a significant role in the success of our clients.

Cambridge contacts its newest clients three times during their first three months of enrollment in a debt management program. The intent is to check on the client's progress and to address any questions they may have regarding the Action Plan they've been given. During their fourth month of enrollment Cambridge's clients also receive a short survey, designed to help the agency evaluate the implementation of the financial education and advice that have been provided by each client's counselor.

Chart 5 represents the survey responses the agency received from new clients who enrolled in September, October and November of 2011. The chart also displays 2010 responses for comparison purposes.
Cambridge attributes the increases in these metrics to our counselors' renewed emphasis on goal setting, which carries with it the encouragement to start saving money. Not only has ongoing counseling training emphasized these points, they are reinforced in the agency's redesigned welcome-to-the-program materials, which are sent immediately following enrollment.

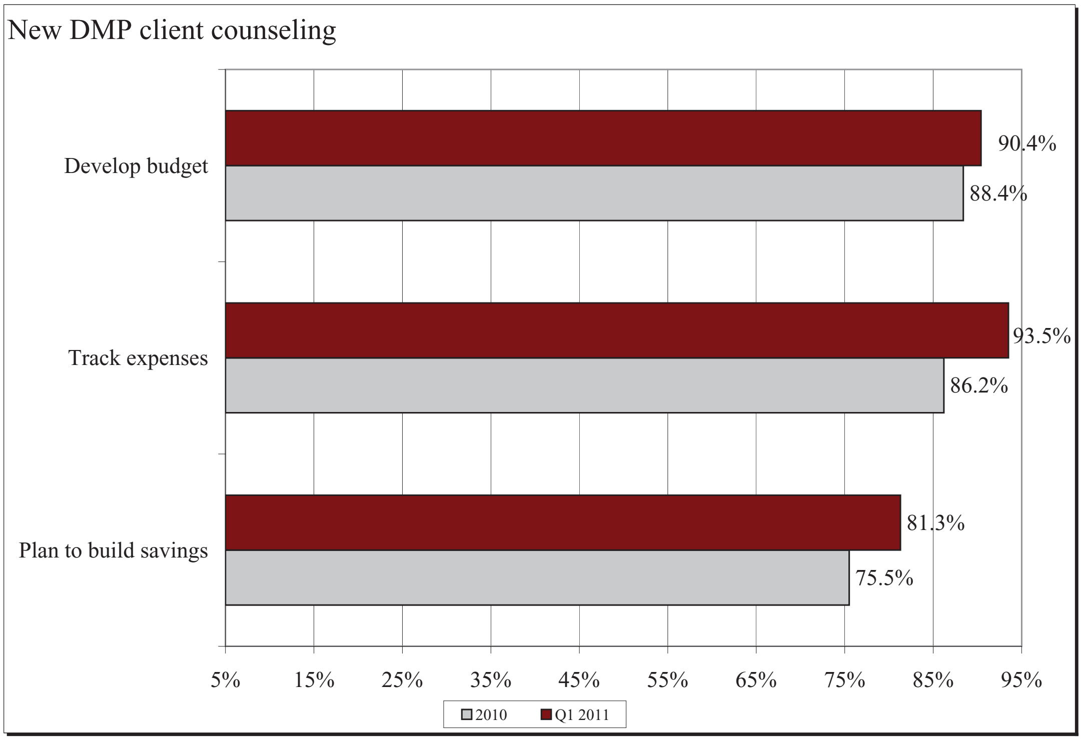

Chart 5

Cambridge is planning further enhancements which should motivate even more consumers to adopt these fundamental financial wellness practices, helping consumers get more out of these activities. These enhancements and their results will be explained in future editions of this report.

Long-term DMP enrollments

Cambridge monitors the progress of its clients through financial check-ups offered every six months for the duration of their enrollment. Cambridge sends these check-ups to determine whether there are any changes in the client's financial situation. If the client's circumstances have changed, the counselor will contact the client to offer additional counseling. The response to these surveys has been very positive, with roughly 16% of solicited clients responding during the first quarter of 2011.

