



LegalShield®

# Consumer Stress Legal Index

September 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

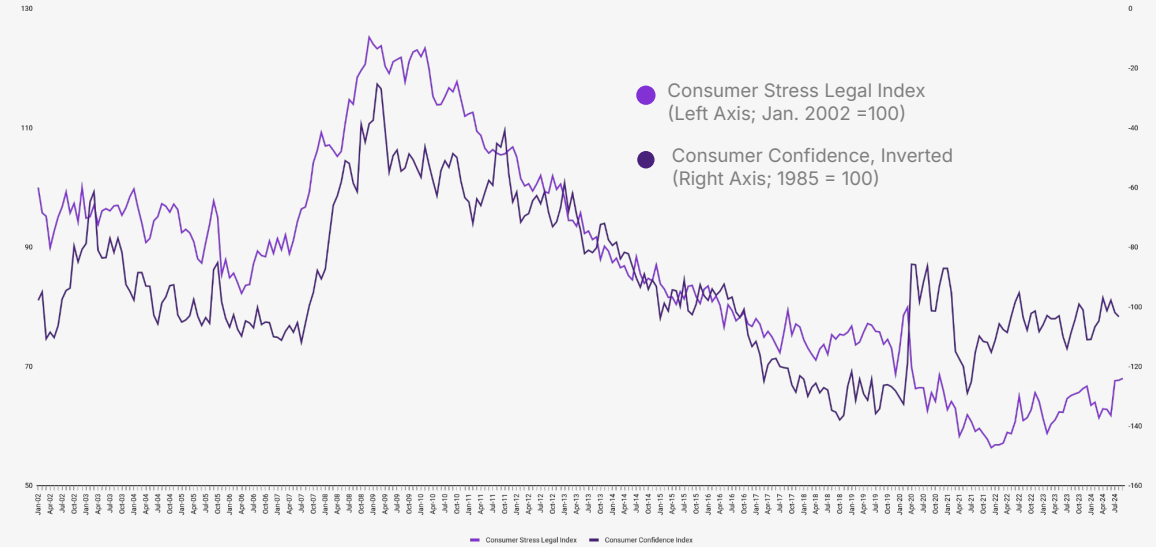
**Summary:** In September, the CSLI increased **0.3** points from August to **68.0**.

**What It Means:** Consumer stress remains elevated for a third straight month. Consumers continue to deal with financial issues, specifically housing challenges including mortgage payments and elevated rental rates.

**Outlook:** The Federal Reserve's interest rate cut in September still has not hit consumer payments and that may prolong increased stress.

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

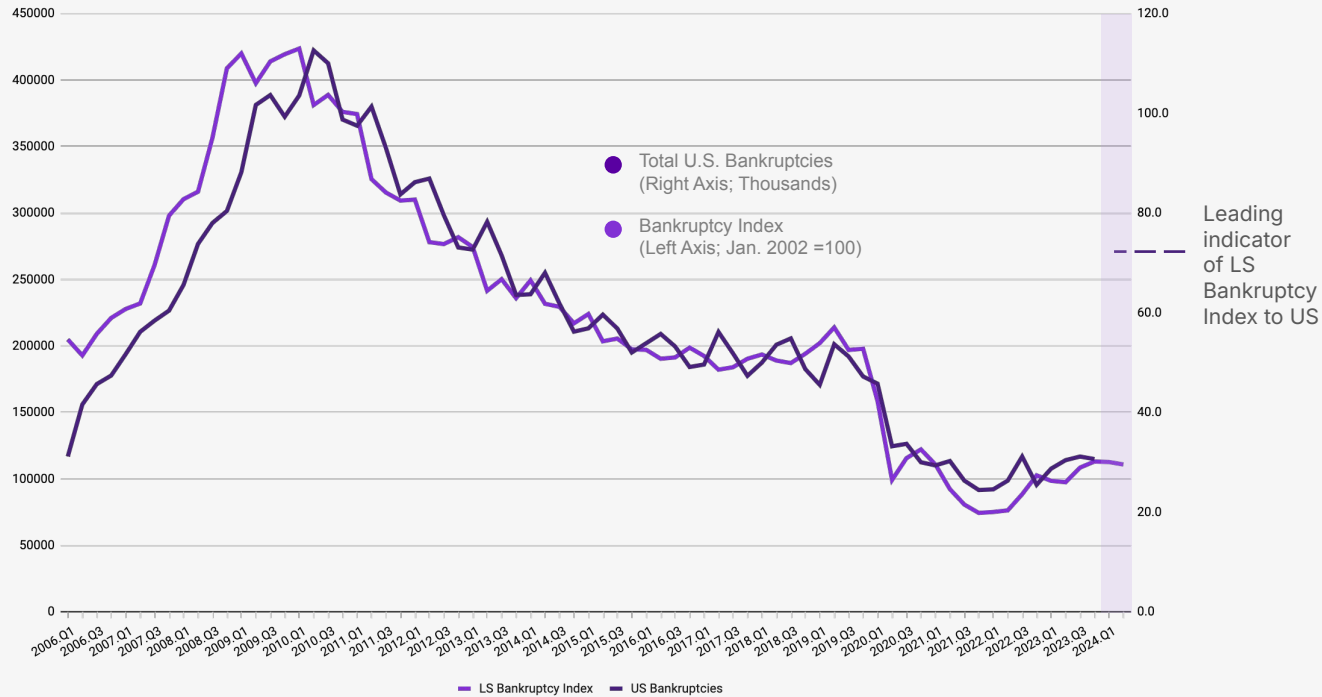
### Historical Trend Over Past 20+ Years



