

Credit Card Debt: Analysis of Trends, Causes, and Policy Options

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SUMMARY

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Credit Card Debt: Analysis of Trends, Causes, and Policy Options

Congress has recently paid particular attention to the costs associated with credit cards, one of the most popular payment options for consumers. Credit card costs are often borne out in credit card debt, with interest paid on revolving balances and potential additional fees, namely late fees. Credit card debt may be a rational response to smoothing consumption or behavioral biases in favor of present consumption or larger self-control issues. Consumers may be utilizing credit card debt to adjust to worsening affordability conditions. Diagnosis of different causes of credit card debt may result in differential policy responses.

Credit card debt has increased since the end of the COVID-19 pandemic. Aggregate credit card debt, a stock measure, has increased in nominal terms from $770 billion in the first quarter of 2021 to $1.28 trillion in the third quarter of 2026. Aggregate debt trends look different when adjusted for inflation or adjusted for population, with increases appearing less dramatic. Such numbers are still at overall population-adjusted highs or nearing inflation-adjusted highs from the Great Recession (2007-2009). This remained true even after credit card debt largely stabilized and even decreased during the pandemic because of additional economic support, loan forbearance, and decreased consumption, among other potential explanations. There is evidence that consumers might not be able to sustain these higher debt levels and may be unable to pay their current debts. Transition into 30 or more days of delinquency has increased from 4.6% to 8.4% over the same time period, with transitions into serious delinquency showing similar trends over time.

Congress has previously addressed the credit card market in the Truth in Lending Act (TILA; first enacted in 1968 as part of the Consumer Credit Protection Act, P.L. 90-321). TILA mandated a disclosure regime for certain types of consumer credit, requiring disclosures at origination and periodically thereafter. TILA was further modified in 2009 by the CARD Act (P.L. 111-24), which imposed additional pricing and disclosure requirements to further constrain certain potentially troublesome behaviors by credit card issuers. Other statutory features include rules around the collection and credit reporting of credit card debt, among other forms of consumer debt. Certain policymakers have raised concerns about the level of credit card debt and the design of such products.

In response, policymakers have proposed additional price regulation in the form of interest rate caps or late fee caps, as previously finalized (and later challenged and withdrawn by the Consumer Financial Protection Bureau). Analyzing the relative effects of such programs on credit and consumer welfare remains an important policy issue. Many of the borrowers who have high levels of credit card debt appear to have lower levels of financial literacy. Thus, Congress may consider certain policy responses to assist such borrowers, either tasking financial regulators with additional responsibility in such an area or revisiting disclosure regimes intended to reduce the information asymmetry between borrowers and lenders. Finally, certain provisions of the CARD Act imposed new disclosure regimes aimed at increasing repayment on credit cards and targeted disclosures for borrowers paying at the minimum level. Credit card issuers may be setting minimum payments at a low level to extend the repayment period, increase the amount of interest paid, and anchor borrowers at that minimum payment level. Congress could revisit such minimum payment formulas, which are currently primarily constrained by guidance issued by bank regulators in 2003 to prevent negative amortization by certain banks.

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Introduction

A credit card provides a consumer with unsecured revolving credit.[1] Consumers have a number of options to smooth consumption and to facilitate payments, but unsecured credit cards are the most common and the focus of this report.[2] Consumers often value credit cards because they are a convenient payment option, particularly relative to cash or check. Individuals may earn rewards associated with their credit card transactions but might also pay fees and interest, depending on the payment structure and type. Credit cards may present certain risks for consumers with certain behavioral biases, limited savings, or lower levels of financial literacy. Since the first quarter of 2022, overall credit card balances and transitions into certain stages of delinquency have precipitously increased. The aggregate increases in balances are lower when adjusted for the increases in inflation or population, but they are still notable. At the same time, the average annual percentage rate (APR) on credit cards has increased (along with interest rates on other forms of credit), making repayment of existing balances more difficult.

These increases in balances and delinquency have led some Members of Congress to raise concerns about the trends in credit card debt and whether certain policy responses, such as credit card interest rate caps, should be taken to confront this potential policy issue. Hearings pertinent to this topic have been held in recent Congresses.[3] In the 119th Congress, various bills (such as those discussed below) would cap credit card APRs at 10% until January 2031 (S. 381/H.R. 1944) or cap fee and interest rates or APRs for most forms of consumer credit at 36% (S. 2781, S. 3793). Other bills would cap credit card late fees (S. 3660) or enable states to set their own interest rates for consumers who live in their states (S. 3721).

The first half of this report introduces the credit card market and how it relates to debt. It also provides an overview of the pertinent statutory framework and congressional oversight of regulators. It then describes characteristics of credit card users, the causes of credit card debts, and aggregate trends in credit card debt. The latter half of the report analyzes certain policy issues discussed by Congress and the effects of different policy proposals. Such policy issues include

[1] *Unsecured credit* means the loan is not secured with any collateral (and thus the lender has no recourse to seize any property connected to the loan in case of consumer default). *Revolving credit* enables consumers to borrow up to a limit, repay the funds, and then use the credit again. For funds borrowed under the credit limit, individuals can *revolve* or roll over the balance month to month with interest and with a changing balance over time. Generally, unlike *installment credit*, there is no end date associated with the product, nor any fixed number or amount of payments, and unlike most forms of installment credit, interest rates are generally variable, with certain consumer protections for when such rates adjust. Certain credit cards may be secured, but they are a minority of total volume and not the subject of this report. The focus of this report and the associated policy options is on unsecured credit cards. This report focuses on consumer credit cards, as opposed to business credit cards, which have a different set of protections. For more on some of the differences between consumer protections and those for small businesses, see CRS Report R48281, *Consumer-Style Protections for Small Businesses: Issues and Options for Congress*, by Karl E. Schneider.

[2] *Consumption smoothing* refers to the process of consumers balancing their spending, income, and savings. In the credit card context, this may mean consuming things now while cash-constrained and paying for the product (with interest) at a later date. For more on other alternatives and consumer finance products more generally, see CRS Report R48747, *An Overview of Consumer Finance Products and Related Policy Issues*, by Karl E. Schneider. According to the Federal Reserve, credit cards were used for more than one-third of all payments in 2025, up from 18% in 2016, making them the most common payment method. Berhan Bayeh et al., *2025 Findings from the Diary of Consumer Payment Choice*, Federal Reserve Financial Services, May 2025, p. 5, https://www.frbservices.org/binaries/content/assets/crsocms/news/research/2025-diary-of-consumer-payment-choice.pdf.

[3] U.S. Congress, Senate Committee on Banking, Housing, and Urban Affairs, *The Affordability Agenda*, 119th Cong., 2nd sess., June 23, 2026; U.S. Congress, Senate Committee on Banking, Housing, and Urban Affairs, *Protecting Americans from Debt Traps by Extending the Military's 36% Interest Rate Cap to Everyone*, 117th Cong., 1st sess., July 29, 2021.

price regulation in the form of interest rate caps, late fee caps, financial literacy and disclosures, and the structure of credit card payments.

Congressional Context

With the rise in use of credit cards, Congress has implemented legislation to impact one aspect or another of the marketplace. The federal government imposed pricing disclosures for credit cards, building on fractured state mandates for certain products. Other, more general legislation regulating debt collection and credit reporting has also applied to credit cards. In the run-up to and during the Great Recession (2007-2009), congressional concerns about hidden and complex credit card fees and various potentially exploitative practices led to further action to constrain card issuers.

Statutory Background

Truth in Lending Act (TILA)

TILA was first enacted in 1968 as part of the Consumer Credit Protection Act (P.L. 90-321).[4] In general, the law requires creditors to disclose terms and costs of consumer credit. It has been amended multiple times to revise these disclosures and provide additional consumer protections outside of the primarily disclosure-based regime as originally passed. Most prominently, TILA was modified around the time of the global financial crisis in 2007-2009, namely by the Credit Card Accountability Responsibility and Disclosure (CARD) Act of 2009 (P.L. 111-24), which, among other things, imposed new restrictions on credit cards and those provisions discussed in greater detail below.

TILA requires lenders to provide a number of different disclosures to borrowers, including disclosures at origination, periodic statements, and application disclosures for some products. The information that card issuers are required to provide includes finance charges, APR, payment information, fees, and the costs associated with the product. Credit card issuers require consumers to complete an application or renewal prior to issuance and thus cannot be issued on an unsolicited basis. TILA provides for enforcement actions against financial institutions that violate such provisions.

Credit Card Accountability Responsibility and Disclosure (CARD) Act of 2009

The CARD Act was enacted in 2009, revising TILA and other statutes.[5] There were a number of impactful provisions pertinent to credit card debt.[6] As originally passed, the CARD Act was implemented by the Federal Reserve; however, responsibilities were moved to the Consumer Financial Protection Bureau (CFPB) under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank, P.L. 111-203). Certain provisions are discussed by title below.

[4] CRS In Focus IF12769, *Overview of the Truth in Lending Act*, by Karl E. Schneider; Anne Fleming, "The Long History of 'Truth in Lending,'" *Journal of Policy History*, vol. 30, no. 2 (March 2028), https://www.cambridge.org/core/journals/journal-of-policy-history/article/long-history-of-truth-in-lending/BC4F9CA2396C891DD820F18066D88ADB.

[5] For more information, see CRS Report R43364, *Recent Trends in Consumer Retail Payment Services Delivered by Depository Institutions*, by Darryl E. Getter.

[6] Title IV is pertinent to gift cards, store cards, and prepaid cards but is not pertinent to the scope of this report.

Title I required issuers to take the following actions:

- Provide written notice 45 days prior to the effective date of an increase in APR or other significant change, accompanied by a written notice that customers may cancel before the effective date. Such changes could apply only to outstanding balances under certain conditions.
- Review accounts with increased APRs every six months to determine whether market conditions warrant a decreased APR.
- Consider consumers' ability to pay required payments under the terms of the account.
- Provide periodic statements for payments to be mailed 21 days before due dates.
- Apply any payment to a credit card issuer, in addition to minimum payments, to the highest interest rate card and then to each lower interest rate card.
- Require that the total fees paid (excluding late fees, over-the-limit fees, or insufficient funds fees) during the first year a card was in use not be more than 25% of the credit limit on a credit card.
- Charge penalty fees that are "reasonable and proportional" to a violation of a card agreement, such as a late fee or an over-the-limit fee.

Title I also prescribed certain enhanced civil penalties for card issuers for violations of TILA.

Title II revised the current disclosure requirements for credit cards. Among the changes were requirements for a new disclosure outlining payoff timing associated with minimum payments, for disclosure of changed information about credit card renewals, and for periodic disclosures associated with late payments.

Title III provided new protections for younger consumers, including requirements for cosigner (parent/guardian) and primary borrower approval for credit limit increases in jointly held accounts, certain protections on credit card marketing toward students, and applications under TILA for consumers under 21 to be signed by a cosigner who may repay debts incurred by the younger consumer if that younger consumer cannot show means of repayment.

