



TO FIGHT EXCLUSION,
THE BEST WAY TO
PREDICT THE FUTURE
IS TO CREATE IT.

(Peter F. Drucker)



CRÉSUS®

Crésus France (EFIN member)

The cost of over-indebtedness : The importance of prevention and early detection - A case study -

PEKKIP Maxime

Chargé de mission prévention du
surendettement

CS OIB

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Traduction : Claire Bratz - expert bénévole



French acronym for
Chambre **R**égionale du
Surendettement **S**ocial

(Regional Chamber of
Social Debt Relief)

CRÉSUS is a charitable organization founded in 1992 in Alsace by certified public accountant Michel Knoell and judge Claude Beau.

Their initial aim was to help people in need fill out their debt relief applications and submit them to the Bank of France's Strasbourg branch.

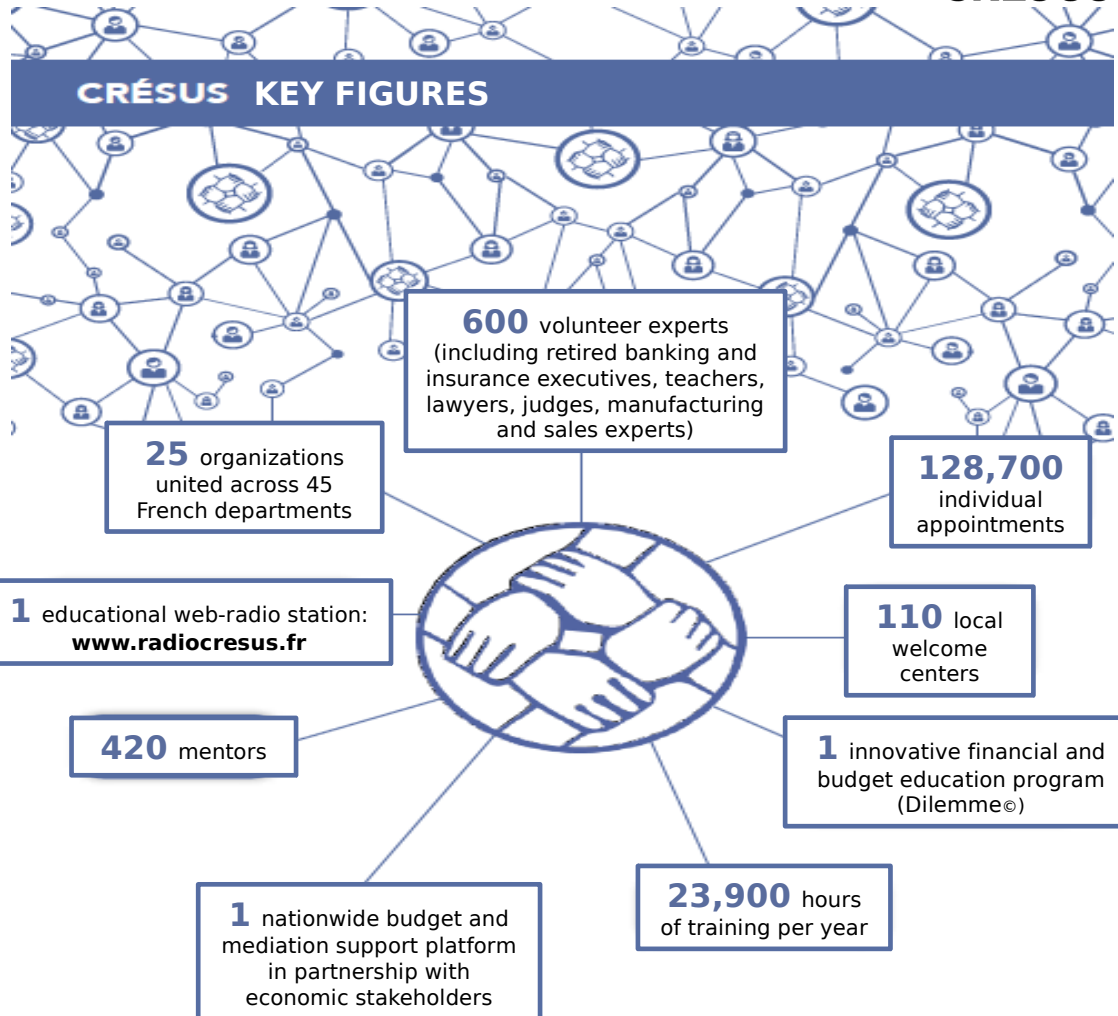
2000: Creation of a nationwide federation

2008: Creation of a socially and economically innovative foundation

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Overindebtedness

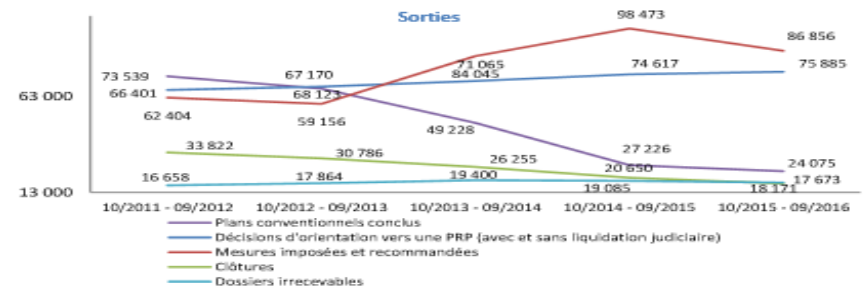
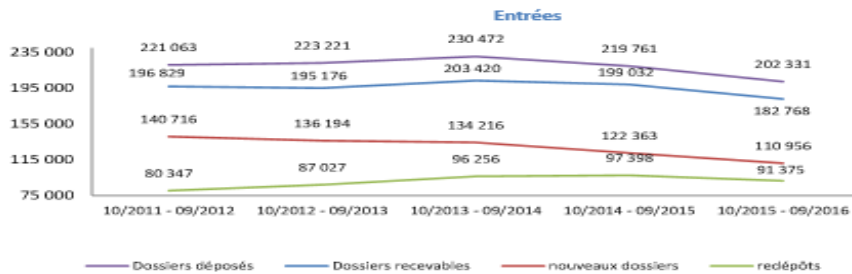


