



LegalShield™

# Consumer Stress Legal Index

February 2024

# 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 subindices 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 subindex 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 subindices: 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, with a .98 correlation, 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

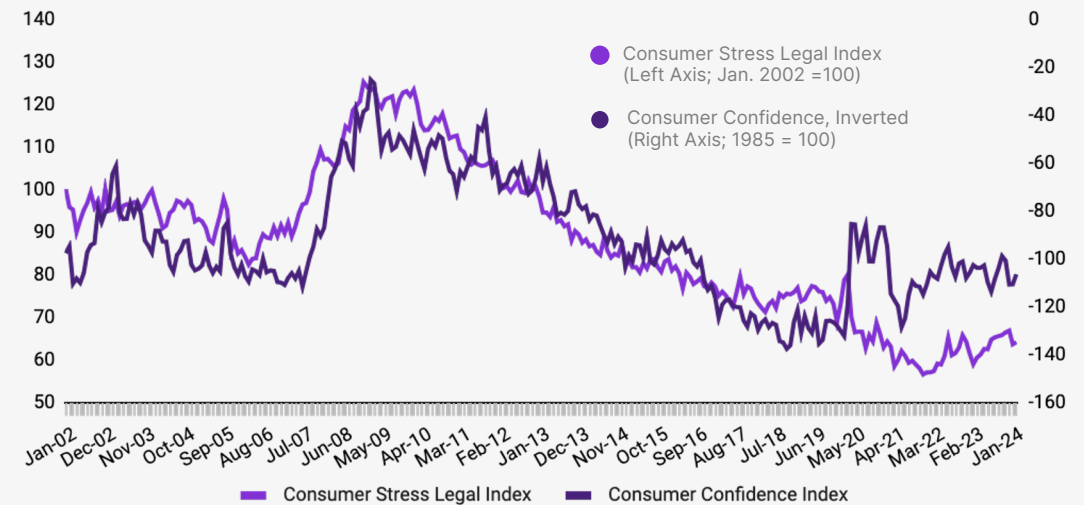
**Summary:** In February, the CSLI highlights an uptick in financial stress among U.S. consumers. This finding adds to a year-long trend of rising economic stress. The CSLI ticked up **0.5** points from January to **64.0**. The index increased **5.2** points from February 2023, a **8.8%** increase year over year.

**What It Means:** The increase in consumer stress indicates consumers are watching their money closely and taking action to protect their finances. A deeper look into the findings showed spikes in consumer questions about billing disputes and loan modifications.

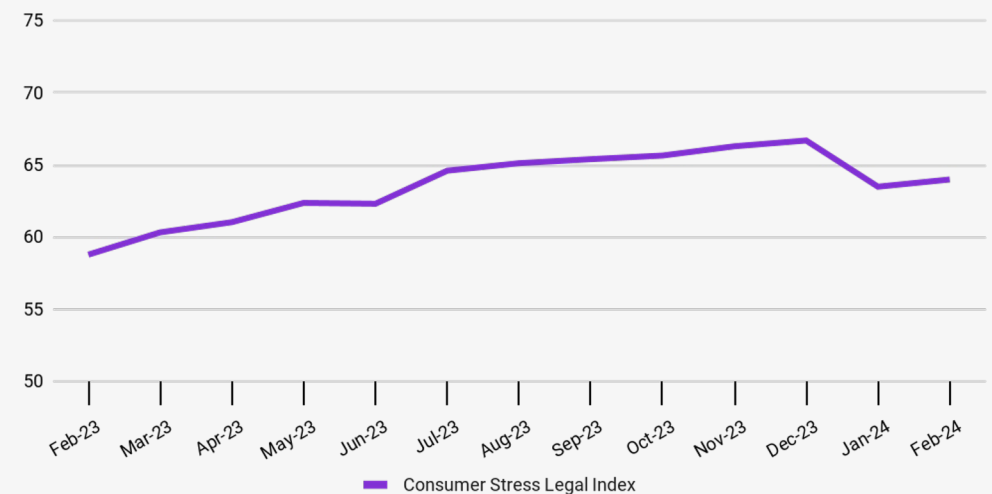
The rise in stress continues as macroeconomic indicators show a mixed picture. The Consumer Price Index reports a slightly higher than expected 3.2% inflation in February. And, while the U.S. economy added more jobs than expected at 275,000 in February, unemployment sits at a two-year high of 3.9%.

**Outlook:** The increase in consumer stress aligns with the drop in consumer confidence by The Conference Board and mirrors the decline in Consumer Sentiment as reported by the University of Michigan, indicating a continued sense of unease among consumers. The CSLI will likely follow a continued seasonal decline of the Consumer Finance subindex through February.