Title V required certain reports to Congress by the Government Accountability Office (GAO), the biennial consumer credit card report (now issued by the CFPB), and a joint study between multiple departments on financial literacy.

Other Relevant Laws

The Fair Credit Reporting Act (FCRA, 15 U.S.C. §§1681 et seq.) established consumers' rights in credit reports and scores and requires certain disclosures. The FCRA defines the types of information that can be included in credit reports and allows consumers to ask for their credit scores and obtain all of the information in their credit reports, which ultimately create credit scores. This statute impacts both how credit card debt is reported to credit bureaus and how such bureaus compile pertinent credit reporting data to generate scores and furnish them back to credit card companies. Both items play a role in the overall credit card underwriting process.

The Fair Debt Collection Practices Act (FDCPA, 15 U.S.C. §§1692 et seq.) regulated collection agencies' and debt collectors' communications with consumers, disclosure requirements, and consumers' rights in debt collection. The FDCPA aimed to eliminate abusive practices by debt collectors and provided consumers with rights in debt collection for credit cards and other consumer debts. The CFPB shares enforcement powers over the FDCPA with the Federal Trade Commission.

Oversight of Regulators

Congress plays a role in oversight that can broadly translate to "review, monitoring, and supervision of the executive and the implementation of public policy."[7] Pertinent to the credit card space, oversight may include ensuring proper implementation of previously discussed statutes, whether through the regulators or with the firms in the credit card industry. Certain agencies have jurisdiction over the credit card market and specifically on credit card debt for which Congress could exert their oversight. For example, the CFPB implements a number of pertinent laws within this policy area, including TILA, the FCRA, and the FDCPA. Banking regulators may take enforcement actions against financial institutions within their jurisdiction for consumer compliance or consider credit card policies for safety and soundness risk.[8] Credit card debt is among the focus areas that Congress may question the CFPB director about during their biannual testimony in front of its committees of jurisdiction, the Senate Committee on Banking, Housing, and Urban Affairs and House Committee on Financial Services. Committees may pursue other independent oversight actions related to credit card debt issues, for example, by holding hearings pertinent to the topic, including certain related hearings.[9] Congress confirms appointed heads of agencies that supervise credit card issuers and may consider their policies on credit card debt in consideration for appointments to their positions.

Members of Congress may also request that the GAO conduct independent analysis and oversight over specific policy issues, either formally through mandates in legislation or informally through requests by Members.[10] Such oversight sometimes occurs through traditional committee structures. An example of a statutorily mandated GAO report pertinent to credit card debt is *Credit Cards: Consumer Costs for Debt Protection Products Can Be Substantial Relative to Benefits but Are Not a Focus of Regulatory Oversight*, written in response to a provision in Section 509 of the CARD Act.[11] In contrast, an example of a relevant non-statutorily mandated GAO report on credit card debt is *Credit Cards: Pandemic Assistance Likely Helped Reduce Balances, and Credit Terms Varied Among Demographic Groups*, requested by Senators Sheldon Whitehouse and Bernie Sanders.[12]

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[7] U.S. Congress, Joint Committee on the Organization of Congress, *Organization of Congress: Final Report*, committee print, 103rd Cong., 1st sess., December 1993, S.Rept. 103-215, H.Rept. 103-413, p. 150. For more on oversight, see CRS Report RL30240, *Congressional Oversight Manual*, coordinated by Ben Wilhelm, Todd Garvey, and Christopher M. Davis.

[8] See, for example, Office of the Comptroller of the Currency, *Credit Card Lending*, April 2021, https://www.occ.gov/publications-and-resources/publications/comptrollers-handbook/files/credit-card-lending/index-credit-card-lending.html.

[9] U.S. Congress, Senate Committee on Banking, Housing, and Urban Affairs, *The Affordability Agenda*, 119th Cong., 2nd sess., June 23, 2026; U.S. Congress, Senate Committee on Banking, Housing, and Urban Affairs, *Protecting Americans from Debt Traps by Extending the Military's 36% Interest Rate Cap to Everyone*, 117th Cong., 1st sess., July 29, 2021.

[10] Government Accountability Office (GAO), *GAO's Congressional Protocols*, GAO-17-767G, July 2017, https://www.gao.gov/assets/gao-17-767g.pdf.

[11] GAO, *Credit Cards: Consumer Costs for Debt Protection Products Can Be Substantial Relative to Benefits but Are Not a Focus of Regulatory Oversight*, GAO-11-311, March 2011, https://www.gao.gov/assets/gao-11-311.pdf. This report discusses the regulations and costs and benefits for debt protection products that offers relief for consumers during a specific life event (e.g., unemployment, death, disability). The report concludes that "cardholders received 21 cents in tangible financial benefits for every dollar spent in debt protection product fees among the nine largest issuers in 2009."

[12] GAO, *Credit Cards: Pandemic Assistance Likely Helped Reduce Balances, and Credit Terms Varied Among Demographic Groups*, GAO-23-105269, September 2023, https://www.gao.gov/assets/d23105269.pdf. The report finds that federal pandemic assistance likely contributed to reductions in credit card balances, with cardholders paying higher (continued...)

The statutory framework for credit cards specific to debt issues has been addressed incrementally as key issue areas have arisen. TILA was meant to enable consumers to better understand the terms associated with credit (and specifically credit cards) and to comparison shop, while the CARD Act was meant to stem certain purported abuses and add additional disclosure elements. Congress may wish to reconsider the structure of this statutory framework or undertake additional oversight activities if Members are concerned with the degree of credit card debt that consumers have in the marketplaces. Certain existing proposals contain requirements around capping credit card costs in the form of interest rates or late fees, but Congress may wish to evaluate revising disclosure requirements or the structure of credit card payments.

Overview of the Credit Card Market

Credit cards are ubiquitous in the United States. As of 2024, 81% of adult Americans had credit cards, and this share has declined slightly over time from a peak of 84% in 2021.[13] According to a CFPB report, at the end of 2024, there were 793 million credit card accounts, translating to roughly three credit card accounts per adult, on average.[14]

Credit cards are valuable to consumers, in part, because they are flexible. Both the amount borrowed and the amount paid can vary each month according to the consumer's needs. For example, if a consumer experiences financial shock, such as unemployment or an unexpected home repair, they can use credit cards to borrow money quickly and easily. A consumer can then pay back the debt when they are able to do so. Credit cards can also be used to smooth consumption over time, which may be particularly valuable to households with tight budgets.

A majority of these cards in **Figure 1** (608 million) were general purpose, while 185 million were private label cards that could be used only in specific stores. The number and share of cards that are private label has declined precipitously since 2017. The CFPB report posits two reasons for the declining number of private label credit cards: the growth in the buy now, pay later (BNPL) market and "decisions by some private label issuers and merchant partners to shift toward more co-brand [general-purpose] products" that may be used at other stores.[15]

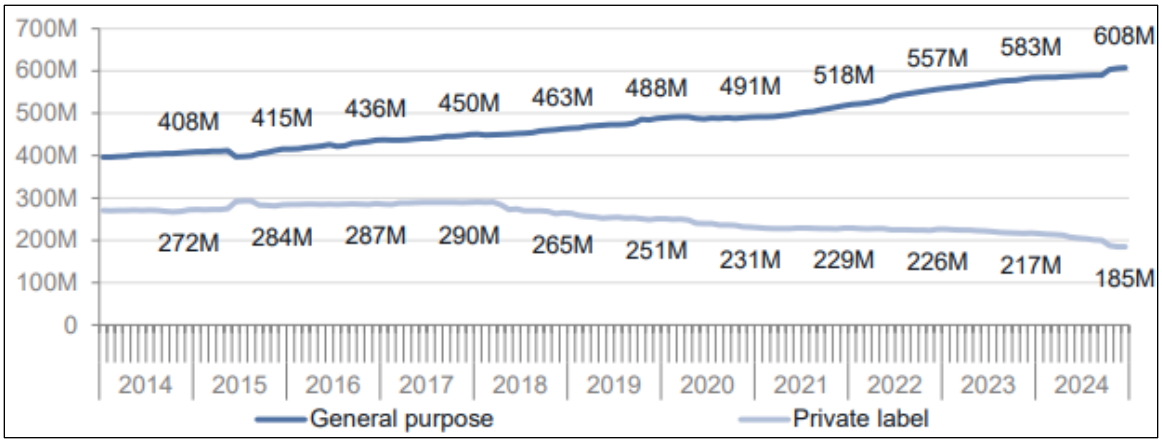
amounts than usual in months where they received pandemic assistance. For further discussion of these effects, see the text box "Why Did Credit Card Debt Decline During the Pandemic?"

[13] Board of Governors of the Federal Reserve System, *Report on the Economic Well-Being of U.S. Households in 2024 - May 2025*, November 13, 2025, https://www.federalreserve.gov/publications/2025-economic-well-being-of-us-households-in-2024-banking-and-credit.htm. Separately, the Consumer Financial Protection Bureau (CFPB) estimated that 78% of U.S. adult residents had a credit card account at the end of 2023. CFPB, *The Consumer Credit Card Market*, December 2025, p. 18, https://files.consumerfinance.gov/f/documents/cfpb_consumer-credit-card-market-report_2025.pdf.

[14] CFPB, *The Consumer Credit Card Market*, December 2025, p. 87.

[15] CFPB, *The Consumer Credit Card Market*, December 2025, p. 87

Figure 1. Monthly Number of Open Credit Card Accounts



Source: Consumer Financial Protection Bureau (CFPB), *The Consumer Credit Card Market*, December 2025, p. 87.

Notes: These data originate from the CFPB's Consumer Credit Information Panel (CCIP). For more on this dataset, see p. 10 and footnote 13 of the above report.

Ownership trends for credit cards differ across the population. Higher-income and older individuals are more likely to have credit cards.[16] Higher-income households with more emergency savings are more likely to use credit cards as their primary payment method and in general pay lower fees than they receive in rewards from credit cards.[17] Individuals with higher credit scores are more likely to have a credit card and more likely to have multiple credit cards, relative to consumers with lower credit scores.[18] Lower-income households are more likely to pay for transactions using debit cards or cash and tend to pay higher fees than they receive in rewards from credit cards.[19] Because of the risk of default, card issuers may be more hesitant to issue more credit to individuals with lower credit scores and less of a history in reliably repaying consumer debt. For greater detail on how risk-based underwriting and pricing works, see the "Risk-Based Underwriting" section.

