



# Consumer Stress Legal Index

May 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

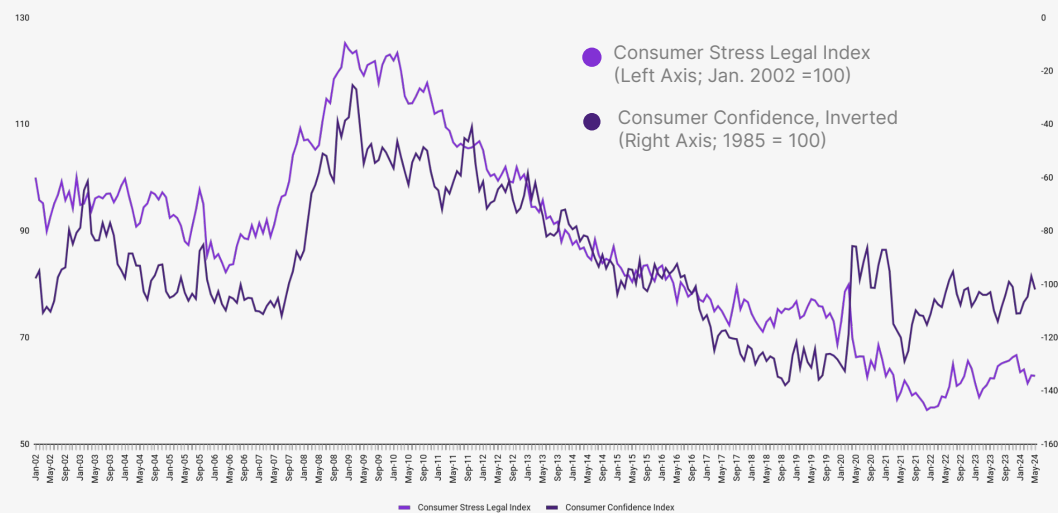
**Summary:** In May, the CSLI remained almost flat with a 0.1 point decline from April to 62.8.\* That represents a 0.7% increase year over year.

**What It Means:** The CSLI remains relatively flat in 2024 amidst macroeconomic indicators that showed cooling inflation, strength in hiring, and no change in interest rates. Inflation was reported to be 3.3%, still above the Federal Reserve target of approximately 2.0% to consider lowering interest rates.

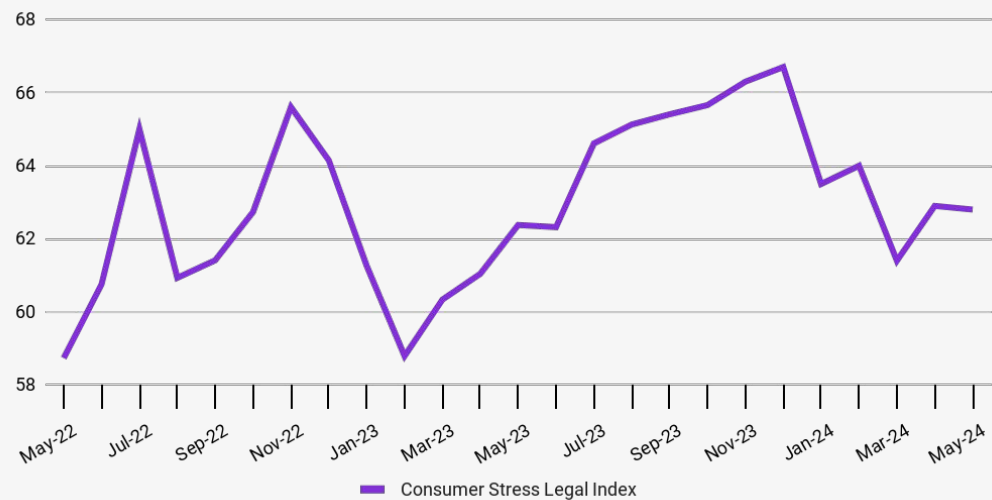
**Outlook:** With steady interest rates, and the Fed now anticipating just one rate change in 2024 instead of three, consumer stress is anticipated to stay flat or rise as household debt mounts.