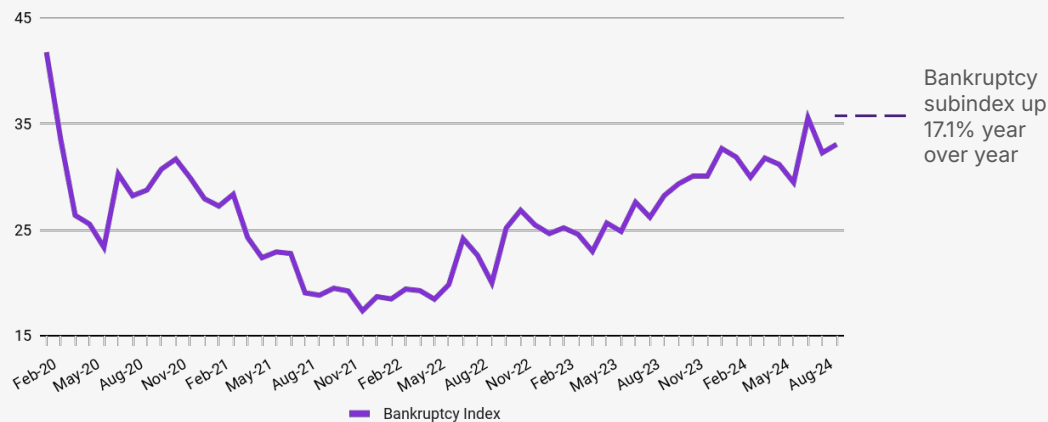
### LegalShield CSLI 24 Months



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



**Bankruptcy Index Since February 2020**



# 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 increased **0.8** points in September to **33.1**. The Bankruptcy subindex is up **17.1%** 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:** The Bankruptcy subindex has seen a steady increase since November 2021 and is now hovering at a pre-pandemic level.