In 2022, *consumer* credit cards processed $6.3 trillion in payments: $4.0 trillion from general-purpose credit cards and $2.3 trillion from private label credit cards.[20] In 2024, credit cards averaged the largest number of payments among consumer payment types.[21] Despite adoption of

[16] The highest categories surveyed by the Federal Reserve—97% of individuals with a family income above $100,000 had a credit card, and 92% of individuals aged 60 or older had a credit card. For more, see Board of Governors of the Federal Reserve System, *Report on the Economic Well-Being of U.S. Households in 2025 - May 2026*, https://www.federalreserve.gov/publications/2026-economic-well-being-of-us-households-in-2025-credit.htm.

[17] Alexei Alexandrov, "Americans' Use of Payment Methods: Data, Economics, and Policy. You Pay to Pay If You Are Poor, but You Get Paid to Pay If You Are Rich," *SSRN*, July 2025, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5311370.

[18] CFPB, *The Consumer Credit Card Market*, December 2025, p. 22. This analysis does not take into account unscored consumers.

[19] Berhan Bayeh et al., *2025 Findings from the Diary of Consumer Payment Choice*, Federal Reserve Financial Services, May 2025; Alexei Alexandrov, "Americans' Use of Payment Methods: Data, Economics, and Policy. You Pay to Pay If You Are Poor, but You Get Paid to Pay If You Are Rich," *SSRN*, July 2025.

[20] Board of Governors of the Federal Reserve System, *Federal Reserve Payments Study, Networks, Processors, and Issuers Payments Surveys (NPIPS)*, November 2024, https://www.federalreserve.gov/paymentsystems/files/frps_2015-22_npips_data.xls.

[21] Berhan Bayeh et al., *2025 Findings from the Diary of Consumer Payment Choice*, Federal Reserve Financial Services, May 2025, p. 12.

traditional alternatives such as debit cards and growing uptake of newer payment apps, consumers value credit cards as a payment option because of their relative security, widespread acceptance, and convenience.[22]

Card Issuers

Relative to other forms of consumer financial services such as auto loans or mortgages, credit card issuance is fairly concentrated among financial institutions. The top 10 issuers by average credit card dollars outstanding represented 83% of all credit cards in 2022, which was a decline from 87% in 2016.[23] Such analysis was not updated as of the most recent consumer card report issued by the CFPB in 2025. The largest issuers overall are large national banks that specialize in consumer payments and loans.

Banks generate card revenue primarily through cardholder interest, late and annual fees, and interchange fees, while their expenses include marketing costs, fraud prevention, rewards programs, and operational expenses.

Interest and Fees Revenue

According to the CFPB, in 2024, Americans paid roughly $190 billion in interest and fees. Most of this amount ($160 billion) went toward interest and represented the primary consumer expense associated with credit cards.[24] The total cost of credit as a percentage of cycle-ending balances was roughly 20%, the highest in the CFPB-recorded data since 2015.[25] As of 2024, the average APR inclusive of interest rate and certain fees associated with general-purpose credit cards was 25%, among the highest levels since 2015.[26]

Interchange Revenue

Interchange fees are a critical revenue stream for credit card issuers.[27] These are fees paid by merchants to banks whenever a customer uses a credit card for a purchase and have been the subject of intense policy discussion. In 2023, interchange revenue was one of the largest income sources for credit card issuers, totaling around $72 billion.[28] Such numbers may not be comparable to the interest and fees calculation above, as they come from a separate source. Interchange revenue particularly drives the overall composition of revenue for *transactor* borrowers, who generally pay their balance in full each month and so pay little if any interest, as discussed in more detail below in the "Revolvers and Transactors" section.

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[22] Federal Reserve Bank of Atlanta, *2023 Survey and Diary of Consumer Payment Choice Tables*, 2024, https://www.atlantafed.org/-/media/Project/Atlanta/FRBA/Documents/banking/consumer-payments/survey-diary-consumer-payment-choice/2023/tables_dcpc2023.pdf.

[23] CFPB, *The Consumer Credit Card Market*, October 2023, https://files.consumerfinance.gov/f/documents/cfpb_consumer-credit-card-market-report_2023.pdf.

[24] CFPB, *The Consumer Credit Card Market*, December 2025, p. 40.

[25] CFPB, *The Consumer Credit Card Market*, December 2025, p. 39.

[26] CFPB, *The Consumer Credit Card Market*, December 2025, p. 5.

[27] For more on interchange fees and related swipe fees, see CRS Report R48216, *Credit Card Swipe Fees and Routing Restrictions*, by Andrew P. Scott.

[28] Tara Siegel Bernard, "Visa and Mastercard Agree to Cap Their Swipe Fees in Settlement," *New York Times*, March 26, 2024, https://www.nytimes.com/2024/03/26/business/visa-mastercard-swipe-fees.html. It is unclear whether the estimate in this article was determined by calculating for fees absent rewards costs or by stating gross revenue from interchange.

Rewards Expenses

Credit card issuers spend billions of dollars annually on rewards programs, which are a way banks attract and retain customers. These rewards can include cashback, travel points, and merchandise. According to analysis by the Federal Reserve Bank of New York, the rewards expenses for the six largest card issuers were roughly $68 billion in 2023.[29] Rewards expenses have increased over time.[30] Such expenses are often closely tied to the total amount of interchange that a firm charges. Rewards programs can sometimes cost more than revenue earned from interchange fees; for example, Citi reported $11 billion in expenses associated with rewards programs and partner programs and around $9 billion in interchange revenue in 2023.[31] The level of rewards varies substantially by card and over time. Such variations may depend on the degree of customer acquisition a firm is interested in for a particular product.

Other Expenses

Other expenses may include operating costs, such as marketing, customer service functions, and other salaries to review applications or assess risk. Research from the Federal Reserve Bank of New York estimated that such operational expenses were 4.9% of assets.[32] Banks also incur interest expenses associated with the cost of obtaining funds through deposits or other sources. Fraud is a concern for credit card issuers, as fraud on their platforms can harm overall confidence in their product, resulting in up-front investment. In addition, card issuers are liable for certain unauthorized card payments on their platform.

Return on Assets

Weighing the expenses and revenues from different aspects of the credit card business may yield the profits that a given firm has on this line of business. One way to assess such funds is by calculating the *return on assets* (ROA)—comparing the total income relative to the expenses of different firms. **Figure 2**, from the Federal Reserve Bank of New York, compares the ROA for banks that specialize in credit cards (known as credit card banks), the ROA for other commercial banks, and a more specialized ROA focused on general-purpose credit card loan portfolios in a separate data source. This analysis shows that credit card ROA from credit card banks and general-purpose credit card loan portfolios is higher than from other commercial banks, and this a relationship is consistent over time.[33] This elevated profitability and the importance of the credit card business to certain financial institutions may incentivize firms to offer such credit fairly widely, including possibly to consumers who may not benefit from credit cards. This also

[29] Itamar Drechsler et al., *Credit Card Banking*, Federal Reserve Bank of New York, Staff Reports No. 1143, August 2026, p. 8, https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr1143.pdf.

[30] Robert Adams et al., *Credit Card Profitability*, Board of Governors of the Federal Reserve System, September 9, 2022, https://www.federalreserve.gov/econres/notes/feds-notes/credit-card-profitability-20220909.html.

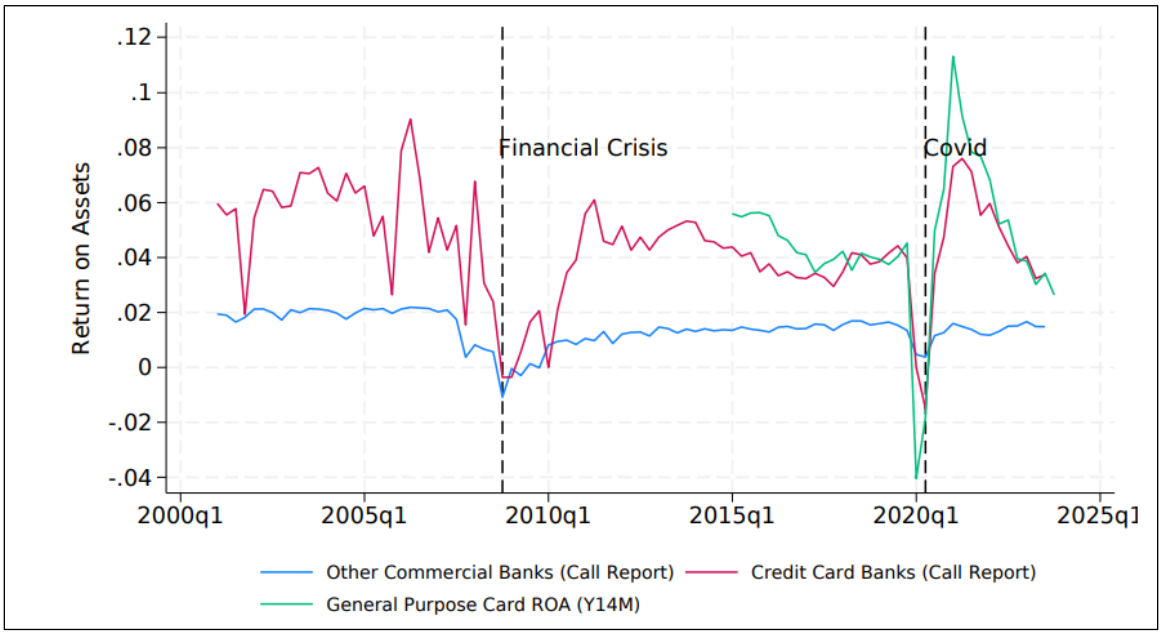
[31] Citigroup 2023 10K, February 23, 2024, p. 23, https://www.citigroup.com/rcs/citigpa/storage/public/10k20231231.pdf.

[32] Itamar Drechsler et al., *Credit Card Banking*, Federal Reserve Bank of New York, Staff Reports No. 1143, August 2026, p. 8.

[33] In separate analysis within Drechsler et al.'s paper, ROA differed across credit score bucket. The Federal Reserve defines institutions as *credit card banks* if "(1) [m]ore than 50 percent of their assets are loans to individuals (consumer lending), and (2) 90 percent or more of their consumer lending involves credit cards or related plans." Board of Governors of the Federal Reserve System, "Report to the Congress on the Profitability of Credit Card Operations of Depository Institutions – July 2019," July 29, 2019, https://www.federalreserve.gov/publications/2019-report-to-congress-profitability-credit-card-operations-depository-institutions.htm.

incentivizes firms to market such products to reach new marginal consumers and increase overall profitability from this business line.

Figure 2. Return on Assets by Type



Source: Itamar Drechsler et al., *Credit Card Banking*, Federal Reserve Bank of New York, Staff Reports No. 1143, August 2026, p. 88.

The fact that credit cards have a higher ROA than other business lines may not by itself be a reason for regulation, as ROAs differ across business lines in numerous industries. However, there may be specific factors for credit cards that may result in congressional concern. Congress may consider whether the level of and growth in fees and interest have been appropriate and what actions could temper such increases over time. This policymaking, in part, is likely connected to an evaluation of the factors driving the increases in credit card debt, as discussed in the following section.

