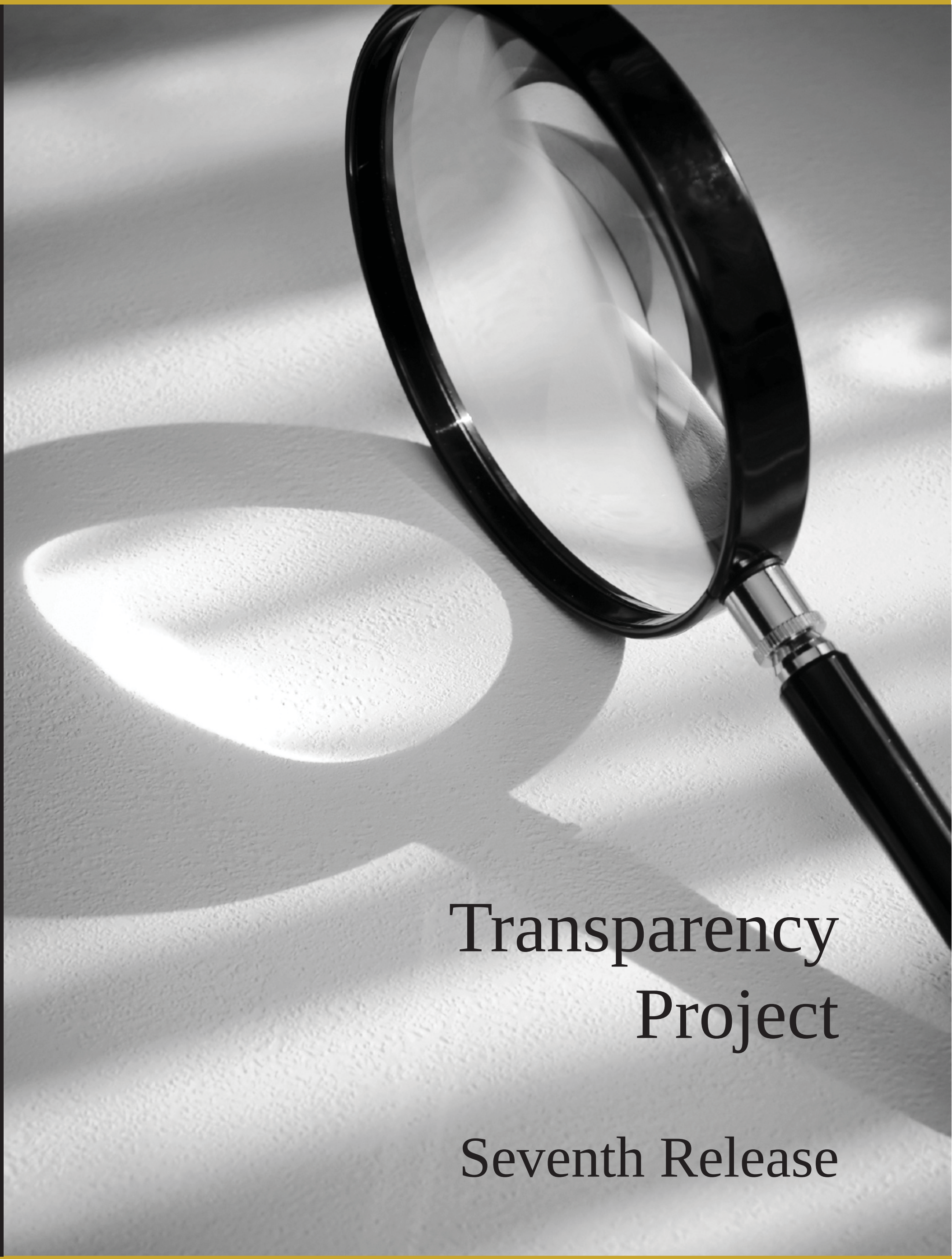
DEBT RELIEF

Performance and Satisfaction Information Report

CAMBRIDGE
CREDIT
COUNSELING
CORP.



Transparency Project

Seventh Release

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

www.cambridge-credit.org/transparency.html

EXECUTIVE SUMMARY

This *Debt Relief Performance and Satisfaction Information Report* is the seventh release made in connection with Cambridge Credit Counseling's Transparency Project, an initiative designed to explain the services the agency provides to the public and to openly display the various outcomes achieved.

This particular report dedicates a considerable amount of time to an examination of the initial counseling process. Specifically, the report presents data related to three crucial elements: the establishment and retention of trust; the importance of client engagement; and the benefit of appropriate reinforcement. There is a full explanation of the relationship between these three elements and client success.

Among the seventh report's highlights:

- For the first time, a random sample of Cambridge's total client population revealed that a desire for *Reduced monthly payments* (25.9%) was the primary reason for enrollment in a debt management plan (DMP).
- Creditors demonstrated their willingness to help struggling consumers in the following ways:
  - ➢ There was a 2.9% increase in first-time creditor proposal acceptance between proposals sent during the first six months of the year (82.3%) and those received during the last six months of 2012 (85.2%).
  - ➢ The benefits verification audit Cambridge conducts during the fourth month of enrollment in a DMP revealed that 96.4% of common creditor accounts were properly enrolled and less than 2% were receiving fees.
  - ➢ The average interest rate reduction in the second half of 2012 was 14.6 points, from 22.0% down to 7.4%The average monthly savings realized as a result of interest rate reductions was $139.26.
  - ➢ Cambridge's initial fee was reduced or waived for 33% of clients enrolled in the second half of the year, and the same was true of 39.8% of monthly account maintenance fees.
- 97.0% of clients were satisfied with the educational resources provided during the first four months of enrollment, while 93% of clients who reported that they had begun budgeting and expense-tracking found that these activities had a positive impact on their financial situation.
- 50.1% of clients who enrolled during the second half of 2007 either completed the program, left close to completing the program, or were still active on their DMP.
- The completion rates for clients who reported that they had begun to budget (62.5%), planned to build savings (57.1%), or were already putting money into savings (72.0%), were significantly higher than the completion rates of those clients who hadn't adopted such practices.

As always, the data presented here is unfiltered. Readers of past reports may note that some individual metrics have declined. Cambridge feels it would be a disservice to neglect these points and that doing so would be inconsistent with the goals and intentions of the Transparency Project. The best way for the debt relief profession to secure the confidence of the public and regulators is to present all data in a consistent and illuminating manner.

SECTION I:
THE INITIAL COUNSELING EXPERIENCE

Diagnosis

Consumers reaching out to a debt relief agency are likely to have expectations about how the agency can assist them. While each consumer's situation is unique, the decision about which agency to contact may be based upon advertisements, the recommendations of friends and family members, articles by financial experts, or suggestions from third-party groups, such as credit card companies.

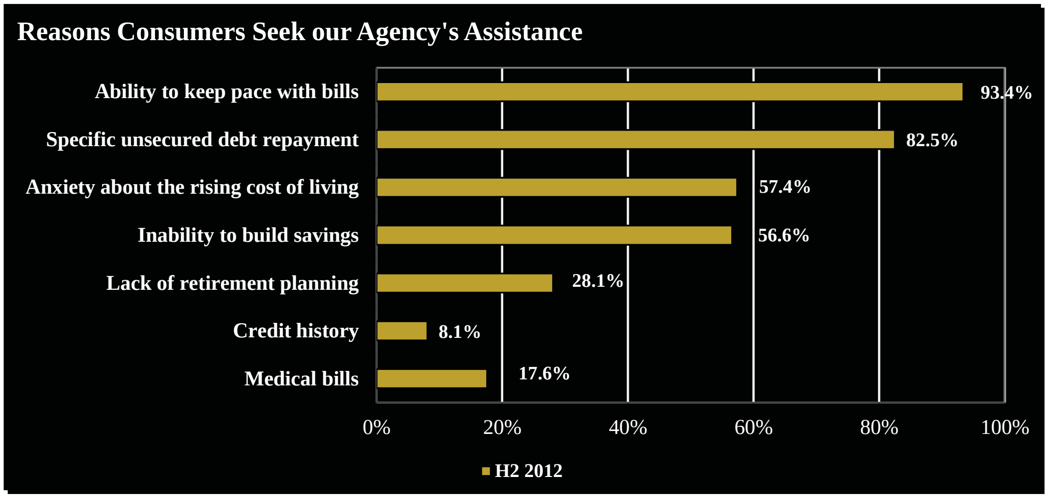


Chart 1

At Cambridge, the majority of the inquiries we receive involve unmanageable credit card debt. This is, in part, due to the way consumers perceive credit counseling. Many consumers expect their counselor to start the session by explaining how much they can save through DMP enrollment. It is the counselor's responsibility to correct the consumer's assumptions and lead them to understand that the only way to identify the appropriate options for their situation, including possible enrollment in a Debt Management Plan, is through participation in a comprehensive counseling session.