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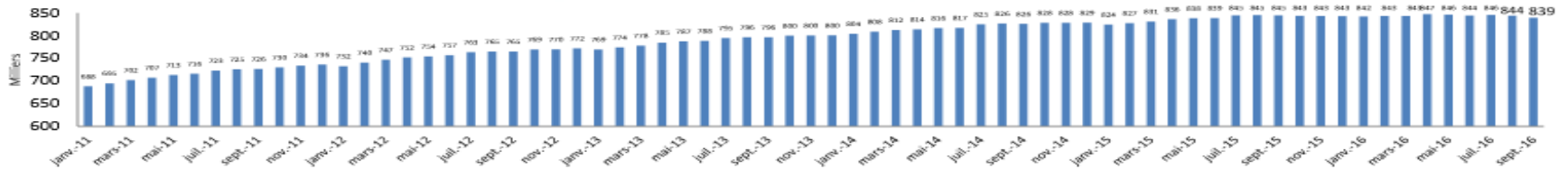
According to Article L. 331-1 of the French Consumer Code, regarding individuals, overindebtedness is defined as a situation in which debtors acting in good faith are clearly unable to meet the whole of their professional debts due or falling due.

Données d'activité au cours des cinq dernières années

	10/2011 - 09/2012	10/2012 - 09/2013	10/2013 - 09/2014	10/2014 - 09/2015	10/2015 - 09/2016	Cumul sur 5 ans glissants
ENTREES						
Dossiers déposés	221 063	223 221	230 472	219 761	202 331	1 096 848
nouveaux dossiers	63,7%	61,0%	58,2%	55,7%	54,8%	58,8%
redépôts	36,3%	39,0%	41,8%	44,3%	45,2%	41,2%
Dossiers recevables	196 829	195 176	203 420	199 032	182 768	977 225
SORTIES						
Plans conventionnels conclus	73 539	67 170	49 228	27 226	24 075	241 238
Décisions d'orientation vers une PRP (avec et sans liquidation judiciaire)	66 401	68 123	71 065	74 617	75 885	356 091
Mesures imposées et recommandées	62 404	59 156	84 045	98 473	86 856	390 934
dont mesures immédiates élaborées par les commissions	0	0	32 384	69 491	59 268	161 143
dont mesures consistant en une suspension d'exigibilité	18 133	17 452	32 319	38 593	29 084	135 581
Clôtures	33 822	30 786	26 255	20 650	17 673	129 186
Dossiers irrecevables	16 658	17 864	19 400	19 085	18 171	91 178



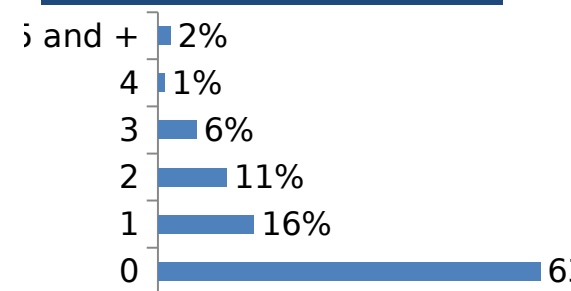
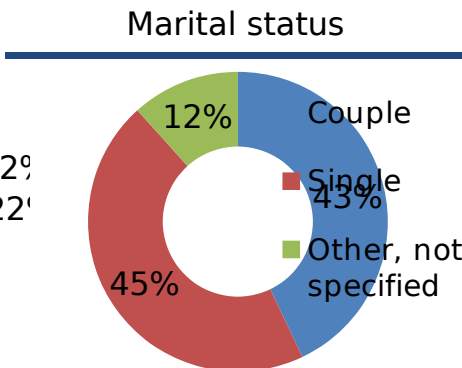
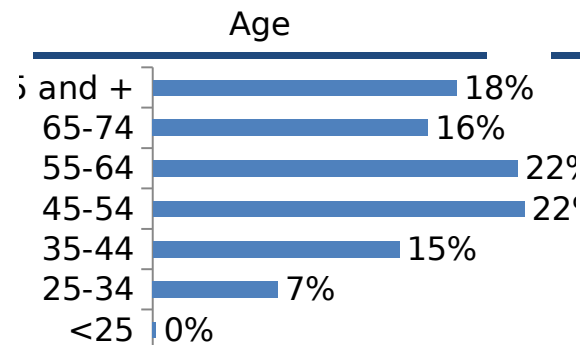
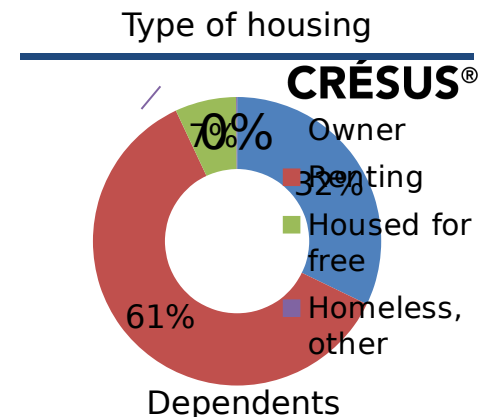
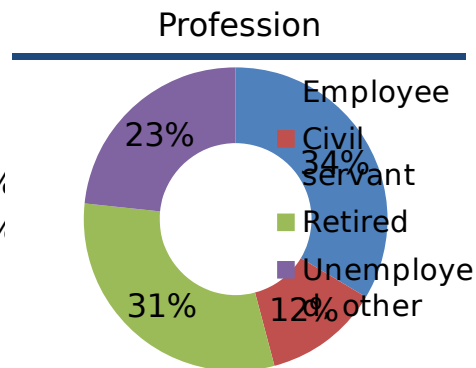
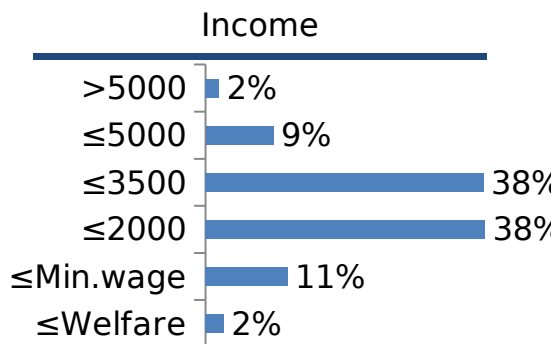
Ménages en situation de désendettement depuis janvier 2011