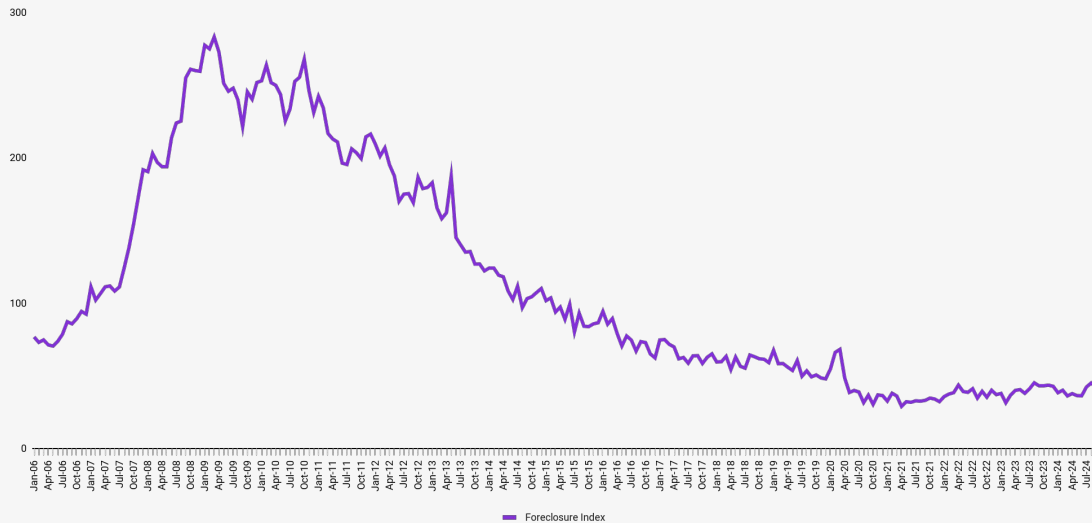
# Foreclosure Index

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

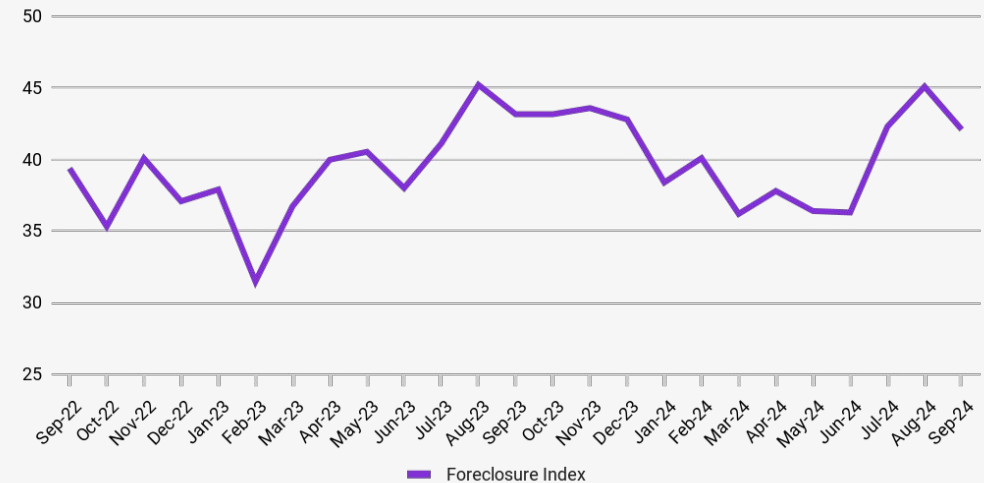
The Foreclosure subindex decreased **3.0** points in September to **42.1**.

**Outlook:** Beginning with the expiration of the federal foreclosure moratorium in July 2021, there has been a steady increase in the Foreclosure subindex as well as growing foreclosures reported across the United States. September experienced an easing after two months of an increase. While the interest rate cut in September has not necessarily resulted in a dramatic drop in mortgage rates, they are down more than 100 basis points since May.

