



LegalShield™

# Consumer Stress Legal Index

December 2023

# About the LegalShield Consumer Stress Legal Index

- The LegalShield Consumer Stress Legal Index (CSLI) is a suite of leading indicators of the economic and financial status of U.S. households.
- The CSLI and sub-indices are constructed from LegalShield's proprietary data. Launched in 2018, the CSLI is based on a dataset of over 35 million consumer requests for legal assistance dating to 2002. The index examines findings from approximately 150,000 calls received monthly from U.S. consumers seeking legal help.
- This data is powerful, sourced directly from a large set of consumer actions, not survey results. Free from common survey challenges such as completion time and participants' availability, it offers clear insight into moments when consumers are compelled to seek legal help due to significant life impacts.
- Each request is logged as an "intake" in one of roughly 90 unique areas of law depending on the nature of the request. Each sub-index reflects the number of intakes in an area of law as a share of total intakes across all areas of law in a given month.
- The CSLI is comprised of three sub indices: Bankruptcies, Foreclosures, and Consumer Finance.
- The Consumer Stress Legal Index is a leading indicator of the Conference Board Consumer Confidence Index in the United States, with a correlation level of -0.85 with an approximate lead time of 60-90 days.



# Interpreting Each Component of the Index

## CONSUMER STRESS LEGAL INDEX

Consumer spending accounts for more than two-thirds of U.S. economic activity. The flagship Consumer Stress Legal Index tends to lead the Conference Board's Consumer Confidence Index by one to three months. The CSLI also provides a useful "hard" data check on the Consumer Confidence Index and similar measures of consumer confidence that are based on "soft" survey data, as these measures are not always consistent with underlying economic conditions.

## BANKRUPTCY INDEX

Bankruptcy data provide an important insight into the overall financial health of consumers and businesses. As witnessed during the Great Recession of 2008-09, an uptick in bankruptcies can foreshadow significant turmoil within the economy. The Bankruptcy Index tends to lead the trajectory of total bankruptcies by two quarters, providing an early warning signal of an economic downturn.

## FORECLOSURE INDEX

A rise in foreclosures often signals a worsening of household finances, as households typically delay payments on other debt obligations in order to pay their mortgages on time. The Foreclosure Index closely tracks foreclosures as reported each quarter by the Mortgage Bankers Association.

## CONSUMER FINANCE INDEX

Consumer finance issues manifest in many forms including billing disputes, repossessions, credit challenges, and loan defaults. These varying items are an indication of financial stress that prompt consumers to seek legal guidance to resolve.

# Consumer Stress Legal Index

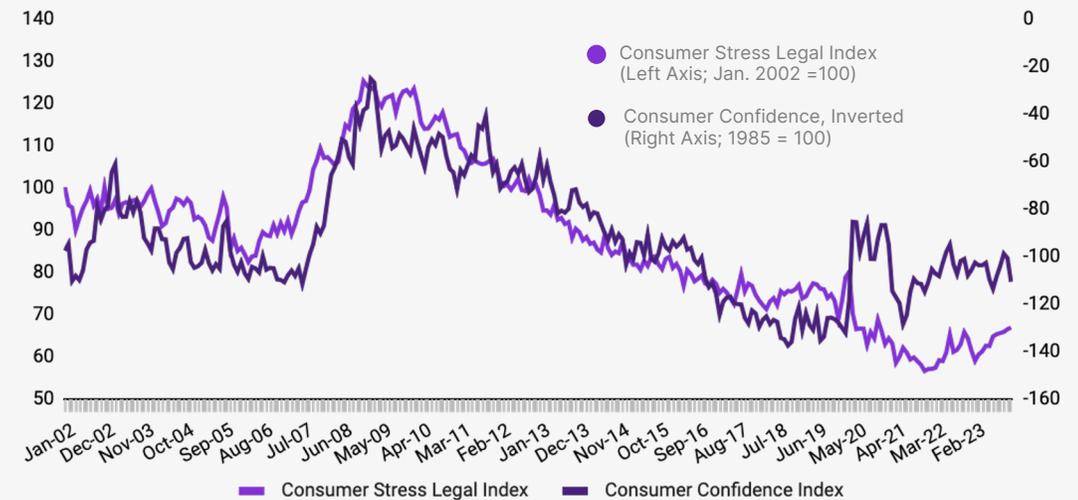
**Summary:** In December, the CSLI increased for the 10th straight month, reaching its highest level since November 2020. The index increased **0.4** points from November to **66.7**. The index increased 2.6 points from December 2022, an **4.1%** increase year over year.

