

## **Investor's Business Daily**

When Credit Traumas Have Workers Down In The Dumps

Friday November 30, 6:04 pm ET

Brian Womack

A tide of red ink from the housing crisis is threatening employees from the office to the factory floor.

Managers are finding that workers whose fortunes rose with the housing boom face daunting mortgage payments and foreclosure risks now that the bubble has burst. Those problems aren't staying in the home, experts say.

Instead, mortgage-related issues are ratcheting up stress levels and puncturing the performance of employees already stretched thin by money problems. With credit woes continuing, employers can expect more workers to suffer from financial burdens, analysts say.

To combat the problem, companies are offering their employees specific help on basic personal finance matters.

"This stuff spills over into the workplace and costs (companies)," said Tom Garman, president of the Personal Finance Employee Education Foundation.

### Housing Crunches Workers

Studies indicate 25% to 30% of employees suffer from "serious financial distress," or are people who can barely afford to meet their monthly debt payments, Garman says. In these cases, an unexpected bill of a few hundred dollars can leave them scrambling for loans or selling their computer.

With the housing crisis and the credit crunch, Garman estimates that an additional 3 or 4 percentage points of employees will be under financial stress.

"(Employees are) already on the edge," Garman said.

In September, foreclosure filings doubled from a year ago, and they are set to rise even further, dumping more homes on an already bloated market. A congressional panel said recently that 2 million people will lose their homes to foreclosure by 2009, if subprime woes persist.

Borrowers that took mortgages with special introductory rates have found they can't afford the bigger payments once the special rates expire.

It's not just foreclosures, but also the lack of rising home prices. For years, homeowners have used home-equity loans as housing prices climbed. But that piggy bank is now empty.

Companies that provide third-party help for general employee concerns -- called employee assistance program providers -- report a growing number of calls from workers concerned about mortgages and falling home prices.

ComPsych, an employee assistance program provider, has seen the number of mortgage-related calls double in the third quarter from the year-ago period. They now make up 20% of all calls related to finances.

"We've seen a huge increase in the number of calls coming into our service centers (from) people who have mortgage-related situations or are on the verge of losing their homes," said Richard Chaifetz, chief executive.

Ceridian, which also provides assistance programs, has seen the number of overall calls related to finances rise 50% from a year ago, says Jonathan Hefner, manager of Ceridian Legal and Financial Counseling Services.

Usually, there's a slowdown at this time of the year, before the uptick tied to excessive credit cards that follow the Christmas shopping season, he says. But not this year.

The problems can quickly spiral out of control, he says, and bankruptcy becomes a real option.

#### Employee Impact

"Money is the key issue for family and health," said Jinhee Kim, associate professor of personal financial management at the University of Maryland. "That's the reason employers should care about employee financial matters."

She says employees worried about a foreclosure or bankruptcy might sit at their desks, but spend much of their time e-mailing friends for loans, begging creditors for more time or just surfing the Web for some other financial solution.

Another issue: "present-teeism," or employees who show up to work, but who are mentally consumed by financial worries, Garman says.

All this combines to reduce worker performance.

Employers have also been giving general financial advice for years on how workers can invest in 401(k)s. But they haven't given much advice beyond retirement and asset diversification planning, experts say.

Yet there's growing interest in employee programs that take pre-emptive strikes against poor money management.

These programs include in-house training sessions that can take six to nine hours. They teach employees to take a longer-term approach to finances instead of just trying to meet monthly payments.

Kim points out some workers aren't going to focus on future retirements and 401(k)s until they can handle their present-day financial issues. And with the deepening housing crisis, that issue becomes all the more real.

"Even before the subprime market (collapse) ... people were pretty overextended already," she said.

One company that's stepped up is IBM (NYSE:[IBM](#) - [News](#)).

In 2006 -- long before the mortgage mess -- the technology company announced it was moving from providing a pension to a more employee-directed 401(k) plan.

But IBM did more than just offer investment advice. They offered broad personal finance direction. U.S. employees attend seminars and get one-on-one help from counselors.

"We felt if we just did retirement planning, it would just be in a vacuum," said IBM spokesman Clint Roswell. He says close to 50% to 60% of IBM's workers have participated in the program and got some sort of counseling.

The EDSA Group, which provides in-house seminars, is seeing more interest in its money-management help for employees, says Susan Windham, chief executive officer of the EDSA Group.

She says employee assistance program providers are telling employers to give workers more training on money management. The programs include help on getting out of debt and "scrubbing the budget" of unneeded items.

The LFE Institute provides similar programs -- although it tries to get employees motivated to save money and handle budgeting issues by teaching general guidelines instead of strict budget benchmarks.

"Companies that a year ago said, 'I don't want this (training)' ... are now saying, 'We even want to make this mandatory for our employees to take,'" said Alice Whinnery, chief executive of LFE Institute, which provides personal finance seminars at company workplaces.

Hefner says many people -- especially younger workers -- don't know how to keep their expenses in check.

"If people don't change their lifestyle in the face of things that we're seeing then (the situation with worker finances) is just going to get worse," he said.