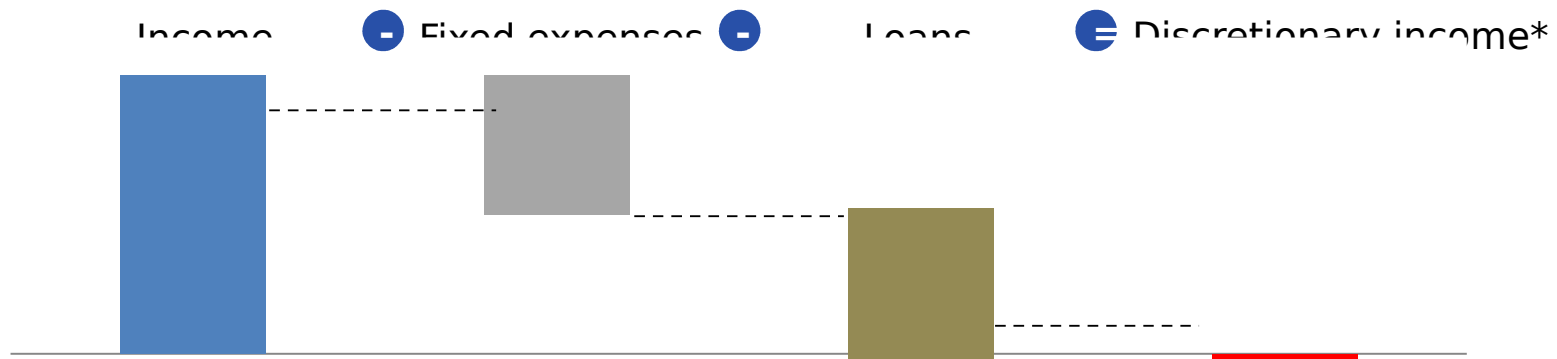
Who's affected by overindebtedness?



Profile of CRÉSUS counselees



Average budget of CRÉSUS counselees



* Discretionary income corresponds to the portion of the budget that is left over after fixed expenses and monthly loan payments: it is the amount of money available to spend on food, hygiene, clothing, leisure activities, etc.

Budget analysis: Identifying warning signs



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Variables used to assess debt levels

Items assessed

Income	Fixed expenses	Loans	Discretionary income*
<ul style="list-style-type: none"> Total income Income per consumer unit Income trend Source of income Overdraft / Income Profession Income stability Time to retirement Upcoming retirement Assets 	<ul style="list-style-type: none"> Total fixed expenses Fixed expenses per consumer unit Type of housing Rent Taxes Energy bill Insurance Phone bill Transportation 	<ul style="list-style-type: none"> Total number of loans Number of loans paid off Number of revolving loans Monthly loan payments Potential monthly payments after mediation Outstanding Balance (OB) OB trend OB / Income OB / Income per consumer unit OB / Monthly loan payments Debt load Debt consolidation loan taken out Debt relief application filed Ongoing legal proceedings Outstanding debt Late payment Other debt 	<ul style="list-style-type: none"> Discretionary income (DI) DI per consumer unit Consumer units (INSEE definition) Marital status Number of dependents Checking account balance Potential DI after mediation Potential DI per consumer unit after mediation Discretionary income (DI)

These interdependent variables should all be taken into account in a budget analysis: they help assess a consumer's debt level

* Discretionary income corresponds to the portion of the budget that is left over after fixed expenses and monthly loan payments: it is the amount of money available to spend on food, hygiene, clothing, leisure activities, etc.



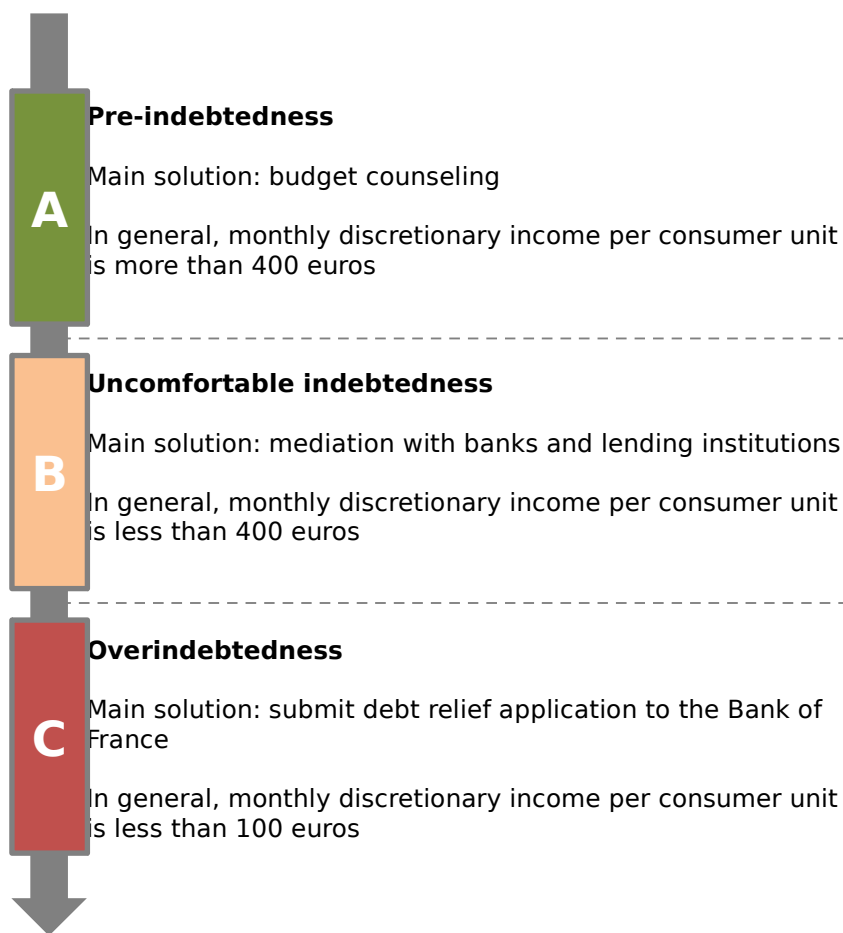
From pre-indebtedness to overindebtedness