**What It Means:** Consumers are facing increasing pressures on everyday finances. The rise in the CSLI is driven by upticks in bankruptcies and foreclosures, especially among Millennials and Gen X. Its recent months-long rise aligns with Federal Reserve interest rate hikes that started in March 2022.

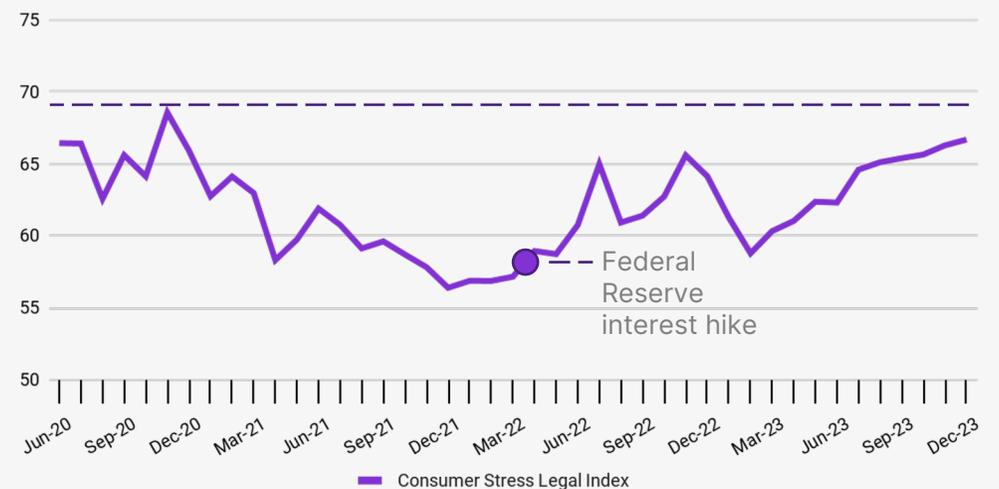
While macro economic data indicates robust GDP growth, easing of inflation and a strong jobs report, the CSLI indicates continued stress on U.S. consumers' ability to cover monthly bills and necessities.

**Outlook:** As a leading indicator of the Conference Board's Consumer Confidence Index, the December CSLI indicates a decline in the CCI in early 2024. Continued year-over-year increases in inflation, sustained high interest rates, and the resumption of student loan repayments are key contributors to not only our current consumer stress readings, but are leading indicators that consumer stress will continue to rise in the near term.