The session begins by addressing the consumer's concerns – why they sought Cambridge's assistance. The gold line in Chart 1 shows the percentage of consumers who cited the various listed factors as causes for their inquiry. For instance, *Ability to keep pace with their bills* was a cause for nearly all (93.4%) inquiries. A large number of consumers (82.5%) felt that *Specific unsecured debt repayment* was a cause – a response that reflects the consumer's perception of how a credit counseling agency can help.

Once the counselor understands why the consumer has reached out to our agency, a root-cause analysis can be performed to help identify appropriate solutions. This is accomplished through a comprehensive budget examination and by asking specific follow-up questions based on information revealed during the session. Chart 2 displays the primary factors contributing to the consumer's hardship. The fact that no single item exceeds 75% shows that the reality of the consumer's situation is far more varied than the reasons *they* reported for contacting us. For instance only 10% fewer consumers reported experiencing a *loss of income* (61.8%) than those who reported having *high interest rates* (72%). This is significant because the lowering of interest rates through a DMP is traditionally seen as the principal benefit of credit counseling – something that serves as an impetus for the consumer's initial contact.

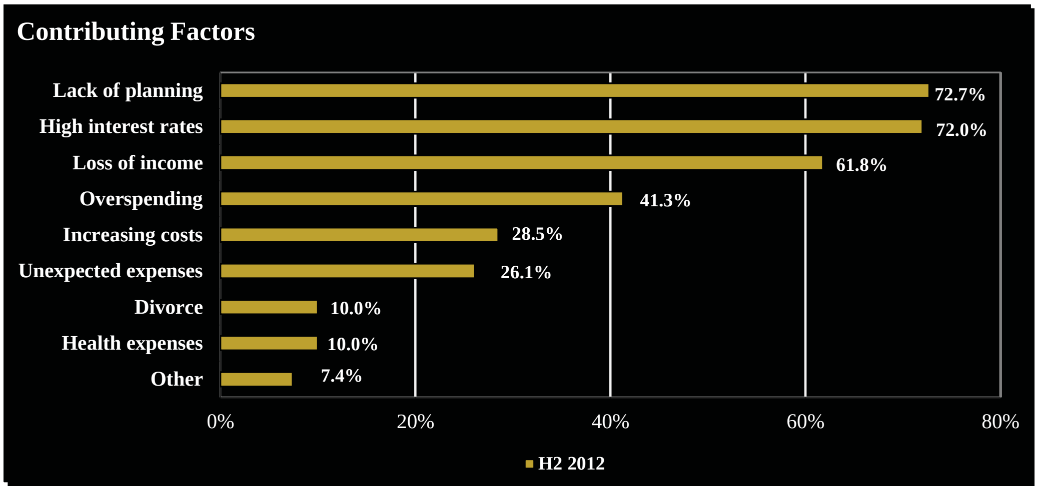


Chart 2

THE INITIAL COUNSELING EXPERIENCE

Goal Establishment

While each consumer's situation is unique, one nearly universal characteristic is that they aren't satisfied with their financial circumstances. Establishing short- and long-term goals can help motivate the consumer to take an appropriate course of action. The repayment of debt, in particular, can become a starting point toward goal achievement. Though it can be a goal by itself, of course, in most cases paying down debt is actually a pre-requisite to accomplishing other long-range ambitions.

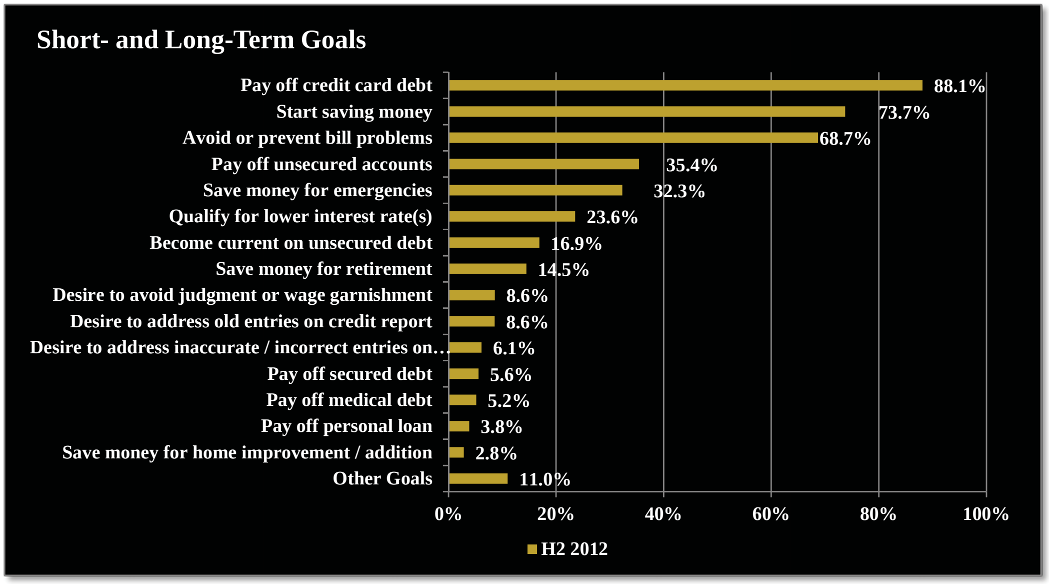


Chart 3

The debt repayment goal can also serve as an effective motivational tool. Whenever it's recommended, it must be reasonably attainable. As debts are repaid in a logically prioritized fashion, the consumer will also likely gain a sense of accomplishment, giving them the confidence necessary to take on more difficult goals. Just as important, the counselor can supplement the repayment of debt with other goals that will support the individual's long-term aims. These additional objectives will result in a more balanced plan while building trust and increasing the likelihood of consumer engagement.

Chart 3 displays the goals most often identified on consumer Action Plans during the second half of 2012. The data represents both long-term and short-term goals, including those the consumer had established prior to contacting our agency and those recommended by the counselor during counseling sessions.

As indicated, *Start saving money* is a commonly held goal. It is presented here as a general entry (listed on 73.7% of all Action Plans) and within more specific terms, such as *Save money for emergencies* (32.3% of all plans) or *Save money for retirement* (14.5%). These can be motivating goals, but for the consumer to achieve any of them, they typically need to accomplish some shorter-term goals first, such as *Pay off credit card debt* or *Avoid or prevent bill problems*. Experience has shown that, when these lesser objectives are met, client engagement improves and long-term success becomes more likely.

Results of Consumer Financial Assessments

The role of trust is perhaps never more important than when a counselor presents a consumer with the results of the financial assessment. This step sets the tone for all of the recommendations that will follow.

Assessments for the second half of 2012 are displayed in Chart 4. As shown, nearly 12% of consumers cannot afford to repay their debt, regardless of the concessions offered by their creditors. Another 25% do not require a DMP – they either already have the capacity to meet their obligations or simply need to enact appropriate budgeting measures in order to do so.

THE INITIAL COUNSELING EXPERIENCE

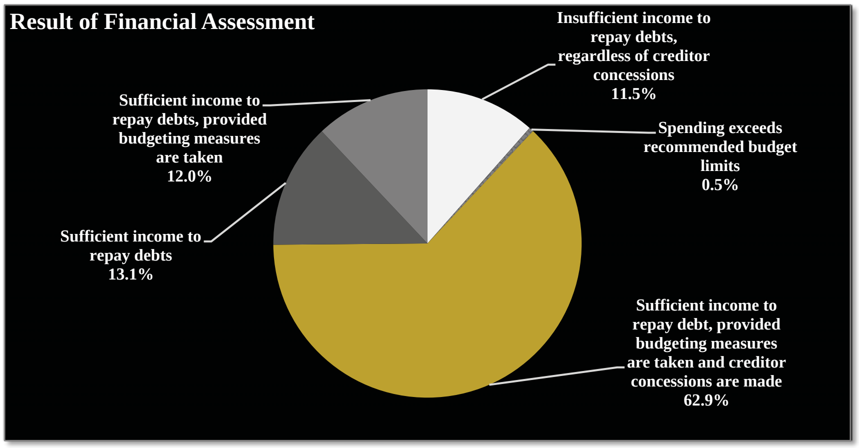


Chart 4

Consumers who did not commit to a full budget analysis are not included in these results. In the second half of 2012, only 41.3% of consumers contacting the agency reached this stage. Those who held misconceptions about what credit counseling services can achieve or who are unresponsive to follow-up often fail to participate in a comprehensive analysis. A high percentage of consumers who have detailed or direct questions about specific areas of their finances also decline to participate.