### Historical Trends



### Foreclosure Index: 24-Month View



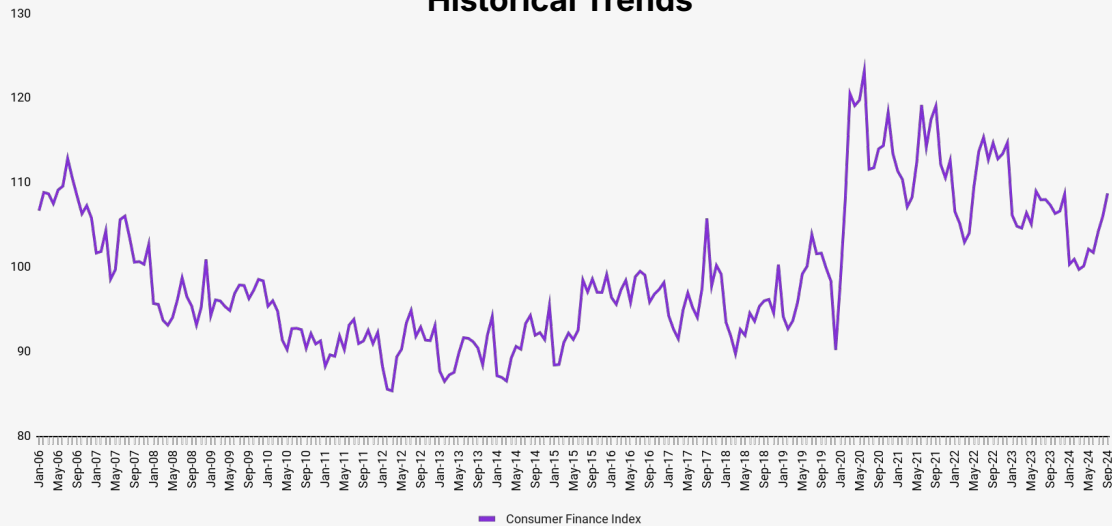
# Consumer Finance Index

**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.

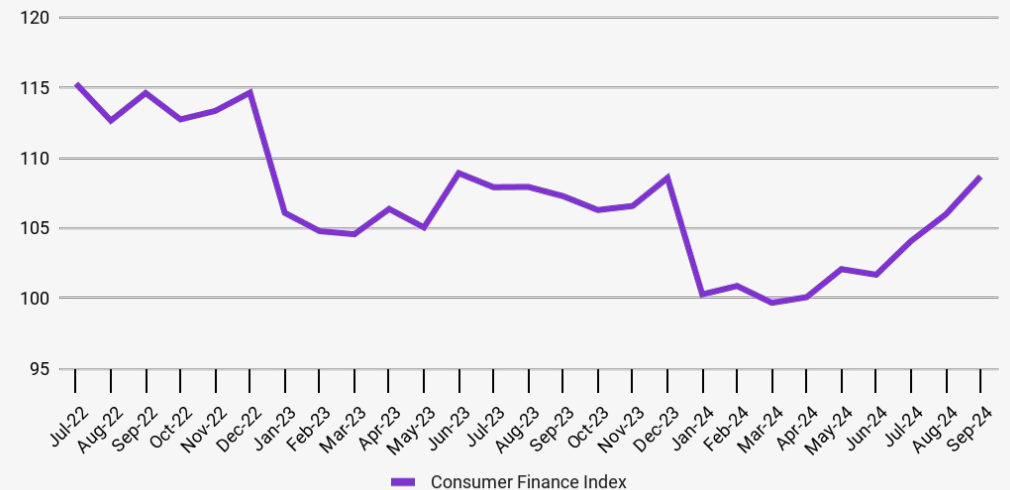
The Consumer Finance subindex moved up **2.7** points in September to **108.7**, its highest level since June 2023. The subindex is up **1.3%** year over year.

**Outlook:** The Consumer Finance Index has been ticking up since the beginning of Q2. Reduced interest rates as set by the Federal Reserve could provide some relief heading into Q4, but increases for three consecutive months indicates consumers continue to struggle.

### Historical Trends



### Highest Consumer Finance Reading Since June 2023



# 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 are Arizona, Georgia, Michigan, Nevada, North Carolina, Pennsylvania and Wisconsin.

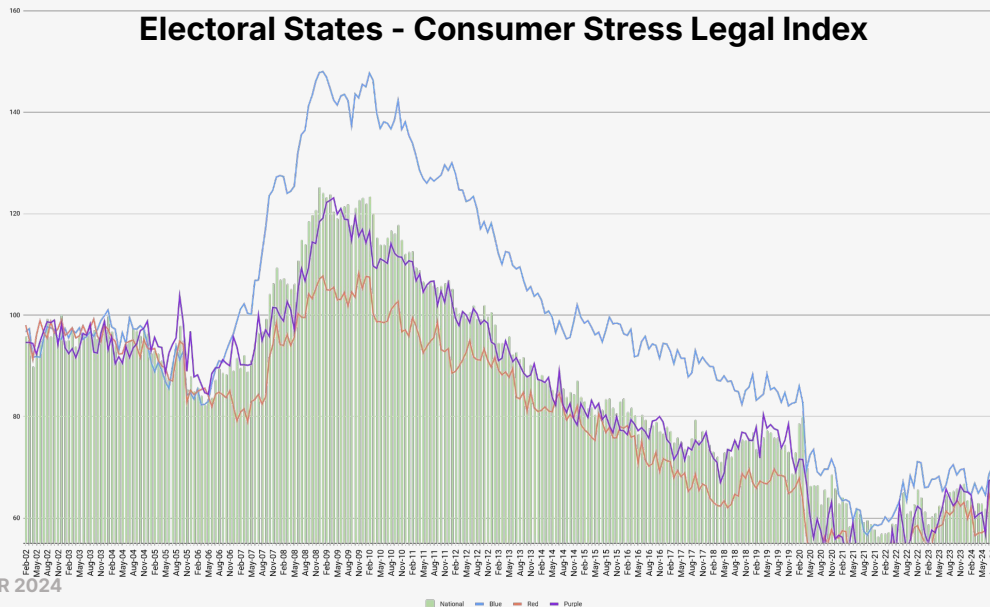
When battleground state consumer stress dipped below the national stress average in October and November, conditions favor a Democratic win.