\*The April 2024 CSLI and subindices were slightly adjusted to include inquiries not initially tallied in April's index.

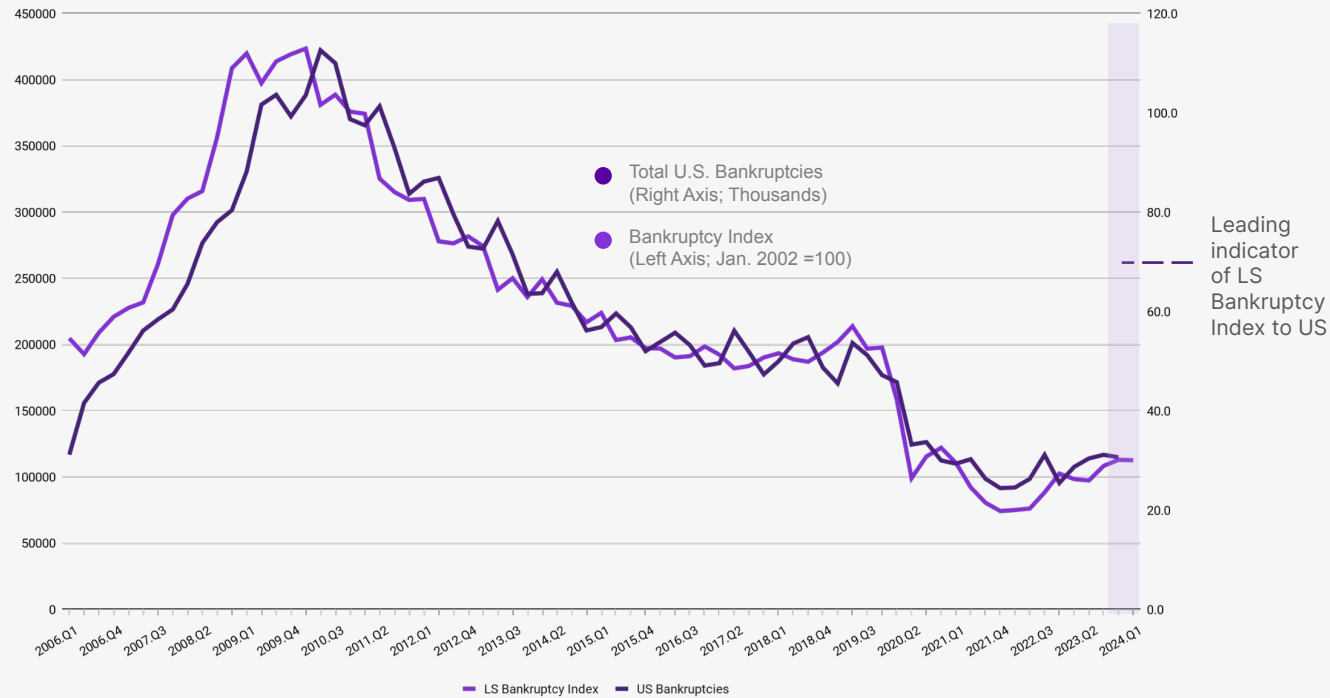
Historical Trend Over Past 20+ Years



LegalShield CSLI 24-Months



### LS Bankruptcy Index vs US Bankruptcies Since 2006



### Bankruptcy Index Rise Toward Pre-Pandemic Levels



# 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 declined **0.6** points in May to **31.2**. That marks an increase of **21.5%** 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:** While relatively flat month over month, the Bankruptcy subindex is on a steady rise since Q4 of 2021 after a sharp drop-off as pandemic relief funds hit in 2020. The Bankruptcy subindex continues its steady climb, potentially back to pre-pandemic levels.