Debt level assessed by CRÉSUS experts

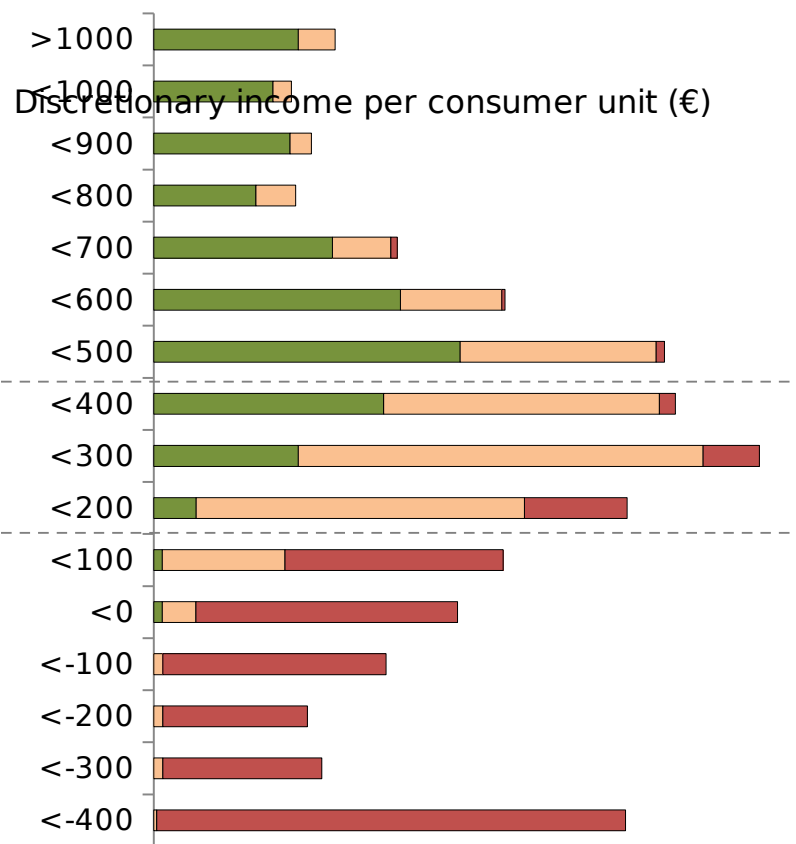


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Development of overindebtedness and assessment of debt levels



Breakdown of households assessed by discretionary income per consumer unit*



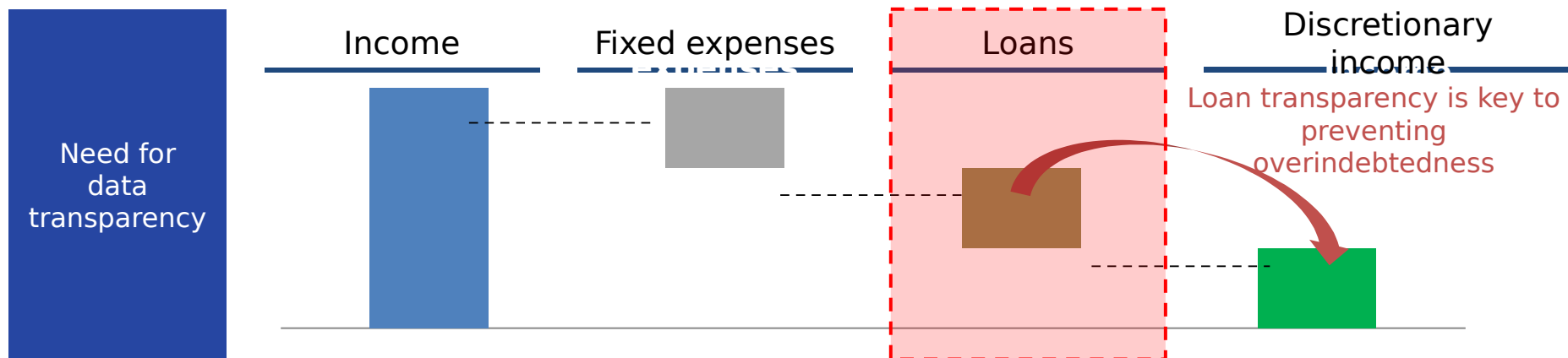
* Counselees are classified as Type A, B or C by CRÉSUS' budget counselors based on their discretionary income as well as any other personal, legal or historical circumstances that may affect their situation.

Identifying early warning signs

Confirmation: debt level depends on discretionary income, therefore also on loan balances



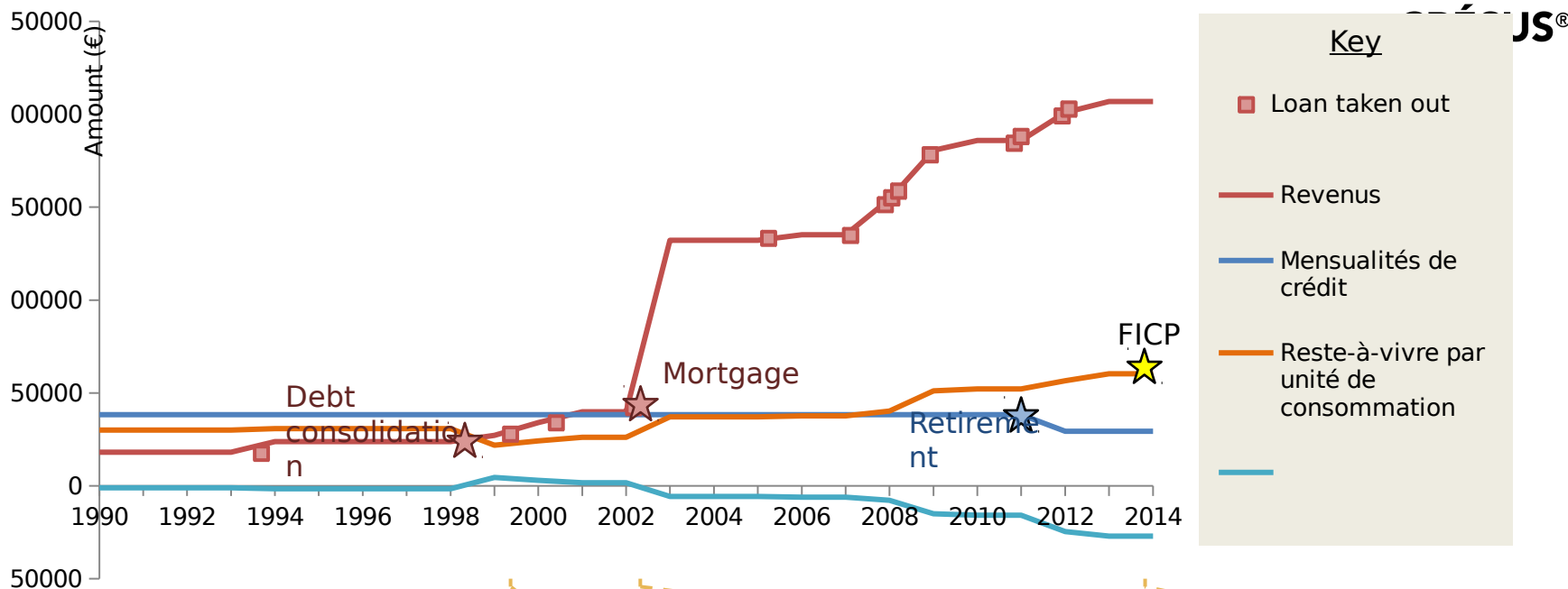
	Variables (average)	A	C	Difference between A and C
Very significant variables	Discretionary income / Consumer units	609	-326	-154%
	Outstanding balance / Monthly income	13.6	27.2	+100%
	Debt load	30%	65%	+117%
Significant variables	Monthly loan payments	870	1,374	+58%
	Total number of loans	4.6	6.1	+31%
	Number of revolving loans	2.6	3.8	+46%
	Outstanding balance	42,133	61,224	+45%
	Discretionary income	884	-421	-148%