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

In September, LegalShield's CSLI in battleground states remained unchanged at **67.8** points. However, the national stress index increased slightly, leaving battleground stress below the national average by **0.2** points.

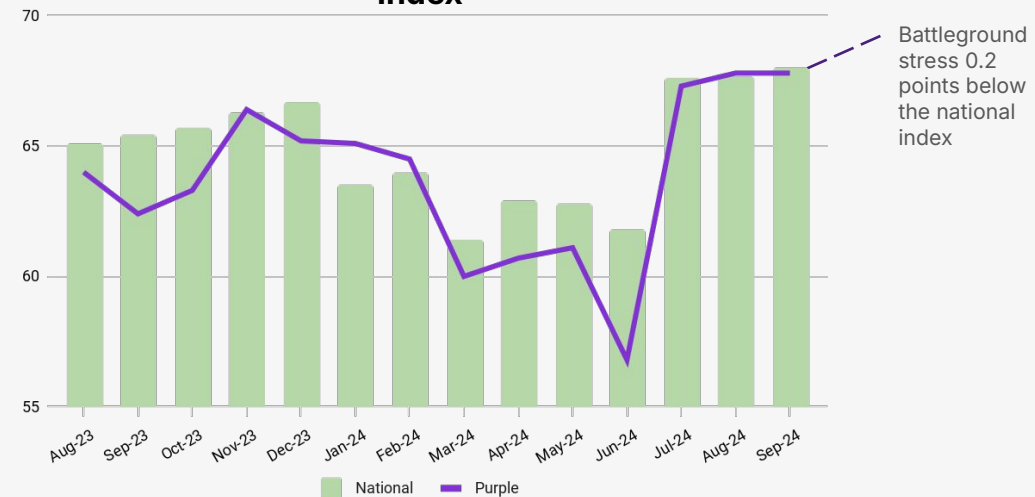
**Outlook:** Battleground stress has hovered right around the national index since July. Battleground stress is tighter to the national index than in any other presidential election year in the index's 22-year history.