Since these check-ups are performed every six months, the questions are focused on what the DMP enrollee has done over the preceding six months, and on what they intend to do over the next six months. Chart 6 below indicates how many clients performed specific financial wellness activities in the past six months.

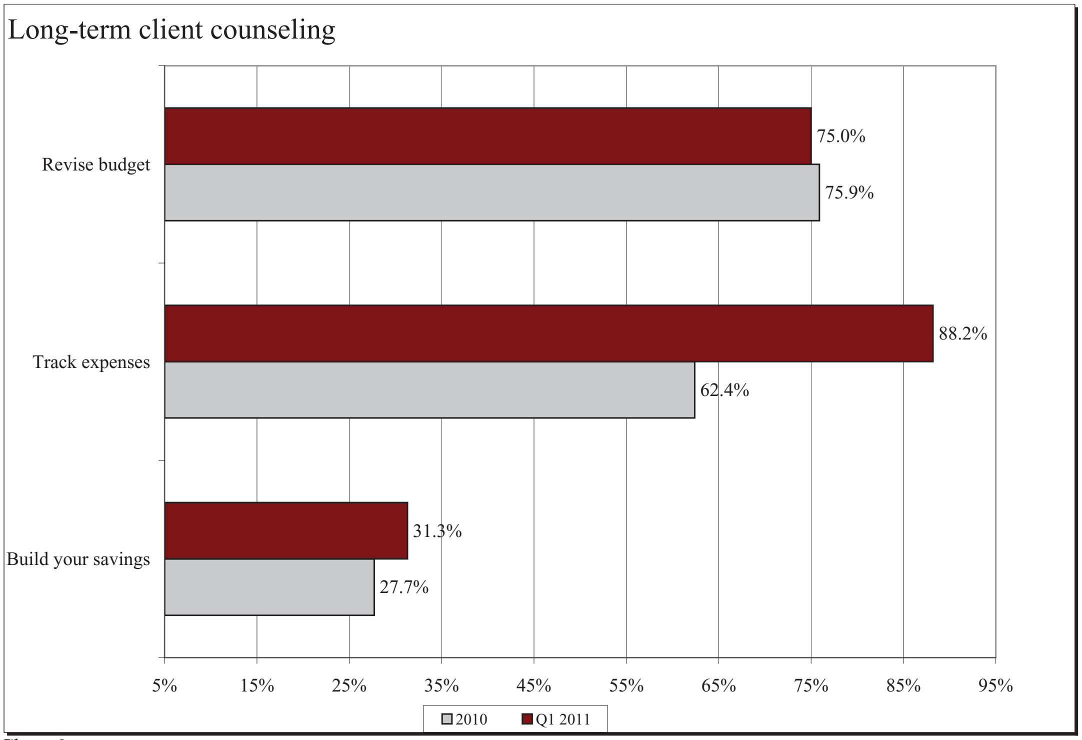

Chart 6

Two of the three metrics increased over prior quarters – one dramatically. The measure that declined, *Revised budget*, did so only slightly (0.9%).

The increase in *Tracking expenses* can be attributed to several specific educational articles sent to new Cambridge clients in 2010 and the start of 2011. These reading materials, along with the revised welcome-to-the-program package, which includes enhanced journalizing sheets for new enrollees to use, increased client expense tracking throughout 2010, as displayed in the time chart on the next page (Chart 6A).

