FSIC WHITE PAPER SUMMARY

Consumer Financial Health Crisis

FSIC
Financial Services Innovation Coalition

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	**$18.8T**	**11.32%**
in household credit card debt (Federal Reserve Bank of New York, 2026)	Total household debt in the New York Fed consumer credit framework	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.

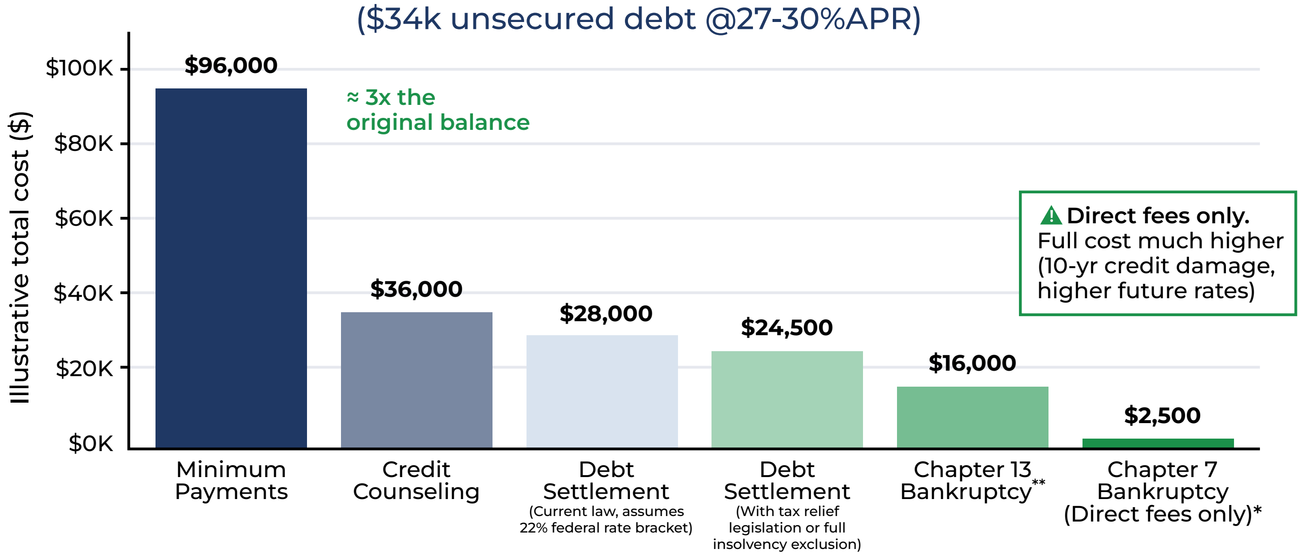
The Financial Stress Cycle

1. Income Falls Short
2. Borrowing Fills the Gap
3. Interest and Fees Compound
4. Households Become Trapped in Debt

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); credit counseling is a $30K-balance illustration (ACDR, 2024).
[**]Chapter 13 Bankruptcy comes with 7-years of credit damage and higher future borrowing costs.

Source: Consumer Financial Health Crisis white paper, June 2026