GREENBERG QUINLAN ROSNER RESEARCH

PUBLIC OPINION STRATEGIES

July 19, 2006

Public Recognizes Debt as a Fast Growing Problem in U.S.

A Report by Greenberg Quinlan Rosner and Public Opinion Strategies

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Public Recognizes Debt as a Fast-Growing Problem in America

To: Interested Parties
From: Greenberg Quinlan Rosner and Public Opinion Strategies

New national survey of 1,000 adults reveals broad concern about the growing problem of household debt in this country and considerable consensus on how to address this issue.[1]

In a survey of 1,000 adults, we find a public greatly aware of the problem of growing household debt and supportive of policy solutions to this issue. The public's concern about this issue results from perceptions of an economy performing unevenly, from concerns about rising household costs, and, for a large number, from first-hand experience with excess or unmanageable debt. As a result, the public does not see this as a problem primarily facing low-income families, but a growing threat to the American middle-class and the American dream.

Several types of lenders draw intense criticism from respondents, including payday lenders, car finance companies and credit card companies; however, the public does not discount the importance of individual responsibility when it comes to solving this problem. Respondents hold individual borrowers ultimately responsible for their personal finances, more so than lenders or changes in the economy.

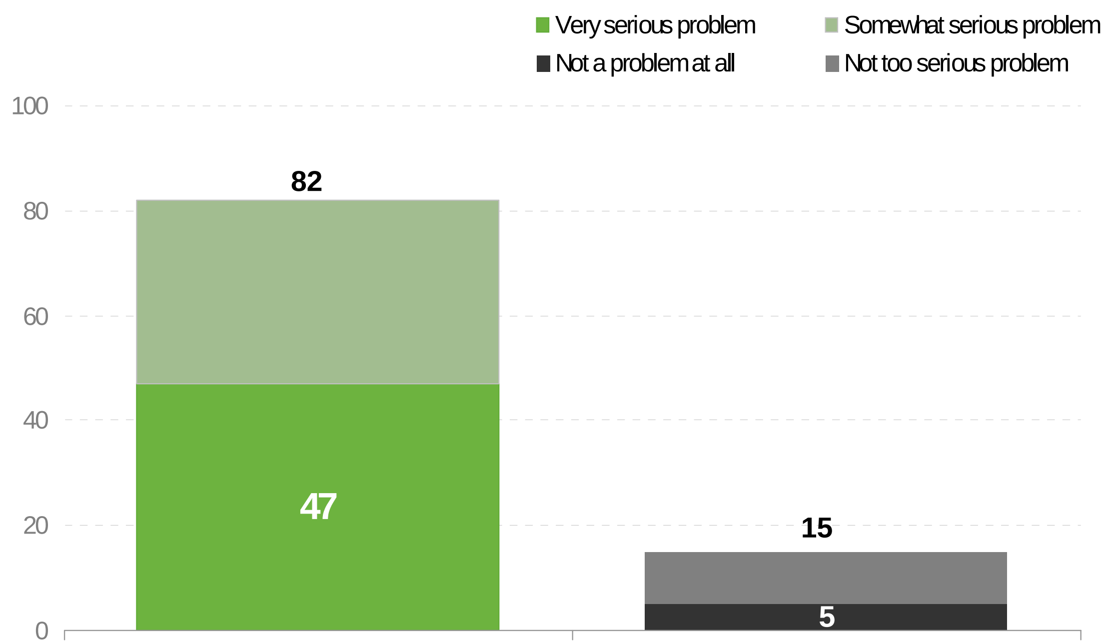
As a result of saliency of the issue and respondents' recognition of individual responsibility, the public responds enthusiastically to policy solutions that enable borrowers to meaningfully exercise personal responsibility, such as savings incentives, financial education, and ending abusive practices.

[1] This survey represents the views of 1,000 adults, age 18 and over, taken between April 13 and April 20, 2006. The survey carries a margin of error of +/- 3.1 percent.

Key Findings

- **The public recognizes the seriousness of the debt issue**. Nearly half (47 percent) describe household debt on items such as credit cards, car loans, home mortgages, and payday loans as a very serious problem; and 82 percent describe it as at least a somewhat serious problem. They also believe the problem is getting worse. A near unanimous number (86 percent) insist the number of Americans having trouble with household debt has gone up in the last five years.

Figure 1:

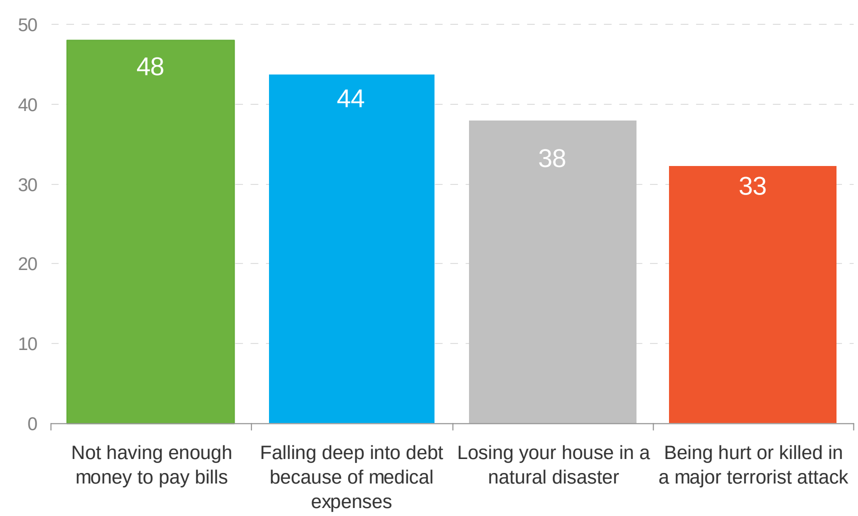


How would you describe the issue of household debt on things like credit cards, car loans, home mortgages and payday loans in this country – a very serious problem, a somewhat serious problem, not too serious a problem, or not a problem at all?