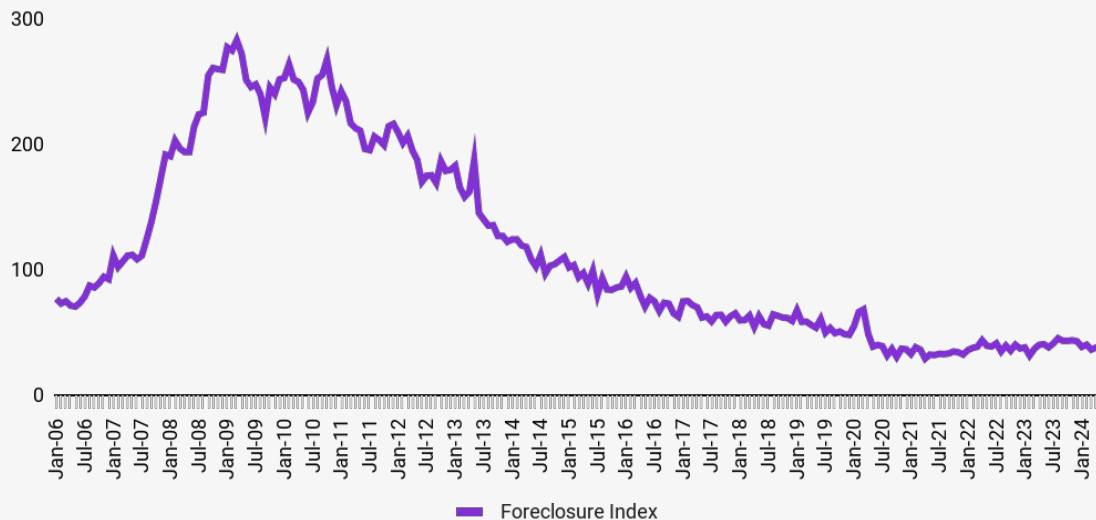
# Foreclosure Index

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

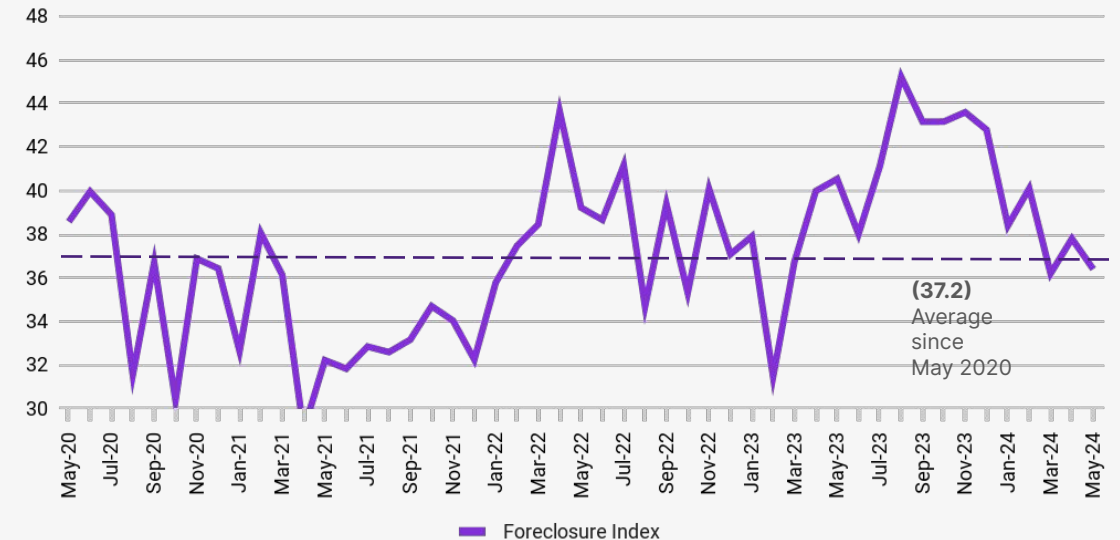
The Foreclosure subindex dropped **1.4** points in May to **36.4**. That figure is down **10.1%** year over year and below the two-year average of four-year average of 37.2.