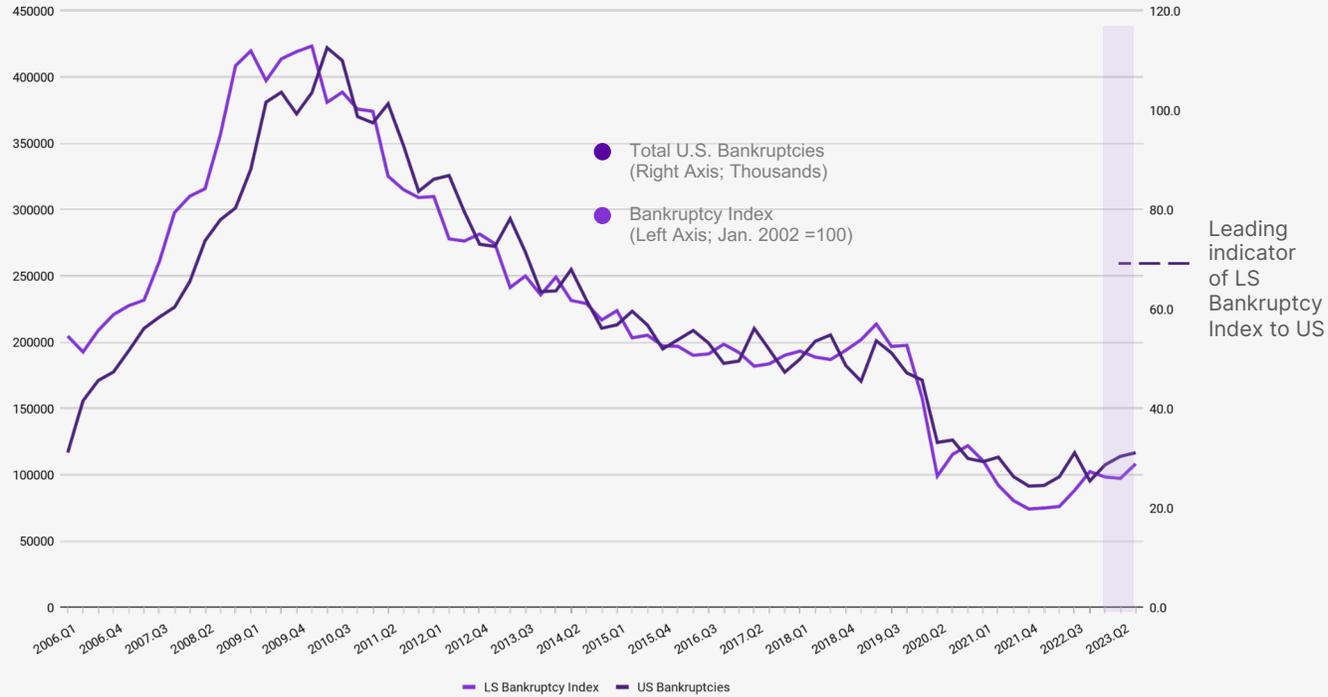
### Historical Trend Over Past 20+ Years



### Highest Stress Since November 2020



**LS Bankruptcy Index vs US Bankruptcies Since 2006**



# Bankruptcy Index

**Summary:** The Bankruptcy sub-index reflects the number of intakes related to bankruptcy as a share of total intakes across all areas of law.

The Bankruptcy sub-index held steady at **30.1** for a second month, it's highest mark since November 2020. The index increased **4.6** points from December 2022, a **18.0%** increase year over year.

The Bankruptcy sub-index historically leads by two quarters the total number of bankruptcy filings as reported by the U.S. Court.

**Outlook:** Based upon the statistically significant leading properties of our index compared to actual filings and supported by the current volume of finance related legal requests for service, we believe bankruptcies will continue to rise until such time as we see sustained relief in the form of year over year reduction in inflation and a reduction in interest rates.

