

Consumer Financial Health Crisis

The core issue is simple:

Wages have not kept pace with the cost of living, so debt has become the bridge leading to debt traps.

\$1.28T

in household credit card debt (Federal Reserve Bank of New York, 2026)

\$18.8T

Total household debt in the New York Fed consumer credit framework

11.32%

Required debt payments as a share of disposable income

The Pressure Points

Income Gap

Typical pay has grown far slower than productivity.

Cost Gap

Housing, healthcare, transportation, education and childcare are absorbing household budgets.

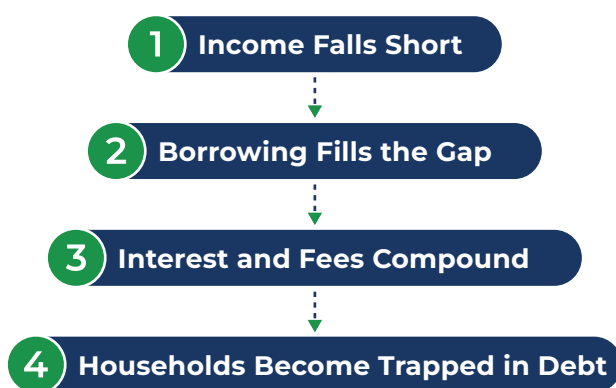
Credit Trap

High-interest credit cards provide families fleeting relief and burden them for years.

Regional Strain

A living wage shifts dramatically by region due to house and transportation costs, even when the paycheck does not.

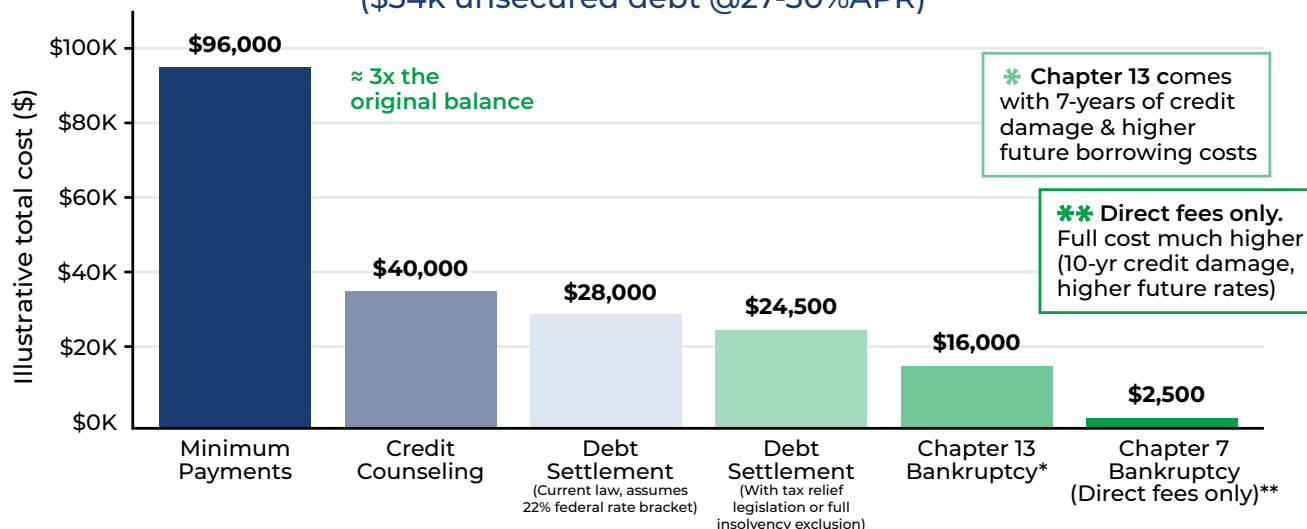
The Financial Stress Cycle



What Needs to Change

Improve access to debt relief — encourage economically coherent pathways out of unsustainable debt such as expanded access to federally regulated debt settlement and improvements to the tax treatment of forgiven debt.

Figure 8. Total Amount Paid by Debt Reduction Pathway
 (\$34k unsecured debt @27-30%APR)



Source: Modeled outcomes. Minimum-payment total assumes the most common issuer formula — the greater of \$35 or 1% of the balance plus interest — at 27% APR (~30-year payoff). Debt settlement reflects Dobbie (2021).