**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. However, there has been a steady decline since August of 2023, down 19.5% in that time.

## Historical Trends



## Foreclosure Index - Four Year View



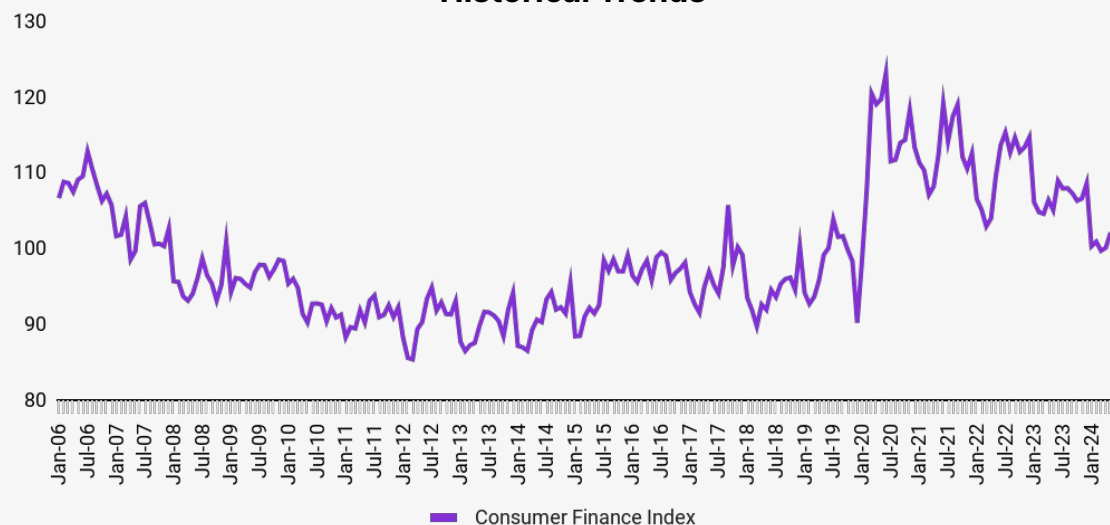
# Consumer Finance Index

**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.

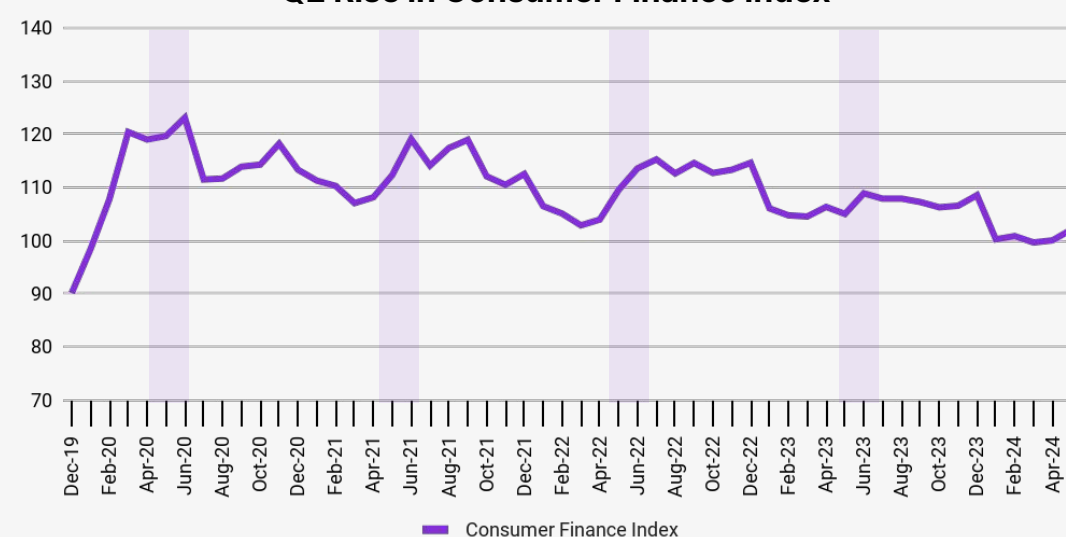
The Consumer Finance subindex moved up **2.0** points in May to **102.1**. The subindex is down **2.9%** year over year.

