

# Helping Wisconsin Residents Get a Fresh Financial Start



**“We plan to be more aware of what we are spending, make some specific financial goals and talk about how we are doing financially. ...The credit counseling session was very helpful.”**

*—Participant in Ozaukee County credit counseling session conducted by UW-Extension family living educator*



## Situation

A slow economy leading to layoffs and business closings, combined with rising energy and food prices finds many in Wisconsin—and across the country—considering bankruptcy.

Many circumstances can bring people to the point of filing for bankruptcy. Job loss, credit card debt, lack of adequate health insurance and costly medical bills are frequently the catalysts that push people to file.

Individuals on limited incomes, such as older adults or people with disabilities who depend on Social Security, are also turning to bankruptcy as a last resort.

Whatever the cause, the result is the same—the number of people filing for bankruptcy has increased substantially—more than 100% since 1990.

## Response

In 2005, Congress passed new legislation dealing with bankruptcy. The new law stipulated that people filing for bankruptcy must: 1) complete pre-bankruptcy credit counseling; and 2) follow up with a debtor education session from a professional certified by the Office of U.S. Trustee.

UW-Extension family living educators recognized that the newly required credit counseling and debtor education sessions were similar to the financial education programs they were already conducting in many counties around Wisconsin.

In some counties, no local agencies existed to provide the mandated financial counseling. To ensure that county residents had access to a local resource to fulfill the requirement, family living educators from 15 counties received professional certification from the Office of the U.S. Trustee that allowed them to conduct pre-bankruptcy credit counseling and debtor education. (A list of counties offering bankruptcy debtor education is found at: [http://www.uwex.edu/ces/flp/economics/files/081106\\_debtored-sites.pdf](http://www.uwex.edu/ces/flp/economics/files/081106_debtored-sites.pdf)).

Attorneys began referring individuals or families to certified family living educators for the required pre-bankruptcy credit counseling and debtor education. (Note: As of August 2008, family living educators provided only debtor education.)

In the credit counseling sessions, educators met with individuals or couples to discuss their financial situation and assist them in making choices to meet their financial obligations.

Some of the topics covered included:

- Distinguishing between “wants” and “needs.”
- Examining existing spending patterns and tracking spending.
- Finding ways to modify spending to live within existing incomes.
- Developing a spending plan.

The debtor education sessions, which occurred before the bankruptcy was discharged in court, focused on the future and on ways for people to get a fresh start. In some counties, family living educators conducted debtor education sessions in a class setting; in others, sessions were on an individual basis. A number of bankruptcy clients asked to bring friends or spouses to the sessions for added support in developing their new financial habits.

Whether the sessions were held in a group or one-on-one, family living educators helped participants learn basic financial management practices, including:

- Evaluating their attitudes and values about money and their spending habits.
- Increasing skills in credit management.
- Taking steps to re-establish a better credit history.

Family living educators explored options and alternative ways to help people achieve their financial goals, but final decisions about how to accomplish those goals were up to the participants.

## Outcomes

- In 2007-2008, UW-Extension family living educators issued 336 certificates to individuals in Wisconsin, verifying their participation in the credit counseling sessions. Certificates for completing debtor education through UW-Extension were given to 300 individuals.
- In evaluations after the debtor education sessions, 99% of participants indicated that they had learned something they could use. Ninety-eight percent said they would begin using a budget at home. In Ozaukee County, for example, 96% of those who attended either credit counseling or debtor education wrote that they planned to: “create an action plan for moving to new housing”; “talk with the family about money”; “not go further into debt but live on the money I have”; and “look closely at money going out versus income.” One participant commented about the sessions: “Very useful information! Wish I’d had it long ago.”
- Family living educators documented the changes in the knowledge and behavior cited by individuals completing the sessions. Some of these changes included participants’ plans to track future spending, start a savings account, budget their money better, think more clearly about spending habits and make changes leading to more financial security.
- When they returned for debtor education, participants acknowledged the changes they had made in their financial behaviors since the first credit counseling appointment.

By conducting financial education programs that help Wisconsin residents fulfill the requirements of bankruptcy laws, UW-Extension family living educators helped individuals and families take the first steps to rebuild their lives.

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**“Very informative;  
good ideas about  
watching where your  
money goes; better  
understanding about  
the bankruptcy  
process.”**

—Participant in Dodge  
County financial education  
sessions conducted by UW-  
Extension family living  
educator

