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I. The Business of Banking

Chairman Tim Scott, Ranking Member Elizabeth Warren, and members of the Committee, thank you for the opportunity to appear before you today to discuss one of the most pressing issues facing American families: affordability.

I am the President and Chief Executive Officer of the Consumer Bankers Association (CBA).[1] CBA is America's only member-driven trade association focused exclusively on retail banking. Since 1919, CBA has partnered with our member banks to promote sound policy, prepare the next generation of bankers to lead the industry, and enable consumers' individualized approaches to the American dream. Our members include the nation's largest retail banks, and they provide the everyday financial tools — deposit accounts, credit cards, home equity lines, auto loans, and small dollar loans — that millions of families rely on to manage their financial lives.

Before turning to what is driving the cost of living higher, and highlighting several positive actions taken by the Administration and Congress to address issues related to affordability, I want to spend a moment on what banks actually do for the families and small businesses we serve — because that role is at the heart of how I hope this Committee will approach affordability.

First, banks turn deposits into opportunity. When a family deposits a paycheck, that money does not sit idle. It is safeguarded — protected by deposit insurance, so a family never has to wonder whether it will be there when they need it — and then lent back into the same communities, as mortgages, auto loans, small-business credit, and the card in a consumer's pocket. That is the quiet machinery of American economic life: deposits become opportunity, and opportunity, repaid, becomes more deposits. The scale is easy to overlook.

The most recent data available shows that banks originated:

- Nearly nine million small business loans totaling over $250 billion in 2024.[2]
- Nearly 200 thousand small farm loans totaling over $14 billion in 2024. [3]
- Approximately 1.3 million mortgage loans, accounting for 27.9 percent of all reported originations in 2023.[4]

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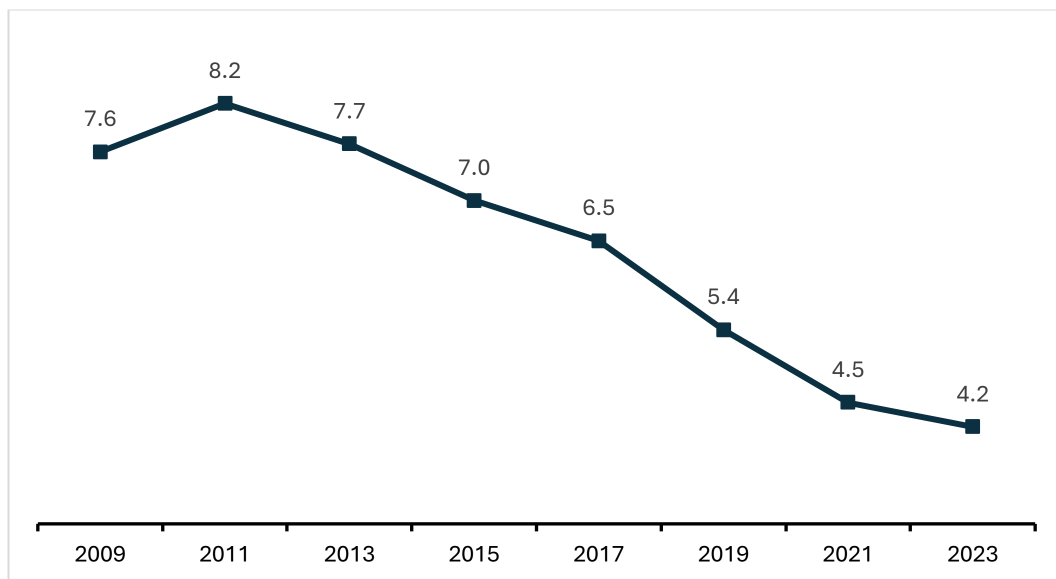
[1] The Consumer Bankers Association ("CBA") is a member-driven trade association, and the only national financial trade group focused exclusively on retail banking—banking services geared toward consumers and small businesses. As the recognized voice on retail banking issues, CBA provides leadership, education, research, and federal representation for its members. CBA members operate in all 50 states. They include the nation's largest bank holding companies as well as regional and super-community banks. The vast majority of CBA's members are financial institutions holding more than $10 billion in assets.
[2] Federal Financial Institutions Examination Council, *Community Reinvestment Act: Findings from Analysis of Nationwide Summary Statistics for 2024 Community Reinvestment Act Data Fact Sheet*, Table 1 (November 13, 2025), https://www.ffiec.gov/data/cra/findings-from-2024-data-fact-sheet.
[3] Id.
[4] Consumer Fin. Prot. Bureau, *2023 Mortgage Market Activity and Trends*, at pg. 62 (December 2024), https://files.consumerfinance.gov/f/documents/cfpb_2023-mortgage-market-activity-and-trends_2024-12.pdf.

Second, banks have brought more Americans inside that system than ever before — a goal this body and policymakers have shared for decades.[5] The Federal Deposit Insurance Corporation (FDIC)'s most recent national survey found the share of unbanked households at a record low of 4.2 percent.[6] (See Figure 1.) That progress reflects deliberate effort: free checking, no-fee BankOn accounts,[7] and other entry points built for young and new consumers. And for millions, the first rung on the ladder of credit is a card — the Consumer Financial Protection Bureau (CFPB)'s own research on how Americans become "credit visible" found that a credit card is, by far, the most common way to enter the mainstream credit system.[8] Access to credit is not a luxury. It is how a young person buys a first car, how a family absorbs an emergency, and how a small business makes payroll in a slow month.

Figure 1. National Unbanked Rate, 2009-2023 (percent), excerpted from the FDIC's Unbanked Survey



[5] Federal Reserve Bank of Philadelphia, *Large Bank Credit Card and Mortgage Data,* Accessed June 18, 2026, https://www.philadelphiafed.org/surveys-and-data/large-bank-credit-card-and-mortgage-data (data show large banks originated roughly 70 million new credit cards in 2025).
[6] Federal Deposit Insurance Corporation, *2023 FDIC National Survey of Unbanked and Underbanked Households* (November 14, 2024), https://www.fdic.gov/household-survey (reporting that 4.2 percent of U.S. households, or roughly 5.6 million households were unbanked in 2023).
[7] Lisa J. Locke & Michael Eggleston, *Bank On National Data Hub: Findings from 2024*, Federal Reserve Bank of St. Louis (November 13, 2025), https://www.stlouisfed.org/community-development/bank-on-national-data-hub/bank-on-report-2024 (reporting that more than 23 million Bank On-certified accounts have been opened through December 31, 2024).
[8] Kenneth P. Brevoort & Michelle Kambara, *CFPB Data Point: Becoming Credit Visible* 5, 13–14 tbl.2 (Consumer Fin. Prot. Bureau, Office of Research, June 2017), https://files.consumerfinance.gov/f/documents/BecomingCreditVisible_Data_Point_Final.pdf (finding that credit cards were the most common entry product triggering the creation of a credit record across all age groups).

Third, a bank's incentives are aligned with the people it serves – and for over the long haul. A loan a consumer cannot afford to repay is a loss on the bank's own books. We succeed only when our customers succeed, not on any single transaction but over the long arc of a financial life. That is why our members invest in the communities they serve, through the Community Reinvestment Act (CRA) and, more fundamentally, through the everyday business of financing the affordable housing, the local employers, and the payroll and payments that keep a Main Street running. A bank's success and its community's success are the same thing. We will discuss later in the testimony data that show that, despite recent headlines, consumers are faring better with their credit cards than any other period measured by the CFPB, other than the pandemic (which was characterized by low spending and stimulus spending). In particular, consumers are paying off their cards in full more than ever before. Further, revolvers are paying more into their debts than ever before – in part, because banks have carefully raised minimum payment amounts.[9]

Fourth, banks provide a layer of protection consumers rarely see — and never have to think about, until the moment they need it. When a card number is stolen, it is the bank that absorbs the fraud, reverses the charge, and makes the consumer whole, typically with zero liability to the cardholder. That same infrastructure lets a consumer walk into a shop almost anywhere in the world and pay with confidence — knowing the transaction is secure, knowing they are protected if something goes wrong, and knowing they are getting a competitive exchange rate that would beat almost any airport currency kiosk. And it extends well beyond the transaction itself: cards routinely carry protections a consumer may not even realize they have until the moment one matters — coverage when a rental is damaged, help when a car breaks down on the road, a safeguard when a new purchase is lost or stops working. Protecting consumers when they need it most is, quite simply, in our DNA. That protection is not free to provide, but it is the reason a card works the same way at a corner store as it does across an ocean or across the internet — and the reason commerce, online and off, can be trusted at all.

Fifth, banks are there not only in the good times, but in the hard ones. When a paycheck and a bill don't line up — when a car breaks down, a medical bill arrives, or hours get cut — families reach for the financial tools that smooth the gap. We call these tools shock absorbers: an overdraft service that covers a payment which would otherwise bounce, a credit card that bridges the days until the next paycheck, a home equity line that absorbs a sudden, large expense. Like the shock absorbers on a car, their job is not to remove the bumps in the road but to keep a single jolt from doing lasting damage. Expense shocks are not rare events — 75 percent of American households face at least one in a given year.[10] The CFPB reported that in 2024, consumers had to rely on paying just the minimum payment on their credit cards more often than any other year it previously measured. But, as mentioned above, for most consumers the shock

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[9] Consumer Bankers Ass'n, *Facts Matter: Reading the CARD Act Report in Context*, Consumer Bankers Ass'n (February 4, 2026), https://consumerbankers.com/blog/facts-matter-reading-the-card-act-report-in-context/ (citing the 2025 CFPB Card Act Report that the improvement in credit card payment behavior is at least partly attribute to industry action in steadily raising minimum payment requirements).