**Outlook:** The Consumer Finance Index moved up for a second straight month in May, consistent with a Q2 increase each of the last 10 years. Continued elevated interest rates could contribute to the rise as household debt mounts and restructured payment plans on debt contribute to additional challenges for consumers down the road.

## Historical Trends



## Q2 Rise in Consumer Finance Index



# Electoral States - Consumer Stress Legal Index

**Summary:** For the 2024 election cycle, LegalShield is breaking out consumer stress levels on a politically geographic basis, separating red, blue, and purple battleground states. LegalShield classified states based on the outcome of the 2020 election. Battleground states in May's are Arizona, Georgia, Michigan, Nevada, North Carolina, Pennsylvania and Wisconsin.

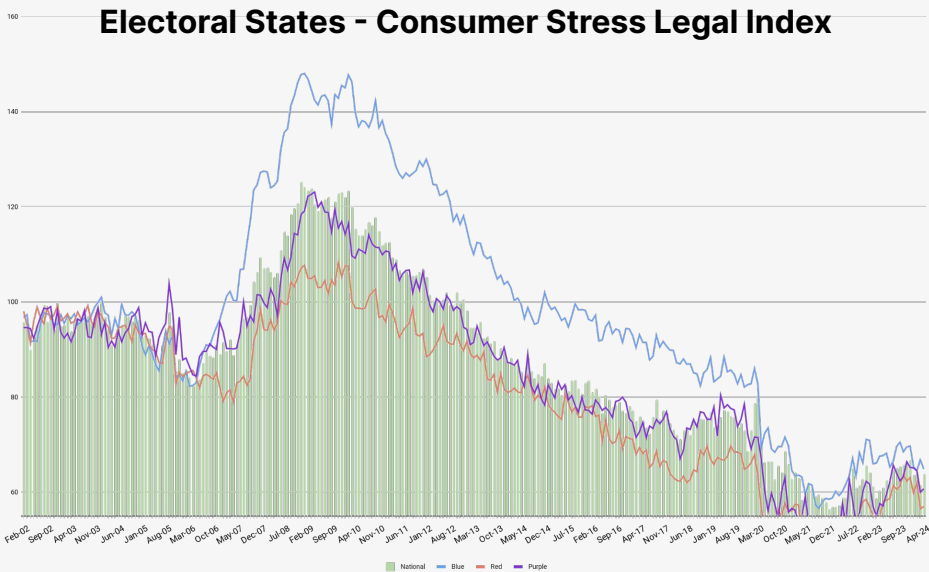
When battleground state consumer stress dipped below the national stress average in October and November, conditions favor a Democratic win.

When it rose above the national index, a Republican was elected.

For a third straight month in May, LegalShield's CSLI battleground states exhibited lower stress compared to the country as a whole, **1.7** points below the national index..