CHANGING CONSUMER SPENDING & SAVINGS HABITS

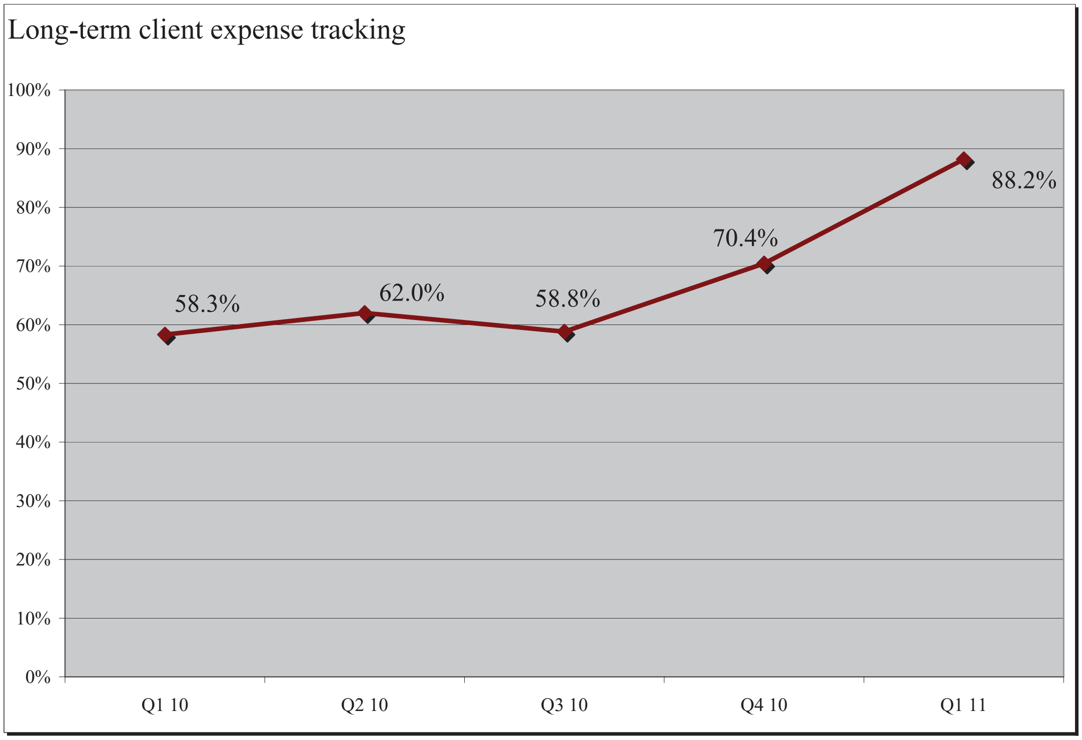

Chart 6A

The increase in the number of clients who are building savings is also encouraging. While the percentage is still less than one-third of all responses, 3.6% more clients were able to save this quarter than the 2010 average. This mark was also greater than in any single quarter in 2010, the highest level attained that year being the second quarter at 29.12%. This can once again be attributed to a renewed emphasis on goal setting, both in the counselor's presentation during the initial counseling session and in the materials being provided by Cambridge immediately after enrollment and throughout the program.

SECTION IV:
LONG-TERM DMP PERFORMANCE

Length of DMP enrollment

When a consumer is offered debt management plan enrollment as an option for resolving their financial situation, they are presented with a breakdown of expected creditor benefits, as well as an estimated timeframe that would be needed to complete their DMP. For consumers who enrolled in Cambridge's debt management plan during the first quarter of 2011, the average projected enrollment term was 52.08 months.

Since these consumers have not been enrolled long enough to determine the accuracy of their projected timeframe, it is useful to analyze past enrollments. The first quarter of 2006 was chosen because there is an industry expectation that a standard DMP be established for no more than 60 months, a limitation that is also used in several states.

A review of DMP enrollees from this period showed:

- The average DMP client remains on the program for 30.8 months
- The average enrollment for consumers who complete the DMP is 41.7 months.

The average length of plan enrollment declined slightly over the 2005 average (33 months); however, the time it took for clients to complete their program, paying all debts in full, remained unchanged. More important, there was an increase in the number of clients who paid all accounts in full through the DMP.

Completing the DMP

Once again examining DMP enrollments for the first quarter of 2006 (because those clients would have had the opportunity to make 60 payments), Chart 7, below, shows a comparison of *Completions/Near completions* to the number of clients who are *Complete in full.*