Credit Card Debt

While credit cards may be a convenient payment method, they present certain risks if consumers do not pay off their debt each month and *revolve* a certain amount of balance with interest. Certain policymakers have raised concerns about the level of credit card debt present in the United States and the effects of the debt on consumers.

Revolvers and Transactors

Within the credit card landscape, consumers can often be divided into two broad categories based on their repayment behavior: *revolvers* and *transactors*. *Revolvers* are consumers or accounts that do not pay their balance in full by their due date and as a result have a remaining balance *revolving* into the subsequent statement period with interest and possibly other fees, depending on payoff behavior. *Transactors* are consumers or accounts that pay their balance in full by their due date and utilize the credit card primarily to transact without paying any interest or fees associated with the card. This distinction is important in public policy, as revolvers bear the potential

negative consequences of having a credit card, such as additional fees and interest rates and eventually higher delinquency, default, and charge-off rates. From a credit card company's perspective and related to either transaction revenues or fee/interest revenue, "the majority of credit card revenues are paid by revolvers."[34]

Over time, as tracked quarterly by the CFPB, roughly half of general-purpose active accounts revolve.[35] Over a year, this share would be higher, as certain accounts go back and forth between revolving and transacting behavior, sometimes known as *transitioners*, while many remain in one group or the other.[36]

Policymakers may be particularly interested in understanding the dynamics of revolvers within the credit ecosystem and identifying ways to decrease their aggregate amount of credit card debt. Credit card debt can crowd out current consumption, can crowd out future investment in more durable items such as further education or a home, and may have adverse effects on medical and physical health.[37] The effects of credit card debt on consumer financial health can originate from multiple different mechanisms. These include the reporting of higher utilization or missed payments on credit scores and as overall debt and the payments affect the ability for a consumer to otherwise consume, save, or invest in other areas. The effects on consumers depend on the principal borrowed, income of the consumer, APR, and the payment leading to the degree to which the principal will amortize. Because card APRs are much higher than certain other forms of consumer lending, such as cars or mortgages, loans of the same principal can result in a much higher payment of interest, relative to such products.

Causes of Credit Card Debt

Economists make certain assumptions that, under a rational model, consumers make optimal choices for maximizing their *utility*, alternately defined as welfare or well-being.[38] This suggests that policy changes generally would leave consumers worse off by intervening with those optimal consumption choices. In a *rational model of consumption*, individuals generally would borrow from credit cards to smooth consumption or otherwise invest in durable goods. Credit cards may offer advantages relative to the transaction costs associated with potentially inflexible installment loans with designated timelines and fixed amounts. Additionally, certain consumers may prefer to pay interest as opposed to holding a higher emergency fund that could also guard against shocks.[39] Certain evidence has pointed to expense shocks as a driver of credit card debt.[40] Consumers may prefer making an investment in a new durable good, such as a part for a major car repair, and place it on their credit card with the expectation they will pay it off with interest, as opposed to saving up for such an expense or selling the car and opting for other forms of

[34] This insight is discussed in further detail in Robert Adams et al., "Credit Card Profitability," Board of Governors of the Federal Reserve System, September 9, 2022, https://www.federalreserve.gov/econres/notes/feds-notes/credit-card-profitability-20220909.html.

[35] CFPB, *The Consumer Credit Card Market*, December 2025, p. 74.

[36] In certain literature, *revolvers* have been subsequently divided into *heavy revolvers* and *light revolvers*, based on the percentage of balance that they revolve with each month or the number of months in which they revolve during a year.

[37] Patricia Drentea and John R. Reynolds, "Where Does Debt Fit in the Stress Process Model?," *Social Mental Health*, vol. 5, no. 1 (October 2014).

[38] Arie Kapteyn, "Utility and Economics," *De Economist*, vol. 133 (March 1985), pp. 1-20.

[39] Dagobert L. Brito and Peter R. Hartley, "Consumer Rationality and Credit Cards," *The Journal of Political Economy*, vol. 103, no. 2 (April 1995), pp. 400-433.

[40] Scott L. Fulford and David Low, "Expense Shocks Matter," July 2026, https://conference.nber.org/conf_papers/f240454.pdf.

transportation, which may not be readily available.[41] With a credit card, a consumer can fairly easily borrow to finance short-term borrowing and potentially act as a substitute for other forms of financing. Substitutes to smooth consumption might include home equity, which a consumer may not have access to, or payday loans, which may have higher interest, with a less flexible borrowing cycle, and potentially fewer consumer protections.[42] One study focusing on consumer responses to changes in credit card prices as measured by interest rate or late fees suggests that consumers displayed largely rational responses, for example, decreasing consumption and borrowing in response to increased interest rates.[43]

Behavioral economics arose as a critique of the rational, optimizing consumers in economic theory. These theories suggest that there are certain times in which consumers may make mistakes in utility maximization and that public policy should intervene to minimize such mistakes. There are certain behavioral attributes that appear to lead to credit card debt outside of a rational model of consumption. Evidence from various studies suggests that individuals with revolving credit may have certain self-control issues, overspending relative to their income, resulting in credit card debt.[44] Individuals may have present bias and self-control issues in their consumption habits, where they irrationally weigh consumption today more strongly than consumption in the long run and anticipate paying off existing credit card debt. These consumption habits may interact poorly with credit cards, leading to borrowing and compounding credit card debt.[45] They may have difficulty controlling such spending habits, enabled by a revolving card, with a credit limit far above their monthly reasonable expenses, enabling revolving behavior. Other literature points to individuals having irrationally high expectations for paydown behavior once such debt is accumulated and that ability to follow through on paydown decreases with present bias.[46] As discussed in greater detail below, individuals with lower financial literacy tend to have higher levels of credit card debt.[47] Credit card companies may be playing into such behavioral biases to increase overall profitability. Such companies may adopt certain pricing and marketing strategies with differential behavioral strategies based on borrower type and initiating credit card limit increases toward revolvers, increasing their aggregate debt.[48]

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[41] Thomas A. Durkin et al., "An Assessment of Behavioral Law and Economics Contentions and What We Know Empirically About Credit Card Use by Consumers," *Supreme Court Economic Review*, vol. 22, no. 1 (2014), p. 6.

[42] Todd J. Zywicki, "The Economics of Credit Cards," *Chapman Law Review*, vol. 3, no. 1 (2000), Article 6, https://digitalcommons.chapman.edu/chapman-law-review/vol3/iss1/6?utm_source=digitalcommons.chapman.edu%2Fchapman-law-review%2Fvol3%2Fiss1%2F6&utm_medium=PDF&utm_campaign=PDFCoverPages.

[43] Daniel Grodzicki et al., "Consumer Demand for Credit Card Services," *Journal of Financial Services Research*, vol. 63 (2018), pp. 273-311, https://doi.org/10.1007/s10693-022-00381-4.

[44] John Gathergood, "Self-Control, Financial Literacy and Consumer Over-Indebtedness," *Journal of Economic Psychology*, vol. 33, no. 3 (June 2012), pp. 590-602; Sara Fernández-López et al., "Self-Control and Debt Decisions Relationship: Evidence for Different Credit Options," *Current Psychology*, vol. 43 (2024), pp. 340–357; Carol C. Bertaut and Michael Haliassos, "Debt Revolvers for Self Control," *HERMES Center Working Paper* 01-11 (July 27, 2001).

[45] Stephan Meier and Charles Sprenger, "Present-Biased Preferences and Credit Card Borrowing," *American Economic Journal: Applied Economics*, vol. 2, no. 1 (January 2010), pp. 193-210.

[46] Theresa Kuchler and Michaela Pagel, "Sticking to Your Plan: The Role of Present Bias for Credit Card Paydown," *Journal of Financial Economics*, vol. 139, no. 2 (February 2021), pp. 359-388.

[47] See, for example, Annamaria Lusardi and Peter Tufano, "Debt Literacy, Financial Experiences, and Overindebtedness," *Journal of Pension Economics & Finance*, vol. 14 (October 1, 2015), pp. 332-368.

[48] For further discussion of credit card issuers' policies for setting up minimum payments, see the "Structure of Credit Card Payments" section. See also Hong Ru and Antoinette Schoar, "Do Credit Card Companies Screen for Behavioural Biases?," Bank for International Settlements Working Paper 842, February 2023,
(continued...)

Affordability

The price of goods and services underpins consumer finance. If the prices of goods and services rise faster than incomes, consumers may need to do something to adjust to those increases. One common response is that consumers may rely on credit, including credit cards, to smooth consumption.[49] For example, according to survey evidence, roughly a fourth of U.S. adults used credit cards, loans, or pawnshops to cope with inflation in October 2023. An even higher percentage relied on these sources in response to inflation among adults who had recently lost their jobs or who were lower income.[50] However, as seen in **Figure 3**, some of the increase in credit card debt can be attributed to inflation, meaning the real (inflation-adjusted) increase in overall debt levels is much smaller. The increases in total credit card debt since the COVID-19 pandemic were driven by lower-income credit card users, and lower-income credit card users are more likely to hold such debt.[51]

Public policy solutions or lack thereof may depend on the diagnosis of the causes of credit card debt. Consumers may be acting rationally when taking out credit card debt, and if so, public policy responses are not needed to counteract the overall trends presented in "Overall Trends." If a policymaker perceives the issues to be primarily related to self-control or financial literacy, disclosures may help stem some of the information asymmetries. Policymakers concerned about the behavioral aspects of credit cards or the effects of affordability on credit card debt may want to impose more regulatory controls to lessen the aggregate effects of such credit card debt or decrease the compounding nature of such debt. One challenge for policymakers may be that certain consumers may be acting in the rational model while others are acting in the behavioral model. This makes creating the optimal regulatory structure difficult for both types of consumers.

Overall Trends

As seen in **Figure 3**, as of the third quarter of 2026, Americans held a collective $1.28 trillion of outstanding credit card debt.[52] This measure of aggregate debt includes debt that is 90 or more days delinquent, in collections, or severely derogatory, which in the credit card context means *charged-off debt*, which the credit card company has written off as a loss. This represents a *stock* measure of total credit card debt, meaning it is possible for debt to transition out of such status if a borrower enters into repayment status. It is useful as a measure of total dollar exposure of credit card debt in the broader economy, but it may be helpful to caveat with certain *flow* measures that better represent how consumers are doing at one individual moment.

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3549532#; Vitaly M. Bord et al., "More Credit, More Debt: New Evidence on Automated Credit Decisions," Board of Governors of the Federal Reserve System, January 16, 2026, https://www.federalreserve.gov/econres/notes/feds-notes/more-credit-more-debt-new-evidence-on-automated-credit-decisions-20260116.html.

[49] Other responses may include decreasing consumption, saving less, and increasing income.