[10] Scott Fulford & David Low, *Expense Shocks Matter*, at 12, CFPB Off. of Rsch. Working Paper No. 24-08 (Nov. 2024), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5035531 (noting that 75 percent of households experience a significant expense shock using data from the "Making Ends Meet" survey).

absorbers worked: consumers also paid off their credit cards in full or at higher rates than any other year on measurement as well, outside of the pandemic.[11] Each tool carries different terms and suits different circumstances, but together they do one job: they keep a difficult month from becoming a genuine crisis, and they keep families from being pushed toward far costlier borrowing outside the regulated system.

The clearest proof of that role came when the entire system was tested at once. When the pandemic shut down large parts of the global economy, banks did not retreat — they leaned in. CBA's members worked around the clock to keep branches open and safe so that consumers could still reach their money when they needed it most. When Congress stood up the Paycheck Protection Program, banks moved billions in relief to small businesses so they could keep paying their workers — and did so with markedly lower fraud rates than non-bank lenders, a difference later documented by the Small Business Administration (SBA)'s own Inspector General.[12] And as the economy reopened, the everyday credit card helped power the spending that drove the recovery forward.[13] What followed was one of the fastest and most dynamic recoveries in modern history — even through a subsequent period of high inflation, rapidly rising rates, and geopolitical shocks.

Banks cannot, on their own, make food, shelter, or healthcare less expensive — the forces driving those costs are elsewhere, and I will turn to them next. What banks can do is give families the most competitive tools to manage their finances and build resilience. That distinction is the heart of my testimony: when American families struggle with affordability, banks are far more often the shock absorbers than the shocks.

II. The American Consumer: Resilient in the Aggregate, Strained at the Margins

The U.S. economy continues to show surprising resilience. Consumer spending has remained steady, and consumer debt performance has been broadly stable. But a closer look reveals a more nuanced picture — what economists describe as a *K-shaped economy*. While higher-income households are also contending with higher costs, they have greater appreciating assets, stable employment, and financial buffers, and have largely regained their footing. Others — renters, retirees on fixed incomes, and workers

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[11] Consumer Bankers Ass'n, *Facts Matter: Reading the CARD Act Report in Context*, Consumer Bankers Ass'n (February 4, 2026), https://consumerbankers.com/blog/facts-matter-reading-the-card-act-report-in-context/ (noting that the share of consumers paying balances in full reached 43 percent in 2024, the highest level outside of the pandemic stimulus era).

[12] Office of the Inspector General, U. S. Small Business Administration, *SBA's Oversight of Non-Bank Lenders and Third-Party Service Providers Associated with PPP Loans*, U.S. Small Business Administration (November 13, 2024), https://www.sba.gov/document/report-25-04-sbas-oversight-non-bank-lenders-third-party-service-providers-associated-ppp-loans (noting that non-bank PPP lenders made suspected fraudulent loans at a rate five times higher than loans made by traditional bank lenders).

[13] Consumer Bankers Ass'n*, From the CBA Data Desk: Credit Cards Helped Fuel America's Fastest Post-Pandemic Recovery*, (October 8, 2025), https://consumerbankers.com/blog/from-the-cba-data-desk-credit-cards-helped-fuel-americas-fastest-post-pandemic-recovery/ (reporting that credit card spending makes up 22 percent of GDP).

with volatile hours — have experienced rising essential costs and may not have seen comparable gains in financial flexibility.[14]

Importantly, steady employment does not always translate into steady income. Research from the JPMorganChase Institute finds that even when annual earnings and hourly wages appear stable, many workers experience significant month-to-month swings in both income and expenses. Those swings create real financial risk, making it harder for families to plan and leaving them less prepared to absorb an unexpected cost.[15]

We can see the strain in the choices families are making. A record share of workers — roughly six percent — took a hardship withdrawal from their 401(k) last year, up from a pre-pandemic average of about two percent. The most common reasons were to make a mortgage or rental payment and to cover medical expenses, and the median withdrawal was just $1,900.[16] In survey after survey, middle-income Americans report that their incomes are not keeping pace with the cost of living.[17]

These pressures are not limited to low-income or subprime consumers. Over the past decade, the cost of all items on the Consumer Price Index rose by nearly 40 percent, and that increase has been felt across the income spectrum.[18]

While an average can describe an economy, it cannot describe a household. For families with limited savings, fixed incomes, or volatile hours, even a modest increase in the cost of an essential can erase what little cushion they have. The task before this

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[14] David Tinsley et al., *Consumer Checkpoint: Gains and Gaps* Bank of Am. Inst. (Aug. 2025), https://institute.bankofamerica.com/economic-insights/consumer-checkpoint-august-2025.html (reporting that spending and wage growth were increasingly diverging between higher- and lower-income households, with higher-income households experiencing stronger wage and spending growth); *See also* Rajashri Chakrabarti et al., *Explaining the K-Shaped Economy: What's Behind the Divide?*, Fed. Rsrv. Bank of N.Y. Liberty St. Econ. (May 1, 2026), https://libertystreeteconomics.newyorkfed.org/2026/05/explaining-the-k-shaped-economy-whats-behind-the-divide/ (finding that since 2023, real net worth, financial assets, and spending have followed a "K-shaped" pattern, with higher-income households experiencing greater wealth gains and facing lower inflation than lower-income households).

[15] JPMorgan Chase Inst., *Earnings Instability: The Hidden Volatility of American Workers' Paychecks* (Sept. 30, 2025), https://www.jpmorganchase.com/institute/all-topics/financial-health-wealth-creation/earnings-instability (noting that hourly workers experience a typical month-to-month change in earnings of 9 percent, but 1 in 4 months sees a monthly change of at least 21 percent).

[16] Anne Tergesen, *Record Numbers of Workers Are Raiding Their 401(k) Savings*, Wall St. J. (Mar. 4, 2026), https://www.wsj.com/personal-finance/retirement/record-numbers-of-workers-are-raiding-their-401-k-savings-bc89d5c3 (reporting Vanguard data showing that a record 6 percent of 401(k) participants took hardship withdrawals in 2025, up from 4.8 percent in 2024 and a pre-pandemic average of approximately 2 percent, and that the median hardship withdrawal was $1,900).

[17] Eric Revell, *Middle-Income Americans Struggling to Keep Up as Living Costs Weigh on Paychecks, Survey Says*, Fox Bus. (Jan. 29, 2026), https://www.foxbusiness.com/economy/middle-income-americans-struggling-keep-up-living-costs-weigh-paychecks-survey-says (reporting that 68 percent of middle-income Americans said their income was not keeping pace with the cost of living and that nearly half identified simply keeping up with rising costs as their primary financial goal for the coming year).

[18] U.S. Bureau of Lab. Stat., *Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCSL)*, Fed. Rsrv. Bank of St. Louis, FRED, https://fred.stlouisfed.org/series/CPIAUCSL (last visited June 12, 2026) (showing that the all-items Consumer Price Index increased by nearly 40 percent over the preceding decade).

Committee is to understand where that pressure is coming from — and to be precise about addressing it.

Diagnosing the Problem: The "Four Horsemen" of Affordability

To better understand the biggest and fastest-growing expenses American families face, CBA supported research to examine household income and expenses over the past decade (2013–2024) using Consumer Expenditure (CEX) Survey data supplemented by Personal Consumption Expenditures (PCE) data.[19]

The central finding is instructive: four major expense categories — housing, healthcare, food, and vehicles — account for *two-thirds of all expanded household spending*, making up roughly 66 percent of the average household's annual budget. These "Four Horsemen" increased by up to 20 percent in real terms between 2013 and 2024, while incomes failed to keep pace, particularly for low-income households. For an average household earning approximately $104,207 a year (about $68,000 after taxes), the primary cost centers are sobering:

- *Shelter*: approximately $19,116 per household per year;
- *Vehicles*: approximately $10,673 per household (excluding gasoline), encompassing purchases, loan and lease payments, insurance, and maintenance;
- *Food*: approximately $10,163 per household; and
- *Healthcare*: approximately $6,197 per household in direct costs.

Together, these essential expenditures cost consumers roughly $46,149 –more than 67 percent of the average households' budget.[20]

Housing is the single largest consumer-reported expense—and one of the fastest growing

As Goldman Sachs Research has explained, a prolonged slowdown in U.S. housing supply has made it increasingly difficult to afford a home, while elevated mortgage rates have discouraged existing homeowners from selling — further tightening supply.[21] Renters face parallel pressure: roughly half of renter households are "rent burdened," spending more than 30 percent of their income on rent.[22]

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[19] Alexei Alexandrov, *Affordability and Household Expenses, Big and Small: Evidence from Public Federal Data 2013-2024*, SSRN, (Feb. 12, 2026) https://ssrn.com/abstract=6224060 (finding that the four largest expense categories account for two-thirds of household spending).

[20] Consumer Bankers Ass'n, *Affordability and the American Consumer* (February 19, 2026), https://consumerbankers.com/blog/affordability-and-the-american-consumer/ (highlighting the largest expenses for an average household).

[21] Goldman Sachs, *The Outlook for U.S. Housing Supply and Affordability*, (Oct. 21, 2025), https://www.goldmansachs.com/insights/articles/the-outlook-for-us-housing-supply-and-affordability (stating that "[a] prolonged slowdown in U.S. housing supply has made it increasingly difficult to afford a home").

[22] Drew Desilver, *A look at the state of affordable housing in the U.S.*, Pew Research Center (October 25, 2024), https://www.pewresearch.org/short-reads/2024/10/25/a-look-at-the-state-of-affordable-housing-in-the-us/ (reporting that 1.3 percent of American households were cost burdened in 2023, 49.7 percent of households that rent, according to 1-year estimates from the Census Bureau's American Community Survey (ACS)).