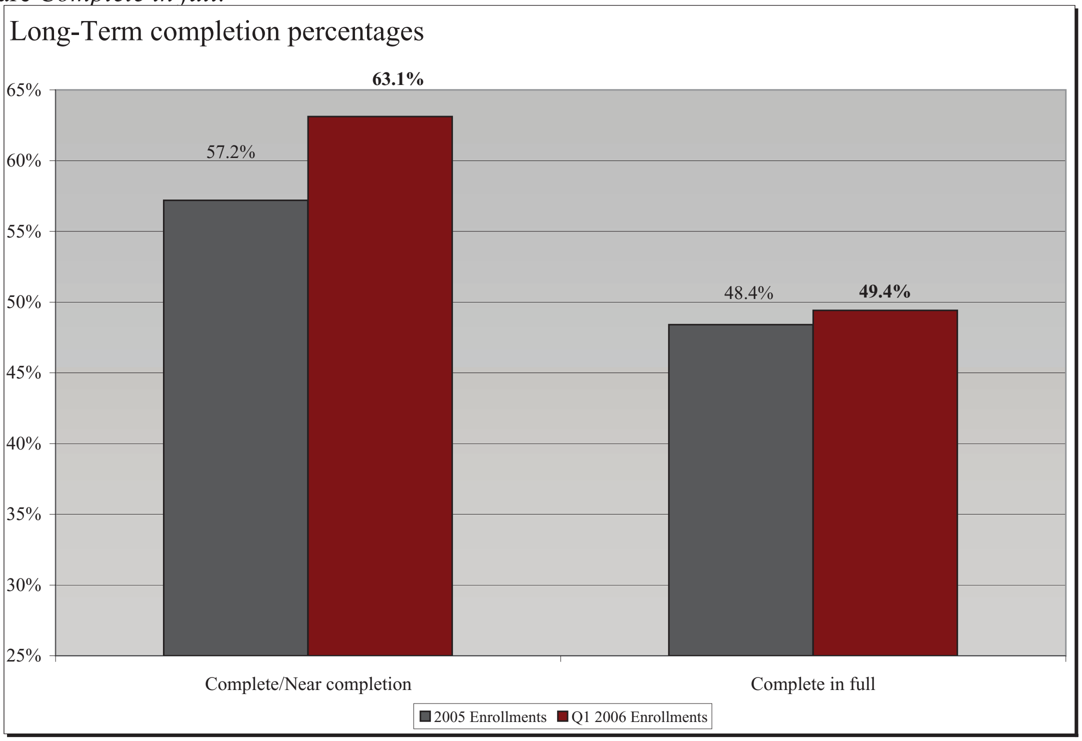

Chart 7

The data indicate that nearly half of all enrollments (49.4%) during this period paid in full all creditors included in the debt management plan. If clients nearing completion and those who left near completion are included, the number is slightly shy of two-thirds. For 2005 enrollments, 48.4% of clients had completed their DMP term, paying all accounts in full, and the near completion rate was 57.2%.

Cambridge expects these modest increases to continue, the result of better counselor training and refinements made in the post-counseling process.

Clients leaving incomplete

There are several factors that contribute to the discontinuance of a debt management plan. Some clients are very close to completing the plan, and decide to take over payments to the one or two remaining creditors, often after receiving a tax refund or other windfall (These clients would comprise some of the *Near completions* above.) Since Cambridge does not require its clients to state why they are discontinuing the service, many of these clients are included in the *Did not provide reason* segment of Chart 7A, below.