- **The public identifies debt as an obstacle to middle-class families.** By a 79 to 19 percent margin, the public insists this is a problem faced by middle-class families. Interestingly, college graduates are more likely to see debt as a middle-class problem (90 percent) than non-college respondents (73 percent among respondents with no college experience).

- **The public is more worried about falling into debt, particularly from medical bills, than about being the victim of a terrorist attack or natural disaster.** Taken together, 62 percent of respondents expressed concern about at least one debt-related worry.

Figure 2:



For the following list, please tell me how worried you are that this might happen to you personally.

- **The public concern about household debt reflects personal experience with debt and recognition of the challenges in today's economy. Moreover, the public's debt problems naturally follow the arc of respondents' lives and individual economic standing.** Older women and non-college respondents, for example, highlight concerns about medical debt while younger respondents struggle more with college loan debt. Interestingly, however, credit cards are the leading source of debt among seniors (38 percent), higher than any other generational subgroup.

Personal Experience with Debt

- Only 51 percent are able to pay off their entire credit card bill every month.
- One-third (33 percent) carry (non-mortgage) debt of over $10,000.
- Thirty-five percent (35 percent) say their level of debt has gone up over the last five years.
- Higher costs of living and problems in the economy are the reasons half (48 percent) these respondents give for their debt increase.

- Credit unions and banks, in general, enjoy a good reputation, but other lenders including credit card companies (15 percent favorable to 56 percent unfavorable), car finance companies (19 percent favorable to 40 percent unfavorable), and payday lenders (7 percent favorable to 57 percent unfavorable) draw considerable criticism. It is notable that credit card companies fare no better than payday lenders on this measure.

- **The public believes that individuals are also responsible for their own personal finances.** Indeed, when asked who or what is most responsible for this problem, 35 percent identify individual borrowers, 24 percent identify the economy, 23 percent identify government, and 10 percent blame various lending institutions.

The public is very supportive of a range of policy solutions to this problem, the most popular of which empowers and protects borrowers to make better decisions and provide more incentives for people to save money:

Table 1:

Please tell me if you favor or oppose the following suggestions for addressing the household debt problem.

	Total Favor	**Total Oppose**
Providing more incentives for people to save money.	93	5
Creating stronger requirements that companies explain their charges in simple, uncomplicated language.	92	7
Providing more education and counseling to consumers.	92	6
Lowering the cost of living with things like affordable health care, housing assistance and low-cost student loans.	88	10
Cracking down on abusive practices by lending companies.	87	11
Providing an easy to understand government rating system on financial practices that tells people how fair a product is to customers.	86	12
Passing rules that would prevent lending institutions from engaging in abusive practices that would put consumers in unaffordable debt.	85	13
Putting a cap or limit on the rate of interest credit card companies can charge, even if it means some people will not have access to credit cards.	83	15
Banning credit card companies from raising their interest rates if you make all your payments on time, even if you miss some payments on other debts you owe.	77	20
Increasing competition by increasing incentives to reputable lending institutions to compete with pay-day lenders in low-income neighborhoods.	67	24

- **These policy solutions enjoy wide support among very diverse elements in the American public.** Democrats and Republicans, conservatives and liberals, older and younger, college educated and non-college educated all embrace common-sense reforms to resolve the debt problem in the country.

Table 2:

Please tell me if you favor or oppose the following suggestions for addressing the household debt problem. (total percent responding "favor")

	Democrats	Republicans	H.S. or Less	College Graduate
Providing more incentives for people to save money	94	93	91	95
Creating stronger requirements that companies explain their charges in simple, uncomplicated language.	91	92	90	93
Cracking down on abusive practices by lending companies.	87	82	81	93
Lowering the cost of living with things like affordable health care, housing assistance and low-cost student loans.	96	81	88	86
Providing more education and counseling to consumers.	96	91	92	94
Passing rules that would prevent lending institutions from engaging in abusive practices that would put consumers in unaffordable debt.	87	82	81	90
Putting a cap or limit on the rate of interest credit card companies can charge, even if it means some people will not have access to credit cards.	85	84	81	85
Providing an easy to understand government rating system on financial products that tells people how fair a product is to consumers.	88	84	85	87
Banning credit card companies from raising your interest rates if you make all your payments on time, even if you miss payments on other debts you owe.	78	77	71	82
Increasing competition by giving incentives to reputable lending institutions to compete with pay-day lenders in low-income neighborhoods.	71	67	68	65

Conclusion

There is no shortage of issues for policy makers to tackle this year, from national security to energy to health care. However, as it continues to impact more families, rising debt should also be included in the political and academic debate. Debt affects many families and touches directly on the economic anxiety so central to the public's current mood and thinking. Concerns about debt are directly related to perceptions of the middle-class squeeze, families struggling with rising medical costs, higher energy bills and tuition inflation. Moreover, debt is transferable and will affect many generations to come. Just as this generation will hand down a huge national debt to its children and grandchildren, it will also pass a huge household debt to succeeding generations.

Perhaps most importantly, while the debt issue is a vast problem, reasonable and effective policy solutions find consensus that is rare in the American public. Americans may not agree on the best way to end the crisis in Iraq, or on the best way to expand affordable health care but when it comes to addressing debt, huge majorities of respondents embrace policy solutions that address abusive lending practices and empower borrowers to make better decisions.