Vehicles are the second largest category

Vehicles — including purchases, insurance, and maintenance — are the second-largest category.

Healthcare costs continue to outpace wage growth[23]

And much of the true cost is hidden. As Dr. Alexandrov notes, when employer- and government-paid expenditures are accounted for, healthcare is both the single largest household expense — roughly $24,418 combined per household in 2024 — and the category that grew the most in absolute dollars over the decade. Those costs may be less visible to consumers, but "consumers end up paying for it eventually — through lower income and through higher taxes."[24]

Food is among the fastest-growing essentials

According to the U.S. Department of Agriculture, between 2014 and 2024 grocery prices rose roughly 30 percent and the cost of eating out rose nearly 50 percent.[25] For a family on a fixed budget, those increases are felt at the checkout line every single week.

It's imperative to look beyond the averages to see the biggest cost burdens for some families: Childcare and Higher Education Student Debt

And beyond the Four Horsemen, other essential costs compound the strain in ways that national averages obscure. Childcare is a powerful example: while it looks small on average — only about 24 percent of parents of young children pay for it —half of those who do spend at least half as much each month as their mortgage or rent payment.[26] The point is simple: the affordability problem is a *cost-of-essentials* problem, and it has been building for more than a decade.

Student debt compounds these pressures, often invisibly, and often saddles Americans with debt in their early earning years that compound affordability issues for years or decades. More than 43 million Americans have federal Direct student loans with more than 24 million in repayment. Of those in repayment, just over 40 percent are either past due or in default.[27] Federal loans make up more than 90 percent of the

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[23] Ellyn Maese, *U.S. Adults' Ability to Afford Healthcare at a Five-Year Low*, Gallup (June 18, 2026), https://news.gallup.com/poll/710942/adults-ability-afford-healthcare-five-year-low.aspx (reporting that 49 percent of U.S. adults say they have access to quality, affordable care and can pay for needed care or medicine, with larger shares of low-income adults unable to access quality, affordable care).
[24] Alexei Alexandrov, *Affordability and Household Expenses, Big and Small: Evidence from Public Federal Data 2013-2024*, SSRN, (Feb. 12, 2026) https://ssrn.com/abstract=6224060 (noting that the majority of healthcare expenses are not captured by CEX and one the additional healthcare expenses are added, healthcare is the single largest expense at $24,418 in 2024, from $1,972 in 2013).
[25] U.S. Dep't of Agric., Econ. Rsch. Serv., *Food Price Outlook* (June 27, 2024), https://www.ers.usda.gov/data-products/charts-of-note/109406 (reporting that from 2014 to 2024, prices for food at home increased by approximately 30 percent while prices for food away from home increased by nearly 50 percent).
[26] Bd. of Governors of the Fed. Rsrv. Sys., *Survey of Household Economics and Decisionmaking: Economic Well-Being of U.S. Households in 2024* 33–34 (2025), https://www.federalreserve.gov/publications/files/2024-report-economic-well-being-us-households-202505.pdf (finding that only 24 percent of parents of young children paid for childcare and that, among those who did, just over half spent at least 50 percent of their housing costs).
[27] National Student Loan Data System, U.S. Dep't of Educ., Off. of Fed. Student Aid, Data.gov, https://catalog.data.gov/dataset/national-student-loan-data-

student loan market,[28] and the college tuition sticker price has risen more than 140 percent over the last two decades — with graduate program costs up 158 percent since 1993, according to the Brookings Institution.[29] The consequences ripple through household budgets in the form of delayed homeownership, postponed family formation, and reduced savings.

Federal student lending does not require any consideration of underwriting a borrower (considering their ability-to-repay), there are not monthly, quarterly or other disclosures that go to borrowers so they can understand what debt they are taking on, how it is compounding and what they will owe in the end. All of these are required and standard in private student lending, which has a late-stage delinquency rate of roughly 1.7 percent.[30]

Much of that cost explosion traces directly to the structure of the Grad PLUS program. By allowing students to borrow up to the full cost of attendance with no underwriting discipline, the program removed the core feature of any functioning credit market: the connection between price and risk. Colleges, facing no market pressure, had little incentive to control tuition. The Congressional Budget Office estimates that taxpayers lose roughly 25 cents for every dollar lent through Grad PLUS.[31] Congress recently voted to eliminate the program for new borrowers to restore accountability.

CBA has been actively engaged in shaping what comes next. Last year, we convened a roundtable of government, private-lender, third-party stakeholders and think tanks to identify reforms that can reduce graduate school costs, encourage prudent lending, and better protect taxpayers. CBA also published a white paper about the changes to the student lending market.[32] Our research found that the private market should be able to support a majority of borrowers who would otherwise have relied on Grad PLUS loans — but gaps remain, particularly for borrowers in lower-earning fields and programs with limited outcome data. Closing those gaps requires improving the completeness of student loan data, better earnings data at the program level, clearer rules for using that data in underwriting, and steps by institutions and states —

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system?from_hint=eyJxIjoic3R1ZGVudCBsb2FuIn0%3D (last visited June 18, 2026) (includes borrowers listed as in repayment status and "cumulative default". Excludes borrowers in school, grace period, deferment, forbearance, or "other").

[28] Melanie Hanson, Student Loan Debt Statistics, EducationData.org (Feb. 2, 2026), https://educationdata.org/student-loan-debt-statistics (reporting that federal loans represent 90.9 percent of all student loan debt).

[29] Adam Looney, *How Much Does College Cost, and How Does It Relate to Student Borrowing? Tuition Growth and Borrowing Over the Past 30 Years,* Urban-Brookings Tax Policy Center (July 2024), https://www.brookings.edu/wp-content/uploads/2024/07/20240730_TPC_Looney_CollegeCosts1.pdf

[30] Enterval Analytics LLC, *Enterval Private Student Loan Semi-Annual Report Q3 2025* (January 26, 2026), https://www.enterval.com/products/enterval-private-student-loan-report/ (reporting that private student loans have an early-stage delinquency rate of 3.49 percent and a late-stage delinquency rate of 1.71 percent).

[31] Cong. Budget Off., Baseline Projections: Federal Student Loan Programs, tbl. 4 (June 2024), https://www.cbo.gov/system/files/2024-06/51310-2024-06-studentloan.pdf (reporting that a 24.1 subsidy rate for Grad PLUS loans).

[32] Consumer Bankers Ass'n, *Recent Graduate Student Lending Reform: Analysis and Recommendations* (Jan. 2026), https://consumerbankers.com/wp-content/uploads/2026/01/CBA_Recent-Graduate-Student-Lending-Reform-Analysis_01.2026-2.pdf (estimating that the private sector can underwrite student loans for at least 75 percent of students who would have otherwise taken out Grad PLUS loans).

including grants and tuition reductions — to serve students the private market cannot reach.

III. Distinguishing Life's Shocks from the Tools That Absorb Them

When we talk about the pressures Americans face, it helps to separate two different things: life's *shocks* — the "Four Horsemen," costs that have outrun incomes for more than a decade — and the *shock absorbers*, the financial tools a household reaches for when a paycheck and a bill don't line up.

Consider a household where we will call one of the adults "Sara." With her spouse, Sara earns the median household income — about $68,572 after taxes, or roughly $5,700 a month. After shelter (about $1,500), vehicles (about $750), food (about $760), direct healthcare (about $470), and childcare (about $750), those essentials alone consume roughly 75 percent of her budget — before utilities, retirement savings, gasoline, and other recurring costs. At year's end, a household like Sara's has net savings of about $540, or roughly $45 a month. That is an incredibly thin margin, and a single unexpected expense can blow up the budget.

If Sara is among the half of households that revolve a balance, the interest component of her monthly payment might be roughly $200, a significant part of her budget. But it is important to understand what that payment represents. Interest is not simply a penalty or a fee — it is the cost of accessing liquidity when income and expenses do not align.[33]

Consider that a 2024 estimate using data from the Making Ends Meet Survey found that 75 percent of households experienced a financial shock in the last 12 months, with the median shock costing $5,000.[34] For a household with $45 of monthly breathing room, the ability to smooth a car repair, a medical bill, or a temporary cut in hours can be the difference between managing a setback and falling into far more disruptive consequences: missed rent, a utility shutoff, or costly alternative borrowing.

And here the data is genuinely encouraging. It may seem as though, once Sara begins revolving, she is destined to pay that interest indefinitely. The data say otherwise. While more consumers made at least one minimum payment last year than at any point in the prior decade — evidence that more families needed flexibility — the fuller picture is positive. Outside the pandemic stimulus years, consumers are paying off their balances in full at the highest rate on record; the share paying less than 10 percent of their balances has fallen to historic lows; and the share making meaningful progress on principal has reached historic highs.[35] Households use credit cards to absorb a

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[33] Consumer Bankers Ass'n, *Affordability and the American Consumer* (February 19, 2026), https://consumerbankers.com/blog/affordability-and-the-american-consumer/ (highlighting the budget breakdown of a household with the median household income).

[34] Scott Fulford & David Low, *Expense Shocks Matter*, at 12, CFPB Off. of Rsch. Working Paper No. 24-08 (Nov. 2024), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5035531 (noting that 75 percent of households experience a significant expense shock using data from the "Making Ends Meet" survey).

[35] Consumer Bankers Ass'n, *Facts Matter: Reading the CARD Act Report in Context*, Consumer Bankers Ass'n (February 4, 2026), https://consumerbankers.com/blog/facts-matter-reading-the-card-act-report-in-context/ (noting that the share of consumers paying balances in full reached 43 percent in 2024, the

temporary shock — but most do not stay stuck there. The market is doing what it was designed to do: absorb the strain, then help families manage through the turbulence.