Need for data transparency

Case study: Mr. X

Overindebtedness could have been avoided 16 years earlier



	1999	2002	2014
Thresholds crossed for each item	After taking out a debt consolidation loan, his situation is manageable, but this additional loan leaves him with too little discretionary income and triggers a chain reaction	The situation is already irreversible but he takes out a mortgage and speeds up the chain reaction: 11 additional loans will be taken out	First payment incident registered in France's National Database on Household Credit Repayment Incidents (FICP): the first sign of overindebtedness, which appears 16 years too late
Discretionary income per consumer unit	400	100	-2,225
Outstanding balance / Monthly income	10	20	48
Debt load	60%	70%	205%

Referrals:

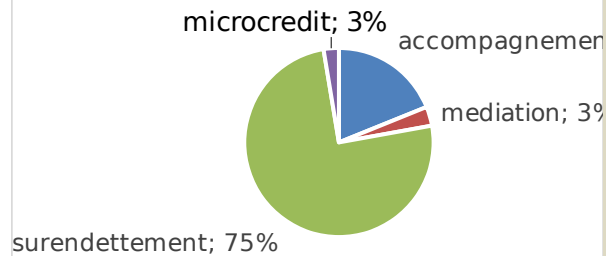
Orientation and segmentation by source, as early as possible



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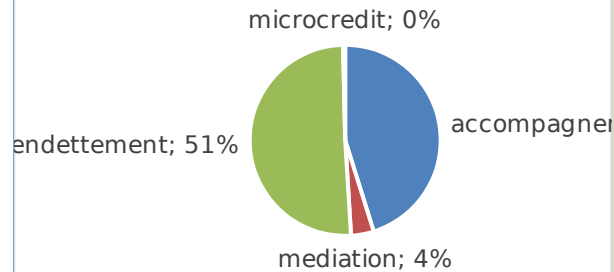
Open to the public
Orientation toward social workers,
Bank of France

CRÉSUS branches



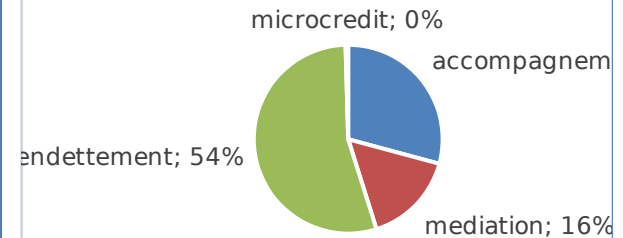
Referrals by social housing operators, supplementary healthcare providers, energy providers, employers (except banking sector)

Social

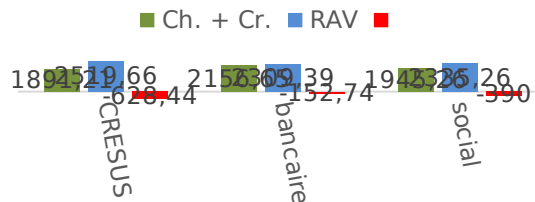


Referrals by lending institutions: Collections, overindebtedness, HR or specific departments