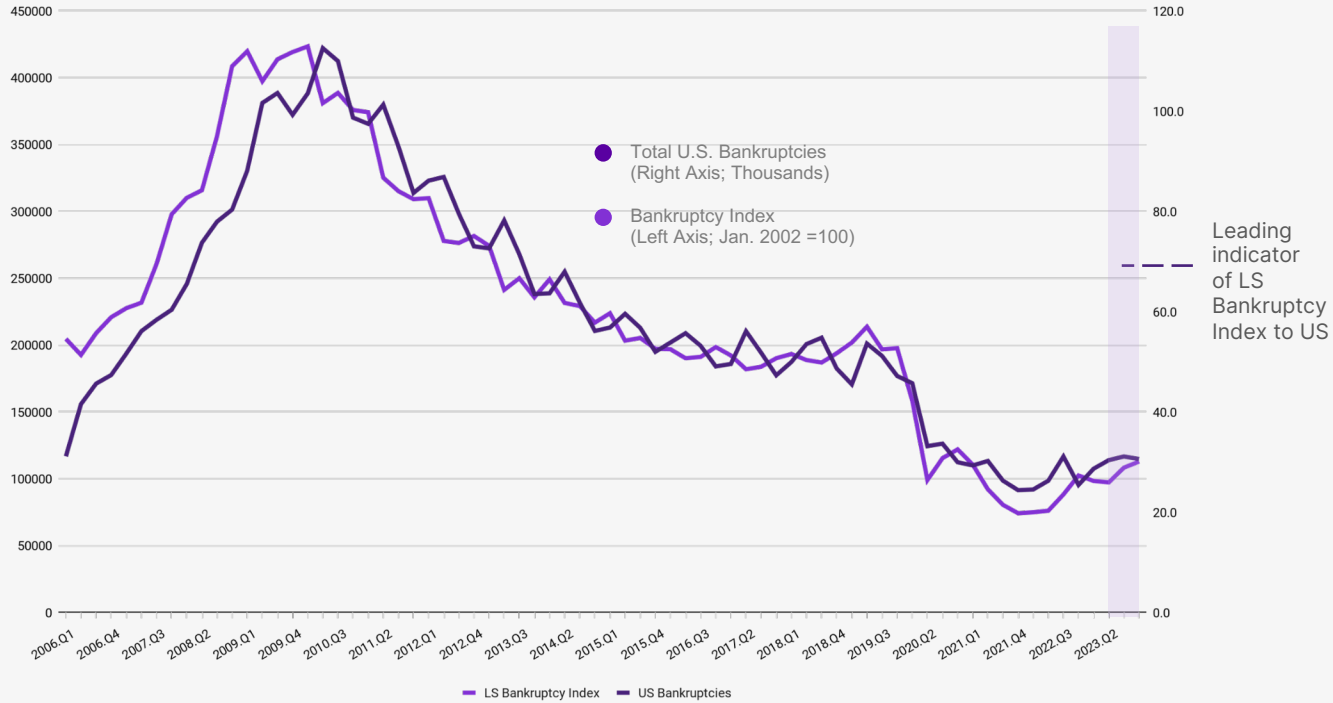
### Historical Trend Over Past 20+ Years



### CSLI Rises 10 of Last 12 Months



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



# Bankruptcy Index

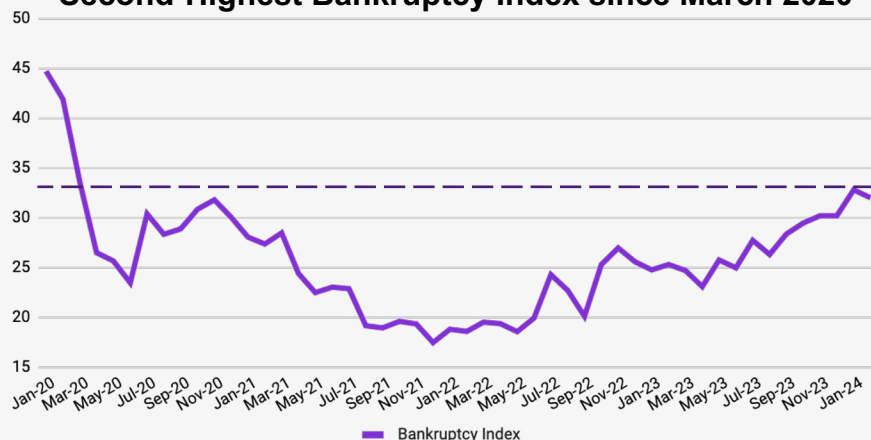
**Summary:** The Bankruptcy subindex reflects the number of intakes related to bankruptcy as a share of total intakes across all areas of law.

The Bankruptcy subindex eased by **0.8** points to **31.9** in February. Despite the slight drop, the index remains high, marking its second-highest reading since March 2020, only topped by January's number. The index increased **6.7** points from February 2023, a **26.6%** increase year over year.

