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# OUR COMMUNITIES


**What We're Hearing and Seeing**

## Household debt reaches all-time high: What does it mean?

With continued uncertainty over the state of the economy, new data came out recently that seemed to signal concerning news. In the second quarter of 2022, national household debt rose to $16.15 trillion, the highest on record, and nearly 30 percent higher than the period preceding the 2008 financial crisis. However, there can often be more than meets the eye when it comes to economic data, and to better understand the actual impact of household debt we need to view these numbers in the context of the broader economy, household incomes, and the quality of the loans themselves.

For example, the ratio of consumer debt to the economic output of the entire country is currently 80 percent. This is below the 20-year average of 86 percent and the peak of 100 percent observed during the second quarter of 2008. Readings have been increasing since the beginning of 2021 when the ratio was as low as 75 percent, but from a historical perspective, this does not suggest that households are taking on too much debt.

Similarly, recent studies indicate that the bottom 50 percent of US households are in their strongest relative financial position in a generation. This has been due to low unemployment, high demand for workers, rising wages for the working class, and the low-interest rate environment we experienced for the last several years. While rising interest rates will make new loans more expensive, household income has also been consistently increasing. This appears to indicate that current household debt will continue to be manageable for American families.

Lastly, and perhaps most importantly, mortgages, credit cards, and auto loans are all below their average delinquency rates of the past 10 years; loans become delinquent when borrowers do not make a payment by the specified due date. In particular, mortgages currently have an overall delinquency rate of 1.91 percent compared to the 10-year average of 5.53 percent. In addition, borrowers with strong credit scores accounted for a majority of the increases in household debt throughout the last year, underscoring the strong foundation of household finances.

Going forward the economic environment does pose challenges, particularly as pandemic-era stimulus programs completely phase out, rising interest rates continue to make borrowing more costly, and persistent inflation makes everyday purchases more expensive. However, the numbers indicate, as a whole, that US households are well positioned to manage their debt. **—Rob Rudary, senior banking analyst**

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**Small Business**

## Calling all for-profit small business owners and financial

## decisionmakers

The 2022 Small Business Credit Survey is now open, and we want to hear from you. Tell us (in 10 minutes) about your recent experiences. The (confidential) survey data directly informs the Fed, federal government agencies, service providers, policymakers, and more. Take the survey now.


**Workforce**

## Hearing from workers firsthand

This summer we hosted listening sessions, which helped us gain insights directly from low-wage workers and workers of color. Here's one key finding: For many, job quality—not just pay—is top of mind. Learn more.

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**Banking**

## Meet Jacqueline and Archie

We are excited to introduce two new directors of our Bank. Read our profiles about Jacqueline Gamblin, representing the information technology sector, and Archie Brown, representing banking.


**Economic Inclusion**

## Learning about the Black experience in our region

The Cleveland Fed's Program on Economic Inclusion talked directly with leaders from Black community groups to get their insights on how racism and poor job access can prevent their communities from participating in the economy to the best of each member's abilities. Read the key takeaways.

## Rural stakeholders voice concerns for aging population

Challenges that are pressing for rural communities relate to healthcare services and how to fill jobs that are vacated by those aging out of the workforce. Read what else they shared as top concerns.

**Outreach**

## Cha-ching! Another school year is in the bank!

The Federal Reserve Bank of Cleveland will again be offering its award-winning Danny Dollar Academy financial literacy program for students in grades 3, 4, and 5. To learn more about the program, teachers can register for this information session.

# OUR NATION

**Inflation**

## Why is what people expect inflation to do so important?

Our experts answer this question in the latest installment of the inflation Q&A series from our Center for Inflation Research. Read the Q&A. (Subscribe to receive all of our inflation work.)

## Maintaining a commitment to reducing inflation

Cleveland Fed President Loretta J. Mester explains how returning to price stability requires the Fed to continue to be resolute in raising interest rates, even during some expected periods of market volatility. Watch her full speech.

## Stop-motion meets stagflation

From our Center for Inflation Research comes a video describing stagflation and how it impacts the economy. (Subscribe to receive all of our inflation work.)

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**Workforce**

## The link between job quality and mobility

The quality of a job—what it offers in terms of benefits, pay, flexibility, and other measures—affects whether workers will stay in their current job, look for better opportunities, or simply leave the labor market. Read more.

## Rethinking monetary responses to labor-supply issues

The refusal of workers to hold jobs when there are benefits to staying out of the labor pool, for example, avoiding exposure to COVID-19, has economists rethinking central bank responses to contractions in labor. Read the full study.

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**People and Households**

## Protecting against fraud

Fraudsters have been using the name of Federal Reserve Banks to scam money and gift cards from unsuspecting victims. Protect yourself.

## The issue with evaluating who should receive benefits

The current method of determining who should receive benefits and other financial help from the government suffers from some significant shortcomings, among them, keeping some recipients with few assets in situations that prevent them from improving their economic outlook. Read the research.

**Housing**

## Examining eviction trends

Pandemic restrictions on evictions, federal rental assistance, and a fluctuating rental market all play a role in eviction trends, but the overall picture can still be hazy. Learn more about this complicated issue.

## Mortgage forbearance program hits its target

To receive mortgage forbearance through the Coronavirus Aid, Relief, and Economic Security Act, documentation of hardship was not necessary. Despite this, evidence indicates that forbearance has largely been used by borrowers who did need it the most. Read more.

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**Small Business**

## Clicking for credit: Small businesses and online lenders

Small businesses that apply for online funding are more likely to have fewer employees, lower revenues, weaker credit scores, and fewer years in business. Learn more about their experiences.

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**Banking**

## Financial exclusion can be a problem for everyone

While just over five percent of US households are unbanked, meaning they do not have a bank account, even this small number contributes to nationwide issues such as unequal access to credit and financial exclusion of minorities. Should policymakers intervene?

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# ON THE CALENDAR

## October 20

**Consequences of the Pandemic for Short and Long-Run Educational and Labor Market Outcomes**

**Details and registration**

## November 7

**Women in Economics Symposium**

Undergraduate students, hear the career stories of women in economics, learn what you can do with a degree in economics, discuss diversity and inclusion in the profession, and network with professionals in the field.

**Save the date**

## November 17–18

**2022 Financial Stability Conference: Frontier Risks, a New Normal, and Policy Challenges**

**Save the date**

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# FROM AROUND THE FEDERAL RESERVE SYSTEM

## As inflation rises, low-income households grapple with particular challenges

A new report on the struggles of low-income households in a high-inflation economy sheds light on the current reality for these families and many like them. See the insights.

## The impact of the pandemic on student loans

Student loans have been in the news on the heels of the White House's recent announcement to cancel up to $10,000 in non-Pell Grant debt. But how have the last two years of the COVID-19 pandemic impacted borrowers overall? Read the report.