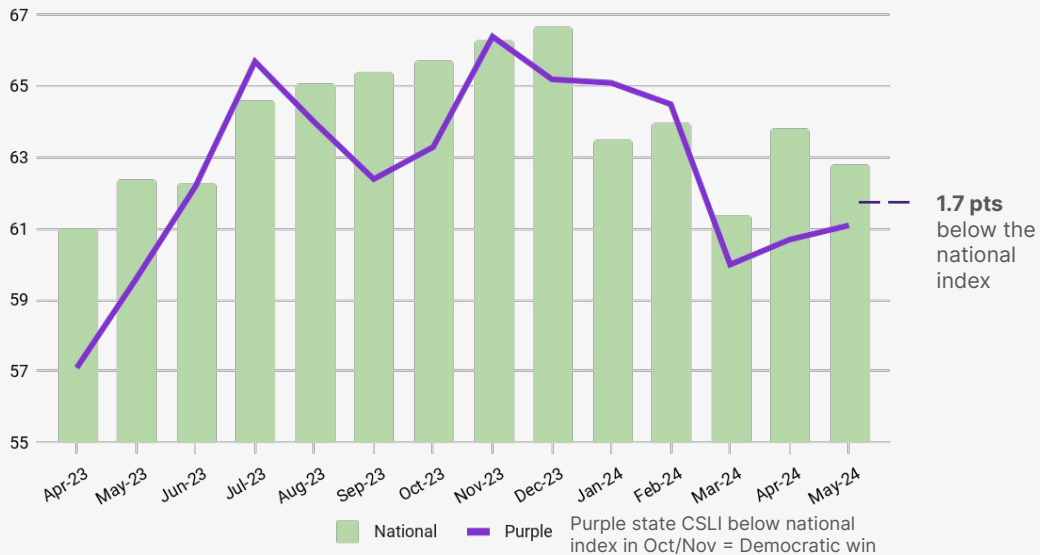
**Outlook:** The Consumer Finance subindex is significantly elevated in battleground states, **10.5** points above the national average. If it accelerates in battleground states, the CSLI in those states may rise above the national average, indicating a GOP edge.