Shock Absorbers at Work: Different tools for different consumers – working collectively for the benefit of the broader American economy

Households reach for different tools depending on their circumstances and preferences.

Homeowners may tap home equity through a Home Equity Line of Credit. Workers with retirement savings may borrow against a 401(k) or, in an emergency, take a hardship withdrawal — which can carry taxes and IRS penalties exceeding 10 percent and diminish long-term security. Others may rely on credit cards to smooth spending or cover short-term gaps. At the same time, as many as seven million Americans remain "credit invisible," outside traditional underwriting models entirely — and for them, deposit products, including overdraft services, can serve as essential short-term lifelines that they choose to use.[36]

Each comes with different tradeoffs, but they share a common reality: a variety of tools are necessary to provide families with the tools and flexibility to manage through these different shocks but may not be available to everyone at the same time.

The importance of these tools extends beyond any single household. Credit cards and bank liquidity services have been a backbone of consumer resilience — and, by extension, of the broader economy. Card spending accounted for more than one-fifth of U.S. GDP in 2022[37]. During the COVID-19 pandemic, this liquidity helped households maintain purchasing power amid historic disruption and helped sustain consumer spending at a pivotal moment for small businesses and the broader economy, contributing to one of the fastest recoveries in modern history.[38]

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highest level outside of the pandemic stimulus era and that the share of consumers paying less than 10 percent of their balance dropped to 3 percent in 2024 from a high of 41 percent in 2015-2017).

[36] Michelle Kambara & Cooper Luce, *Technical Correction and Update to the CFPB's Credit Invisibles Estimate*, Consumer Fin. Prot. Bureau Office of Research Reports Series No. 25-5 (June 2025), https://files.consumerfinance.gov/f/documents/cfpb_update-credit-invisibles-estimate_2025-06.pdf ("The estimated share of credit invisibles in December 2020 was 2.7 percent (7.0 million)"). Recent research also shows that, particularly for consumers with low credit scores, plasma donations have become an alternative to turning to non-bank loans like payday loans. See Katy Marquardt Hill, *Plasma Donations: Financial Lifesaver and Ethical Dilemma*, U. Colo. Today (Mar. 6 2024), https://www.colorado.edu/today/2024/03/06/plasma-donations-financial-lifesaver-and-ethical-dilemma ("It's important to note that plasma centers aren't helping people who are already deep in payday loan debt escape it, she added, but "they provide a last-minute bridge, say if you're $100 short on rent and facing eviction.").

[37] Consumer Bankers Ass'n*, From the CBA Data Desk: Credit Cards Helped Fuel America's Fastest Post-Pandemic Recovery*, (October 8, 2025), https://consumerbankers.com/blog/from-the-cba-data-desk-credit-cards-helped-fuel-americas-fastest-post-pandemic-recovery/ (reporting that credit card spending makes up 22 percent of GDP).

[38] Consumer Bankers Ass'n, *Point of Impact: The Power of Credit Cards*, Consumer Bankers Ass'n (Nov. 24, 2025), https://consumerbankers.com/blog/point-of-impact-the-power-of-credit-cards/ (highlighting that credit card spending helped drive the post-pandemic recovery).

Shock Absorbers at Work: Consumers' inflation-adjusted credit card debt is less than it was in 2019

As policymakers search for ways to ease affordability pressures, some debates have increasingly looked to credit card interest and fees. At first blush, that focus can seem compelling. The CFPB's most recent CARD Act Report found that, amid higher interest rates, more accounts, and larger balances, *aggregate* credit card interest paid by consumers rose from roughly $100 billion in 2022 to about $160 billion in 2024.[39] But large aggregate figures can obscure what matters most for an individual household budget.

Incorporating the CFPB's interest data into our broader analysis of household spending, the result is clear: while credit card interest is a real expense, it remains a relatively small slice of the overall affordability picture. In 2024, interest accounted for roughly $100 a month on average — a little over one percent of the average household budget. Additionally, credit card fees, both annual and late, were small in the broader picture of annual household spending.[40]

Much of the public conversation on credit cards centers on the roughly $1.2 trillion in *aggregate* credit card debt. Two points are essential to understanding this number. First, there are more borrowers today than ever before—and the $1.2 trillion is an *aggregate* figure: it sums the balances of every cardholder. Therefore, as the number of cardholders has grown substantially — by roughly 39 million more cardholders with balances than eight years ago, the outstanding balances also naturally grow, and also reflect expanded access to credit. Second, inflation makes balances look larger — things simply cost more and the Fed increases interest rates—pushing balances up. When CBA adjusted for both inflation and the number of cardholders, average balances per cardholder were still slightly *below* where they stood in 2019 (See Figure 2, below).[41]

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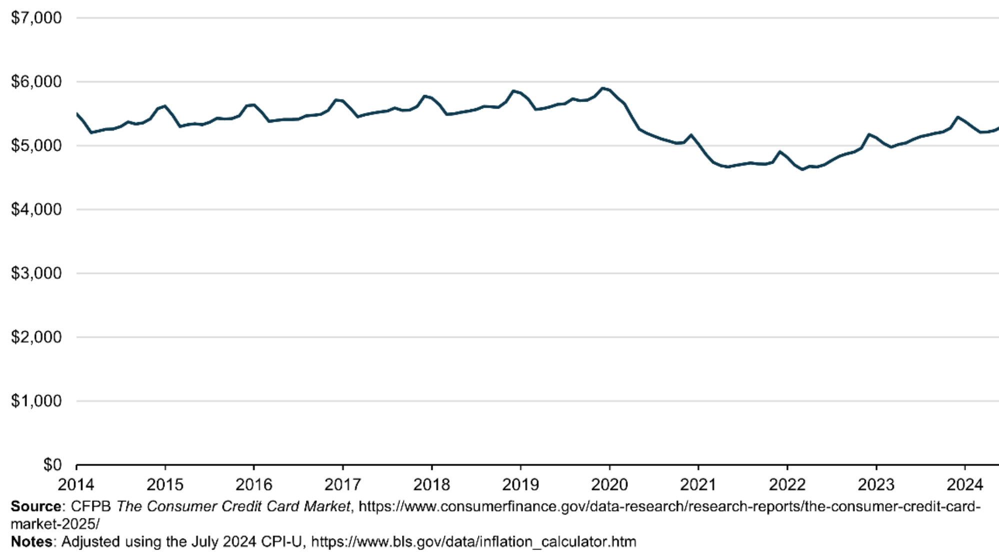
[39] Consumer Fin. Prot. Bureau, The Consumer Credit Card Market: Report to Congress 5, 40–50 (2025), https://files.consumerfinance.gov/f/documents/cfpb_consumer-credit-card-market-report_2025.pdf (finding that higher APRs, a 9.5 percent increase in cardholders, and an 18 percent increase in average monthly balances drove total interest charges from $105 billion in 2022 to $160 billion in 2024).

[40] Alexei Alexandrov, *Affordability and Household Expenses, Big and Small: Evidence from Public Federal Data 2013-2024*, SSRN, (Feb. 12, 2026) https://ssrn.com/abstract=6224060 (finds that the average credit card interest payment per household is $1,180 in 2024 and that overdraft and NSF fees would be a similar size). With that said, there is also an important distinction within the market itself. Roughly half of credit card accounts are transactors — they pay their balance in full each month and incur no interest at all. The other half are revolvers, who carry a balance and pay interest. That means the "average" interest figure is effectively zero for one large group of consumers and roughly double the average for the other. Averages, once again, can mislead. See, e.g., Consumer Bankers Ass'n, *Affordability and the American Consumer* (February 19, 2026), https://consumerbankers.com/blog/affordability-and-the-american-consumer/.

[41] Consumer Bankers Ass'n, *Facts Matter: Once Adjusted for Inflation, Consumers' Credit Card Balances Have Remained Largely Flat for a Decade* (March 18, 2026), https://consumerbankers.com/blog/facts-matter-once-adjusted-for-inflation-consumers-credit-card-balances-have-remained-largely-flat-for-a-decade/ (Notes that inflation adjusted balances have stayed largely flat over the last 10 year, with a slight decrease of roughly $75 from January 2014 to July 2024).

Figure 2. Adjusted Monthly Average Per-Cardholder Cycle-Ending Balances



Source: CFPB *The Consumer Credit Card Market*, https://www.consumerfinance.gov/data-research/research-reports/the-consumer-credit-card-market-2025/
Notes: Adjusted using the July 2024 CPI-U, https://www.bls.gov/data/inflation_calculator.htm

Recent reporting highlights this important caveat, finding that while the absolute dollar amount of card loans is higher today, the average household credit card debt is over $1,500 less than it was almost 20 years ago when adjusting for inflation.[42]

Shock Absorbers at Work: The Total Cost of Credit has generally tracked underlying federal funds rates since 2009

Similarly, some media commentary and policymakers have increasingly raised concerns that annual percentage rates (APRs) are reaching "record highs."

APRs matter — particularly for the roughly half of accounts that revolve a balance.[43] But APR alone does not tell us what consumers actually pay, and a singular focus on the APR can lead policymakers to precisely the wrong conclusion. That is because a meaningful share of the rise in APRs since 2009 is a direct — and intended — consequence of the CARD Act itself.[44]

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[42] Telis Demos, *America Has a Credit Card Problem, Just Not the One You Think*, Wall St. J. (June 13, 2026), https://www.wsj.com/finance/investing/america-has-a-credit-card-problem-just-not-the-one-you-think-da0859be (reporting that the average household holds $11,500 in card debt, down $1,600 in inflation-adjusted dollars from the 2007 peak).