[50] Michael Evangelist and Amy Higgins, *Household Perceptions of Price Changes and Coping Strategies*, Federal Reserve Bank of Boston, August 2024, https://www.bostonfed.org/publications/community-development-field-notes/2024/household-perceptions-of-price-changes-and-coping-strategies.aspx.

[51] Rees Hagler and Dhiren Patki, "Why Has Consumer Spending Remained So Resilient? Evidence from Credit Card Data," Federal Reserve Bank of Boston, August 13, 2025, https://www.bostonfed.org/publications/current-policy-perspectives/2025/why-has-consumer-spending-remained-resilient.aspx.

[52] In terms of total levels of debt, credit cards represent the fourth largest category of household debt, trailing mortgage, student, and auto debt. **Figure 3** shows that credit card debt has increased precipitously since the end of the pandemic and increased much more since 2012.

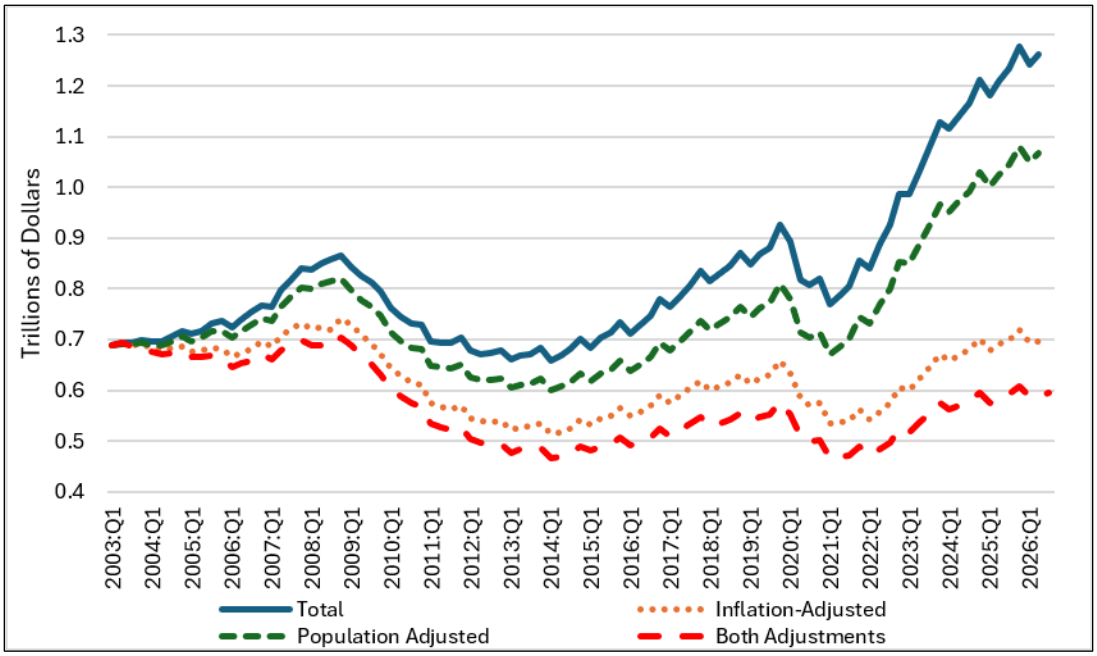
The degree of the increases and the overall trends are dependent on the measure utilized. For example, when adjusted by inflation, overall trends look more tempered and stable across time.[53] Credit card debt may track broader measures of inflation. As previously discussed, as inflation puts pressure on prices and the cost of goods increases, a consumer's overall credit card bill should increase by the same measure. This may be apparent not only in credit card expenses but also with other goods and services in other areas. For example, increased costs from housing, automobiles, or education are reflected in increased budget stress outside of consumers' credit cards and may result in the consumer prioritizing those items and neglecting (or increasing) their credit card debt.[54] Accounting for this possible increases in prices that may be driving overall debt requires adjusting credit card debt for inflation to account for changes in overall price levels (dotted orange line in **Figure 3**). When inflation is considered, the increases since the pandemic are less dramatic, increasing more marginally. Regardless, relative to historic trends, such levels are close to inflation-adjusted highs in the first quarter of 2009.

Population-adjusted credit card debt displays the same trends as the total trend but with lower decreases over time. While credit cards users to population does not go up monotonically with new population, an increasing population can generally indicate a growing base of potential users that may take on such debt. Adjusted for both population and inflation (dashed red line), these trends look similar to those in the inflation-only graph, albeit at lower relative levels in more recent time periods, with the additional cumulative effect of population increases. The adjusted levels with both measures from the fourth quarter of 2024 to the third quarter of 2026 are the highest since 2010.

[53] Similar trends are present when graphing relative to household income. For analysis looking at inflation-adjusted balance per household over a shorter time horizon, see Alexei Alexandrov, "What the Averages and Medians Hide: The Reality of Wages, Housing, and Affordability," September 24, 2026, *SSRN*, p. 14.

[54] Pertinent to increases in rent prices during the pandemic, see Neil Bhutta, *Are Rising Rents Raising Consumer Debt and Delinquency?*, Federal Reserve Bank of Philadelphia, November 2023, https://www.philadelphiafed.org/-/media/FRBP/Assets/Consumer-Finance/Briefs/CFIResearchBrief-Bhutta-Nov-2023.pdf. Individuals appear to be prioritizing automobile and mortgage debt over credit card debt: Jacob Conway et al., "When the Household Pie Shrinks, Who Gets Their Slice?," *Liberty Street Economics* (blog), March 6, 2025, https://libertystreeteconomics.newyorkfed.org/2025/03/when-the-household-pie-shrinks-who-gets-their-slice/.

Figure 3. Credit Card Debt: Total, Inflation Adjusted, Population Adjusted



Source: Bureau of Labor Statistics, "Consumer Price Index for All Urban Consumers: All Items in U.S. City Average," November 10, 2026, https://fred.stlouisfed.org/series/CPIAUCSL; Bureau of Economic Analysis, "Population," October 29, 2026, https://fred.stlouisfed.org/series/B230RC0Q173SBEA; Federal Reserve Bank of New York, Center for Microeconomic Data, *Quarterly Report on Household Debt and Credit*, https://www.newyorkfed.org/microeconomics/databank.html.

Notes: Inflation and population-adjusted numbers are calculated relative to 2003 values. Values in this figure are calculated using a combination of data from the three sources listed above.

Figure 4 shows the transition into delinquency for credit cards by different measures of delinquency rates. Specifically, such rates depict when balance on a card transitions from one status to another.[55] The solid blue line depicts the share of credit card balances quarterly that transition from being 29 days delinquent to 30 or more days delinquent. This measure should be viewed as a flow measurement in borrower outcomes as a share of borrowers who are current on their credit cards or at a lower level of delinquency.

Three conclusions can be made from observing these trends:

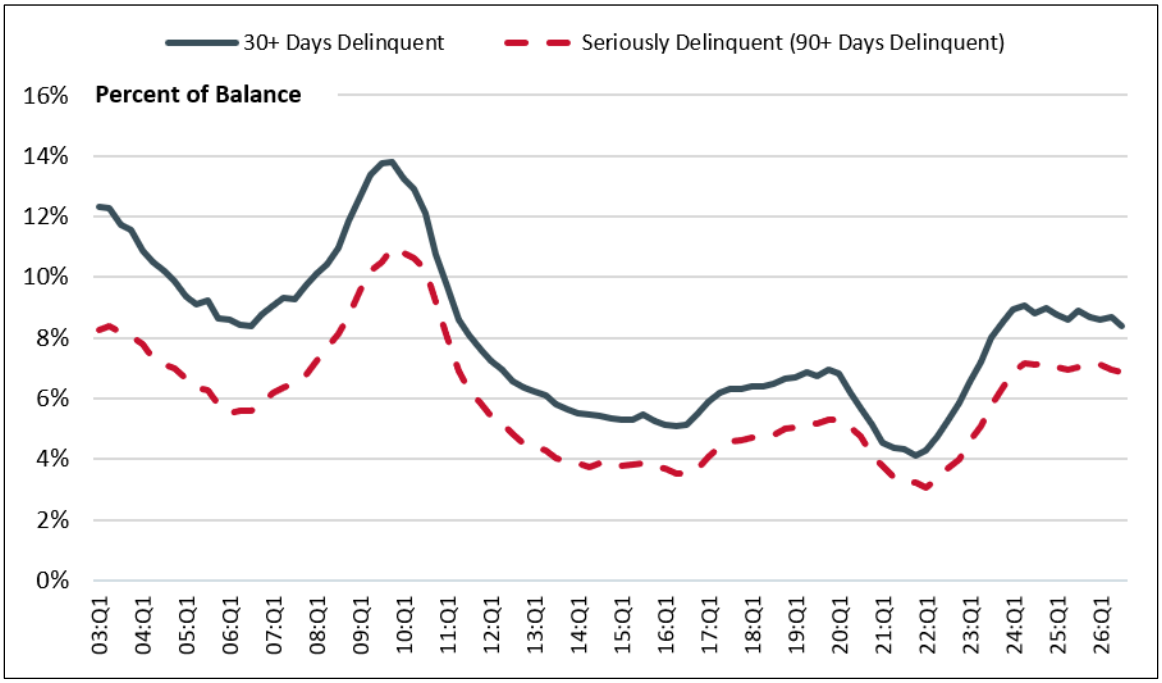
- Transition into delinquency decreased from the first quarter of 2020 to the first quarter of 2022 before steadily increasing from the first quarter of 2022 to the first quarter of 2024. Such rates of transition have appeared relatively stable since that point. For further information on changes during the pandemic, see the text box titled "Why Did Credit Card Debt Decline During the Pandemic?"
- While transition rates remain elevated relative to before the pandemic, such overall transition rates as a percentage of balance remain lower than during the

[55] Several economists further describe the calculation: "We additionally overlay the *flow* into 90+ days past due from our *Quarterly Report* (also known as new transitions into delinquency). This figure is calculated as the balance on loans that became 90+ days past due in the present quarter divided by the balance of loans that were less than 90 days past due in the previous quarter, annualized using a four-quarter moving sum." Donghoon Lee et al., "How Distressed Are Consumers? Reconciling Diverging Credit Card Delinquency Measures," *Liberty Street Economics* (blog), August 11, 2026, https://libertystreeteconomics.newyorkfed.org/2026/08/how-distressed-are-consumers-reconciling-diverging-credit-card-delinquency-measures/.

Great Recession (peaks of 14% for 30+ days delinquent and 10.2% for 90+ days delinquent).

- Throughout this period, such numbers were relatively stable between the first quarter of 2012 and the first quarter of 2017 before experiencing a slight uptick in advance of the fluctuations before the pandemic.

Figure 4. Transition into Delinquency for Credit Cards



Source: Federal Reserve Bank of New York, Center for Microeconomic Data, *Quarterly Report on Household Debt and Credit.*

Why Did Credit Card Debt Decline During the Pandemic?