Electoral States - Consumer Stress Legal Index



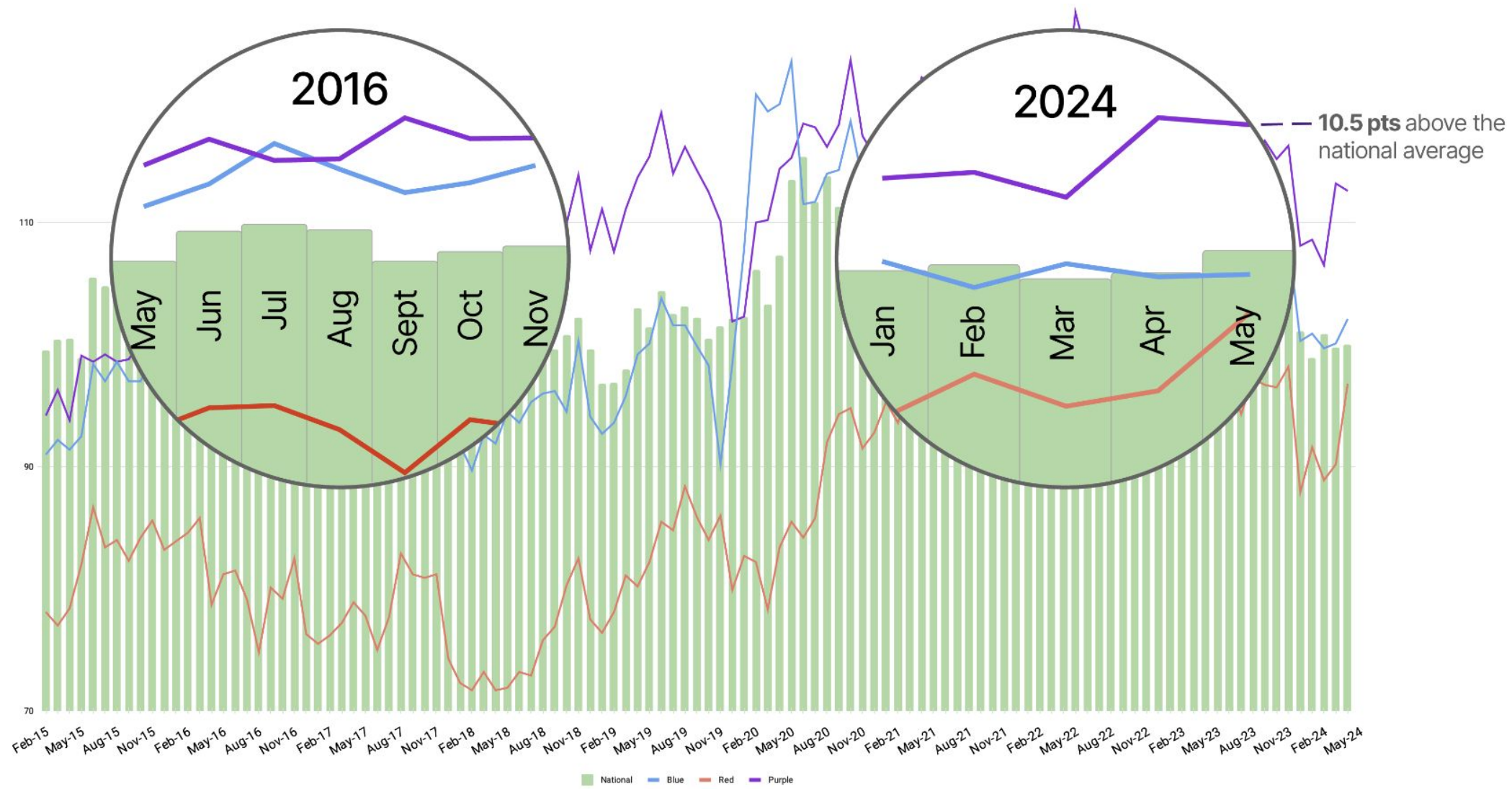
MAY 2024

Battleground States - 12-Month CSLI

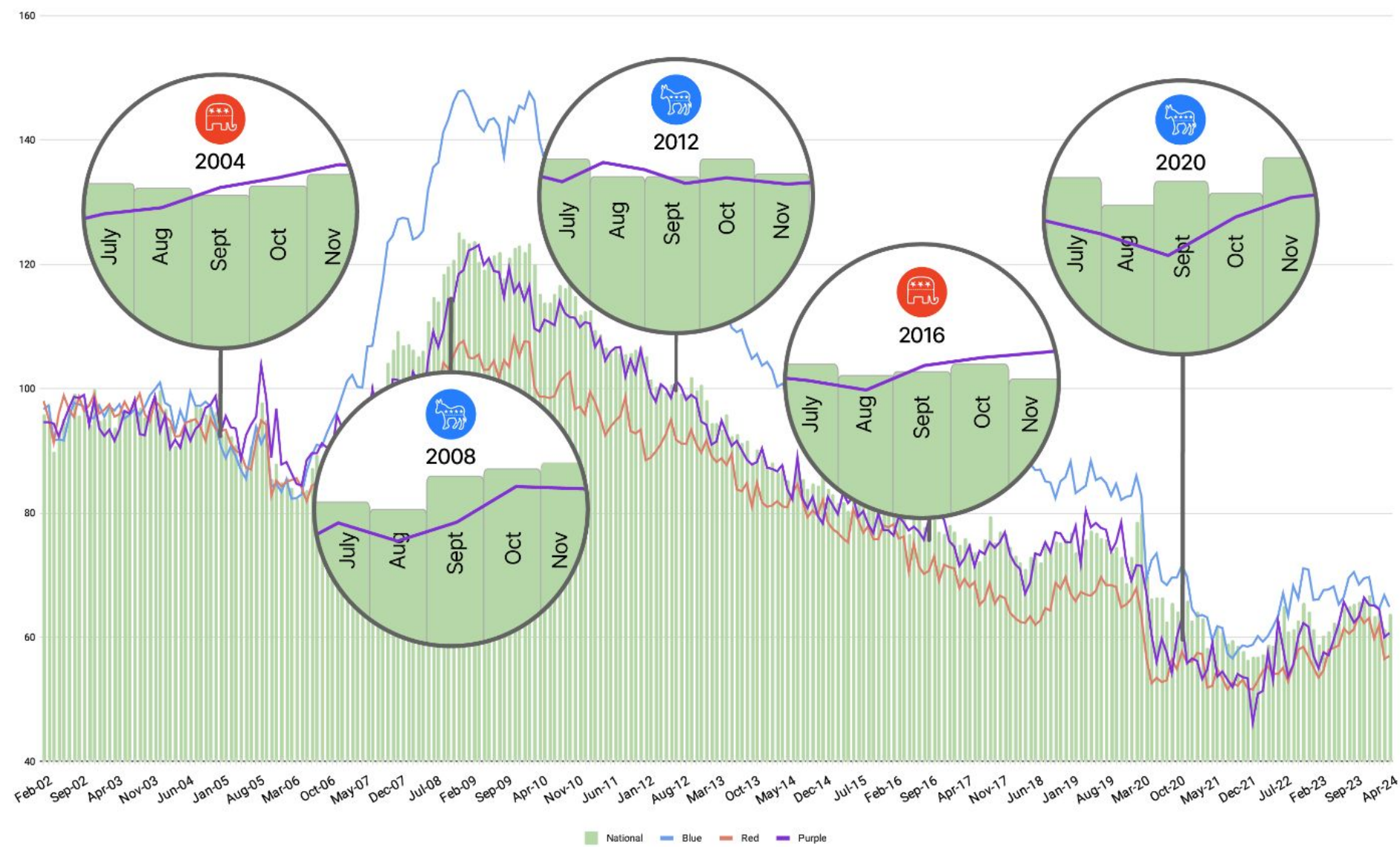




# Electoral States - Consumer Finance Index 2024 vs 2016



# CSLI Political Breakdown: Election Year Focus

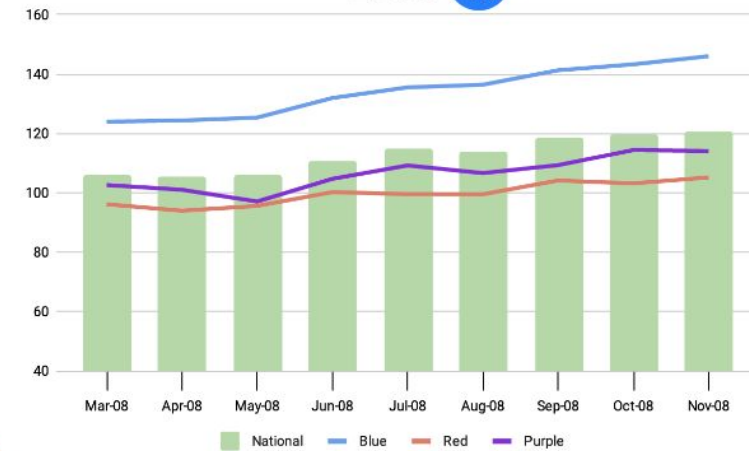


# CSLI Political Breakdown: Election Years

2004 