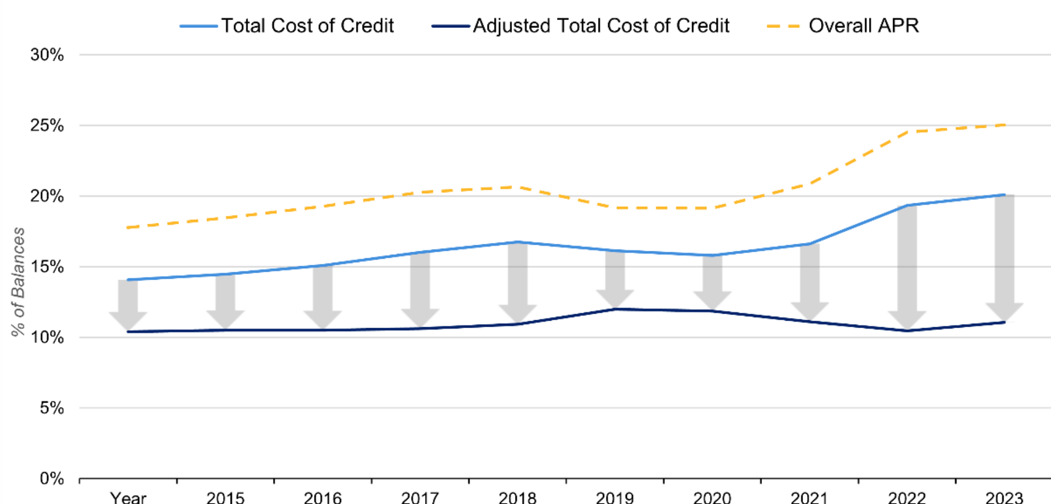
[43] Consumer Bankers Ass'n, *Affordability and the American Consumer* (February 19, 2026), https://consumerbankers.com/blog/affordability-and-the-american-consumer/ (noting that roughly half of credit card accounts are "revolvers," who carry a principal and pay interest).

[44] The CARD Act fundamentally restructured how credit card pricing works. It curtailed and constrained "back-end" charges — the penalty fees and repricing mechanisms that consumers encountered only after the fact — and pushed pricing toward the "front end," into a single, transparent, easily comparable sticker price: the APR. That was the point. The goal was to make the cost of a card visible up front, where a consumer could compare it before signing up, rather than buried in fees disclosed only later.
Indeed, the CFPB noted in its first CARD Act Report to Congress in 2013 that after the provisions of the CARD Act went into effect, APRs tended to increase, while back-end fees tended to decrease or be eliminated. Consumer Fin. Prot. Bureau, CARD Act Report (October 1, 2013), (notes that while some of the increases in APRs may have been to offset other pricing changes from the CARD Act, they do not make a final determination on how much other factors played a role in this dynamic).

The CFPB itself recognized this. Accordingly, in its own CARD Act Report, the Bureau used a more complete metric, the "Total Cost of Credit" (TCC): the total amount consumers actually pay to borrow, measured against what they owe.[45]

Using that same Total Cost of Credit measure, the data shows that nearly all of the increase in the cost of credit over the last decade reflects changes in the Prime Rate driven by the Federal Reserve's work to control inflation, with additional movement attributable to annual fees migrating from subprime cards to prime cards.[46] (See Figure 3, below.)

Figure 3. Annual Total Cost of Credit Adjusted for Prime Rate and Annual Fees (But Not Repayment Improvements)



Source: CFPB *The Consumer Credit Card Market*, https://www.consumerfinance.gov/data-research/research-reports/the-consumer-credit-card-market-2025/; St. Louis Fed (FRED) Bank Prime Loan Rate, https://fred.stlouisfed.org/series/DPRIME#
Notes: Adjusted TCC is TCC less annual fees and changes in the Prime rate

This is because an APR is not a single profit number, but a composite of distinct cost components: the base funding cost set by the Fed; the credit-risk cost reflecting the probability of default; operational and compliance costs, including fraud prevention; and the capital cost of holding reserves against unsecured lending.[47] When the cost of each layer rises — as it did sharply between 2022 and 2023, when the Fed raised rates at the fastest pace in 40 years — the overall APR rises. Efforts to artificially cap or compress rates, however well-intentioned, can cut off access to regulated credit for the very consumers on the margins who most need it. Even proponents of recent calls to cap

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[45] Consumer Fin. Prot. Bureau, CARD Act Report (October 1, 2013) (concluding that the total cost of credit *fell* after the CARD Act, even as the headline APR rose).
[46] Consumer Bankers Ass'n, *Sticker Price vs. Reality: Why APR Doesn't Tell the Whole Story of Credit Card Costs* (May 15, 2026), https://consumerbankers.com/press-release/sticker-price-vs-reality-why-apr-doesnt-tell-the-whole-story-of-credit-card-costs/ (explaining that CARD Act reforms shifted costs into upfront pricing, making APR a less reliable measure of actual borrowing costs than the CFPB's Total Cost of Credit metric).
[47] Id.

credit card rates, for instance, concede that the rate caps would reduce credit for 75 percent of cardholders.[48]

IV. Why "Quick Fixes" Backfire: Lessons from Recent Experience

Because affordability pressure shows up on a bank statement, it is tempting to treat the statement as the cause. But capping or restricting the tools that families use to manage volatility does not lower the cost of housing, healthcare, food, or transportation. It simply rations access to the shock absorbers — and the recent record offers cautionary lessons of proposals that would have left consumers with less and more expensive options.

The late fee rule would have made credit cards less affordable for the 74 percent who pay on time

The prior CFPB sought to cut the late fee safe harbor to $8 by portraying the credit card market as uncompetitive — a portrayal its own data contradicted. (As one illustration, there were roughly $53 billion in balance transfers from one credit card issuer to another in 2022, more than the total holdings of all but the top seven issuers.)[49] By the agency's own admission, the rule would have redistributed costs from the roughly 74 percent of cardholders who pay on time—including nearly 50 percent of subprime borrowers who pay on time— to the minority who frequently pay late fees, with on-time cardholders facing higher maintenance fees, lower rewards, or higher interest.[50] The rule was ultimately vacated by the court in April 2025.[51]

The overdraft rule would have cut off a lifeline for credit-invisible consumers, who most need affordable short-term liquidity

A 2024 rule would have imposed a one-size-fits-all government price on overdraft services at large institutions — even as bank-led innovation had already driven overdraft fees down by approximately 68 percent by the end of 2023.[52] The CFPB had

[48] Consumer Bankers Ass'n, *Facts Matter: Sound Policy Starts with Sound Analysis. The Case for Rate Caps Doesn't Hold Up.* (Jan. 30, 2026), https://consumerbankers.com/blog/facts-matter-sound-policy-starts-with-sound-analysis-the-case-for-rate-caps-doesnt-hold-up/ (noting that recent analyses of proposed credit card interest-rate caps indicate that access to credit would be restricted for many consumers, including most borrowers with FICO scores below 800).
[49] Consumer Bankers Ass'n, *Facts Matter: A four-part blog series to counter misinformation conveyed by the CFPB in recent CARD Act Report* (February 7, 2024), https://consumerbankers.com/comment-letter/facts-matter-a-four-part-blog-series-to-counter-misinformation-conveyed-by-the-cfpb-in-recent-card-act-report/ (reporting approximately $53 billion in credit card balance transfers in 2022 and noting that the volume exceeded the total credit card receivables of all but the seven largest card issuers, demonstrating substantial competition among issuers).
[50] Consumer Bankers Ass'n, *CBA Statement on Consumer Harm Caused by the CFPB's Misguided Credit Card Late Fee Rule* (March 4, 2024), https://consumerbankers.com/press-release/cba-statement-on-consumer-harm-caused-by-the-cfpbs-misguided-credit-card-late-fee-rule/ (highlighting concerns with the CFPB's changes to the safe harbor thresholds).
[51] *Chamber of Com. of the U.S. v. Consumer Fin. Prot. Bureau*, No. 4:24-cv-00213-P, Order & Final Judgment (N.D. Tex. Apr. 15, 2025) (vacating the CFPB's credit card penalty fees rule).
[52] Consumer Bankers Ass'n, *CFPB: Bank-Led Overdraft Innovation Driving Consumer Savings* (May 24, 2023), https://consumerbankers.com/press-release/cfpb-bank-led-overdraft-innovation-driving-consumer-savings/ (reporting that announced overdraft program changes would save consumers

consistently overlooked the fact that overdraft services serve consumers that may lack access to well-regulated credit products. In laying the groundwork for the Proposal, the CFPB released a research report purporting to show that many consumers that use overdraft services have cheaper credit options available; but their analysis excluded as many as seven million "credit invisible" Americans that may benefit the most from overdraft services, due to their not having access to credit cards and other well-regulated credit products.[53] Congress disapproved the rule under the Congressional Review Act, and it was signed into law in May 2025.[54]

Interchange unlocks and enables value

Critics often describe interchange as a tax on payment transactions. That framing is wrong. As Federal Reserve System scholarship has long made clear, interchange is a market-based transfer that unlocks and enables value for all consumers, merchants, and banks in a four-party payment network.[55]

Merchants today can choose among a wide range of payment options — cash, checks, debit cards, credit cards, buy-now-pay-later products, and emerging digital-payment tools — but each carries its own costs and benefits. Cash, for example, may appear inexpensive, but it requires labor to count and reconcile, secure storage, bank deposits, armored transport, and protection against theft and counterfeit.[56] Cards likewise have a cost, but they also provide merchants benefits with fast authorization, guaranteed payment, fraud protections, faster checkout, access to online commerce, and the ability to meet consumers where they increasingly choose to pay.