**Highest Bankruptcy Index since November 2020**



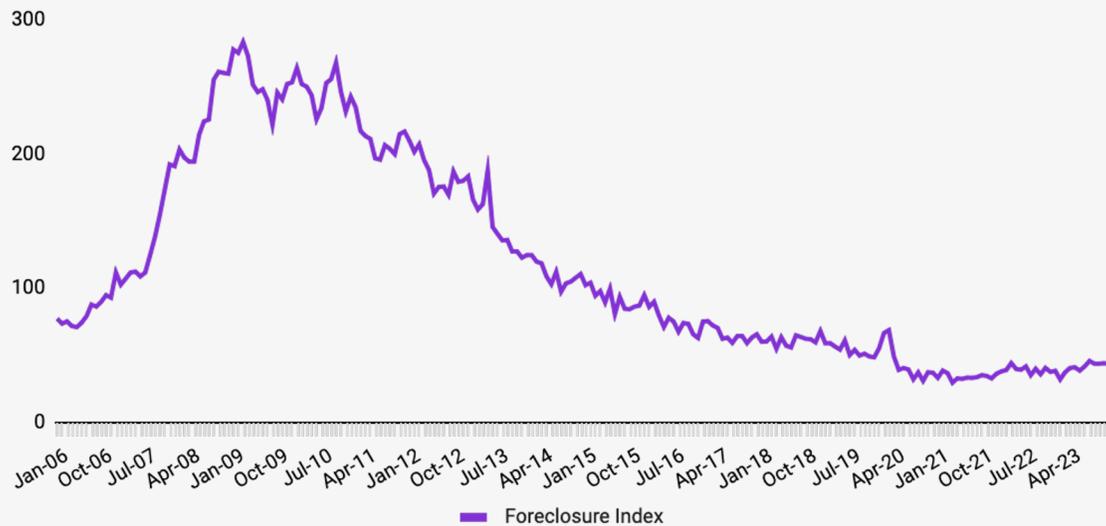
# Foreclosure Index

**Summary:** The Foreclosure sub-index reflects the number of intakes related to foreclosure as a share of total intakes across all areas of law.

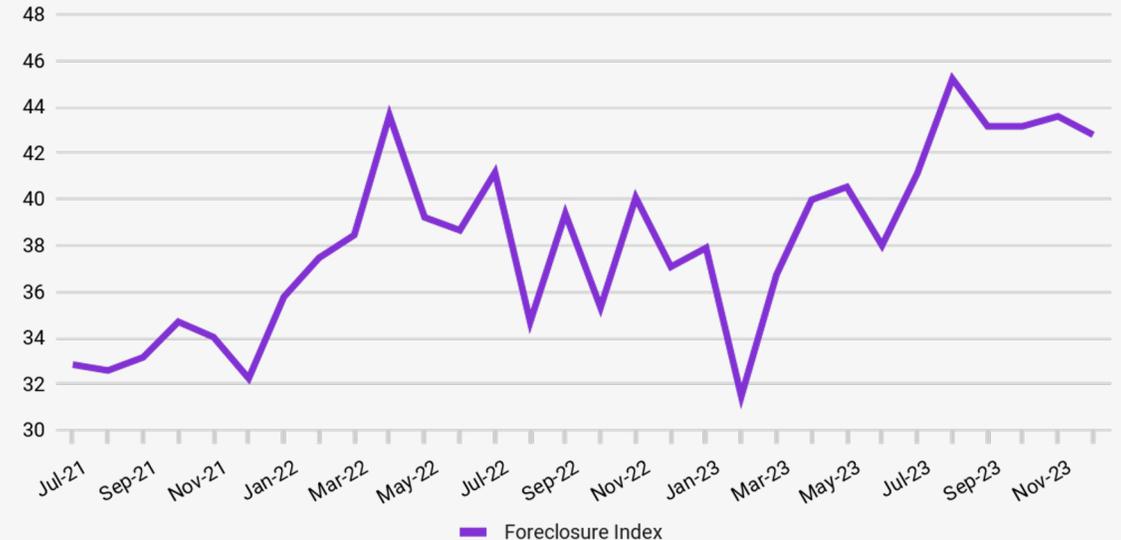
The Foreclosure sub-index edged down **0.6** points from November to December 2023. The index increased **5.7** points from December 2022, a **15.4%** increase year over year.

**Outlook:** Beginning with the expiration of the federal foreclosure moratorium in July 2021, there has been a slow and steady increase in the foreclosure index as well as growing foreclosures reported across the United States. Our data suggests foreclosures will continue to rise in the near term.