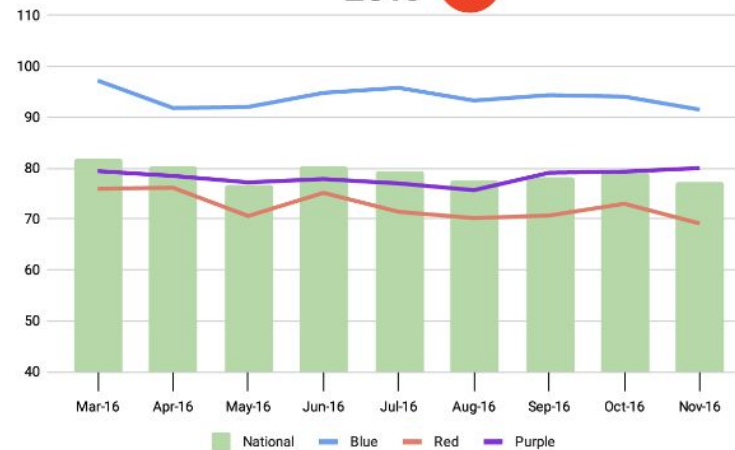
2008 



2012 



2016 



2020 







# About LegalShield



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



**1.8 million+**  
memberships



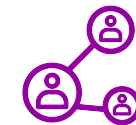
**50+ year** history



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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