Electoral States - Consumer Stress Legal Index



SEPTEMBER 2024

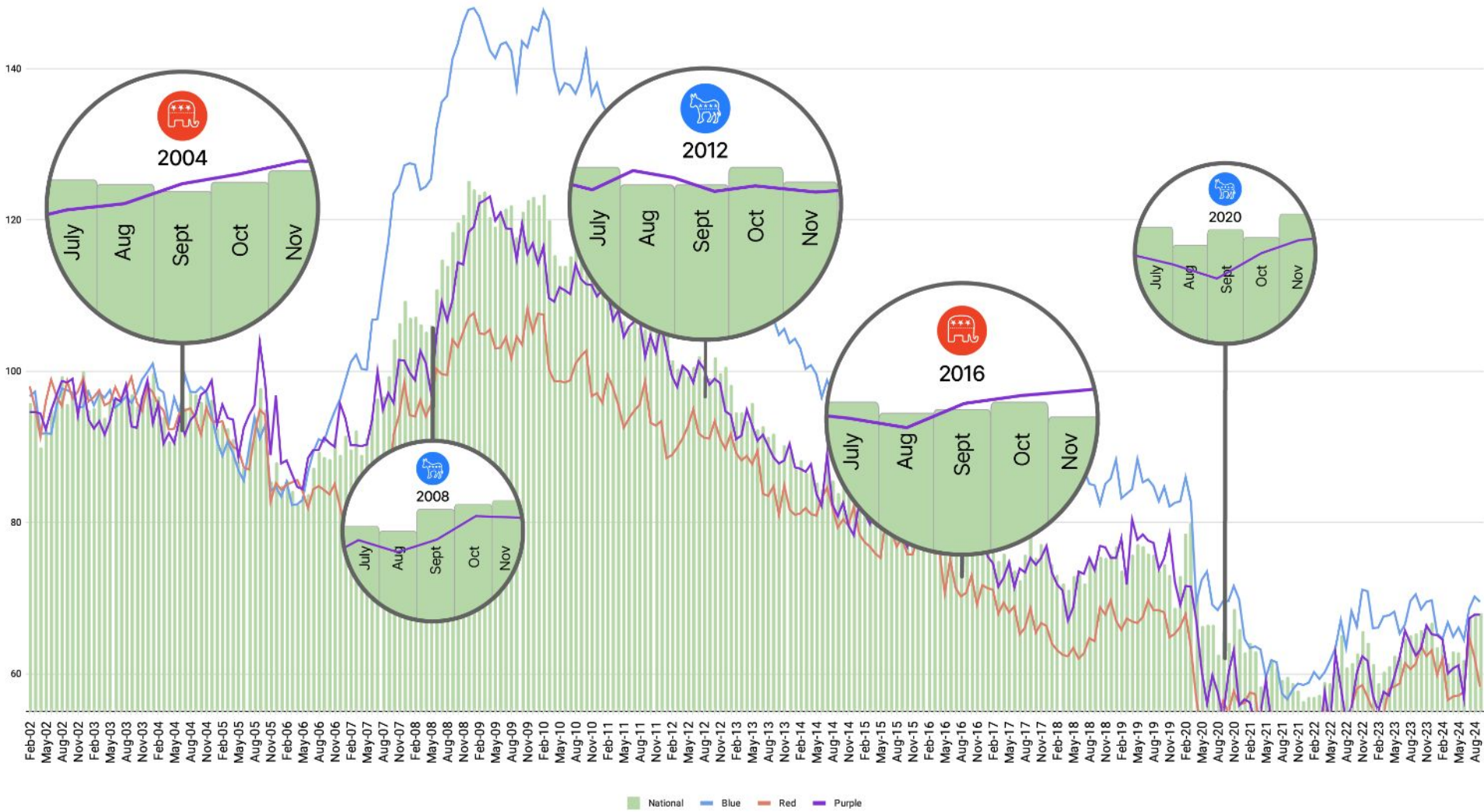
Battleground Stress Hovers Near National Index