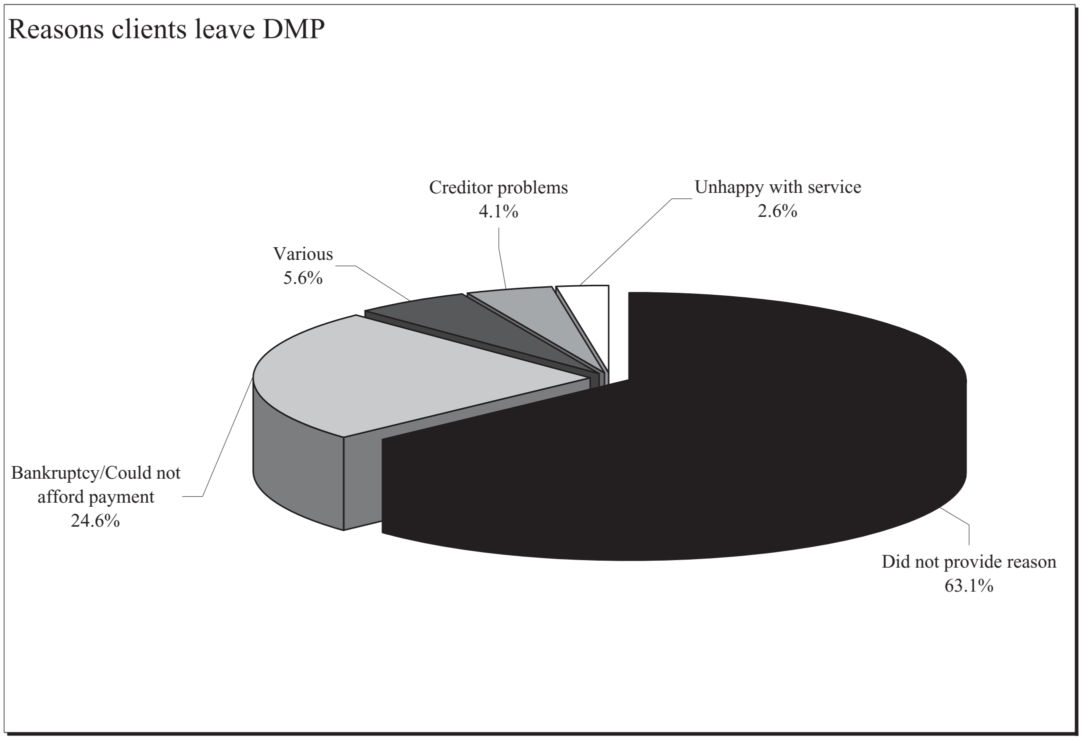

Chart 7A

The clients represented here left the agency during the first quarter of 2011. In the first quarter of the year, 3% of the DMP client base discontinued their debt management plan: 60% were complete, and 40% left for one of the reasons listed in Chart 7A.

For those who did provide the agency with any reason for discontinuing their DMP, the biggest segment, regrettably, was *Bankruptcy/could not afford payment*. While this is unfortunate, it is not surprising considering the nation's economic instability over the past three years.

The *Creditor problems* factor constitutes a small percentage (4.1%) of these incomplete clients. This is also not surprising, considering the effort Cambridge makes to properly establish creditor accounts and any attendant benefits. As a result, 95.8% of clients who expressed an opinion when surveyed were either *Very satisfied* or *Satisfied* with their creditor benefits.

SECTION V:
CREDIT COUNSELING AND DMP SUPPORT SATISFACTION

Counseling satisfaction

The same survey that is used to determine the percentage of clients who are acting on the advice provided to them during their initial and post-counseling sessions also measures the client's satisfaction with their counselor. Cambridge feels this metric is important, not only because it is directly related to the budgeting, expense-tracking and savings-building activities, but because it indicates whether the client feels the counselor responded to their needs.

As Chart 8 shows, the satisfaction rate remains consistently high; in fact, the 99.6% rate was higher than in any quarter of 2010. On the other hand, there is fluctuation in the *Excellence* levels – a sizable decline for the fourth quarter of 2010. This quarterly deviation seems to have been rectified in the first quarter's responses for 2011.