When a consumer reaches for a card — for the convenience, the fraud protection, the grace period, or the rewards — that unlocks spending for a merchant that it might otherwise have lost. Those benefits have been essential to consumer adoption of payment innovation and helped consumers become comfortable with new payment experiences like e-commerce, mobile commerce and in-app purchases, and self-

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approximately $28 billion between 2021 and 2025 and that overdraft fees would decline by approximately 68 percent by the end of 2023).

[53] Consumer Bankers Ass'n, *CBA Statement on Consumer Harm Caused by the CFPB's Misguided Credit Card Late Fee Rule* (March 4, 2024), https://consumerbankers.com/press-release/cba-statement-on-consumer-harm-caused-by-the-cfpbs-misguided-credit-card-late-fee-rule/ (notes that many Americans intentionally use overdraft services). See also Michelle Kambara & Cooper Luce, *Technical Correction and Update to the CFPB's Credit Invisibles Estimate*, Consumer Fin. Prot. Bureau Office of Research Reports Series No. 25-5 (June 2025), https://files.consumerfinance.gov/f/documents/cfpb_update-credit-invisibles-estimate_2025-06.pdf.

[54] S.J. Res. 18, 119th Cong. (2025), enacted as Pub. L. No. 119-10, 139 Stat. ___ (2025), https://www.congress.gov/bill/119th-congress/senate-joint-resolution/18 (disapproving the CFPB rule entitled *Overdraft Lending: Very Large Financial Institutions* under the Congressional Review Act).

[55] Robin A. Prager et al. *Interchange Fees and Payment Card Networks: Economics, Industry Developments, and Policy Issues* (May 13, 2009), https://www.federalreserve.gov/pubs/feds/2009/200923/200923pap.pdf (describes the interchange system).

[56] Consumer Bankers Ass'n, *Credit Card Interchange: The Cost of Accepting Cash* (June 2, 2025), https://consumerbankers.com/blog/credit-card-interchange-the-cost-of-accepting-cash/ *citing* Greg Buzek, *Cash Multipliers: How reducing the costs of cash handling can enable retail sales and profit growth*, IHL Group (2018), https://www.ihlservices.com/product/the-cost-of-cash-handling/ (noting that one estimate found cash handling can cost retailers between 4.7 percent and 15.3 percent of transaction value).

checkout payment experiences. Similar protections will be critical as the market looks toward new technologies and form factors.[57]

So, while merchants often point to the growth in the aggregate interchange they pay to facilitate card-based commerce, that trend should be understood in context: the amount of revenue merchants earn from card-based commerce has grown in the same proportion. Said more plainly, the merchants' interchange pie slices have only grown because the pies representing merchants' overall revenues have grown in similar proportion. Businesses that accept credit cards report a 20 percent increase in revenue.[58] And at a macro level, Federal Reserve data show that general-purpose card payments reached $9.76 trillion in value in 2022, after growing 10.5 percent by value from 2021 to 2022 and roughly 10.3 percent per year from 2018 to 2021.[59] And for credit cards specifically, the CFPB reports that consumer credit card purchase volume rose to $3.6 trillion in 2024, up from $3.2 trillion in 2022.[60] Rising card-acceptance costs therefore reflect not only the price of accepting cards, but also the expanding volume of sales merchants receive through card payments.

The benefits don't just go to merchants and banks. As the CFPB's CARD Act Report explains, issuers "often spend a significant portion of the interchange revenue they receive on rewards to cardholders," typically using that revenue to cover both interchange expense and rewards expense.[61]

The Durbin Amendment made banking less affordable by shrinking free checking accounts

Experience with the Durbin Amendment is a well-documented example of how price controls can hurt the most vulnerable consumers. As the Government Accountability Office has noted, Federal Reserve economists in 2017 reviewed the

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[57] Consumer Bankers Ass'n, *Agentic AI Payments: Navigating Consumer Protection, Innovation, and Regulatory Frameworks* (Jan. 2026), https://consumerbankers.com/wp-content/uploads/2026/01/CBA-Agentic-Symposium-White-Paper-2026-01v2.pdf (explaining that the Electronic Fund Transfer Act and the Truth in Lending Act established "clear rules of the road" that "provided consumers with the confidence necessary" to move large portions of their payments from cash and checks to debit/credit cards and ACH, and noting that payment card networks have voluntarily added cardholder protections beyond those required by federal law, including zero liability for unauthorized transactions and chargeback rights).

[58] Consumer Bankers Ass'n, *Credit Card Interchange: The Cost of Accepting Cash* (June 2, 2025), https://consumerbankers.com/blog/credit-card-interchange-the-cost-of-accepting-cash/ (noting that businesses that accept credit cards reported a 20 percent increase in revenue).

[59] Bd. of Governors of the Federal Reserve System, *Federal Reserve Payments Study (FRPS): National Payment Volumes, Detailed Data, NPIPS (CY 2021 and 2022)* (Nov. 2024), https://www.federalreserve.gov/paymentsystems/2024-November-The-Federal-Reserve-Payments-Study.htm. (reports that in 2022, general purpose card payments reached 153.3 billion transactions and $9.76 trillion in value, growing roughly 6.0 percent by number and 10.5 percent by value each year from 2018 to 2022).

[60] Consumer Fin. Prot. Bureau, The Consumer Credit Card Market: Report to Congress (2025), https://files.consumerfinance.gov/f/documents/cfpb_consumer-credit-card-market-report_2025.pdf.

[61] Consumer Fin. Prot. Bureau, The Consumer Credit Card Market: Report to Congress 5, 40–50 (2025), https://files.consumerfinance.gov/f/documents/cfpb_consumer-credit-card-market-report_2025.pdf (noting that "General purpose card issuers often spend a significant portion of the interchange revenue they receive on rewards to cardholders: interchange income less interchange and rewards expenses results in a net interchange rate of 1.1 percent of average receivables (or 0.3 percent of annual purchase volume).

impact of the Durbin Amendment and found that it resulted in banks "decreasing the availability of free checking accounts, raising monthly fees, and increasing minimum balance requirements." The Fed researchers found that two-thirds of non-interest checking accounts offered by impacted banks would have otherwise been free.[62] Further, when the Federal Reserve Bank of Richmond asked merchants if they passed any of their savings from the Durbin Amendment on to consumers, 75 percent of responding merchants said they did not change their prices; merchants were actually more likely to report that they actually raised prices than lower them.[63]

A synthesis of independent analysis commissioned by CBA estimates that further reducing the cap under Regulation II could increase consumer costs by up to $2 billion annually — borne primarily by lower- and middle-income consumers.[64]

Cutting interchange revenue won't make credit cards more affordable — it will just make rewards disappear for consumers that rely on them most

The lessons from debit interchange are particularly relevant because similar arguments are increasingly being made in the credit card market. Just as the consumers on the margins were impacted most when debit interchange restrictions impacted the availability of free checking accounts, it is marginal consumers that are hurt most when credit card price caps are put into place.

Advocates of government intervention in credit card interchange often argue that rewards programs operate as a "reverse Robin Hood" — that lower-income consumers effectively subsidize rewards enjoyed by wealthier households. It is a memorable slogan, and one that has gained traction in select corners of policy debates. But the underlying evidence does not support the narrative the slogan suggests.

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[62] Mark D. Manuszak and Krzysztof Wozniak, The Impact of Price Controls in Two-sided Markets: Evidence from US Debit Card Interchange Fee Regulation (2017), https://www.federalreserve.gov/econres/feds/files/2017074pap.pdf *cited in* Gov't Accountability Office, Regulators Have Taken Actions to Increase Access, but Measurement of Actions' Effectiveness Could Be Improved (Feb. 2022) https://www.gao.gov/assets/gao-22-104468.pdf ("For example, a study conducted by Federal Reserve economists showed that certain banks subject to the interchange fee cap increased prices for checking accounts by increasing monthly service fees"). *See also* Mukharlyamov and Sarin, Price Regulation in Two Sided Markets: Empirical Evidence from Debit Cards (April 2025), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3328579 ("We estimate that the share of free checking accounts fell from 61 percent to 28 percent as a result of Durbin." And concluding "Our analysis suggests that consumers are not helped by this interchange regulation.").

[63] Wang, Schwartz, and Mitchell, Federal Reserve Bank of Richmond, The Impact of the Durbin Amendment on Merchants: A Survey Study, https://www.richmondfed.org/publications/research/economic_quarterly/2014/q3/wang (Survey of over 400 merchants across 26 sectors of the economy found that "[t]he majority of respondents (75 percent) reported no price change due to the regulation. For those who had a price change, 11 times more (23 percent over 2 percent) reported price hikes than cuts.").

[64] Nick Bourke, The Likely Consumer Impacts of Additional Debit Interchange Reductions (Consumer Bankers Ass'n 2024), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4705853&download=yes (estimating that additional Regulation II interchange reductions could increase consumer costs by up to $2 billion annually, primarily affecting lower- and middle-income consumers); *See also* U.S. Gov't Accountability Off., GAO-22-104468, Bank Fees: Characteristics and Trends in Overdraft, Nonsufficient Funds, and Maintenance Fees (2022), https://www.gao.gov/products/gao-22-104468.

In fact, one of the most frequently cited academic papers in this debate expressly cautions that the traditional "reverse Robin Hood" explanation is, "at best incomplete."[65] The researchers found that the differences they observed in what people earn in rewards versus what they pay in interest and fees were driven less by income than by differences in credit risk and repayment behavior. The paper found that:

- "Super-prime and prime consumers spend more money and thus earn higher rewards, but they also pay back their balances in time and thus incur lower interest payments."
- "Conversely, sub-prime and near-prime consumers earn lower rewards and incur higher interest payments due to higher outstanding balances on rewards cards."

