If you’re feeling financially stressed, you are not alone. A new national consumer study, released by the Financial Industry Regulatory Authority (FINRA)’s Investor Education Foundation, surveyed more than 28,000 people this fall. In consultation with the U.S. Department of Treasury and the President’s Advisory Council on Financial Literacy, the survey focused on key indicators of financial capability and evaluated how these same indicators varied demographically.

By CHARLENE CROWELL
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The survey reveals that a startling number of Americans are living paycheck to paycheck with no financial cushion of savings to tide them over in an emergency, leaving them more vulnerable to predatory products like payday loans and other high-cost credit, which often make a family’s financial situation worse.

The survey specifically measured how consumers were making ends meet, financially planning ahead, managing financial products and their financial knowledge and decision-making. Moreover, survey results are quantified nationally, regionally, and by state.

According to Rick Ketchum, FINRA Foundation Chairman, “The extensive and multi-dimensional information allows policymakers and researchers to look at individual financial behavior from various angles and the state-specific data can be used to tailor new programs and policies to promote greater financial capability.”

Some of the specific findings:

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- More than half of all Americans – 55 percent – are living paycheck to paycheck, spending more than or all of their household income
- 0 percent of Americans do not have funds on hand to cover unanticipated financial emergencies
- 28 states' respondents noted a 50 percent or greater drop in income during the past 12 months
- 40 percent of credit card holders indicated they have paid only the minimum amount owed over the past 12 months.

While consumers in New York, New Jersey, and New Hampshire were found to be more financially stable in categories measured, other states did not fare as well. For example, in Indiana, 68 percent find it very difficult to pay their bills every month. In Nevada, where unemployment is the nation's highest at 14.2 percent, nearly two in three consumers or 65 percent, lack any available funds to cover unexpected emergencies. In Hawaii where hotels and tourism flourishes, the reliance on large numbers of part-time workers has led to fewer working hours and a large loss of household income. In the past year, the Aloha State respondents reflected a 44 percent drop in pay.

Acknowledging how financial products and borrowing options have become more complicated, the survey also determined that consumer ability to understand these financial products was lagging. As a result, day-to-day finances have become increasingly difficult for consumers to understand the full risks of borrowing.

For example, the national average for use of one or more non-bank borrowing products is 24.3 percent; however in Mississippi, Montana, South Carolina, Oklahoma, and Wyoming, the use of products such as payday loans was at least 10 percentage points higher than the national average.

This greater incidence of non-bank borrowing recently led to voters in Montana to say no to payday loans this November. By a 72-28 percent vote, the state capped payday interest rates at 36 percent and became the third state to reach that same decision in as many years and the 17th overall.

Consumer comparison on credit cards also revealed significant consumer decisions by state. While the national average of comparing credit cards stood at 32.3 percent, consumers in Washington, DC, Wisconsin, and Rhode Island were more likely than others to shop competitively for the best interest rates. By comparison, consumers in Arizona, Kentucky, Missouri, North Carolina, and Texas were the least likely to compare credit cards.

The Center for Responsible Lending supports reform of all lending products that have hidden terms or fees that are structured to trap borrowers into high-cost debt. Our efforts and those of our allies to push for important legislative and regulatory reforms are needed and will continue with fairness in lending as our watchword.

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