The Bankruptcy subindex historically leads the total number of bankruptcy filings as reported by the U.S. court system by two quarters, with a .98 correlation.

**Outlook:** Based upon the statistically significant leading properties of our index compared to actual filings, bankruptcies are expected to continue to rise through the first half of 2024.

**Second-Highest Bankruptcy Index since March 2020**



# Foreclosure Index

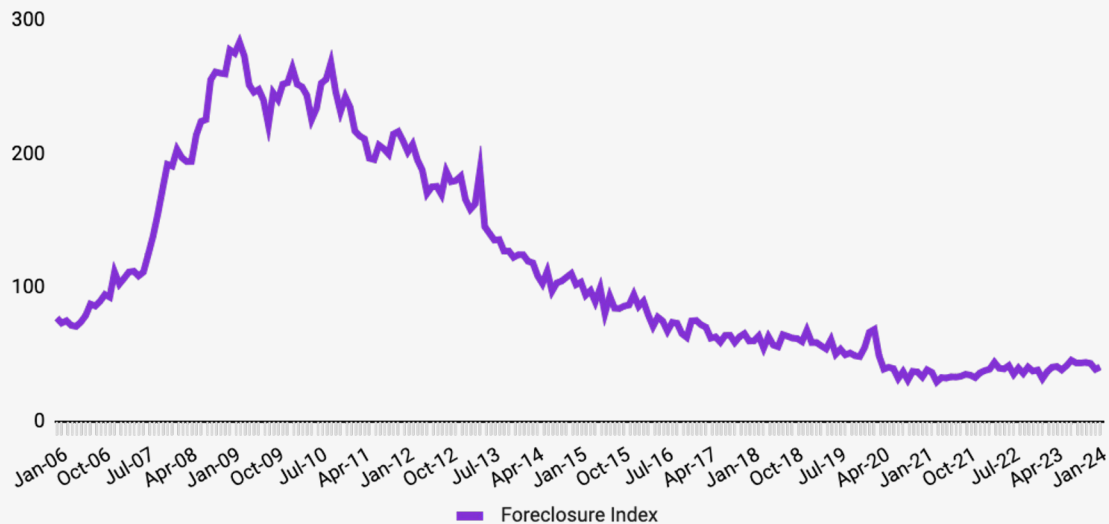
**Summary:** The Foreclosure subindex reflects the number of intakes related to foreclosure as a share of total intakes across all areas of law.

The Foreclosure subindex increased **1.7** points from January to **40.1**.

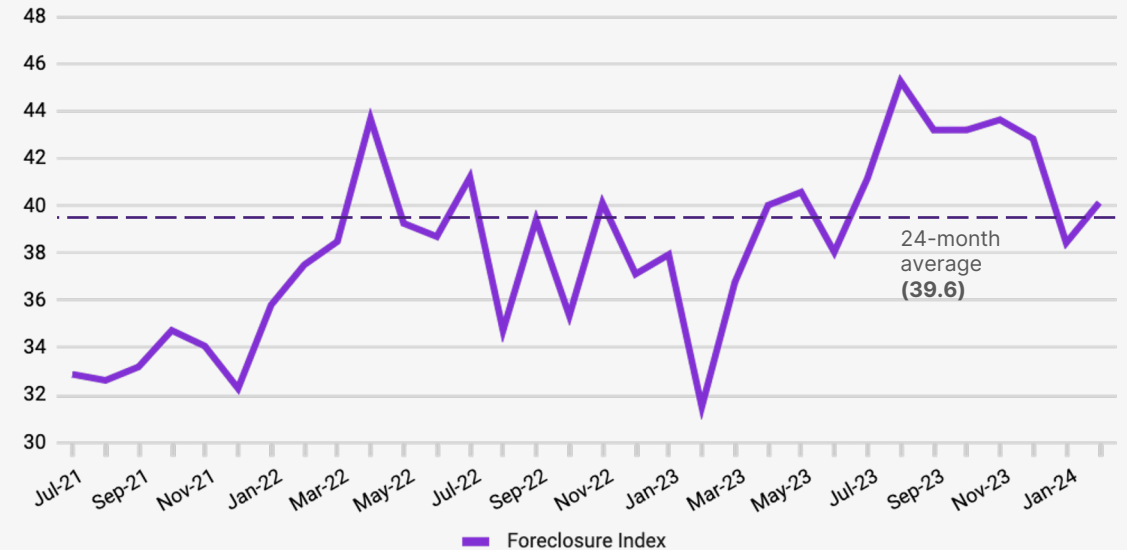
The index increased **8.6** points from February 2023, a **27.3%** increase year over year.

**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. The index has held relatively steady near its 24-month average of 39.6. Our data suggests foreclosures will remain in that range in the near term.