Recommendations

The debt relief option typically requested by consumers when they first reach out to a credit counseling agency is the Debt Management Plan, or DMP. (Again, if consumers know anything about our services, it's probably related to the savings achieved through a DMP.) Chart 5 displays the reasons clients cite most often for enrolling in a DMP. This data is taken from a random survey of the entire database. In the second half of 2012, and for the first time, R*educed monthly payments* was cited more frequently than *Reduced interest rates*. While these reasons are certainly similar, the historic data and recent shift may be indicative of a change in the consumers' perception of their own circumstances, and/or what they hope our agency can provide in the way of relief.

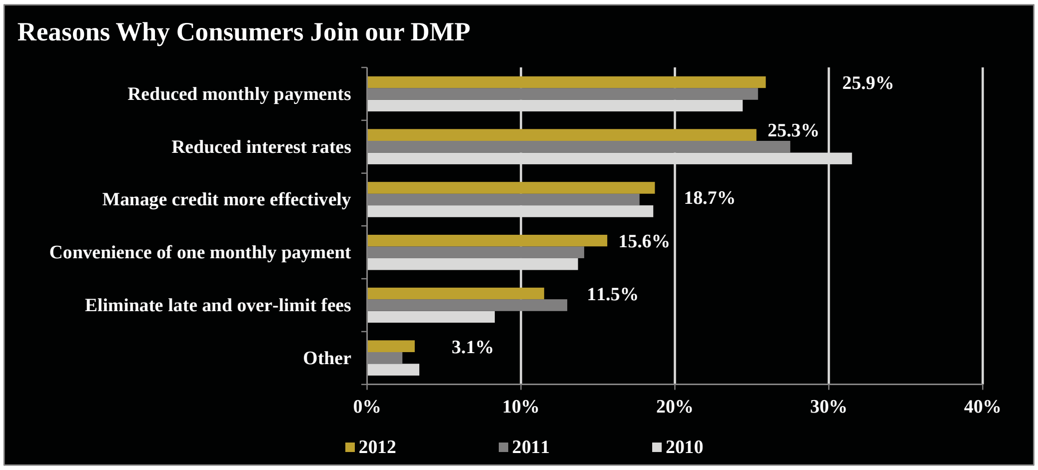


Chart 5

This is a sizable shift from just two years ago, when interest rate reductions were identified by a margin of 7.1% as the primary reason for contacting our agency. This shift may also be due to the increasing number of pre-2008 clients who are completing their program, skewing the client population toward those who enrolled during the Great Recession. This shift in consumer priorities may also be responsible for the increase in *Eliminate late and over-limit fees* as a primary motivator (from 8.3% in 2010 to 11.5% last year). Meanwhile, motivators that could be expected to be immune to external economic factors – *Manage credit more effectively* and *Convenience of one monthly payment*, have indeed remained relatively static.

Of course, the debt management plan is not the only option presented to consumers at the conclusion of their initial counseling session. More than 33% of consumers who participated in full counseling sessions were identified as ineligible for their creditors' concessions. These individuals were among the more than 60% of consumers who received advice that did not include consideration of the debt management plan option.
For consumers to whom the DMP option was not presented, the most popular recommendations made by the counselor included:

- Journalize to track expenses – 83.8%
- Prioritize debt payment – 72.9%
- Consult with a bankruptcy attorney to determine legal options – 47.5%
- Revise budget to allow for repayment of debt – 35.7%
- Create a savings account for non-monthly or periodic bills – 33.7%
- Increase income through additional part-time employment 26.4%
- Consider borrowing from family or friends as part of a plan to satisfy obligations – 24.8%

When the DMP option was presented and the consumer decided not to enroll, the following were the most popular recommendations:
- Journalize to track expenses – 80.7%
- Prioritize debt repayment – 63.9%
- Revise budget to allow for repayment of debt – 53.8%

- Create a savings account for non-monthly or periodic bills – 41.9%
- Research amount of income tax withheld on a monthly basis 24.0%

Some of these options are simply sound financial advice, recommended to nearly all consumers. Journalizing expenses, for example, is an often-neglected practice, but nearly all consumers could benefit from it. Others are much more specific to the consumer's situation and explain more about why the consumer may have opted not to join a DMP, even though it was recommended.

Table 1 (Below) compares the recommendations that experienced the greatest difference between those who joined a DMP and those who opted not to.

Recommendation	Enrolled	Did not Enroll	Difference
Contact creditor(s) to request concessions	2.6%	15.1%	*12.5%*
Consult with bankruptcy attorney to determine legal options	0.8%	9.3%	*8.4%*
Contact secured creditors directly to establish possible work-out options and/or rate reductions	1.5%	5.2%	*3.7%*
Speak with your company's HR department about enrolling in an FSA program	13.5%	17.2%	*3.6%*
Consider asset liquidation as part of a plan to satisfy secured debt obligation	10.6%	13.8%	*3.2%*

Table 1

The biggest difference was recorded in the number of times consumers were advised to contact creditors on their own to request concessions. In many instances, the creditors in question would be much more likely to grant concessions through direct client contact than through their enrollment in a DMP. These consumers may also have fewer creditors than those consumers who ultimately enroll (the average enrollee had 5.62 creditors), a factor that generally impacts the amount that can be saved – the more accounts that receive concessions, the greater the aggregate savings. In addition, some consumers advise their counselors of potential scenarios, such as an impending job loss, that would make it imprudent to recommend both a DMP *and* to research the bankruptcy option (depending upon how the potential crisis plays out).

If a consumer decides not to enroll in a debt management plan, their counselor will follow-up with them six weeks later to ensure that they've found the assistance they required and have enacted some of our recommendations. At that time, if the consumer hasn't stabilized their situation or if their circumstances have changed, the counselor can review the options recommended previously and offer to provide a revised plan of action.

Appropriateness/Suitability

Determining who would benefit from enrollment in a debt management plan is the counselor's responsibility, and the ability to afford a DMP is often also a statutory requirement. As discussed previously, the decision to recommend a DMP can only be accomplished through a comprehensive budgeting and counseling session. There are two important reasons for this thoroughness. First, if the consumer opts to enroll, they would be committing to a repayment plan that's likely to last for several years. Further complicating this determination is the fact that many consumers who contact credit counseling agencies have already fallen behind in their payments or are on the brink of falling behind; therefore, the counselor must be sure the consumer has the means and capacity to make timely payments for the full term of enrollment, providing that whatever budgeting steps or other advice that might also have been recommended are, indeed, adopted. The second reason is that most creditors expect the consumer to demonstrate genuine need. Before a creditor will extend account concessions, they want to be certain that a financial analysis indicated some level of hardship, as well as a reasonable capacity to succeed on the plan.

There are a number of statutes that require an agency to verify that a consumer is suited to a debt management plan. Generally, this only means that the consumer has sufficient income after expenses to afford the plan's additional monthly fee. Cambridge has gone beyond this basic requirement by establishing an additional metric to confirm whether DMP enrollment was the suitable course of action. The agency looks at all new clients as they complete their third month of enrollment. Those who were able to make their first three monthly payments are deemed "Suitable," that is, they were able to adjust their budgets and/or adopt their counselor's recommendations and are experiencing success in the early stages of their plan. In the second half of 2012, a little over 90% of new enrollees met this benchmark. This figure represents a slight decline over the first half of 2012 (91.2%), but is consistent with data from the second half of 2011.

The levels of accounts receiving fees and the number considered past-due have moved in a positive direction. The past-due percentage remains high, and is most likely the result of economic pressures. In all situations, if an account is identified as past-due, Cambridge will explain the situation to the client and present the options for returning the account to a current status. It is important to note that the vast majority of accounts that are past due are still receiving concessions and are not receiving fees.

Creditor Acceptance

While this factor is extremely important – clients whose creditors approve of their participation are much more likely to complete their DMP - it does not represent a complete picture of the appropriateness of a DMP. For instance, what of consumers deemed unsuitable by their creditors because they do not need concessions in order to meet their obligations? What if the agency didn't propose a payment amount consistent with a creditor's requirements, perhaps because the consumer misreported their current balance? These relatively common occurrences distort the picture somewhat.