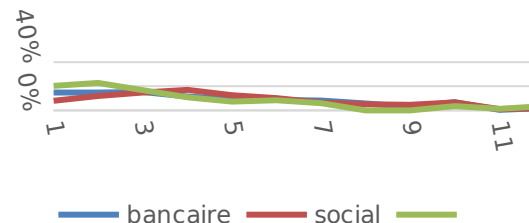
Banking



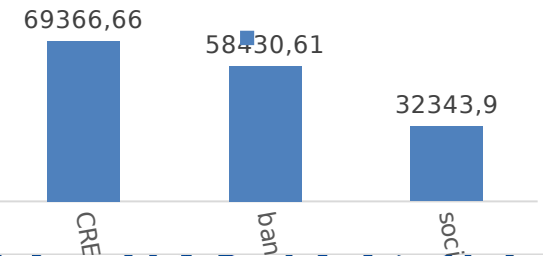
Budget



Nbre Credits



AVERAGE OB

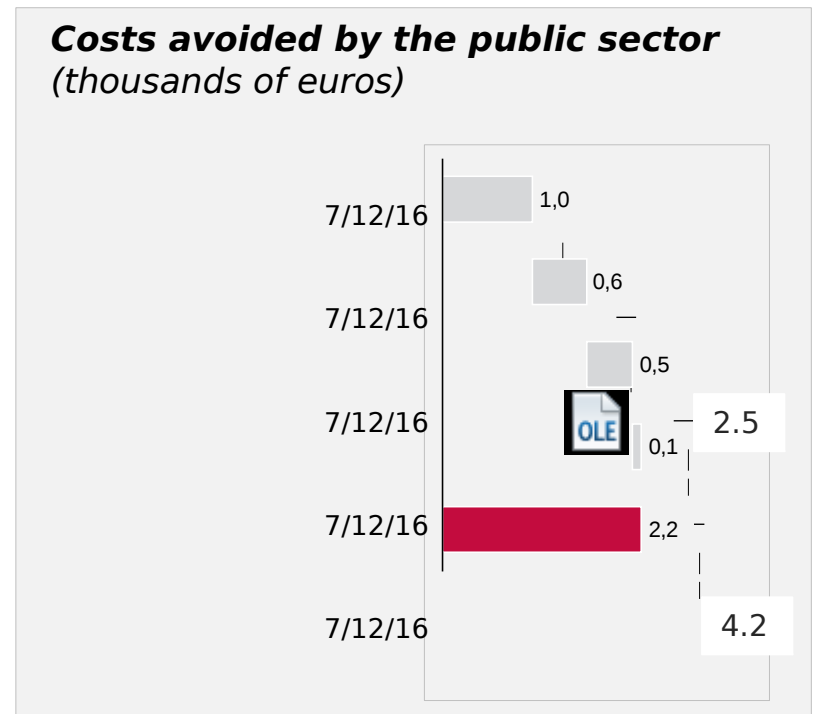
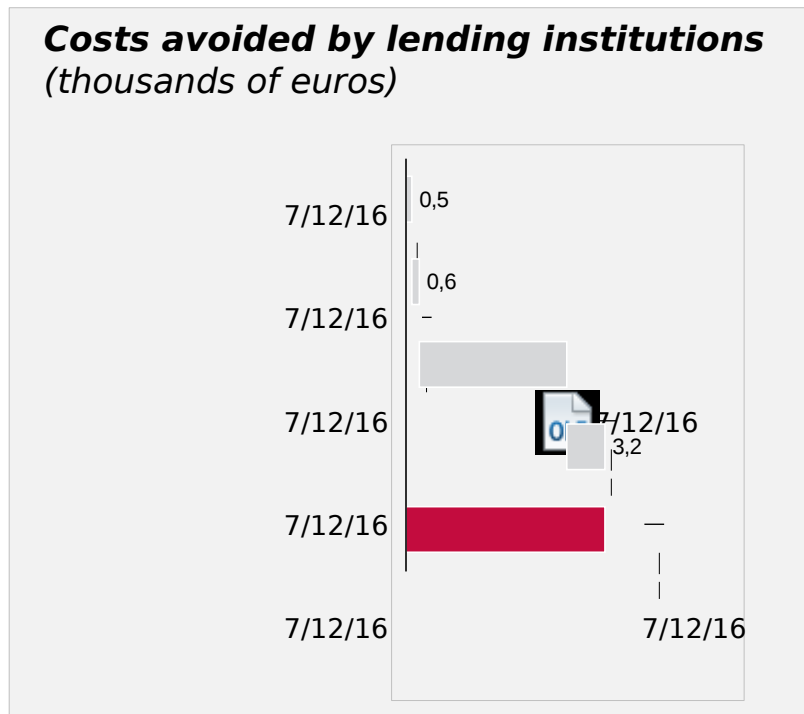




Costs avoided by the public sector and lending institutions

For each debt relief application avoided, the average estimated cost avoided by CRÉSUS is:

- **€2,200** for the public sector
- **€16,800** for lending institutions



The **7,441 applications avoided per year** represent total savings of:

- **€125m** for lending institutions
- **€15m** for the public sector





Method for calculating costs avoided/reduced



Calculation of savings for lending institutions and the public sector thanks to action taken by CRÉSUS

Items taken into account in calculating costs avoided/reduced

Initially borne by lending institutions

- ✓ 7/12/16
- ✓ 7/12/16
- ✓ 7/12/16
- ✓ 7/12/16

Initially borne by the public sector

- ✓ 7/12/16
- ✓ 7/12/16
- ✓ 7/12/16
- ✓ Tax debt rescheduling

Items not taken into account in financial calculations

Initially borne by local governments:

- ✓ Costs related to **health issues** affecting the overindebted individuals:
 - ▢ Depression
 - ▢ Consumption of anti-anxiety medicine
 - ▢ Sick leave, etc.
- ✓ Costs related to associated **legal proceedings**:
 - ▢ Demands for payment made by various creditors
 - ▢ Disputes lodged as to whether debtor acted in good faith upon submission of application
 - ▢ Appeal proceedings if the Bank of France deems debtor's request inadmissible

Social issues that are hard to quantify resulting from overindebtedness that are limited by offering counseling to overindebted individuals: divorce, depression, suicide, etc.



Budget counseling to resolve minor difficulties through budget updates and regular support

DI > €400

- Moral and psychological support
- Budget drawn up with counselee, expense management counseling
- Budget advice and recommendations
- Monthly follow-up with CRÉSUS counselor, then quarterly, then annually
- Expense optimization
- Building up precautionary savings



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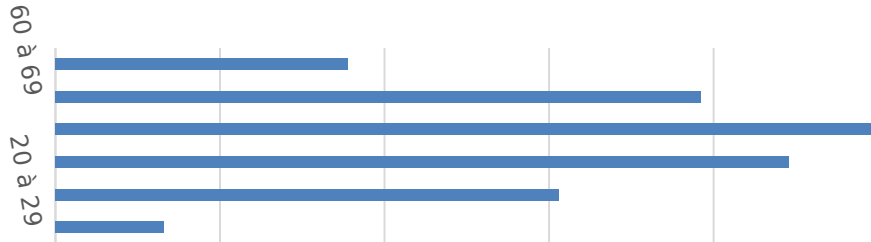
Profile of Type A/B counselees



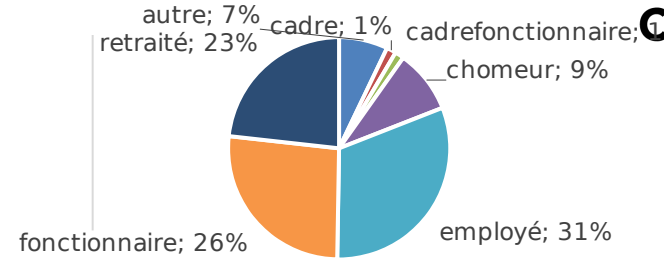
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Average age
52.01 years old