### Historical Trends



### Movement Since Federal Foreclosure Moratorium Ended

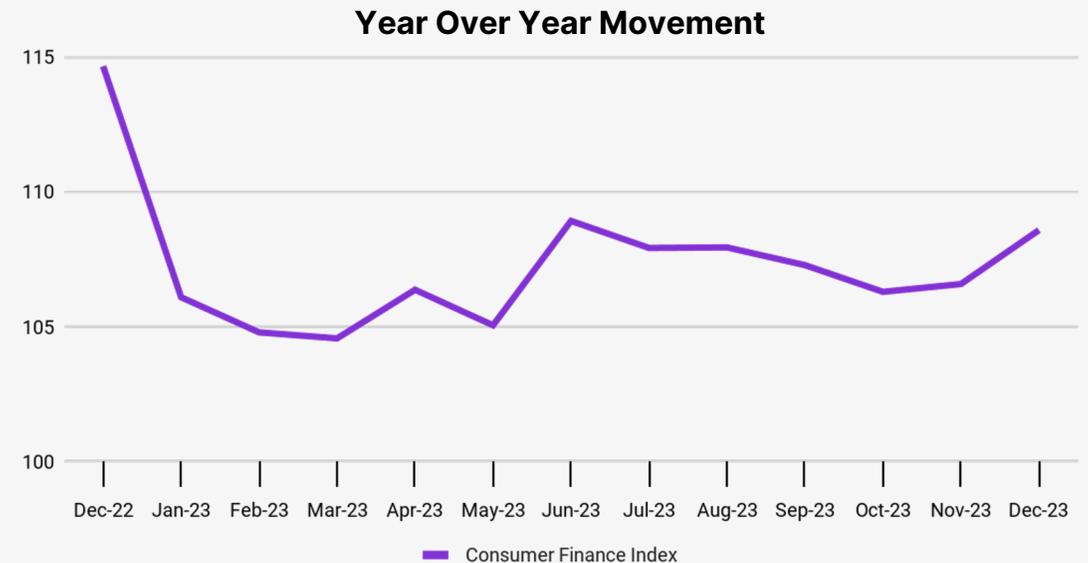
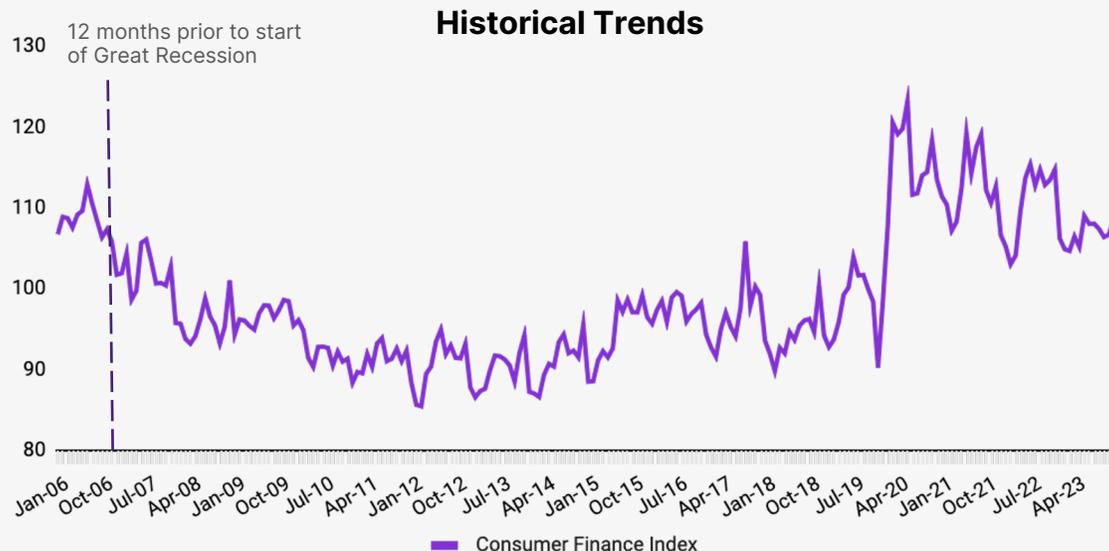


# Consumer Finance Index

**Summary:** The Consumer Finance sub-index reflects the number of intakes related to consumer finance issues such as billing disputes, auto repossessions and payday loans, as a share of total intakes across all areas of law.

The Consumer Finance sub-index moved up **2.0** points from November to **108.6**. The index decreased **6.1** points from December 2022, a **5.3%** decline year over year.

**Outlook:** While down from the COVID pandemic record highs, our Consumer Finance Index remains elevated and near the levels last seen in the 12 months leading to the Great Recession of 2008. This is indicative of the stress being felt by the consumers and there are no indications in our data that consumer financial issues will lessen in the coming months.





# About LegalShield



**Leader** of subscription-based legal plans to households across North America



**1.8 million+** memberships



**50+ year** history



Serving **140,000** businesses across North America



**40,000+** organizations served by our dedicated B2B division



**39 law firms in 50 states and Canada** with a total of 900 lawyers, and a referral network of 6,000 lawyers, with average of 22 years experience

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