Nevertheless, Cambridge closely monitors the acceptance levels for proposals submitted to creditors to establish benefits for the consumer. Recent enhancement measures have led to a rise in the acceptance rate of initial proposals. In the second half of 2012, the acceptance rate for common creditor first-time proposals was 85.3%. This figure is 2.9% greater than what was witnessed during the first half of the year.

While the improvement in acceptance percentage is certainly a positive development, an examination of Chart 6 still shows room for improvement. Proposals that are denied because an increased payment amount is required are occurring just once for every twenty accounts enrolled. This number is slightly lower than the 4.5% reported in the first half of the year. *Needing increase* now accounts for a total of one-third of all proposal denials.

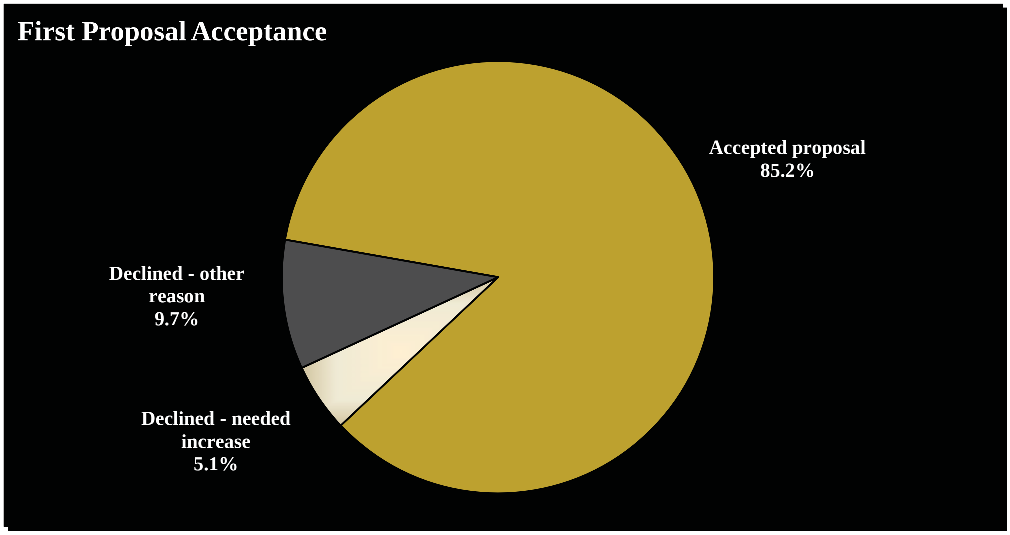


Chart 6

There are several ancillary issues that arise when a proposal is denied due to an insufficient payment amount. First, it can affect the level of trust established during the counseling session. The consumer was presented with a specific payment and likely concluded that it would be the amount they would pay for the duration of their DMP. When informed that their creditor requires a higher payment, many consumers are surprised and disappointed, feeling they were misled. Remarkably, this is still often the case when the client has misreported their own account balance.

Two specific factors contribute to this problem: late spending (spending that occurred beyond the most recent creditor report to the credit bureaus), and/or insurance being applied to the account. Both factors can be traced to miscommunication during the initial counseling session, and again, there is the potential for an undermining of the client's trust.

The second ancillary issue is the effect of the increased payment on the client's budget. The consumer enrolled with the expectation of making a certain payment for the duration of the program, but now needs to account for the increase. While most increases are minor, for a consumer whose budget is tight, an increased payment can be the difference between success and failure.

A breakdown of common creditor denial reasons (Table 2) gives another view of the severity of this problem and the lesser significance of other issues. The next two biggest denial reasons, *Not eligible* and *Promotional rate*, combine to constitute only 4.6% of all proposals, and 30.8% of all denials. For the most part, these reasons are easier to anticipate and are less harmful to the program. Most often, after a promotional rate has expired, a proposal can be resubmitted and the account enrolled at that time. In addition, some accounts deemed ineligible are often identified during the enrollment process, but agencies are still required by creditor policies to submit a proposal.

Denial Reason	% of Total	% of Declines
Needs Increase	5.14%	34.80%
Not eligible	2.80%	18.96%
Promo rate	1.75%	11.85%
With third party	1.19%	8.06%
Additional Information Needed	0.91%	6.16%
Previously Extended	0.90%	6.09%
Invalid Social/Name	0.63%	4.27%
Internal Program	0.29%	1.96%
Other	1.16%	7.85%

Table 2

As mentioned in the last section, it would be improper to enroll consumers who are inappropriate for a DMP, whether because they have little reasonable chance of completing the program without significant changes in their circumstances or where creditor benefits are not needed for the consumer to meet their obligations. The denial reasons detailed in Table 2 do not indicate either scenario as a major factor. In fact, only 0.09% of all common creditor proposals were declined for Ability to pay. Also, as shown in the next section, many of these proposal situations can be rectified in a manner that will still allow account benefits to be granted within the earliest stages of a program.

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Benefits Verification

At the four-month mark of enrollment, two events mark the conclusion of the initial stage of a Cambridge DMP. First, following the final of three Post Counseling Sessions, the agency will solicit the client's opinion of their experience, as well as their progress in budgeting, expense tracking and planning to build savings. This is used to gauge the effectiveness of the early counseling efforts provided by the agency.

Second, Cambridge conducts a thorough review of the client's enrolled accounts to ensure that each was set up properly. This allows the agency to measure how successful we have been in rectifying any denied proposals and subsequently attaining benefits for the client.

Once again, the success of these efforts hinges on client engagement. Their participation in the review process is often crucial. In most situations, the critical information needed to complete these audits can only be found on the client's creditor statements. In these situations, Cambridge requests that the consumer send in their statements to help us capture the necessary information. Once again, if the enrollee does not trust the organization, or does not understand our need for their statements, these reviews cannot be concluded and the quality of the service can suffer. For audits conducted in the second half of the year, the following results were recorded:

- **96.4% of common creditor accounts are properly enrolled.**

This acceptance rate indicates that nearly all of the denial reasons have been rectified by the fourth month of enrollment. Any remaining accounts that have not been accepted are likely to be ineligible for a DMP. For instance, some creditors will not re-enroll accounts for which benefits were previously extended, or for accounts that are still under the terms of a promotional rate.

- **98.1% of creditor accounts are receiving no fees.**

Most creditors will reduce or eliminate fees upon acceptance of a proposal. As stated earlier, roughly 3.6% of common creditor accounts are not accepted by the fourth month of enrollment, which means any late- or over-limit fees they were receiving prior to DMP enrollment may still be in place. In each case, the representative who has been auditing the account will contact the client to attempt to rectify the situation. For instance, if the late fee is the result of a past-due status, the representative will discuss ways the client can bring the account current to eliminate the fees.

- **41.2% of accounts are still, to some degree, past due.**

Prior editions of this report have detailed the efforts Cambridge makes to address accounts with a past-due status. This is one of the biggest tests of the trust that has been established during the initial counseling sessions. If this status is not explained appropriately, and solutions to remove this status are not presented, when appropriate, the level of trust can be compromised.

SECTION III:
ACCOUNT BENEFITS AND ADMINISTRATION

Savings and Cost of a DMP

As shown during the Initial Counseling Session section of this report, the primary motivation for consumers contacting our agency is their inability to meet their month-to-month financial obligations. Any options recommended to the consumer, including enrollment in a DMP, must address this concern.

Similarly, the second most highly cited factor contributing to the consumer's hardship is High Interest Rates. When a DMP is recommended, this factor must be addressed.

Table 3 breaks down the average reductions in the client's interest rates and payments, both on their own and through a debt management program. These figures, based on the average savings experienced by second-half enrollees, illustrate how a DMP addresses the consumer's initial concern. Once again, trust can easily be damaged if these interest rate reductions and savings are not a result of enrollment in a plan.

Category	On own	Through DMP	Reduction/Savings
Annual Percentage Rate	22.04%	7.36%	**14.68%**
Average monthly debt payments*	$581.36	$442.10	**$139.26**
Average monthly interest charged	$342.49	$114.38	**$228.11**
*Note: Average Monthly debt payment through DMP includes average monthly fee			

Table 3

The savings and reduction levels shown in Table 3 are very similar to what was experienced during the first half of 2012. This is to be expected, as creditor policies usually do not drastically change over short periods of time. Similarly, the debt load, delinquency level, and high average interest rates of consumers are unlikely to shift dramatically over a short period of time.

