

THE TENUOUS FINANCIAL LANDSCAPE FACING CONSUMERS

Amid economic uncertainty and inequality, many U.S. consumers find themselves living paycheck-to-paycheck. Challenging financial circumstances have been compounded by the COVID-19 pandemic and its impact three years later. Even as many experienced relief as a result of pandemic-related economic impact payments and rising wages, record-setting inflation, supply chain issues, high interest rates and costs of living, and other national and global economic factors have led to many households confronting difficulty making ends meet. A number of reports regularly examine this financial landscape.

The reports' findings demonstrate the importance of a variety of accessible financial options – including credit – for consumers in need. It is clear that a financial shock – whether an urgent, unexpected expense or large-scale economic problem – can leave Americans in need of credit. Millions of hardworking, middle-income consumers choose regulated, non-bank consumer financial services every year to help them manage periodic financial difficulties.

Here are some of the issues consumers are contending with in this tenuous financial landscape:

- A 2022 report from the **Federal Reserve Board** on the economic well-being of U.S. households revealed that nearly one-third of American adults (32 percent) said that if faced with a \$400 unexpected expense, they would have difficulty covering it, while many (11percent) would be unable to pay it by any means.¹
- A 2022 report from **LendingClub** and **PYMNTS** found that 63 percent of Americans were living paycheck to paycheck, up from 57 percent reported in 2021.²
- A 2022 report from **SalaryFinance** found that 72 percent of consumers have less in savings than last year, and 29 percent report they have wiped out their savings entirely. Thirty-two percent of adults said they regularly run out of money between pay periods, and even among those making more than six figures, roughly half say they are having a harder time staying afloat and have less in savings than they did in 2021.³
- The **2022 Consumer Financial Protection Bureau's Emergency Savings and Financial Security Report** found that 24 percent of consumers have no savings set aside for emergencies, while 39 percent have less than a month of income saved for emergencies. Consumers with no savings are also the most likely to have no or a subprime credit score, delinquent debt, and low financial well-being.⁴
- The **2021 FDIC Survey of Unbanked and Underbanked Households** estimates 14.1 percent of U.S. households – approximately 18.7 million households – conduct some of their transactions using nonbank financial services providers and services, including small-dollar loans and check cashing.⁵
- A 2022 report by **Pew Research Center** found that while fewer Americans exclusively rely on cash, roughly six-in-ten Americans (59 percent) use cash for at least some of their purchases in a given week, while 14 percent pay for all or almost all of their purchases using cash. This number rises to three-in-ten Americans whose household income falls below \$30,000 a year.⁶

¹ "Economic Well-Being of U.S. Households in 2021," Federal Reserve Board Publication, May 2022, <https://www.federalreserve.gov/publications/files/2021-report-economic-well-being-us-households-202205.pdf>

² "Share of Americans living paycheck to paycheck rises to 63% — here's how to get your finances back on track," CNBC, December 15, 2022, <https://www.cnbc.com/2022/12/15/amid-high-inflation-63percent-of-americans-are-living-paycheck-to-paycheck.html>

³ "Breaking Down the Cost of Living Squeeze," SalaryFinance, October 2022, <https://www.salaryfinance.com/us/2022-cost-of-living-report/>

⁴ "Emergency Savings and Financial Security: Insights from the Making Ends Meet Survey and Consumer Credit Panel," Consumer Financial Protection Bureau, March 2022, https://files.consumerfinance.gov/f/documents/cfpb_mem_emergency-savings-financial-security_report_2022-3.pdf

⁵ "2021 FDIC National Survey of Unbanked and Underbanked Households," Federal Deposit Insurance Corporation, November 2022, <https://www.fdic.gov/analysis/household-survey/2021report.pdf>

⁶ "More Americans are joining the 'cashless economy'," Pew Research Center, October 2022, <https://www.pewresearch.org/fact-tank/2022/10/05/more-americans-are-joining-the-cashless-economy/>