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[Millions of Consumers have Cut Their Debts, So Why are Financial Experts Sounding Alarm]

"And with stimulus payments a thing of the past and other unusual financial stabilization programs unwinding, the alerts are going out again, with experts warning about rising consumer debts."

Why this is important: Millions of Americans "improved their credit scores, cut debt, increased savings and hit other financial progress milestones" during the pandemic due, in part, to establishments being closed, moratoriums for several payment obligations like mortgages and student loans, and various stimulus and tax credits being advanced. Credit card delinquencies were at a record low and savings rates were high. While the financial picture became brighter for many, not everyone was so lucky. And, experts are waiting to see what happens when the various moratoria end and payments restart. Credit card usage is starting to increase for the first time in more than a year. Student loan forbearances are ending after over 18 months, which means nearly 25 percent of the U.S. population will need to figure out how to start making payments that, on average, total $400 a month. And, according to the experts, medical bills could cause a downward spiral if people charge them on credit cards. Bankruptcies are also at a historical low, but "are a lagging indicator, as people often don't file until after they have been struggling with debts for months or even years." **As the various pandemic assistance programs come to an end and people revert to pre-pandemic habits, both increased spending/debt loads as well as delinquencies will provide valuable information about how and when the U.S. economy will recover.** --- [Angela L. Beblo]

[Nearly 60% of CFOs Believe Digital Payments is Key to a Healthy Balance Sheet]

"Seventy-one percent of them have increased their businesses' usage of digital payments since March 2020, in fact, while 87 percent are using fewer manual payment methods like checks and cash."

Why this is important: Multiple sources in the past year have discussed the increase in merchants offering digital payments fueled partially by the pandemic and people's desire to purchase goods and services while remaining safe. VISA's Back to Business Survey is a good example. This article continues that trend by looking at the issue from another angle. Recently, there was a study of CFOs in businesses with annual revenue of between $400 million and $2 billion and their views toward digital payments. As the article's title tells, a majority of CFOs across all business segments believe that incorporating digital payments into their business is key to maintaining financial strength. CFOs in finance, insurance, and healthcare firms lead the pack in believing that payment digitalization is a key to future business strength. The article and the study it discusses once again tell that digital payments have grown recently and are predicted to continue growing. **The way we conduct business is changing. Digital payments and digital commerce are becoming a larger and more accepted part of our lives.** --- Nicholas P. Mooney II

More Borrowers are Getting Forbearance Modifications

"The total number of loans in forbearance decreased to 2.06% as of Oct. 31."

Why this is important: The delinquency rate for mortgage loans on one-to-four-unit residential properties decreased to a seasonally adjusted rate of 4.88 percent of all loans outstanding at the end of the third quarter of 2021, according to the Mortgage Bankers Association's ("MBA") National Delinquency Survey. Despite the drop, more borrowers are going into modifications because they are still struggling to recover their pre-pandemic income.

Although more than one million homeowners remain in forbearance plans, the survey signaled that the strong job market reports from recent months, with another drop in the unemployment rate and an increase in wage growth, is a positive sign for homeowners still struggling to exit forbearances. **Once these borrowers are able to enter permanent post-forbearance workouts and resume payments, they improve from delinquent to current status that enables them, lenders, investors, and servicers to avoid the costly and time-consuming foreclosure process.** --- Bryce J. Hunter

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Auto Lenders May Offer High Rates Based on 'What They Think They Can Get Away With', New Study Says

"Both studies found rates for auto financing range widely, even for those who qualify as less risky customers."

Why this is important: New studies from Consumer Reports and the CFPB found that an individual's finances may not play as big a role in determining what type of rates he/she receives when financing a car. Race may also play a factor, though data on car loan buyers is not as widely available as it is for home mortgages, which the federal government tracks. **While the article does not explain whether the "charge what you can get away with" scheme is a new trend among auto dealers or a long-standing tradition that is just now getting attention from Consumer Reports and the CFPB, this increased focus on auto lending rates provides an opportunity for auto lenders to correct any improper lending strategies before consumer advocates begin pushing for increased regulation of the industry.** --- Tai Shadrick Kluemper

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Sen Toomey Blasts Stablecoin Bank Idea as Crypto Regulation Debate Heats Up

"Senator Pat Toomey, ranking member of the Senate Banking Committee, says he’s not on board with the Biden administration’s proposal to regulate stablecoin issuers as banks, as Capitol Hill moves to adapt existing securities law to accommodate the booming cryptocurrency sector."

Why this is important: This article reports on the latest speed bump in the U.S. government's ongoing efforts to determine how it will regulate cryptocurrencies. This time the debate relates to stablecoins, which are digital currencies tied to a fiat currency, such as the U.S. dollar. Being tied to a fiat currency means they don't enjoy (or suffer from, depending on your disposition) the volatility in prices that other digital and cryptocurrencies enjoy, which puts the "stable" in their name. Stablecoins are being used to settle trades and for digital lending. The Biden administration is considering regulating stablecoin issuers as banks and mandating that only banks can issue stablecoins. Senator Toomey disagrees that the government should take this approach and instead advises that Congress needs to debate the issue and find consensus on how to proceed. While he doesn't yet have a final opinion on how to regulate stablecoins, he does make a good point that limiting the ability to issue stablecoins to banks threatens to stifle startups and innovation. **At bottom, how Congress will regulate stablecoins is up in the air. Fostering or stifling innovation as well as promoting transparency will be topics that need to be considered and incorporated into any final regulatory scheme.** --- Nicholas P. Mooney II

Thank you for reading this issue of *All Consuming!* We hope you found the information timely and useful. If you have topics you would like us to cover or would like to add someone to our distribution list, please email us.

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