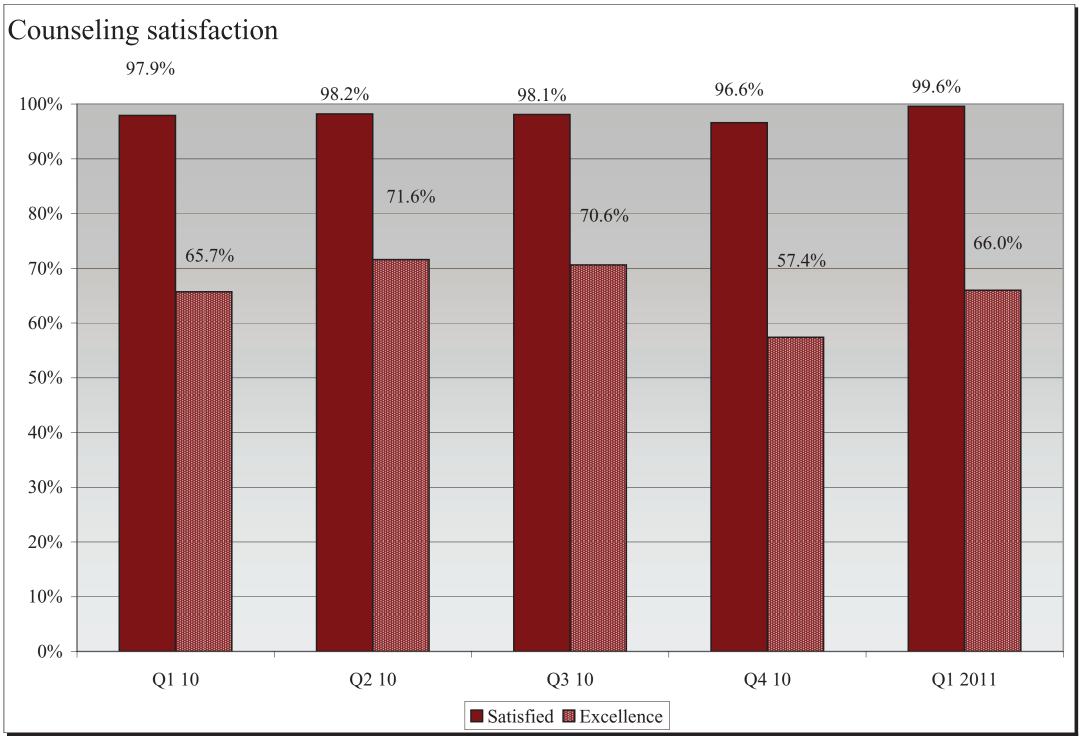

Chart 8

Client services satisfaction

In addition to the survey sent to all new clients during their fourth month of enrollment, Cambridge also surveys a random set of clients each quarter to determine their satisfaction with the support they receive during their time on the Debt Management Plan.

Chart 9 shows client responses for the past five quarters.