During the COVID-19 pandemic, transition into both 30+-day delinquency and serious delinquency (90 days or more), depicted in **Figure 4**, as well as stock measures of total credit card debt, depicted in **Figure 3**, both declined. Declines were fairly widespread across geography, race, and income level but may not have been uniform across every group.[56] This may have been a surprising result, considering the increasing unemployment rates and effects on individuals' core income levels and downstream impacts in previous analogous business cycles on credit card debt. The reasons for the decline in credit card debt are multifactorial and offer insights into credit card debt more generally for policymakers.

Government transfers associated with the pandemic assistance programs likely influenced overall credit card balances and debt, as individuals used their funds to pay off existing credit card balances during months where such assistance arrived.[57] Paydowns associated with the second and third economic stimulus payments appeared more substantial than the initial stimulus payment.[58] Such data seem to match survey responses from the Census Bureau indicating that 14%-16% utilized the initial stimulus payment to pay down debt, while 50%-54% utilized the subsequent stimulus payments.[59] Survey research from the Federal Reserve Bank of New York found that roughly a third of total stimulus payments in aggregate was aimed at paying down general debt.[60] It is very likely that enhanced unemployment benefits, rental assistance, and other forms of support similarly boosted credit card debt repayment.

Individuals who were not eligible to receive pandemic assistance paid down their credit card balances at rates equal to or higher than those who received such assistance.[61] This means that pandemic assistance was not the only driving factor in the declines in credit card debt; other factors are discussed below.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act; P.L. 116-136) specifically establishes consumers' forbearance rights for federally insured mortgages (Section 4022) and federal student loans (Section 3513). *Loan forbearance plans* are "agreements that allow borrowers to reduce or suspend payments for a short period of time, providing extended time for consumers to become current on their payments and repay the amounts owed."[62] The law also protected the credit histories of consumers with forbearance agreements associated with credit cards or other forms of consumer debt (Section 4021) but did not provide any affirmative requirements for financial institutions to offer such agreements to credit card borrowers.[63] Certain federal regulators issued statements encouraging financial institutions to work out arrangements with consumers under financial stress, including offering forbearance.[64]

A much higher than normal number of individuals applied for and received credit card forbearance voluntarily provided by credit card issuers, relative to before the pandemic.[65] Such programs meant interest generally continued to accrue but that there was a $0 monthly minimum payment, meaning a late fee waiver. These programs were a month or two at a time, with reenrollment at a lender's discretion. Roughly 4.1% of card balances were enrolled in forbearance in May 2020, declining dramatically until summer 2021 (0.2% in August 2021), with much of it from individuals ineligible for traditional government pandemic assistance.[66] Such forbearance programs may have assisted individuals from incurring additional late fees associated with their accounts absent a minimum payment and enable additional liquidity for either consumption or other existing debt. However, the primary effects were on reducing delinquency and improving credit scores, as opposed to decreasing aggregate credit card debt directly.[67] Further, the fact that such programs were not mandated by statute or formal rulemaking, instead being encouraged by regulators, may have limited the effects. Certain survey research indicates that among consumers who had difficulty paying their credit cards during the pandemic, only 20% received a credit card payment deferment.[68]

Research found that forbearance from mortgage programs had the effect of freeing up funds that consumers used to pay down credit card debt. These funds would normally be devoted to making their mortgage payment.[69] Individuals did utilize such amounts for consumption as well. Similar effects were not present for the pause in student loan debt payments, according to research, as individuals instead increased consumption and often used this new liquidity and newly improved credit score to increase their credit card debt.[70]

The reasons for this difference are interesting to examine from a practical policy perspective. One reason may be the design of the programs, the mortgage forbearance program being temporary (with half of borrowers in forbearance for three months or less) while the student loan pause lasted for roughly two and a half years.[71] The student loan pause largely enrolled all borrowers in federal loans, while one had to opt into federal mortgage forbearance through a consumer's mortgage servicer, where 16% of mortgage borrowers opted into forbearance.[72] Both the program design and the timeline may have led paused student loan borrowers to reexamine their spending patterns absent this student loan payment and take on more debt as a result. In contrast, the temporary nature of mortgage forbearance might have made it less likely for individuals to change consumption habits dramatically, considering this forbearance was temporary, and leading consumers more likely to consider redistributing such funds to credit card debt. There may be differences in borrower profile driving

such differences: Student loan borrowers on average may skew younger, with lower incomes, possibly with lower financial literacy and utilize the extra liquidity as a more-permanent change in circumstance, while mortgage

[56] Scott Fulford and Marie Rush, "Credit Card Debt Fell Even for Consumers Who Were Having Financial Difficulties Before the Pandemic," CFPB, June 25, 2026, https://www.consumerfinance.gov/archive/blog/credit-card-debt-fell-even-consumers-having-financial-difficulties-before-pandemic/.

[57] GAO, *Credit Cards: Pandemic Assistance Likely Helped Reduce Balances, and Credit Terms Varied Among Demographic Groups*, GAO-23-105269, September 2023, https://www.gao.gov/assets/d23105269.pdf.

[58] Robert M. Adams et al., "Why Did Credit Card Balances Decline So Much During the COVID-19 Pandemic," Board of Governors of the Federal Reserve System, December 3, 2021, https://www.federalreserve.gov/econres/notes/feds-notes/why-did-credit-card-balances-decline-so-much-during-the-covid-19-pandemic-20211203.html.

[59] GAO, *Credit Cards: Pandemic Assistance Likely Helped Reduce Balances, and Credit Terms Varied Among Demographic Groups*, GAO-23-105269.

[60] Olivier Armantier et al., "An Update on How Households Are Using Stimulus Checks," *Liberty Street Economics* (blog), April 7, 2021, https://libertystreeteconomics.newyorkfed.org/2021/04/an-update-on-how-households-are-using-stimulus-checks/.

[61] Robert M. Adams et al., "Why Did Credit Card Balances Decline So Much During the COVID-19 Pandemic," Board of Governors of the Federal Reserve System, December 3, 2021.

[62] Definition of forbearance is from CRS Report R46356, *COVID-19: Consumer Loan Forbearance and Other Relief Options*, coordinated by Cheryl R. Cooper.

[63] For more on related provisions in the CARES Act, see CRS Report R46356, *COVID-19: Consumer Loan Forbearance and Other Relief Options*, coordinated by Cheryl R. Cooper.

[64] Board of Governors of the Federal Reserve System et al., "Agencies Encourage Financial Institutions to Meet Financial Needs of Customers and Members Affected by Coronavirus," press release, March 9, 2020, https://www.federalreserve.gov/newsevents/pressreleases/bcreg20200309a.htm; Federal Deposit Insurance Corporation (FDIC), "FDIC Statement on Financial Institutions Working with Customers Affected by the Coronavirus and Regulatory and Supervisory Assistance," March 13, 2020, https://www.fdic.gov/news/financial-institution-letters/2020/fil20017a.pdf.

[65] Susan Cherry et al., "Government and Private Household Debt Relief During COVID-19," *Brookings Papers on Economic Activity* (Fall 2021), pp. 141-199, https://www.brookings.edu/wp-content/uploads/2021/09/15985-BPEA-BPEA-FA21_WEB_Cherry-et-al.pdf.

[66] Mallick Hossain, "Credit Card Trends During the COVID-19 Pandemic," Federal Reserve Bank of Philadelphia, 2022, https://www.philadelphiafed.org/-/media/frbp/assets/institutional/banking/surf/spotlights/2022/surf_2022_q1.pdf.

[67] Some researchers have argued that there was a difference between predicted delinquency and observed delinquency during the COVID-19 pandemic for revolving credit and other forms of consumer lending. They posit that this difference was driven by consumers going into forbearance and deferring their payments. See Cherry et al., "Government and Private Household Debt Relief During COVID-19," *Brookings Papers on Economic Activity* (Fall 2021), p. 73.

[68] Scott Fulford and Cortnie Shupe, *Consumer Finances During the Pandemic: Insights from the Making Ends Meet Survey*, CFPB, December 2021, p. 39, https://files.consumerfinance.gov/f/documents/cfbp_making-ends-meet-survey-insights_report_2021-12.pdf.

[69] You Suk Kim et al., *Intermediation Frictions in Debt Relief: Evidence from CARES Act Forbearance*, Federal Reserve Board, Finance and Economics Discussion Series 2022-017, March 8, 2022, https://www.federalreserve.gov/econres/feds/files/2022017pap.pdf.

[70] Michael Dinerstein et al., "Debt Moratoria: Evidence from Student Loan Forbearance," *American Economic Review: Insights*, vol. 6, no. 2 (June 2024), pp. 196-213; Daniel H. Cooper and Maddie Haddix, "How the Student Loan Payment Pause Affected Borrowers' Credit Access and Credit Use," Federal Reserve Bank of Boston Current Policy Perspectives 25-1, January 13, 2025, https://www.bostonfed.org/publications/current-policy-perspectives/2025/how-the-student-loan-payment-pause-affected-borrowers-credit-access-and-credit-use.aspx.

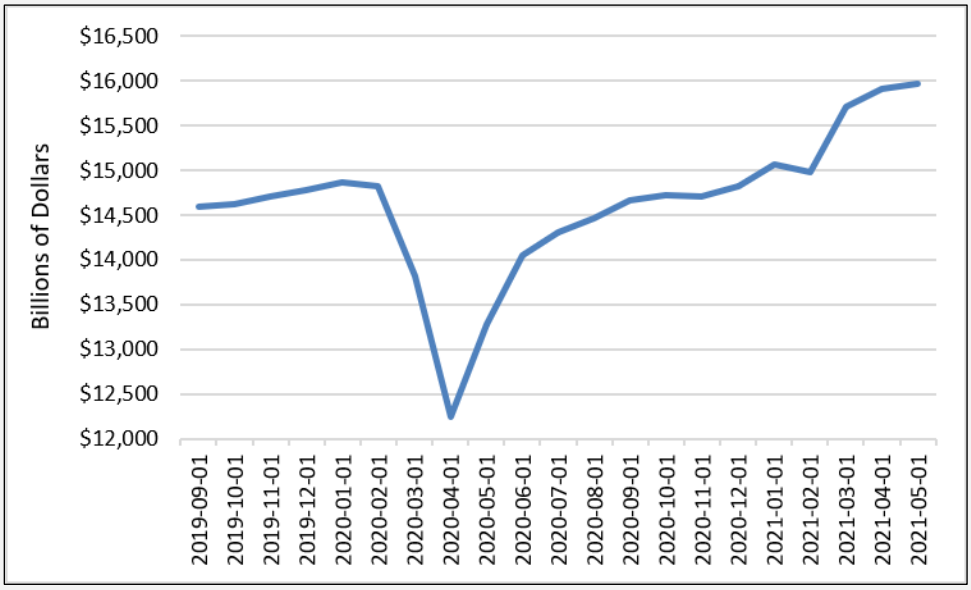
[71] Juan M. Sánchez and Olivia Wilkinson, "Forbearance During COVID-19: How Many Borrowers Used It, and for How Long?," *On the Economy* (blog), May 31, 2022, https://www.stlouisfed.org/on-the-economy/2022/may/forbearance-covid19-how-many-borrowers-how-long. For a timeline for student loans, see CRS In Focus IF12136, *Student Loans: A Timeline of Actions Taken in Light of the COVID-19 Pandemic*, by Alexandra Hegji.