Age

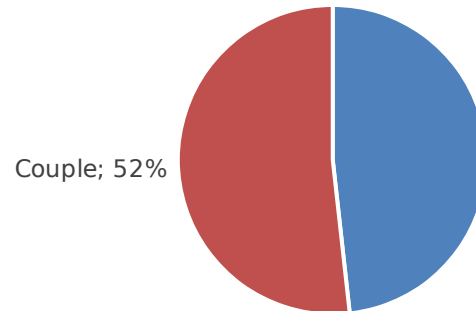
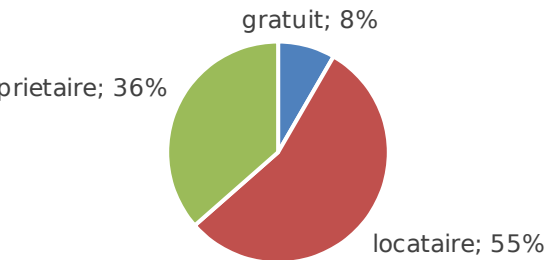


Profession

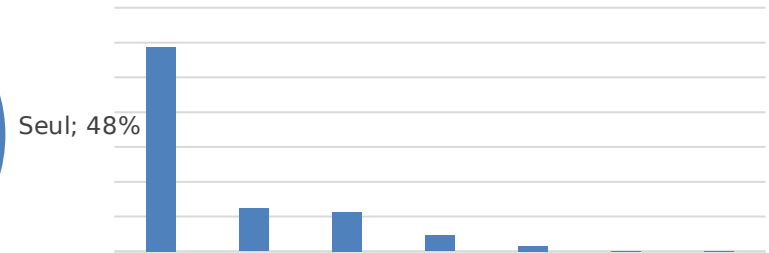


Type of housing

Marital status



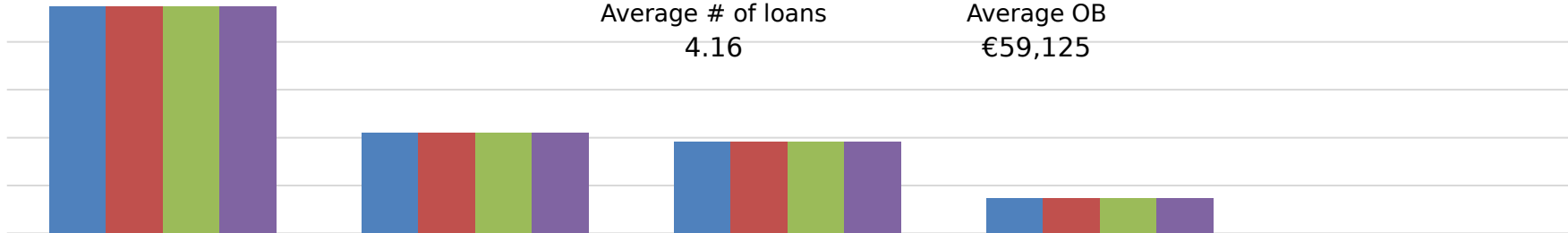
Dependents



2370,83

Average # of loans
4.16

Average OB
€59,125



CRÉSUS offers financial mediation for counsees with multiple loans, along with budget counseling

€100 < DI < €400

- Transparent overview of each counselee's budget and commitments
- Counselee's repayment capacity and discretionary income determined
- Simulation of each payment under the restructuring proposal (duration, rate, etc.)
- Restructuring proposal sent to each creditor bank and lending institution

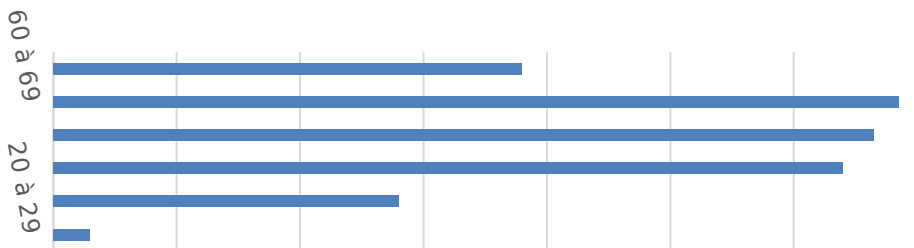


Profile of counselees in mediation

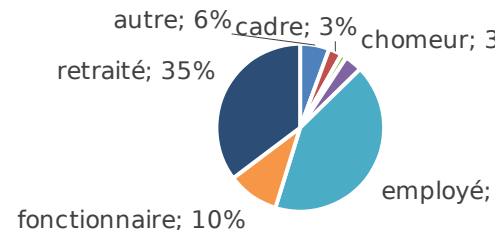


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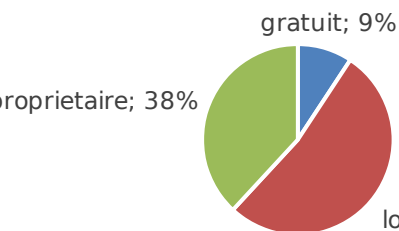
Average age
55.27 years old