As noted above, the *Average monthly debt payments* row incorporates the DMP fee in the *Through DMP and Reduction/Savings* columns. Cambridge maintains a fee structure that is compliant in every state where we assist consumers. Even where state laws are more permissive, our agency's initial fees will never exceed $75.00 and monthly fees will never exceed $50.00. In fact, the majority of Cambridge's clients pay substantially smaller fees. During the second half of 2012:

- The average initial fee was just $31.42.
- The average monthly fee was just $24.45.

Cambridge's policies also allow for each fee to be further reduced or waived, based on the enrollee's level of hardship. During the second half of 2012:

- Initial fees were waived for 11.0% of enrollees and reduced for an additional 22.0%.
- Monthly fees were waived for 5.3% of enrollees and reduced for an additional 34.5%.

Fair Share Funding

Like most non-profit credit counseling agencies, Cambridge's education and counseling efforts are supported, in part, by what are commonly known as "fair share" contributions from the creditor community. For every monthly client payment disbursed in the second half of 2012, an average fair share donation of $15.31 was received. During the year, Cambridge remained well within the limits imposed by IRS Code section 501(q), which requires that agencies ensure the independence of their counseling by receiving less than 50% of their revenues from such creditor contributions. In the second half of 2012, Cambridge received just 29.3% of its revenue from traditional fair share donations. In fact, even when other types of creditor grants are considered, the percentage is just 41.7% of our revenues, still well below the 50% threshold.

Efficiency of Initial Counseling and Post-Counseling Activities

As described previously, the initial phase of enrollment concludes with an audit of the client's creditor accounts. At about the same time, the client is finishing a series of three follow-up sessions with their counselor. Cambridge tries to schedule these at the third, seventh and eleventh week of enrollment.

Cambridge does this to reinforce the counseling provided to the client during the initial sessions and ensure they've begun to incorporate the advice recommended in their personalized action plans (budgeting, tracking expenses, etc.).

These post-counseling sessions are also crucial because they build upon the trust established earlier in the relationship. Cambridge measures the effectiveness of its advice through a survey sent to all clients during their fourth month of enrollment. The enrollee is asked whether they have adopted the advice provided by their counselor and to gauge their overall perception of the counseling experience to that point.

Chart 7 shows survey responses received during the second half of 2012. (These clients would have enrolled four months earlier, roughly March through August of last year.) The overall adoption of the advice provided was extremely high for each item. For this early level of engagement to translate into long-term results, the experience needs to be positive, and the benefits of adopting the various recommendations must be tangible in some way. The same survey that measures new client engagement also measures the various levels of success they experience adopting their counselor's advice. For the second half of 2012, the following results were recorded:

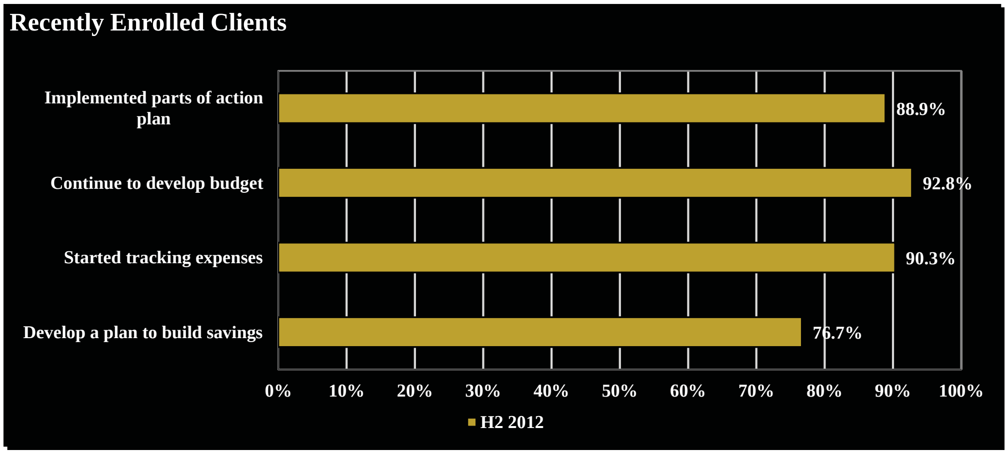

Chart 7

- 97.0% of clients were satisfied with the educational resources (including the action plan) they had been provided.
- 93.2% of clients who incorporated recommended budgeting practices felt the activity helped them improve their ability to manage their finances.
- 92.7% of clients who had begun using the expense-tracking techniques recommended by their counselor felt the activity helped them improve their ability to manage their finances.
- 84.9% of expense-tracking clients identified methods they could use to reduce their expenses.
- 43.0% of clients who had developed a plan to build savings had already begun to do so by the time of the survey.

It is much easier to trust a counselor's recommendations when the client sees positive results early in their enrollment. As the *Long-Term DMP Performance* section of this report will explain, continued engagement increases the chance that the client's goals will be achieved.

Long-Term DMP Enrollment

The adoption of effective budgeting techniques and other sound financial practices is important, but Cambridge's ultimate goal is to help the consumer change his or her financial behavior. Cambridge monitors progress toward this goal through a Financial Check-up survey sent to clients every six months throughout their program enrollment.

The data illustrated in Chart 8 seems to indicate that there is only a small difference in the number of clients who maintain improved financial practices during the period immediately following the initial and post-counseling period and those clients who are further along in their enrollment. There are three factors that might cause this slight decline:

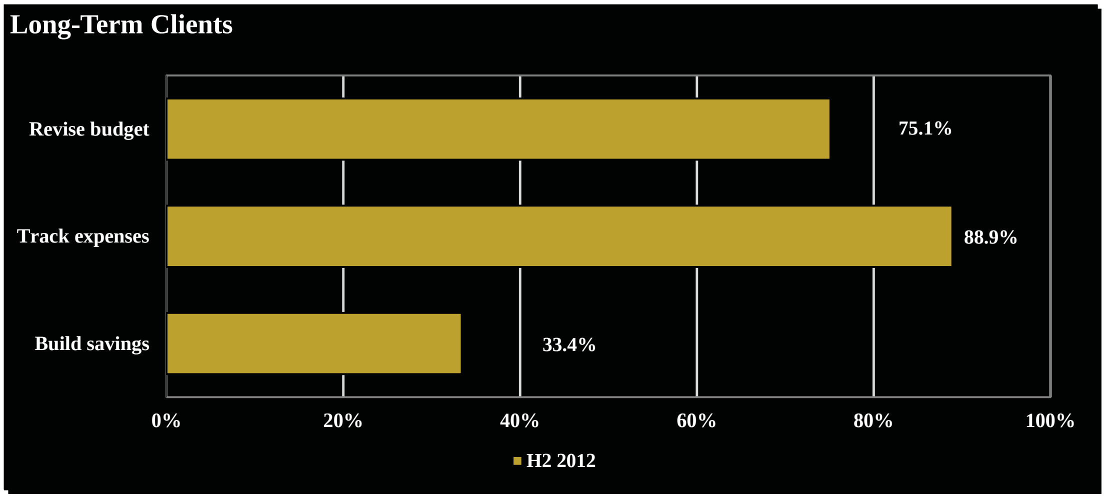

Chart 8

- The survey asks the client if they've performed specific budgeting/expense-tracking practices within the past six months. Some long-term clients may have settled into a period of stability, only conducting such activities on an annual basis.
- The motives of clients completing the Financial Check-up survey may be different from those who complete the initial survey. 14.7% of respondents request additional counseling from their counselor – something that suggests they may have had difficulties creating a budget or tracking expenses.
- Respondents to the Financial Check-up survey may have enrolled at any point during the past decade, including a time when Cambridge's method of engaging consumers was less effective than it is today.

The fact that engagement levels remain high for budgeting and expense-tracking appears to validate Cambridge's initial and post-counseling efforts, as well as the reinforcement provided periodically throughout DMP enrollment. The exception seems to involve savings behavior. Only one-third of clients reported having been able to build savings during the previous six months. (This data point does not account for the 46.1% of respondents who reported having built enough savings to cover an emergency over the same period.)

SECTION V:
LONG-TERM DMP PERFORMANCE

Length of DMP enrollment

The statutes in many states require that consumers be presented with an estimated repayment term before they enroll in a debt management plan. The average term for those who enrolled in a DMP during the final six months of 2012 was 48.36 months, or just a little over four years.

This is, of course, a good-faith estimate of the time that would be needed to complete the DMP. Many factors can influence the actual repayment term, including incorrectly reported balances, late payments, or the client sending extra funds whenever they might become available. In 2007, the average consumer was quoted a repayment term of 48.84 months, a projection nearly identical to the timeframe presented to consumers enrolling five years later. These clients completed the program in an average of 41.77 months, 7 months faster than had been estimated before the DMP began.