[72] Certain borrowers decided to make payments on their student loans regardless of the suspension of interest accrual and requirement that borrowers make monthly loan payments.

borrowers opting into forbearance may have higher financial literacy, higher incomes, and a recognition that they need the funds to deal with hardship issues associated with the pandemic. Student loan borrowers may have had mistaken expectations that such debt would have been permanently forgiven, as opposed to merely a pause in repayment obligation, which would lead to a different savings/spending response.

During the beginning of the pandemic, individuals decreased their consumption and purchases on credit cards, which subsequently led to lower credit card debt. This decreased consumption was in response to the restrictions on in-person activities, uncertainty surrounding the pandemic, and decreasing leisure activities, including travel. Such decreased spending appeared to be driven by declines in discretionary spending, including restaurants, travel, and other personal services.[73] Such effects were strongest at the very beginning of the pandemic, as indicated by **Figure 5**, showing that aggregate expenditure trends, not specific to credit cards, and expenditures recovered to nominal pre-pandemic spending levels by January 2021. Such trends broadly reflect net purchase volumes on credit cards.[74] The growth in spending shown in **Figure 5** accelerated beginning in March 2021, following the easing of pandemic-related restrictions across the country and widespread availability of vaccines.

Figure 5. Personal Consumption Expenditures: September 2019-May 2021



Source: Bureau of Economic Analysis, "Personal Outlays," October 29, 2026, https://fred.stlouisfed.org/series/A068RC1.

Notes: Figures are in billions of dollars and seasonally adjusted.

Policy Options

The 119th Congress has engaged with these issues through various forums. Several bills have been introduced that would cap credit card interest rates federally or cap late fees.[75] Other bills would

[73] Natalie Cox et al., "Initial Impacts of the Pandemic on Consumer Behavior: Evidence from Linked Income, Spending, and Savings Data," *Brookings Papers on Economic Activity* (June 25, 2020), https://www.brookings.edu/wp-content/uploads/2020/06/Cox-et-al-conference-draft.pdf. This research documents changes in the initial months of the pandemic utilizing data from Chase, and the composition of spending could have changed over time or with different effects by card users.

[74] Robert M. Adams et al., "Why Did Credit Card Balances Decline So Much During the COVID-19 Pandemic," Board of Governors of the Federal Reserve System, December 3, 2021.

[75] See, for example, H.R. 1944/S. 381, S. 2781, H.R. 5953, and S. 3793.

examine the role of states in setting credit card interest rate caps.[76] Credit card debt was a topic of interest during certain hearings related to affordability and financial technology products.[77] Such issues were also raised during nomination hearings for potential members of the Trump Administration.[78] Certain policy issues related to credit card debt, including price regulation, financial literacy and disclosures, and the structure of credit card payments.

Price Regulation

Banks generate credit card revenue primarily through cardholder interest, annual fees, and interchange fees. Some policymakers have debated reducing credit card debt through price regulation, primarily focused on consumer-paid fees and APRs associated with credit cards. Broadly, such strategies entail setting ("capping") a price, which will set the maximum payment amount or rate that a consumer will pay for an individual good or service.[79] Price regulation can take various forms and may include a permanent hard cap, a floating cap adjusted to inflation or other price, or cap adjustable at the discretion of government regulators. Depending on a few different factors, such caps may have certain effects on the level of credit offered by credit card issuers and on aggregate consumer welfare. The level of the cap is important to the effects of the aggregate price regulation both on consumers and products in the marketplace. Theory predicts that lower caps relative to current market price will increasingly impact the supply of cards relative to an unregulated market. The relative weight of the fee or rate being capped as a share of the total revenue from the good or service remains important in considering the aggregate impact of the overall price regulation.

Rate Regulation

Credit Card Annual Percentage Rates

In total, borrowers paid roughly $160 billion in credit card interest as of 2024, a marked increase from $105 billion in 2022.[80]

The risks associated with credit cards in terms of aggregate default risk are much greater than for other forms of consumer credit. This comes from the unsecured nature of the card, where an originator may not recover an automobile, house, or other hard asset to make up for losses associated with the loan. An individual may also draw on the credit card up to the credit limit for

[76] See, for example, S. 3721 and H.R. 7866/S. 3889.

[77] U.S. Congress, Senate Committee on Banking, Housing, and Urban Affairs, *The Affordability Agenda*, 119th Cong., 2nd sess., June 23, 2026; U.S. Congress, House Committee on Financial Services, Subcommittee on Digital Assets, Financial Technology, and Artificial Intelligence, *Delivering for American Consumers: A Review of FinTech Innovations and Regulations*, 119th Cong., 2nd sess., January 13, 2026; U.S. Congress, Senate Special Committee on Aging, *Senate Special Aging Committee Holds Hearing on Inflation Impacts on Seniors*, 119th Cong., 1st sess., January 29, 2025.

[78] U.S. Congress, Senate Committee on Finance, *Senate Finance Committee Holds Hearing on Pending Nominations*, 119th Cong., 1st sess., March 6, 2025; U.S. Congress, Senate Committee on Banking, Housing, and Urban Affairs, *Senate Banking, Housing, and Urban Affairs Committee Holds Hearing on Pending Nominations*, 119th Cong., 1st sess., October 30, 2025; U.S. Congress, Senate Committee on Banking, Housing, and Urban Affairs, *Senate Banking, Housing and Urban Affairs Committee Holds Hearing on Pending Nominations*, 119th Cong., 2nd sess., July 23, 2026.

[79] Price regulation may also entail a price floor for an individual good or service.

[80] CFPB, *The Consumer Credit Card Market*, December 2025, p. 40. This calculation comes from the Federal Reserve's "Y-14+" data, which includes "monthly portfolio- and account-level data from bank holding companies that have total consolidated assets exceeding $100 billion," supplemented by certain specialized issuer data "to allow for a broader or more detailed perspective." For a discussion, see CFPB, *The Consumer Credit Card Market*, December 2025, p. 10-11.

adverse expenses or income shocks in a way that is not associated with other installment products. In terms of serious delinquency rates (90+ days overdue), credit cards have traditionally outpaced auto loans, mortgages, home equity lines of credit, and "other" loans.[81] In part, such default risk drives the higher interest rates associated with credit cards, relative to other forms of consumer credit, alongside their unsecured nature. As a result, APRs in aggregate for consumer credit cards are generally higher than for those other products. Some economic literature has suggested that despite the differential in default rates driving part of this rate differences, other factors contribute to these rate differences, such as higher profitability on the part of credit cards (see **Figure 2**) and marketing expenditures.[82] Other evidence indicate that credit card APRs were higher in areas where credit card issuers had a greater market share, even after analysis controlled for other factors.[83]

APRs increased steadily from May 2020 to May 2024 for borrowers overall and for borrowers of the same creditworthiness and on the same card. The most conventional explanation for these increasing APRs is that the Federal Reserve increased the federal funds rate (an overnight interbank lending rate, which the Federal Reserve targets) to combat inflation, which in turn increased the cost of obtaining funds for banks. Banks responded to the increased costs by raising interest rates for many consumer products. Credit card rates are often directly tied to the bank prime rate, which typically adjusts alongside the federal funds rate. Other explanations have tied the increasing APRs to credit card profitability over time, driven by pricing power by the few financial institutions that dominate this market. Quarterly APR margin for general-purpose cards has risen over the past 10 years, was much higher for new accounts, and was at the highest levels in 2024.[84]

Changes in credit card APR broadly track changes in the federal funds rate. Credit card APRs increased in response to the increasing federal funds rates meant to decrease overall consumer inflation. Because consumer APR often changes over time at the discretion of the bank and based on bank prime rate, as a result this put increased pressure on borrowers who had either existing balances or traditionally put balances on their credit card to revolve month over month. Evidence from the United States and Germany indicates that in response to increasing interest rates during this time period, consumers decreased the amount that they spent on their credit card accounts.[85] These decreases were driven by revolvers, sensitive to the rate environment and where the amount spent and borrowed directly from the bank is related to overall rates.

Risk-Based Underwriting

Credit card issuers and other lenders of credit engage in risk-based underwriting, where issuers evaluate consumers' credit risk by considering pertinent creditworthiness factors, including the

[81] Federal Reserve Bank of New York, Center for Microeconomic Data, *Quarterly Report on Household Debt and Credit, 2026:Q2*, August 2026, p. 12. Student loans had higher 90+-day-delinquency rates from roughly 2013 to 2020 but have a very different measures of risk because they are largely publicly offered.

[82] Itamar Drechsler et al., *Credit Card Banking*, Federal Reserve Bank of New York, Staff Reports No. 1143, August 2026, p. 88.

[83] Kyle Herkenhoff and Juan M. Morell, "How Market Position Shapes Credit Card Interest Rates," *Liberty Street Economics* (blog), November 4, 2026, https://libertystreeteconomics.newyorkfed.org/2026/11/how-market-position-shapes-credit-card-interest-rates/.