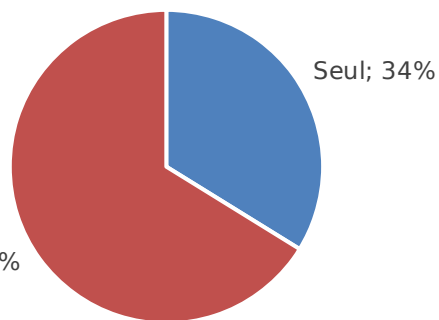
Profession



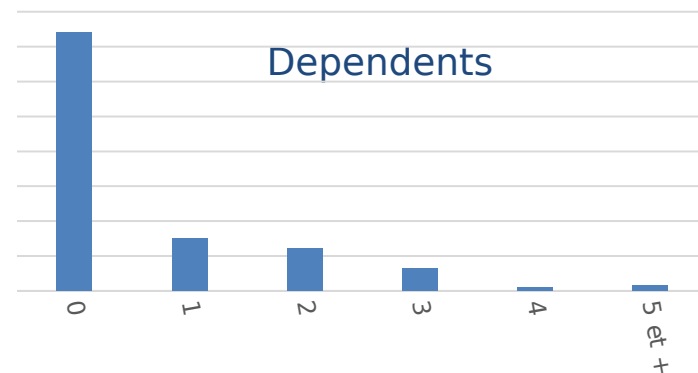
Type of housing



Marital status



Dependents



2878,97

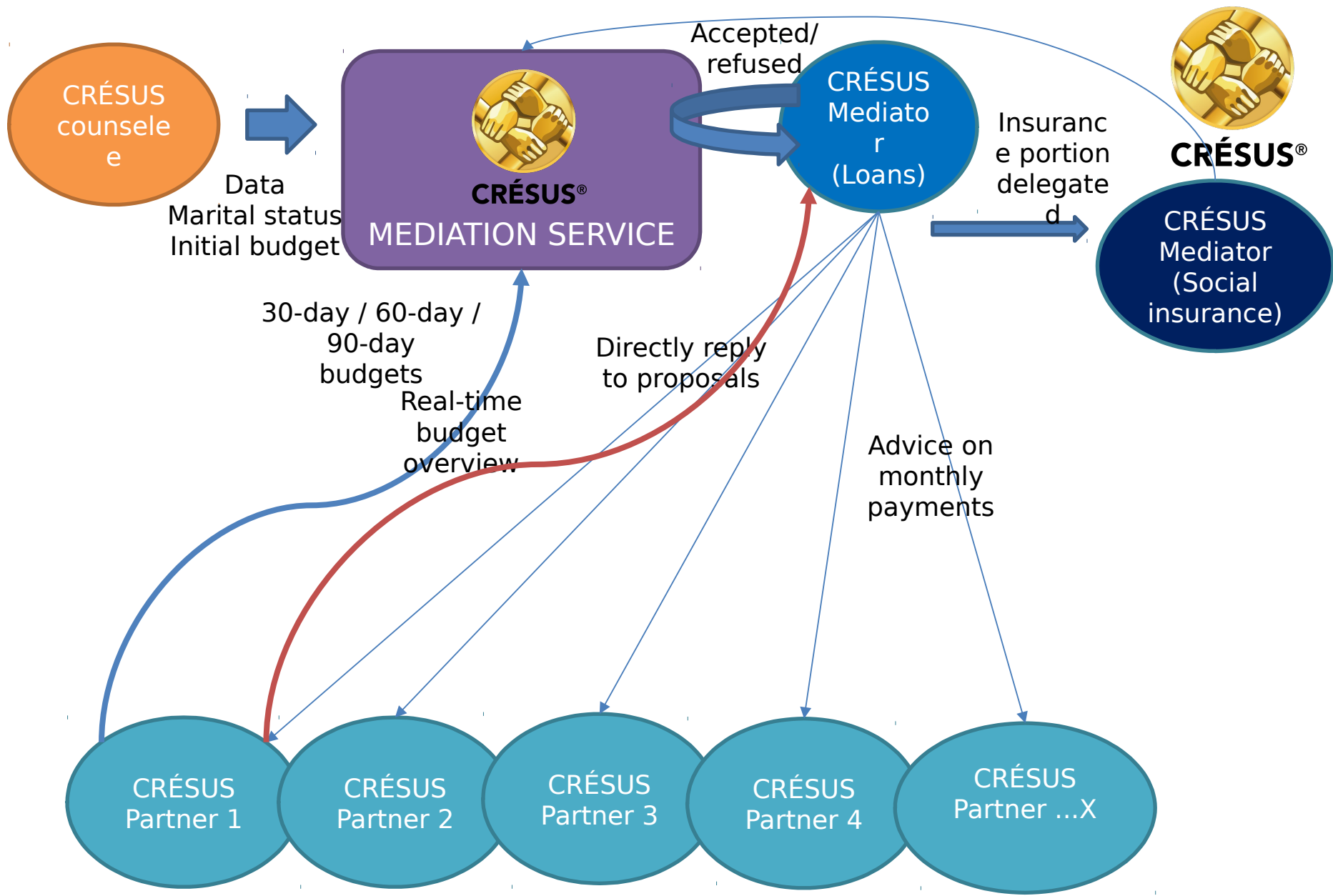
Average # of loans

6.84

Average OB

€65,791





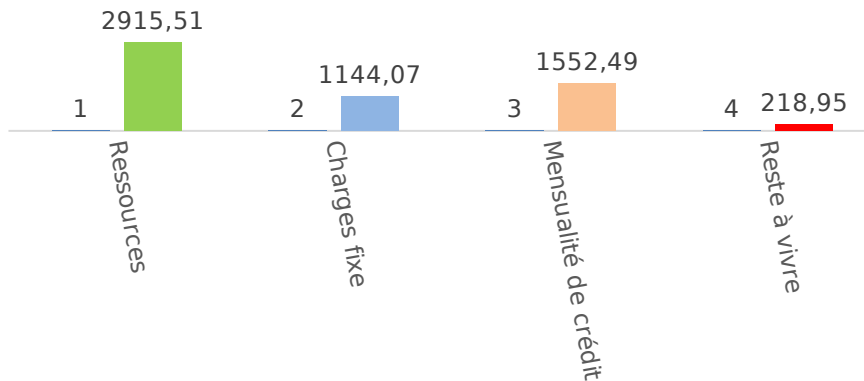
Overview of approved mediation applications



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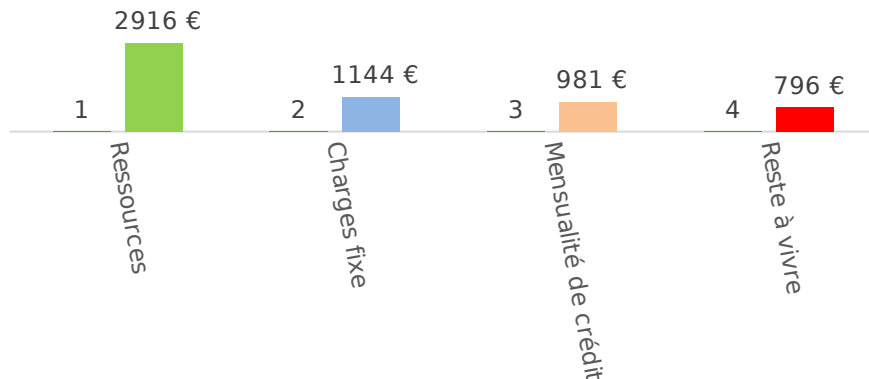
OB €74,757

BEFORE



Debt load: 52%

AFTER



Debt load: 34%

CRÉSUS has developed a communication system that speeds up the mediation process and lets partners view budgets in real time

€571 SAVED

Average processing time: 70 days



Help submit a debt relief application to the Bank of France

DI < €100

For overindebted households for whom counseling and mediation are not enough to achieve adequate discretionary income.

- Help filling out a debt relief / personal bankruptcy / grace period application
- Help with liquidation / insolvency proceedings (if self-employed)
- Procedural assistance
- Help resolving disputes with creditors
- Help resubmitting applications
- Help understanding official rulings
(moratorium, personal recovery proceedings, plan, etc.)



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