

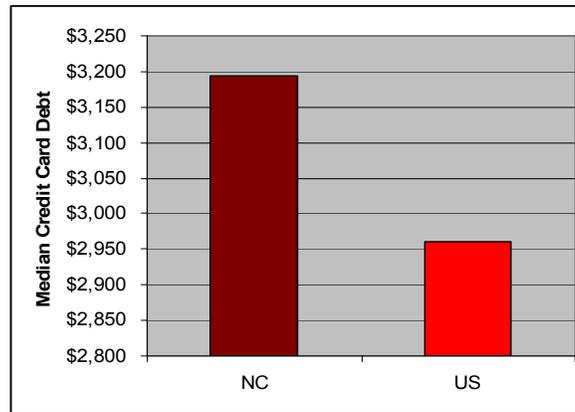
SPOTLIGHT

Credit Card Debt

The Numbers

North Carolina ranks 42nd among states for its high levels of median credit card debt.¹

The median credit card debt held by North Carolinians is \$3,194 compared to \$2,960 nationally.



Source: Trend Analysis Data. (2008, Quarter 3). TransUnion.

From 2006 to 2008, median credit card debt grew by 67.2% in North Carolina, a rate of growth that is slightly higher than the national increase of 64% over the same period.

The Implications

Recent research found that seven out of ten low- and middle-income households used their credit card to pay for basic living expenses, medical expenses or car and house repairs.² In the same survey, over half of those using credit cards as a safety net had less than \$1,000 in non-retirement savings.³ While credit cards meet a critical gap for households between income and expenses, they also inhibit future consumption and the ability to build assets. Indeed, evidence suggests that an alarming number of households cash out their home equity to, in part, pay down credit card debt.

Key Policy Connections

The Credit CARD Act of 2009 aims to protect consumers from the potential negatives of credit card debt by limiting retroactive interest rate hikes and fees for going over the borrowing limit. It also ensures greater transparency and clarity around the credit contract and provides special protections for young adults. The Act holds all regulators accountable to monitor credit card practices and ensure the protections are put into place across the system. An on-line resource for information for consumers has been set up by the Federal Reserve at:

<http://www.federalreserve.gov/consumerinfo/wyntk/creditcardrules.htm>

¹ A rank of 50 reflects the highest median credit card debt and 1 reflects the lowest median credit card debt according to analysis in CFED 2009-2010 Assets & Opportunity Scorecard, accessed at: <http://scorecard.cfed.org/>

² Center for Responsible Lending and Demos. October 2005. "The Plastic Safety Net: The Reality Behind Debt in America."

³ Ibid, p. 19