However, a close examination further refutes the "Reverse Robinhood" narrative. Data from the same research shows that even among people with similar incomes, those with higher credit scores earned more in rewards than they paid in interest and fees than those with lower credit scores. In fact, the research found that while high-credit score, high-income borrowers benefit the most from reward credit cards, low-credit score, high-income borrowers on average pay the most.[66] In other words, regardless of income, borrowers who spend more and pay on time will earn more rewards than they pay in interest and fees.

That distinction matters because proposals to cap or reroute credit card interchange are often presented as affordability measures. Yet the experience with debit interchange should make policymakers appropriately dubious about assuming that reducing interchange revenue will translate into lower consumer prices.

Pushing credit outside the regulated perimeter

There is a further, often-overlooked consequence of compressing prices and layering regulation onto regulated banks: it does not eliminate demand for credit. It relocates it. When well-regulated institutions cannot serve a borrower at a sustainable price, that borrower does not simply stop needing liquidity. They migrate to less-regulated providers, where consumer protections are thinner and costs are often higher. This is not hypothetical. As of fourth quarter of 2025, fintechs accounted for 42 percent — of all personal installment loan balances.[67] Credit migrates quickly when regulation

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[65] Sumit Agarwal, Andrea F. Presbitero, André F. Silva & Carlo Wix, *Who Pays for Your Rewards? Redistribution in the Credit Card Market*, Fin. & Econ. Discussion Series No. 2023-007, Bd. of Governors of the Fed. Rsrv. Sys. (Jan. 20, 2023), https://www.federalreserve.gov/econres/feds/files/2023007pap.pdf ("Indeed, credit card rewards are often framed as a "reverse Robin Hood" mechanism in which the poor subsidize the rich. Our results, however, show that this explanation is at best incomplete. Since FICO scores and income are only moderately correlated, as documented in Beer, Ionescu, and Li (2018), we can disentangle these two margins. We find a redistribution from low- to high-FICO consumers regardless of income.).

[66] Consumer Bankers Ass'n, *Facts Matter: Clearing the Air on Credit Card Rewards*, (Feb. 29, 2024), https://consumerbankers.com/press-release/facts-matter-clearing-the-air-on-credit-card-rewards/ (noting that high-income people with low credit scores pay an average of $12.75 into reward cards, while high-income people with high credit scores earn on average $20.10 from their rewards cards).

[67] TransUnion, *TransUnion 2026 Originations Forecast Shows Continued Positive Momentum Amidst Moderate Expansion* (February 19, 2026), https://newsroom.transunion.com/q4-2025-ciir/(reporting that fintech lenders held 42 percent of outstanding personal installment loan balances as of Q4 2025, illustrating the substantial migration of consumer credit outside the traditional banking sector).

makes bank lending economically unsustainable, and the consumer is rarely better off for it.

The consequences extend beyond any individual borrower. When credit migrates outside the regulated banking system, communities lose more than access to a loan. Banks are also subject to the Community Reinvestment Act which carries affirmative obligations to serve the credit needs of the communities — including low- and moderate-income communities and rural areas — in which they operate. Non-banks do not.

A non-bank personal installment lender has no CRA obligation, no requirements to document services to underserved communities, and no regulatory accountability for whether its lending reaches the neighborhoods that need it most. Policies that accelerate that migration do not just reshuffle where credit comes from — they quietly strip away the community investment infrastructure that well-regulated banks are required to maintain. That is a hidden affordability cost that rarely appears in the headline analysis of any proposed fee cap or rate limit. Further, in addition to not carrying the same reinvestment requirements, they often also do not have the same safety and soundness or consumer protections, including examinations for consumer protection.

When cumulative regulation compresses an institution's ability to price for risk, consumers on the margin have access to less credit or, worse, are left to turn to options outside the banking system to make ends meet in times of need. Risk-based pricing is the mechanism that makes responsible and sustainable credit access possible. It allows an institution to extend credit to a borrower with a thinner file or a higher risk profile by pricing for that risk — rather than declining the borrower altogether. Preserving well-regulated banks' ability to serve these consumers is itself a consumer-protection objective. Any affordability agenda that inadvertently drives borrowers out of the regulated system works against the very families it intends to help.

V. A Path Forward: Building on Progress and Advancing Additional Recommendations

Banks play a vital role in both supporting consumer resiliency and driving the U.S. economy. But they cannot solve structural affordability challenges—either addressing income or expense challenges—on their own.

What we *can* do — and what we work to do every day — is provide transparent, well-regulated products that compete to give consumers the best possible shock absorbers-options based on consumers' unique individual circumstances and preferences. Policymakers can help by addressing the true sources of affordability pressure and by protecting the tools that help families weather it.

Important efforts are underway, and additional efforts can support borrowers' choices, access, and affordability

To that end, Congress, the administration, and prudential regulators have taken meaningful actions to modernize oversight, reduce unnecessary regulatory friction,

combat fraud and scams, and refocus policy on the real-world needs of American families and small businesses.

As policymakers continue to work to address affordability challenges facing Americans, four key tenets should be adhered to:

1. **Focus on the underlying drivers of affordability and the expense shocks facing Americans.** Before any new intervention in consumer credit or deposit markets, regulators should be required to conduct a rigorous, transparent cost-benefit analysis and to account for the cumulative impact of regulation--across agencies, to understand the true impact to consumers, including effects on credit access and risk-based pricing.[68]

2. **Insist on data-driven, apolitical regulation. Policymakers are entitled to their own opinions, but not their own facts.** Consumers deserve regulators who ground their work in accurate data and follow the law and required procedures. Where the public conversation has drifted from the evidence — on competition, on repayment behavior, on what consumers actually pay — CBA has consistently used regulators' own data to set the record straight. Good policy can only be achieved through robust and data-driven consideration.

3. **Reject price controls on credit and deposit products.** Rate caps, fee caps, and government price-setting for products like overdraft — along with further reductions to debit interchange — reduce access for marginal and credit-invisible consumers and push them toward costlier, less-regulated alternatives. The vacated late fee rule and the disapproved overdraft rule are recent reminders that such measures harm more consumers than they help.

4. **Protect and expand access to well-regulated liquidity tools.** Congress should provide long-term certainty for banks to offer safe, transparent small dollar loans and other short-term liquidity options as viable competitive choices — particularly for the roughly seven million Americans who are credit invisible and have the fewest alternatives.[69]

At a time when many Americans continue to face affordability pressures, there are a number of actions that collectively help Main Street banks better serve their

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[68] Consumer Bankers Ass'n, *Reforming the CFPB into a Strong and Durable Regulator Americans Deserve* (Jan. 14, 2025), https://consumerbankers.com/wp-content/uploads/2025/01/CBA-CFPB-White-Paper-1-13-25-updated.pdf.

[69] Michelle Kambara & Cooper Luce, *Technical Correction and Update to the CFPB's Credit Invisibles Estimate*, Consumer Fin. Prot. Bureau Office of Research Reports Series No. 25-5 (June 2025), https://files.consumerfinance.gov/f/documents/cfpb_update-credit-invisibles-estimate_2025-06.pdf (finding that the estimated share of credit invisibles in December 2020 was 2.7 percent (7.0 million); The Small Dollar Loan Certainty Act, H.R. 8356, 118th Cong. (2024) would establish a safe harbor for small dollar loans issued by federally insured depository institutions, structured as installment loans or lines of credit with reasonable repayment terms and without balloon payments, prepayment penalties, overdraft fees, or nonsufficient funds fees.

customers, strengthen local economies, and meet the financial needs of the communities they call home.

1. **CBA commends regulators for pursuing a tailored, risk-based capital framework.** Safety and soundness within the banking system is paramount, though it is critical to analytically justify the level of capital and regulatory burdens, as consumer access and the price of credit are inextricably tied to how much capital is required for any given product, whether a mortgage, credit card, or small business loan. CBA commends Federal Reserve Board Vice Chair for Supervision Michelle Bowman's guidance to implement a well-adjusted and tailored capital framework for banks of all sizes. In March 2026, the U.S. banking agencies issued two proposals to modernize risk-based capital requirements, representing a significant shift from the previous capital framework proposals. We welcome regulators' efforts to enable banks of all sizes to make more loans to American businesses and households, fueling economic growth while maintaining resilience in the banking system.

2. **CBA commends efforts to address housing supply and affordability.** As a noted source of one of the biggest affordability challenges for millions of Americans, CBA commends the Senate Banking Committee and House Financial Services Committee for their bipartisan, bicameral work to develop a unified package to address America's housing affordability challenges. Focusing on the root cause of rising housing costs by cutting red tape and unlocking housing supply, while protecting taxpayers, is a critical balance to strike. Notably, this legislation will increase the Public Welfare Investment cap applicable to banks supervised by the Office of the Comptroller of the Currency and the Federal Reserve from 15 percent to 20 percent, which will enhance banks' capacity to make investments in affordable housing.

3. **The Administration's executive order, *Promoting Access to Mortgage Credit*, takes an important step to expand access to affordable mortgage credit for millions of hardworking Americans.**[70] Over the past decade, well-intentioned but overly complex regulatory requirements have increased the cost of originating and servicing mortgages, disproportionately affecting community and regional banks, reducing competitive options and limiting credit availability for many creditworthy borrowers. This executive order recognizes that a more balanced, risk-based regulatory framework can help restore bank participation in mortgage lending while maintaining strong consumer protections.