Purple state CSLI above national index in Oct/Nov = Republican win



# CSLI Political Breakdown: Election Year Focus

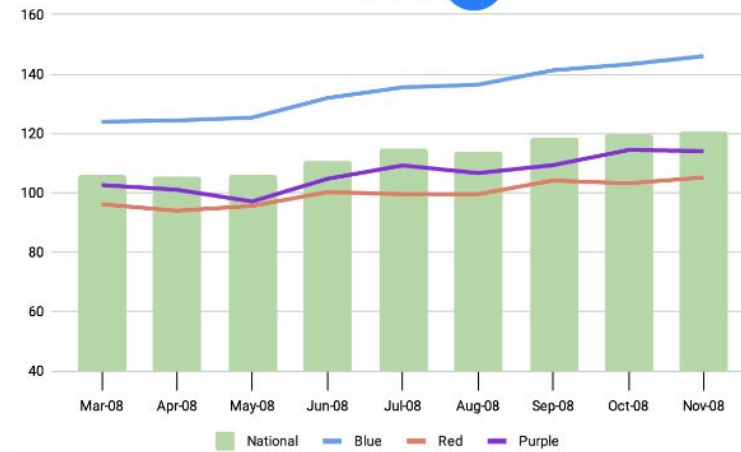


# CSLI Political Breakdown: Election Years

2004 



2008 



2012 



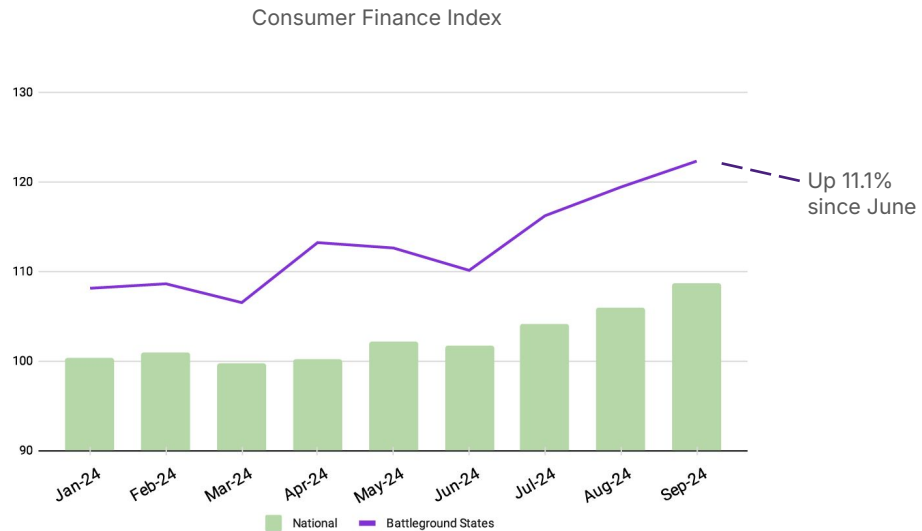
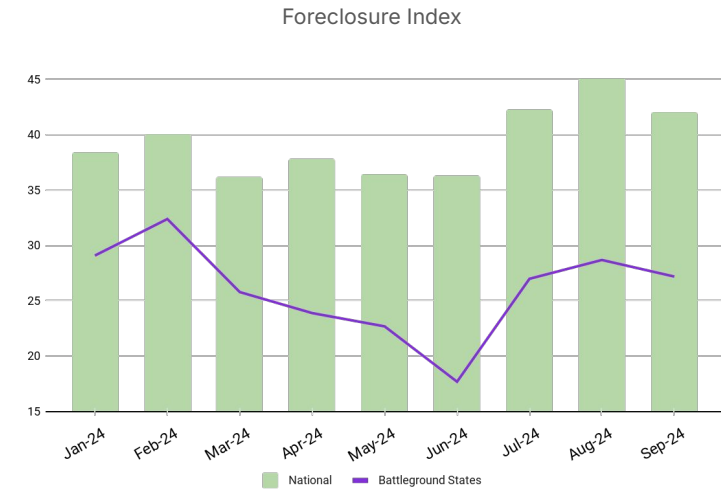
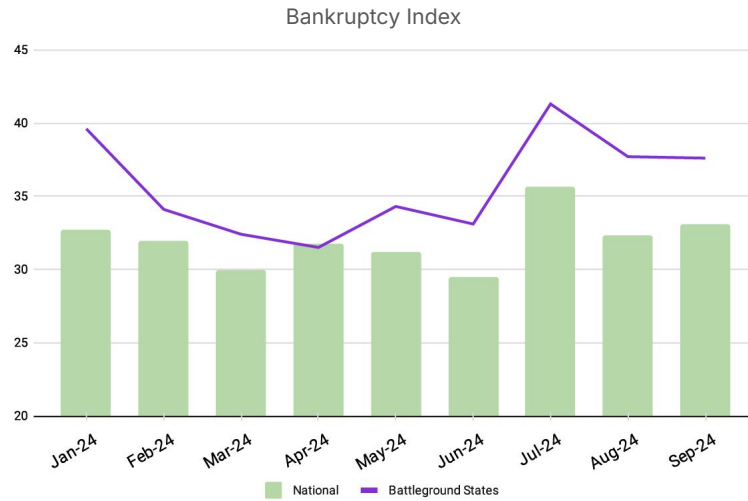
2016 



2020 



# Bankruptcy, Consumer Finance, & Foreclosure





# About LegalShield



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



**1.8 million+** memberships



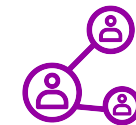
**50+ year** history



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**

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