The average number of payments made by *all* clients (that is, including clients who drop off prior to program completion) is 26.39, meaning they completed more than 54% of the average projected term. These clients would have received the benefits of reduced interest rates and payments for twenty-six months before discontinuing their enrollment.

DMP Outcomes by Client Account

Engagement and reinforcement are crucial elements for success when the consumer is faced with a lengthy repayment term. Remember that consumers usually contact the agency because they're worried about their ability to make their payments each month. To transition from a month-to-month mindset requires that the client trust the organization, that they remain committed, and that no unexpected changes occur.

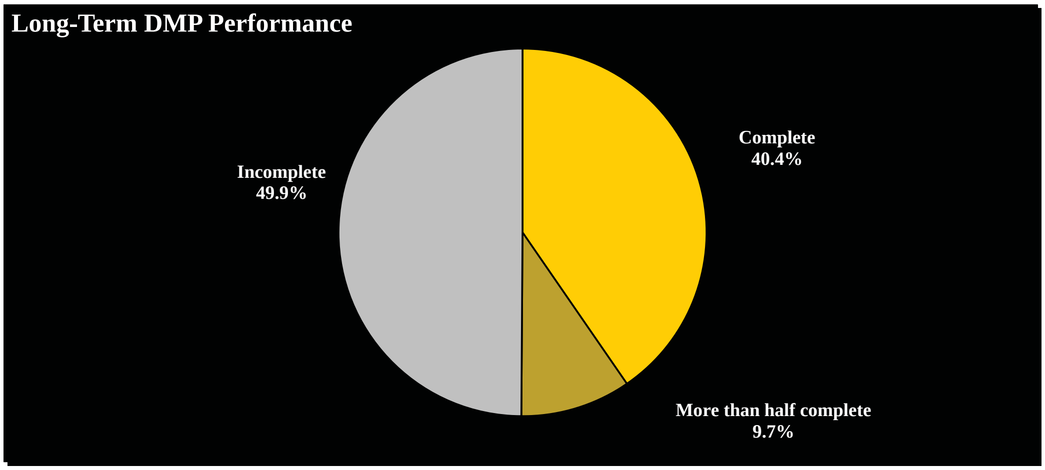

Chart 9

As Chart 9 indicates, roughly half of the consumers who enrolled five years earlier had either completed the terms of their enrollment or departed after making more than half of the payments necessary to complete their obligations. The clients that compose the sub-category *More than Half Complete*, (*Near Complete* in previous Transparency releases) experienced a diverse set of outcomes. The characteristics of this group vary from client to client, with some even stating that their departure was the result of a strengthening of their financial situation. A deeper analysis revealed that:

- 24.8% of these clients had only one account remaining when they left Cambridge's services.
- 51.4% of these clients had less than a year left on their DMP, and more than half of this subset had less than 6 payments remaining in their projected term. It can reasonably be assumed that these individuals preferred to make the remaining payments on their own.
- 45.0% of these clients had made more than 75% of the payments necessary to complete the program.

In should be kept in mind that, in addition to bringing many of these clients to the point where they felt confident in their ability to handle their remaining debt on their own, each was able to enjoy significantly lower interest rates, etc., during the term of their enrollment. Our average client saves approximately $140 per month as their program commences. As creditors are paid in full, balances come down, and the DMP nears the end of its term, the monthly savings figure is reduced.

It is of concern to Cambridge that the *Completion/More than Half Complete* rate for 2006 enrollees was nearly 10% higher (59.8%) than for clients who enrolled just a year later. We believe that this decline must be the result of external economic pressures on our clients. The Great Recession's spike in unemployment left many consumers, perhaps especially those enrolled in a DMP, unable to repay their obligations. During that same period, Cambridge witnessed noticeable spikes in the numbers of clients leaving to pursue bankruptcy or simply becoming unable to continue making their program payments. It should also be noted that these data points were recorded at the same time that Cambridge's counseling and suitability practices were improving, and while client satisfaction scores remained consistently high. Needless to say, because consumers, regulators and creditors are quite rightfully interested in the likelihood that a client will complete his or her debt management plan, this is an area that continues to be a focus of our agency's efforts.

DMP Outcomes by Creditor Account

Another way to examine DMP success is at the creditor account level. Clients generally enroll multiple accounts when they join a debt management program. Not only is this in their best interests, since it maximizes the benefits they can receive, it is also a condition required by some of the nation's major creditors. Another common prerequisite for concessions is that the consumer refrains as much as possible from using credit while benefits are being extended.

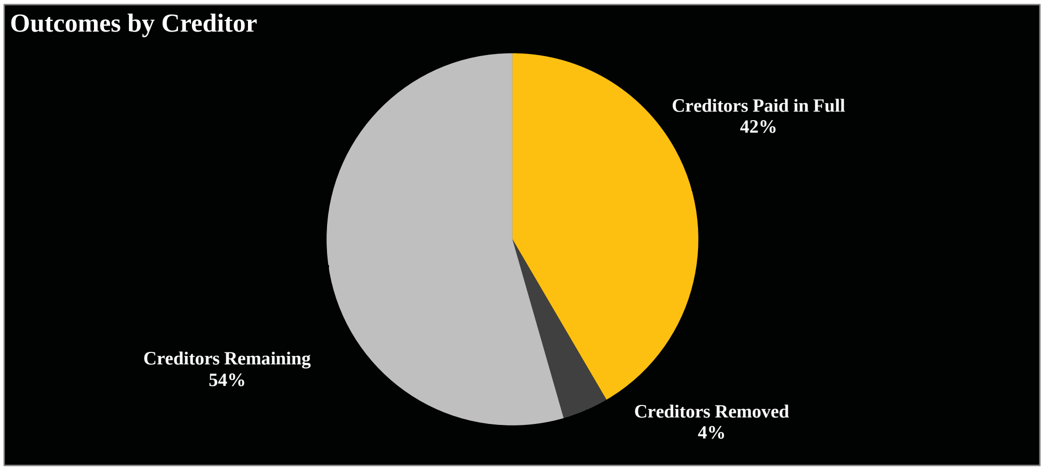

Chart 10

Chart 10 displays the results for all creditor accounts enrolled by consumers during the second half of 2007. It is being presented here to show our outcomes from a different perspective. Note that the *Creditors Paid in Full* percentage closely matches the completion percentage from Chart 9.

The Effect of Client Engagement on Completion

Cambridge's counselors continually emphasize the importance of adopting sound financial practices throughout the client's repayment term. As described in Section IV, the enrollee's counselor conducts a number of comprehensive post-counseling sessions during the early stages of enrollment in order to maximize the effective delivery of this message.

What was not fully explored was the role that enrollee engagement plays in the outcome of the program. The difference in results experienced by consumers who adopted the recommended financial practices and those who did not report having done so is quite dramatic, as Chart 11 illustrates.

Chart 11 compares responses from fully engaged clients who completed their DMP during the second half of 2007 with the overall portfolio. It is remarkable that even the answer with the smallest variance – those who developed a plan to save money but had not done so during their fourth month – shows an increase of more than 17%.

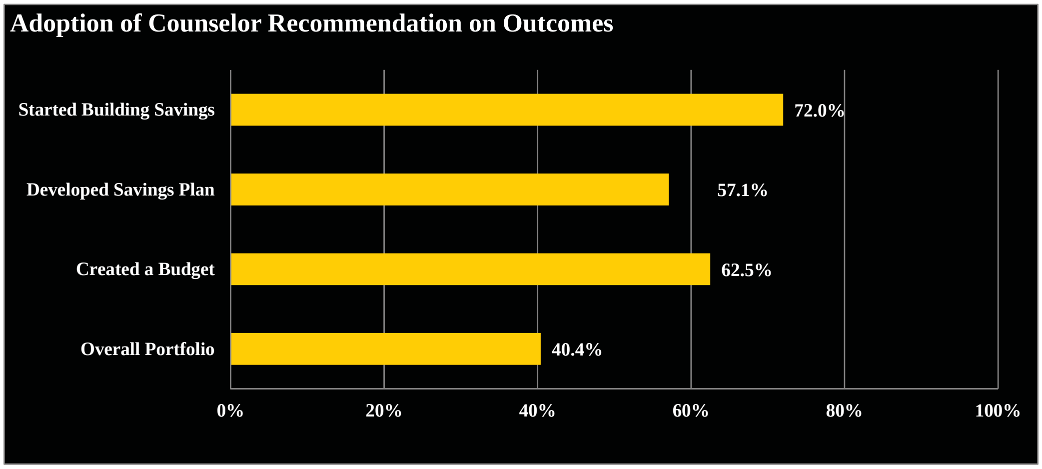

Chart 11

What is not included, understandably, is feedback from those enrollees who did not respond to the survey. This group includes those clients who cancelled within the first few months of the program, prior to completing their Post-Counseling sessions, who would never have received this survey. Their completion rates are, of course, much lower than those illustrated in chart 11. Without long-term adoption of sound financial practices it can be assumed that these consumers will continue to be vulnerable to economic challenges.