4. **CBA commends tailored and risk-based supervision and regulations.** The Administration's focus on reducing unnecessary regulatory burdens and managing the cost of new regulations includes identifying existing rules for repeal when new rules are proposed. Additionally, the Federal Reserve Board announced in June 2025 that reputational risk will no longer be a component of examination programs in its supervision of banks. By removing an inherently subjective and unpredictable factor

[70] The White House, *Promoting Access to Mortgage Credit,* Executive Order 14393 (March 13, 2026), https://www.whitehouse.gov/presidential-actions/2026/03/promoting-access-to-mortgage-credit/.

from examination protocols, the Board will reduce regulatory burdens and increase predictability by re-establishing clear and measurable examination criteria.

The Board and the OCC are also enabling financial institutions to manage risk based on objective criteria and enhance safety and soundness by focusing on core financial risks–such as credit risk, liquidity risk, and interest rate risk.

Similarly, the CFPB has stated in its 2026 Strategic Plan that it intends to refocus supervision on direct, measurable consumer damages rather than retroactive interpretations or speculative concerns. Having a CFPB that is focused on actual risk and harm to consumers, that is apolitical in its approach and that heeds the bounds of the law and fulfills its mission under statute will create a much more credible, durable and stable CFPB.

For Main Street banks, this regulatory discipline helps preserve resources that can be redirected toward serving customers, making personal and small business loans, investing in fraud prevention, and supporting local economic growth.

5. **CBA Supports the Administration's Modernization of Government Payments.** The Administration's executive order, *Modernizing Payments to and From America's Bank Account*, calls on Treasury to eliminate its physical check infrastructure by requiring the Department to issue direct deposits, vendor payments, tax refunds, and beneficiary payments through electronic funds transfers rather than physical checks. Reducing the number of government disbursements made by check will, in turn, help enhance the security and efficiency of payments and better protect the federal government, financial institutions, and their customers alike. The Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation also sought helpful feedback on potential actions to address payments fraud, with a particular focus on check fraud.

6. **CBA Applauds the Administration's and Treasury for taking meaningful steps to fight fraud.** Fraud is not a side issue in the affordability conversation — it is a direct assault on the financial security of the very families this hearing is about. The fraud and scam epidemic is not a series of isolated incidents; it is a rapidly evolving, technology-accelerated, and globally coordinated threat. The Administration's executive order, *Combating Cybercrime, Fraud, and Predatory Schemes against Americans*, directs a comprehensive review of tools to combat illicit activity targeting consumers while also establishing a dedicated team in the National Coordination Center to facilitate cross-agency strategic leadership and action, allowing greater communication to combat the growing burden facing Americans.

   The U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) issued updated guidance to clarify how financial institutions can share information with each other about suspected fraud under section 314(b) of the USA

PATRIOT Act.[71] Financial institutions are often the first to detect suspicious activity in real time, and this guidance gives them clearer tools to share critical information quickly and help stop fraud before it spreads.

Further Recommendations:

The GAO has called for a coordinated, government-wide strategy, including a national scam estimate and cross-agency collaboration.[72] CBA urges the Senate to build on the bipartisan, bicameral momentum already underway and to advance a whole-of-government approach, including:

- **The Task Force for Recognizing and Averting Payment Scams (TRAPS) Act (S. 2019/ H.R. 4936)**, establishing a task force to recognize and avert payment scams;
- **The Safeguarding Consumers from Advertising Misconduct (SCAM) Act (S. 3774/ H.R. 7055)**, to prevent fraudulent and deceptive ads on online platforms;
- **The GUARD Act (S. 2544/H.R. 2978)**, strengthening law enforcement's ability to investigate complex scams targeting older Americans through federal grant money; and

7. **Efforts to reduce regulatory burdens on small businesses and banks enhance small business credit.** The CFPB finalized revisions to its Section 1071 small business lending data collection rule under Regulation B. While the Bureau's original Section 1071 proposal under the prior Administration raised serious concerns about operational complexity and its potential to constrain lending, the updated final rule reflects meaningful progress toward adhering to the statutory requirements and intent. The updated final rule includes important changes that better balance transparency with the need to reduce undue burden and costs on banks and small businesses alike, and to preserve access to credit.

   The U.S. Small Business Administration's lending programs rely on bank lenders as essential private-sector partners to underwrite, originate, and deliver SBA-backed capital to small businesses in communities across the country. In September 2025, SBA announced that it would waive most upfront fees for small manufacturers in fiscal year 2026. SBA reported roughly $45 billion in 7(a) and 504 loan guarantees to about 85,000 small businesses, underscoring the continued role of banks and SBA

[71] U.S. Department of the Treasury FinCEN, *Section 314(b) Fact Sheet* (June 12, 2026), https://www.fincen.gov/system/files/shared/314bfactsheet.pdf.
[72] U.S. Gov't Accountability Off., GAO-25-107088, *Consumer Protection: Actions Needed to Improve Complaint Reporting, Consumer Education, and Federal Coordination to Counter Scams* (Apr. 2025), https://www.gao.gov/products/gao-25-107088. (The report concluded that no government-wide strategy existed to counter scams and recommended that federal agencies develop and implement a coordinated national strategy).

lenders in deploying capital to Main Street. Also, effective July 4, SBA has announced a new rule that will raise the maximum financing offering to small businesses to the highest level in agency history.

Further Recommendation:

CBA supports and thanks Chairman Scott for his leadership of **The Protecting Access to Credit for Small Businesses Act (S.2486)**, which pushes back against the prior administration's attempted federal overreach into the direct lending space and ultimately discourages banks from partnering with the SBA—ultimately undermining access to capital for the small businesses that need it most.

8. **CBA supports financial literacy and awareness across the federal government and encourages greater expansion in the areas of fraud and scams and federal student lending.** CBA member institutions are proud to support the financial wellbeing of hardworking Americans across the country.[73] CBA also welcomes the Financial Literacy and Education Commission (FLEC) and Treasury's work to update the U.S. National Strategy for Financial Literacy, so it better reflects the financial realities consumers face today. As outlined in our April 2026 comment letter, CBA believes a modernized strategy should prioritize practical, targeted education on fraud and scams, responsible student loan borrowing, and consumer debt literacy to help individuals make informed decisions and protect their financial well-being.[74] According to the CFPB's own CARD Act Reports, a significant share of consumers with revolving balances are leaving money on the table, simply because of an information gap: "37 percent of cardholders with a balance are unaware of the balance transfer feature, including 50 percent of Millennials and 61 percent of Gen Zers." Yet more than 95 percent of credit card solicitations in 2021 and 2022 featured a 0 percent introductory rate for a fee of less than three percent. The CFPB attributes this to consumers miscalculating the financial benefit or assuming they would be denied. This, however, is exactly the kind of problem that financial literacy can solve. In 2024, CBA launched our Credit Card Confidence campaign, working with social media influencers to close that gap and help consumers understand the full range of options available to them in a diverse and highly competitive marketplace.

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[73] Consumer Bankers Ass'n *Shares How Members Support Financial Literacy in Communities Across America*, Consumer Bankers Ass'n (Apr. 23, 2026), https://consumerbankers.com/blog/cba-shares-how-members-support-financial-literacy-in-communities-across-america/ (describing financial literacy initiatives undertaken by CBA member institutions, including educational programs, community outreach, and support for financial education in schools).

[74] Consumer Bankers Ass'n, *Comment Letter on Request for Information Related to the Financial Literacy and Education Commission Update to the U.S. National Strategy for Financial Literacy, Docket No. TREAS-DO-2026-0001* (Apr. 6, 2026), https://consumerbankers.com/wp-content/uploads/2026/04/CBA-Comment-TREAS-DO-2026-0001.pdf (urging Treasury to prioritize practical financial education regarding fraud and scams, student loan borrowing, and consumer debt management).

Further Recommendations:

Additionally, financial literacy should be a component of federal student lending, as individuals assume debt, often significant debt, and often for the first time. While financial literacy does not fix the structural problems with federal student lending and current student debt, it can make a tremendous difference by helping borrowers understand their future obligations. A core part of the CFPB's mission is financial education, and CBA strongly encourages the Bureau, as part of the whole-of-government approach, to use its resources to support education and consumer awareness about prevalent fraud and scams.

We would welcome the opportunity to partner with Members of this Committee to promote financial literacy in states across the country.

9. **CBA supports reforms that restore underwriting discipline to graduate lending.** Today, there is roughly $1.8 trillion of student debt outstanding, with more than 90 percent of this debt being federal student loans and over 40 percent of federal Direct student loans in repayment being past due or in default. With tuition skyrocketing for more than two decades and student debt becoming more of a liability than a launchpad for borrowers, there are some significant ways that this lending can be improved, including program-level earnings transparency, improving the completeness of student loan data, responsible private market development, and institutional accountability for student outcomes.

Conclusion

The real story behind the affordability headlines is this: the overall economy has demonstrated incredible resilience, and consumers, particularly those at the bottom end of the "K" are using tools available to them to navigate through changing economies. While much of this shows up in consumers' balances sheets and bank accounts, they are just reflecting the reality for some consumers. The cost of essentials has changed, while the credit card and the other tools families rely on have not.

Banks are doing our part. Our role is to responsibly provide liquidity to consumers when they hit an income shock, turning what could be a crisis into a manageable setback. But *responsible* and *sustainable* are the operative words. You cannot borrow your way out of a structural income deficit, and offering someone a loan they cannot repay is good for no one — not the borrower, not the government in the case of student lending, and not the bank for other lending products.

As policymakers and stakeholders consider the cost pressures facing American families, it's imperative that we look to solutions that solves for the true sources of affordability — while not weakening the very system that provides the products and services that help families weather life's disruptions without sacrificing their long-term financial security. CBA stands ready to be a resource to this Committee in that effort.

Thank you again for the opportunity to testify. I look forward to your questions.