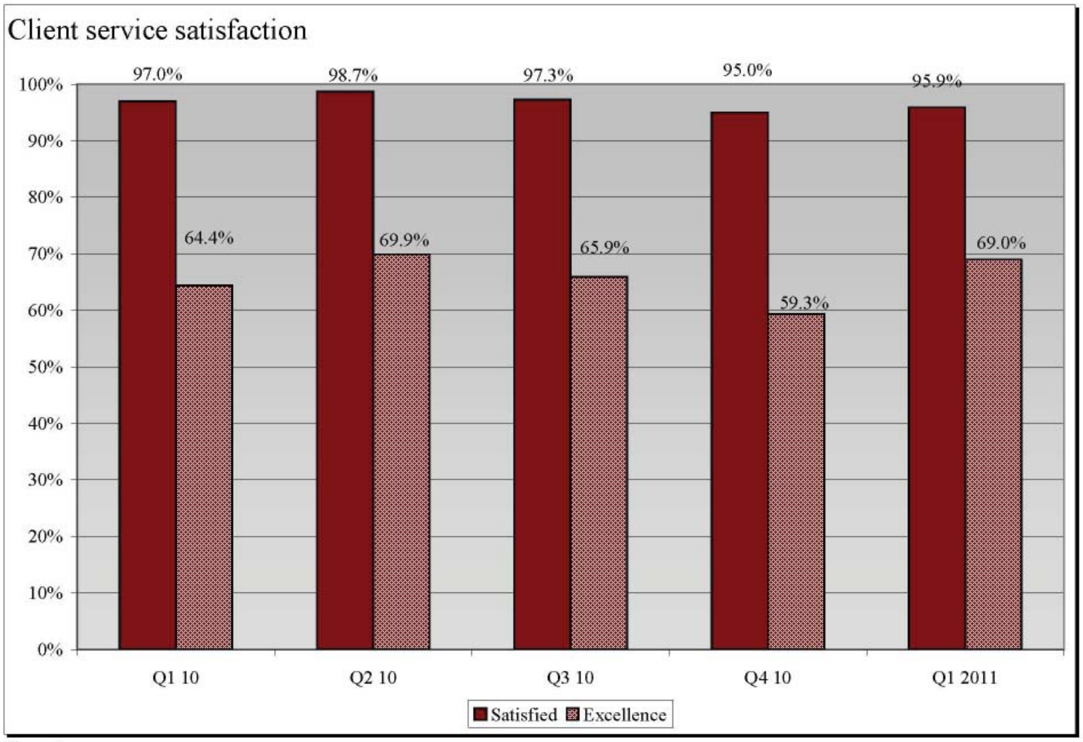

Chart 9

While there was a slight decline in the satisfaction rating over the past two quarters, this mark still falls within the confidence interval of 4.5% for these surveys, which are compliled with a confidence level of 95%. In addition, the *Excellence* rating increased this quarter, indicating a slightly more polarized response from the client population. If significant declines are detected during any quarter, Cambridge would conduct a root cause analysis to determine which factors were responsible and then take corrective action to rectify the situation.

All electronic submissions to Cambridge surveys are made through a third-party website to ensure impartiality. Any responses made directly to our agency are stored in a locked area at Cambridge's offices.

SECTION VI:
COMMUNITY OUTREACH

Community seminars

Cambridge's mission is to promote a more knowledgeable and financially responsible America. The agency accomplishes this goal in several ways, including the administration of one-on-one counseling sessions and the debt management plans discussed throughout this report. Another component of Cambridge's financial literacy efforts involves the agency's work within the community.

Cambridge conducts a variety of free financial wellness seminars throughout Massachusetts and Connecticut. In the first quarter of 2011, Cambridge presented 137 seminars on the fundamentals of personal finance to 1,841 members of our local community.

To determine the effectiveness of these seminars, unique entrance and exit quizzes are administered whenever possible. For quizzes administered in the first quarter of 2011, the average participant's score increased by 23.4 points.

Financial Wellness Center

Cambridge has created a separate website, www.Goodpayer.com, for use as an online resource center. This free site includes financial calculators, articles about a wide range of topics, lesson plans for a financial literacy curriculum, and several downloadable worksheets. In the first quarter of 2011, 5,014 consumers visited the Goodpayer site. During the same period, the following items were downloaded:

- Learn Now or Pay Later Adult Guide (also available on Cambridge's home site) – 5,337
- Learn Now or Pay Later Young Adult Guide (also available on Cambridge's home site) – 3,536
- "Driving as if Your Budget Depends On It" article – 776
- Monthly Budgeting Worksheets (also available on Cambridge's home site) - 869

Your Money 2.0

In the first quarter of 2011, Cambridge continued to produce its popular *Your Money 2.0* video series. These webisodes cover a variety of financial topics, often including current events, as well as basic financial wellness information.

In the first three months of 2011, the videos housed on the popular video sharing website www.youtube.com, were viewed a total of 10,732 times. Some of the new videos from this quarter include:

- "Is it Time to Cut the Cable?" – 590 views
- "Student Loan Repayment Options" – 483 views
- "The Psychological Impact of Unemployment" – 483 views
- "Will the Economic Recovery Continue in 2011?" – 440 views
- "Debt Settlement: Telling the Good Guys from the Bad Guys" – 343 views

CONCLUSIONS

The data and information within this second release are provided to explain how Cambridge assists the consumers it counsels, and how we educate the community at large. Similar information will be presented and updated each quarter. It is also the intention of the organization to enhance the information presented in these reports to better explain the services we offer. Again, this data is presented unfiltered; it shows improvement in some areas and decreases in other metrics.

Cambridge finds openness and honesty critical to the debt relief profession. By providing a quality service with full disclosure of outcomes, the organization believes that trust can be established between counselors and consumers, and between credit counseling agencies and the general public.

The intention of this Transparency Project is to create an open and honest environment within the debt relief profession, and it is Cambridge's sincerest hope that that these efforts are reviewed and embraced by other agencies. Cambridge once again invites any agency with questions about this initiative to contact them at (888) 694-7491, or at transparency@cambridgecredit.org.