The effect of this level of engagement is also illustrated in the average number of payments made to Cambridge during the client's enrollment term, as seen in Chart 12. Once again, the average enrollee from the second half of 2007 made considerably fewer payments than did those who responded to our surveys. The average 2007 client made 10 fewer payments than those engaged clients who reported that they had begun budgeting and 17 fewer payments than those engaged clients who were able to build savings during their first four months of enrollment.

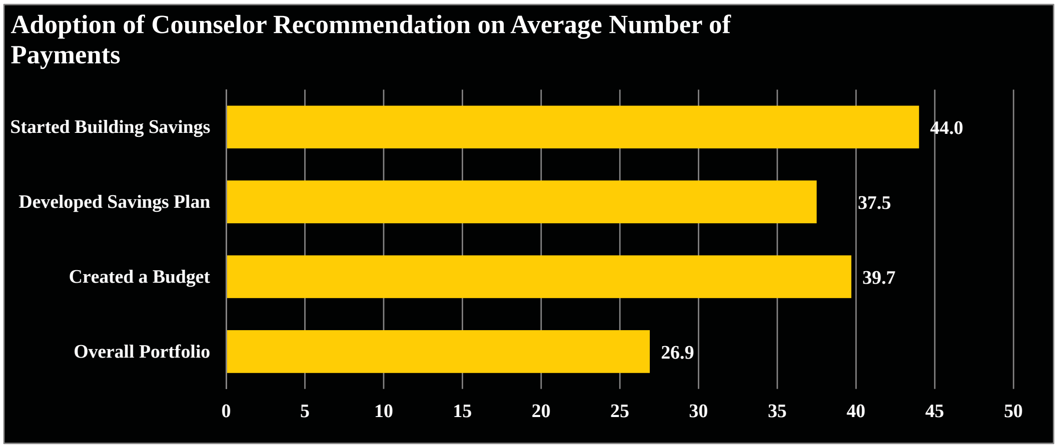

Chart 12

Negative Client Outcomes

There are a number of different reasons that clients cite for abandoning their debt management plan. As Chart 13 indicates, the most common of these is financial hardship – the client's inability to continue making their DMP payment while meeting their other obligations. More than one in three consumers leaving Cambridge's program early identified financial hardship as their reason for doing so. In most cases, this was the result of a change in circumstances during the enrollment term.

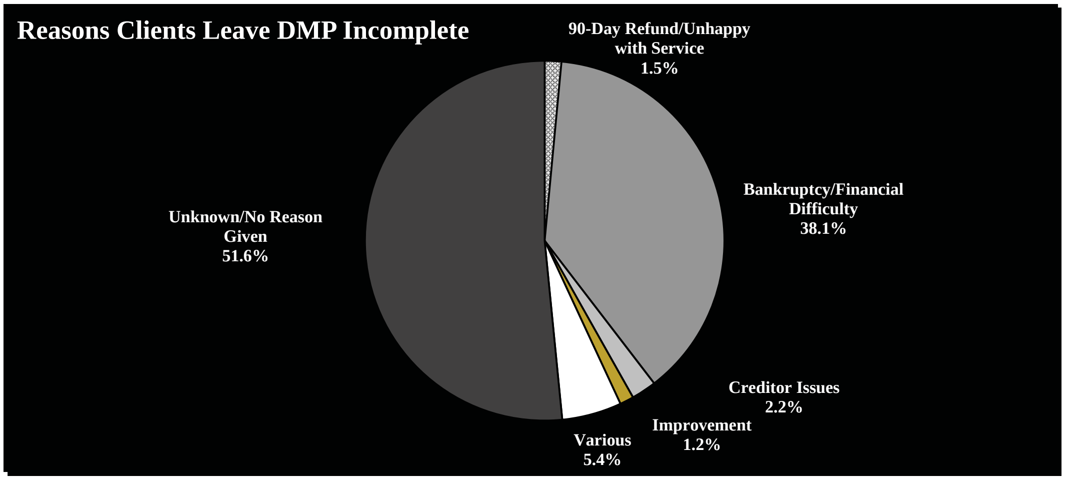

Chart 13

In fact, the average number of payments made by clients who cited financial hardship as the reason for cancellation is 15.7. This means, on average, they remained on the program for more than a year before a new hardship forced them to cancel. Barely one in five (21.1%) of these clients fell off during the first six months, confirming that the majority were suitable DMP candidates whose circumstances changed *after* enrollment. Given the onset of recession at that time, it's hardly surprising that consumers began to experience new financial challenges.

The single biggest element here is the large number of departing clients who did not provide a reason for their cancellation. For clients who enrolled during the second half of 2007, this group comprises more than half of the clients who left early. Because their concerns were not communicated to the organization, it is impossible to identify the actual cause of their departure. What follows are some observations and speculation as to the cause of these cancellations:

- A portion of these cancelling clients may fully have intended to continue making their payments to the agency, but their accounts fell into an inactive status due to our agency's internal policies. In fact, 9.1% of this group made a formal attempt to resume their DMP in the months after falling inactive.
- On average, members of this group made 8.5 payments to the agency, and therefore do not share all of the characteristics of consumers who stated they were filing bankruptcy or simply could not afford their payments.
- It is also possible that, since these consumers enrolled during 2007, they may have been solicited by one of the less-than-scrupulous debt relief organizations that often preyed on consumers at the time. (Some of these companies told our clients to intentionally ignore our efforts to reach out to them to determine their cause of hardship.) This is a less common occurrence today, as the FTC and other regulators have enacted restrictions on such predatory activities.

SECTION VI:
CREDIT COUNSELING AND DMP SUPPORT SATISFACTION

Counseling Satisfaction

Cambridge measures client satisfaction levels at two different points. The first is fixed, occurring four months into the client's enrollment. The second is taken later, at a random point during the enrollment. This is crucial because the client's perception of their counseling experience can change over time, typically due to their recognition of the long-term benefits experienced through the DMP and the subsequent counseling they've received.

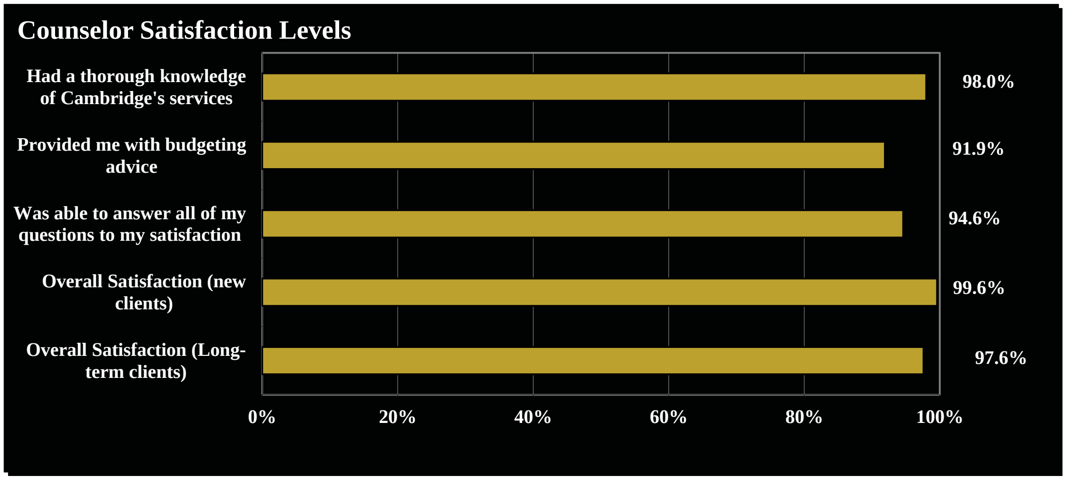

Chart 14

Chart 14 shows only a 2% deviation in satisfaction levels between clients surveyed during the fourth month of the DMP and the random cross section of clients surveyed at a later point. These results only reflect responses received during the last six months of 2012, and therefore do not include the same clients in both survey segments. Table 4 displays the consistent satisfaction levels recorded over the past five years.

