

Lifting the Weight

SOLVING THE CONSUMER DEBT
CRISIS FOR FAMILIES, COMMUNITIES
& FUTURE GENERATIONS



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The Aspen Institute **Financial Security Program's** mission is to illuminate and solve the most critical financial challenges facing American households and to make financial security for all a top national priority.

EXPANDING
PROSPERITY
IMPACT
COLLABORATIVE

deeply
explores one
issue at a time,
with the goal of
illuminating and solving
critical dimensions of household
financial insecurity



U.S. HOUSEHOLD FINANCIAL SECURITY

- Only about **1 in 3** Americans is financially healthy
(CFSI and CFPB's *Financial Well-Being in America* survey)
- **40% of households** get by on \$33,000 or less
(*Survey of Consumer Finances*)
- 23% of households have **no emergency savings** at all
(Bankrate)

U.S. HOUSEHOLD FINANCIAL SECURITY

- A **typical middle-income household** has ready access to less than 60% of the liquid savings it needs to stabilize usual monthly fluctuations in income and spending.
- Fewer than 50% of all households have sufficient savings to cover an average-sized dip in income, and the **typical low-income household** has fewer liquid assets than it would take to cover the loss of just two weeks of pay.

Without a *financial cushion*, households may be forced into debt due to income and expense *volatility*.



CONSUMER DEBT TODAY

Consumer Debt in Context

- Debt is nearly universal: **77% of people have it**
- Many households are doing well with debt
- **Low-income households and families of color experience more** debt-related financial distress
- Uncharted territory: booming economy, financially fragile households, unprecedented levels of debt

Consumer debt has
reached *record* levels

\$4.29T

\$2.29T

Q1 2003

Q2 2018



The *consequences* of consumer debt pile up on households.

The **weight** of consumer debt can crush a household's ability to pay for basic needs and limit investments in their financial futures.



I was about \$30,000 in debt, but because of my income,
there's no way that I can
meet my needs, live, and
pay debt too.

Bankruptcy was my choice.

FOCUS GROUP PARTICIPANT WHO SUCCESSFULLY COMPLETED CHAPTER 13 BANKRUPTCY

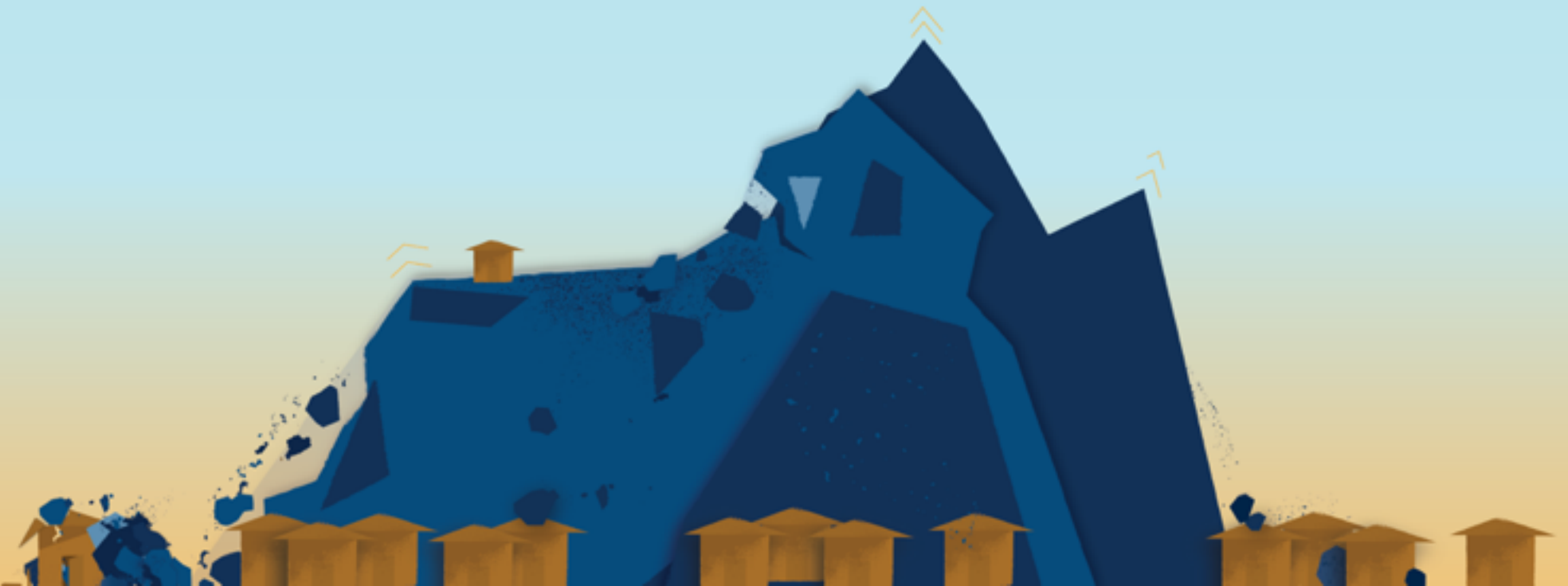
WASHINGTON, DC | JULY 2018

**I think a
lot of us do
become
ashamed.**

We don't even have
enough to make
our ends meet.
Being in debt is
not living life.

FOCUS GROUP PARTICIPANT WITH
UNAFFORDABLE DEBT
WASHINGTON, DC | JULY 2018

Financial insecurity places
entire communities at risk, too.



WHY FINANCIAL SECURITY MATTERS TO CITIES

Financially healthy families are more likely to be able to contribute consistently to local government revenues and are less likely to need city supports.

Cities, counties, school districts, and other jurisdictions operate best with stable revenues and affordable expenditures.



COST TO CITIES

Financial Insecurity → Cities Lose Revenue, Incur Other Costs

- Unpaid property taxes* (e.g. in Detroit) → tax foreclosures
- Foreclosures
 - Neighborhood disinvestment
 - Lower property values
 - Vacant property demolition costs
- Unpaid utility bills* → generate costs from shutting off services
- Evictions → homelessness → increases local housing expenditures

*also reduce revenue

SYSTEMIC SOLUTIONS TO A SYSTEMIC PROBLEM

Areas where **local government** can address critical dimensions of household financial security:

- 1. Lack of Financial Cushion**
 - Policies for automatic enrollment in savings accounts via payroll deductions
- 2. Restricted Access to High-Quality Credit**
 - Enforce laws that prohibit racial and gender disparities in access to and cost of credit
- 3. Delinquency, Default, and Collections Practices**
 - Fund or offer legal assistance or representation to consumers who are sued by debt collections/buyers
- 4. Student Loan Burdens**
 - Offer tuition assistance or student loan repayment benefits to employees
- 5. Government Fines and Fees**
 - Reform municipal laws and regulations that enable frivolous or unfair civil fines and fees



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