### Historical Trends



### Movement Since Federal Foreclosure Moratorium Ended



# Consumer Finance Index

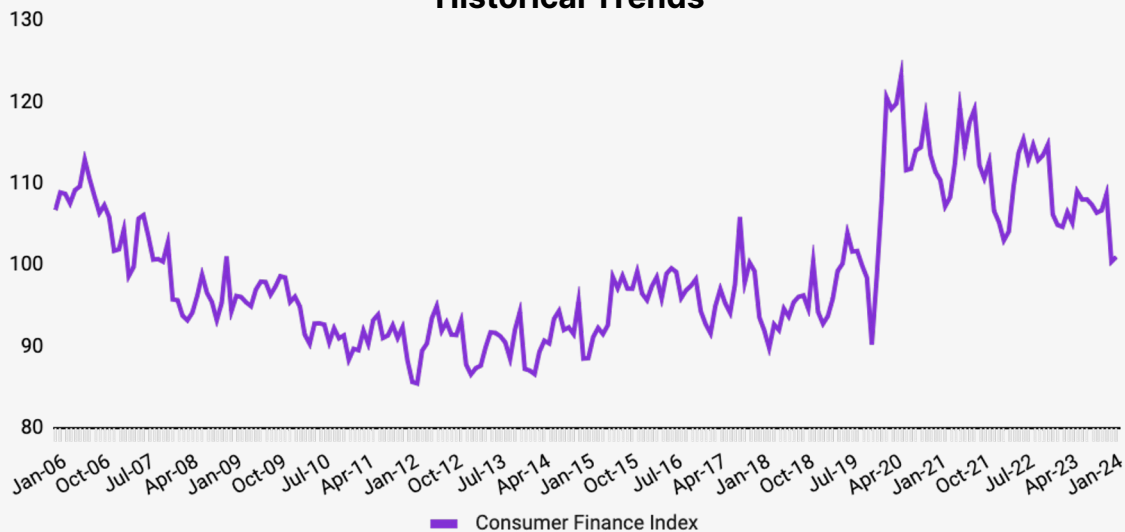
**Summary:** The Consumer Finance subindex reflects the number of intakes related to consumer finance issues such as billing disputes, auto repossessions and payday loans, as a share of total intakes across all areas of law.

The Consumer Finance subindex increased **0.6** points from January to **100.9**. The index decreased **3.9** points from February 2023, a **3.7%** decline year over year.

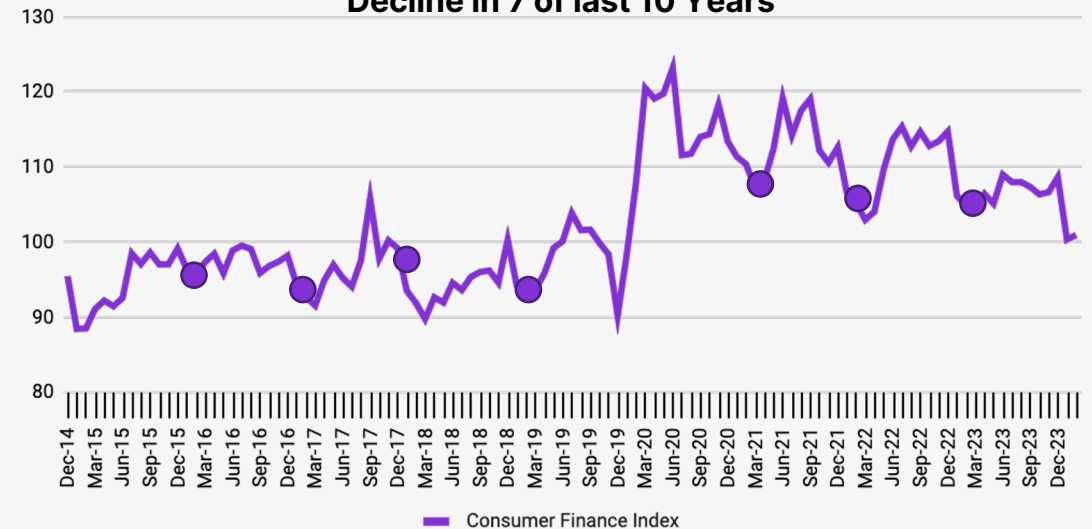
**Outlook:** The Consumer Finance Index bucked a seasonal trend of decline in February: the index has declined in February 7 out of the last 10 years.

Of note, billing disputes are on the rise by 3.8% over January, with an even greater increase for Millennials and Gen X at 8.1% over last month, marking the highest levels on record for these demographics.

### Historical Trends



### Consumer Finance Index February Decline in 7 of last 10 Years





# 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



**For more info**

**Hollon Kohtz**  
Director of Communications

[HollonKohtz@pplsi.com](mailto:HollonKohtz@pplsi.com)