Year	Counselor Satisfaction Rate
2008	**95.9%**
2009	**97.3%**
2010	**97.9%**
2011	**98.1%**
2012	**99.0%**

Table 4

DMP Support Satisfaction

The survey that is sent to a random group of clients each quarter also gauges their satisfaction levels for a number of different elements of the support they receive while on a debt management plan. (Although services are actually provided by a number of different departments within our agency, they are represented here under

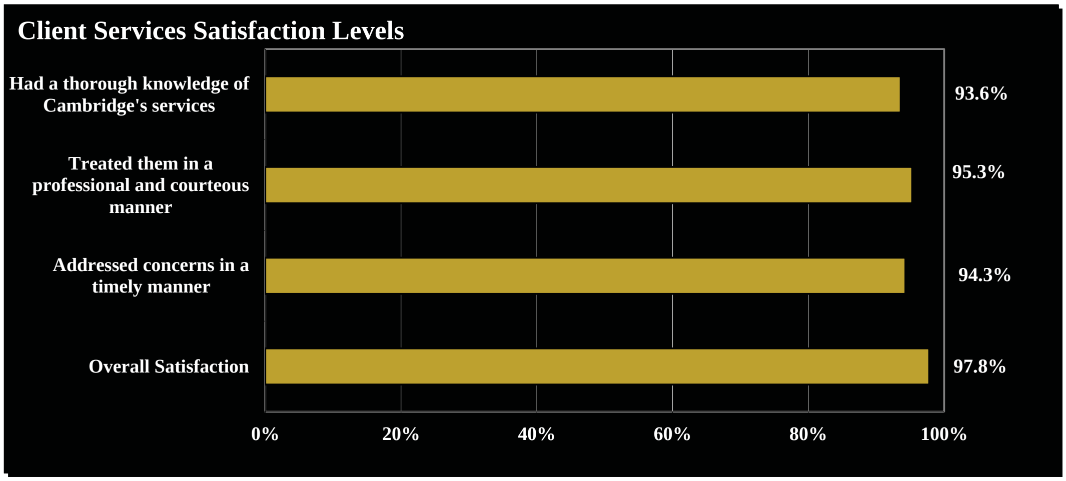

Chart 15

As Chart 15 demonstrates, the satisfaction rate for all client service support in the second half of 2012 is well above 90%, and the overall satisfaction level is nearly 98%.

A final measure of overall satisfaction is reflected in the number of clients who would recommend us to their friends and family. Fully 95% of respondents indicated that they either would refer or already have referred someone they know to Cambridge. An additional 3.4% stated they may make such a referral. These results, as might be expected, correspond to the satisfaction levels recorded in other sections of our surveys.

Community seminars

In keeping with our educational mission, Cambridge does not limit its activities to counseling sessions. Cambridge actively promotes financial literacy in our local community by conducting seminars on a wide variety of topics. During the second half of 2012, Cambridge conducted 224 seminars for a combined audience of 2,112 individuals. Entrance and exit testing indicated that the average participant's score improved by 28.9 points as a result of the education we provided.

Financial Wellness Center

During the second half of 2012, Cambridge maintained the majority of its online education resources on a separate website, www.good-payer.com. Recently, however, the content of this site was moved to our main site, and can be viewed at www.Cambridge-Credit.org/GoodPayer. During the final six months of 2012 the original Good-Payer site was visited by nearly 14,000 unique individuals. In those same six months, more than 21,000 educational items were downloaded from this site or from our main Cambridge site. Chart 15 displays the most-often downloaded items.

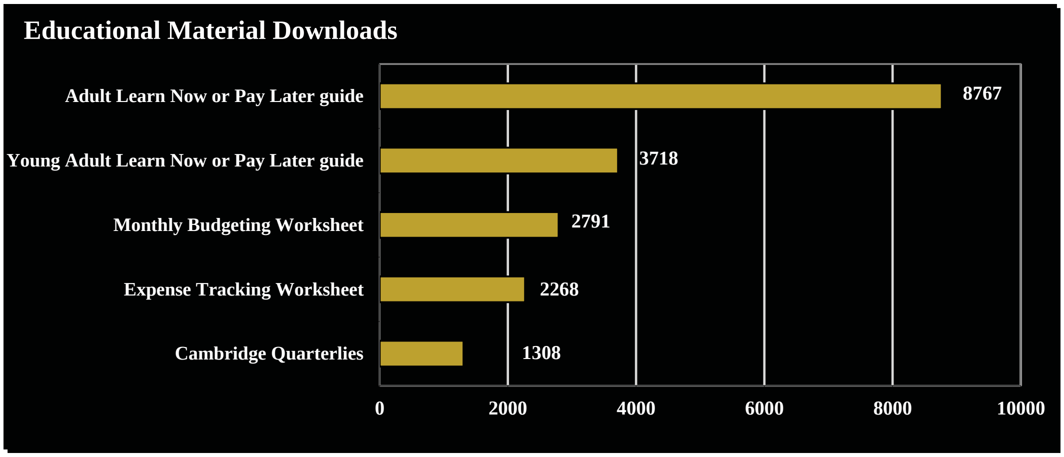

Chart 16

Education Videos

Cambridge also produces a bi-weekly video series about timely financial topics. These videos promote more than basic financial knowledge; they often touch upon specific elements of the economy, the underlying psychological factors associated with debt, and provide information about other useful financial resources available to the public. The videos are posted on www.YouTube.com/CambridgeCredit and are often picked up by financial bloggers and other consumer-friendly websites. The most popular videos from the second half of 2012 are listed in Chart 16.

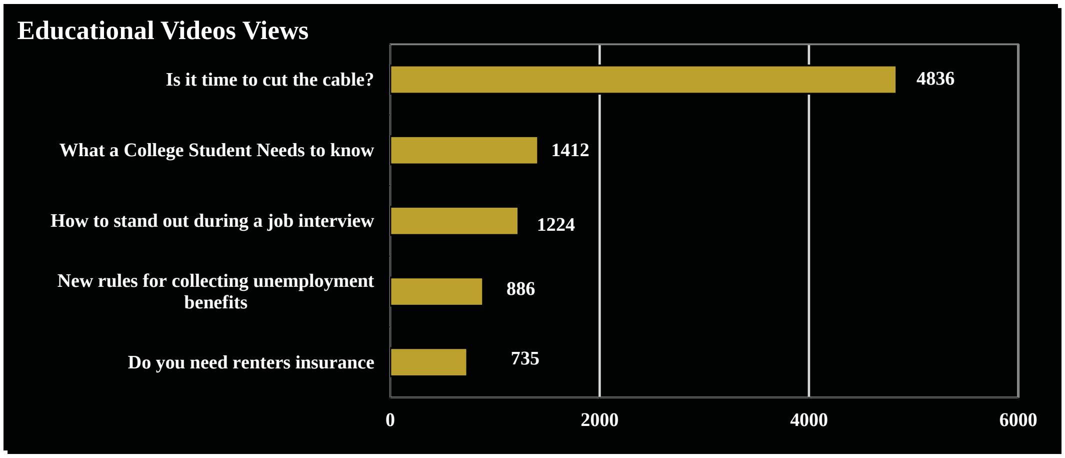

Chart 17

CONCLUSIONS

Cambridge Credit Counseling conceived its Transparency Project as way of communicating to the public what they need to know about credit counseling, intending to clear up misconceptions about what our services can and cannot accomplish.

This particular report provides evidence of the incredibly important role that trust plays in success at every point in the credit counseling process. At Cambridge, trust is established through an extensive initial counseling session and several post-counseling conversations. The process continues with appropriate reinforcement, both by the delivery of promised benefits and through periodic follow-ups conducted by the agency to help ensure that clients begin to change their financial behavior.

The report also explains how trust is transformed into engagement, and that, when coupled with appropriate reinforcement, engagement leads to positive results for the consumer. The converse is also true. If trust is not established early in the course of counseling, or if the level of trust is weak, engagement suffers, reducing the chances of client success.

Cambridge is committed to the continued release of performance and satisfaction data, and we sincerely hope our peers join us in this effort. Cambridge feels that presenting a true picture of the credit counseling profession allows consumers to make more informed decisions about their debt management options. Anyone with questions about this material is encouraged to contact Cambridge at (888) 694-7491, or at transparency@cambridgecredit.org.