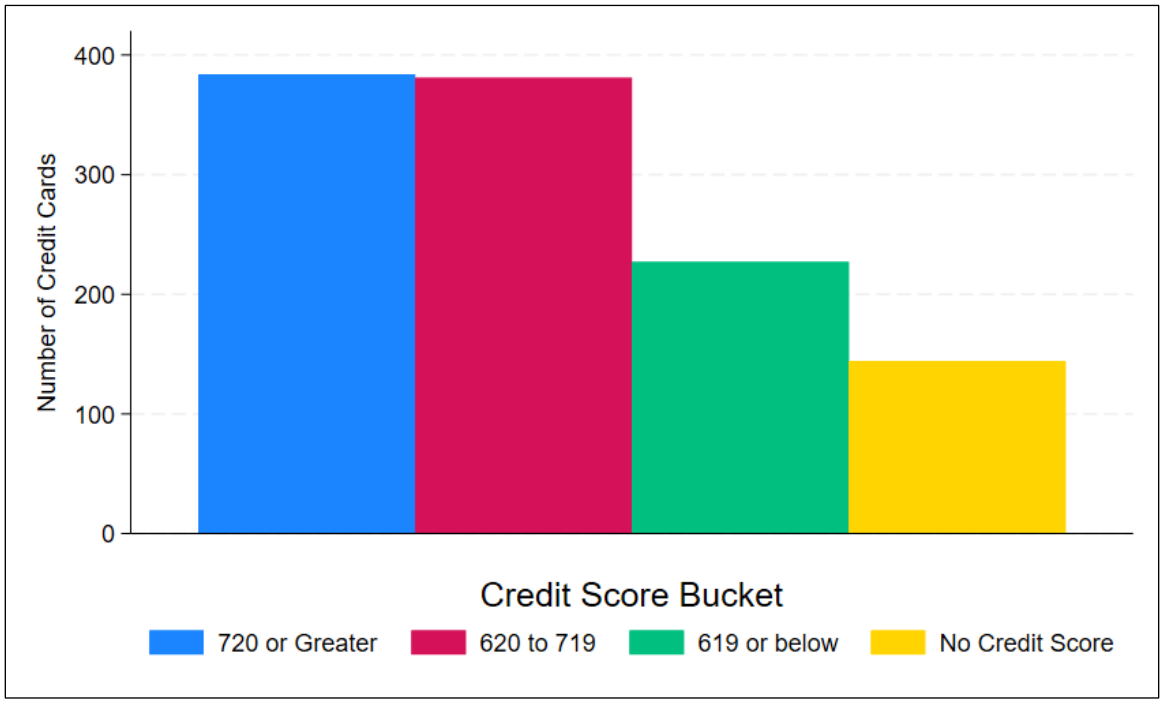
[84] See, for example, CFPB, "Terms of Credit Card Plans (TCCP) Survey," https://www.consumerfinance.gov/data-research/credit-card-data/terms-credit-card-plans-survey/.

[85] Falk Bräuning and Joanna Stavins, "How Interest Rate Changes Affect Credit Card Spending," Federal Reserve Bank of Boston Current Policy Perspectives, 26-2, March 25, 2026, https://www.bostonfed.org/publications/current-policy-perspectives/2026/how-interest-rate-changes-affect-credit-card-spending.aspx; Francesco Grigoli and Damiano Sandri, "Monetary Policy and Credit Card Spending," *European Economic Review*, vol. 185 (May 2026).

applicant's income, previous repayment history, and credit score. This is relevant to understanding the overall effects of rate regulation by understanding the current underwriting procedures.

Credit card issuers may choose not to issue a credit card because of a consumer's particular risks, which may not warrant underwriting a card considering the overall creditworthiness. **Figure 6** depicts data from the CFPB's Terms of Credit Card Plans (TCCP) survey.[86] The TCCP survey features data on the targeted credit scores tiers by card issuers and shows a virtual equal likelihood of credit card issuers targeting individuals with credit scores from 620 to 719 (near prime or prime scores) or 720 or greater (prime plus or superprime scores). **Figure 6** shows that lenders have a lower willingness to lend to individuals with credit scores below 619 (subprime) or with no credit score. These data do not account for underlying differences in approval rates by credit cards, which show disparities in the underlying targeting. Separate data from the CFPB's consumer credit card report shows much lower approval percentages for borrowers in near prime (31%) and prime (57%) categories, compared to prime plus (75%) and superprime (84%).[87] Within the TCCP data, the differences between the 620-719 and 720 and above credit scores in pricing is borne out in the APRs charged to borrowers (described in **Figure 7**). This is the essence of risk-based underwriting: credit card companies and other financial firms modifying price and approval decisions on the basis of underlying credit risk at an individual level.

Figure 6. Targeted Credit Score Tiers for Unsecured Credit Cards in the CFPB's Terms of Credit Card Plans (TCCP) Survey



Source: CRS data analysis of Consumer Financial Protection Bureau (CFPB), "Terms of Credit Card Plans (TCCP) Survey," https://www.consumerfinance.gov/data-research/credit-card-data/terms-credit-card-plans-survey/.

[86] CFPB, "Terms of Credit Card Plans (TCCP) Survey."

[87] CFPB, *The Consumer Credit Card Market*, December 2025, p. 114.

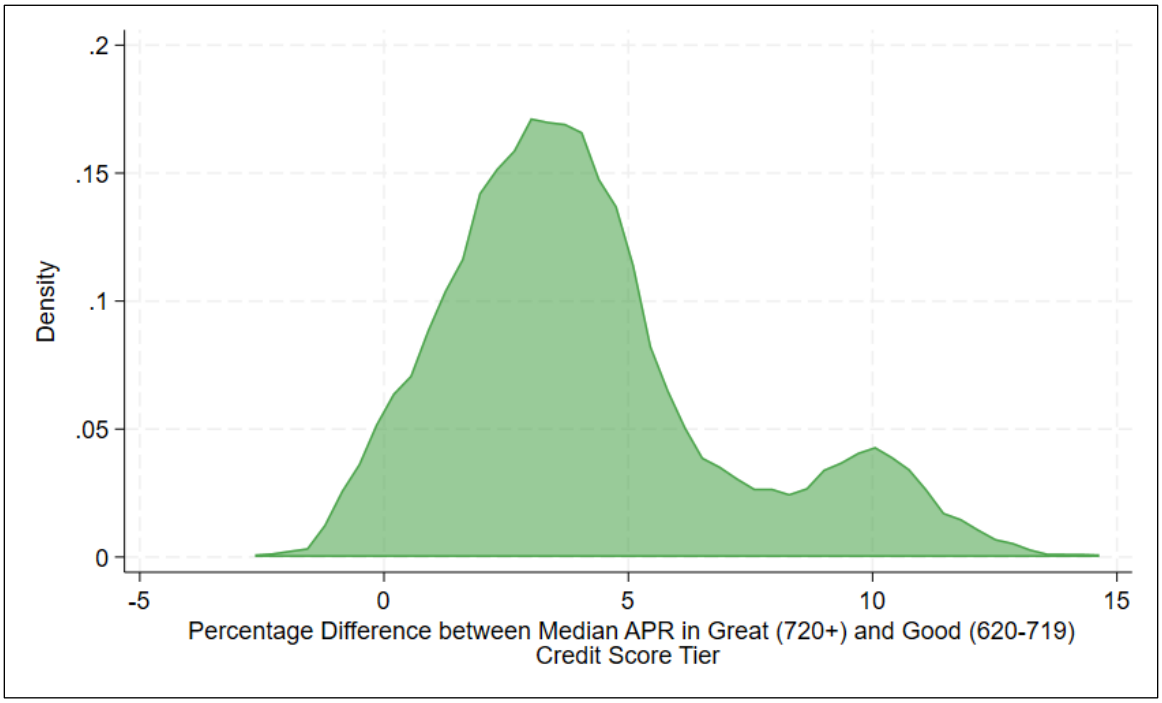
Notes: This excludes cards that do not use risk-based pricing, according to the TCCP and secured cards. For more on cards that purport to not use risk-based pricing based on creditworthiness, see footnote 88.

Within the same credit card product and same benefits, credit card issuers charge different pricing for consumers with different levels of risk. Card issuers charge a higher rate for riskier borrowers more likely to default and lower rates for less risky borrowers less likely to default. Such a practice enables card issuers to expand access to credit beyond if there was one uniform rate and by pricing risk at the individual level. This practice is evident when examining credit card pricing data.

Within the TCCP, there is broad recognition of risk-based pricing. Among the 578 unsecured cards included in the dataset, two-thirds of all card issuers stated that they engage in risk-based pricing, with different prices by creditworthiness.[88] **Figure 7** depicts the numerical difference in purchase APR between the 620-719 and 720+ categories across credit cards. A positive number indicates that the median APR on a credit card issued to a borrower with a credit score between 620-719 was higher than the median APR on a credit card issued to a borrower with a credit score that was 720+, as anticipated by a rational model of lending that anticipates higher risks for lower credit scores. A vast majority of credit cards (353 of 380, or 93%) in this sample have lower median APRs for credit scores 720+ than for credit scores 620-719, with a median difference of 3.7% and a mean difference of 4.1%. The spread of interest rates is centered around this area but ranges fairly substantially, with some cards with differences greater than 10%. Such APR spreads do not reflect the even larger differences between those between the maximum and minimum APRs on the same credit card, further reflecting some of this individual targeting by risk.

[88] The question as of the May 2026 guide states "Answer 'Yes' if the purchase APR on new accounts varies between new customers with different creditworthiness. If the state purchase APR is the same for all customers at the time of approval, answer 'No.'" In the 2025 data, all of those that answered "No" had no answers for APRs for consumers that are "Poor," "Good," "Great," and "No Score"; however, all of them did fill out minimum, median, and maximum APRs. Roughly 100 of the 190 credit cards that filled out the survey with "No" had equivalent values for minimum, median, and maximum APRs, with another 63 within a percentage point of minimum and maximum values. It is unclear how the remaining 30 cards are interpreting this question and whether this different pricing is unrelated to differences in creditworthiness, for example, for differences in time spent at the financial institution. However, some of the pricing behavior of certain of these financial institutions that answered "No" in minimum, median, and maximum APRs appears more similar to risk-based pricing, and in reality this share could be much higher. CFPB, *Collect – TCCP Survey User Guide*, May 2026, p. 17, https://files.consumerfinance.gov/f/documents/cfpb_tccp-survey-user-guide_2026-05.pdf. CRS data analysis of CFPB, "Terms of Credit Card Plans (TCCP) Survey," https://www.consumerfinance.gov/data-research/credit-card-data/terms-credit-card-plans-survey/.

Figure 7. Difference Between Median Purchase APR for Borrowers by Different Credit Score Tiers



Source: CRS data analysis of CFPB, "Terms of Credit Card Plans (TCCP) Survey," https://www.consumerfinance.gov/data-research/credit-card-data/terms-credit-card-plans-survey/.

Notes: This excludes secured cards, cards without risk-based pricing, and certain outliers.

Unlike installment loans, payment of interest on credit cards is not guaranteed and depends on a card issuer's assessment of whether a particular borrower is likely to be a transactor or a revolver. Credit card issuers may not know for certain if an individual borrower is a transactor or a revolver before issuing a card. For transactors, the level of interest rate is not of the same importance to the profitability of their card, but it is impossible for an issuer to be assured of their behavior ex ante. The financial institution will profit from transacting behavior through interchange and other consumer-targeted fees that are charged regardless of repayment behavior, such as annual fees. For revolvers, interest rate is of great importance to the overall profitability of a credit card. Interest rate is not the only area that credit card issuers can leverage for potential revolving behavior, as further discussed below.

Statutory Context

Certain statutory context frames the policy discussion around interest rate caps. A section in Dodd-Frank restricts the CFPB from imposing "a usury limit … unless explicitly authorized by law."[89] Currently, federal law does not broadly cap APRs for most consumer lending, but some provisions apply limited caps, particularly for members of the military. The Military Lending Act caps APRs at 36% on many consumer credit products for active duty servicemembers, their spouses, and dependents (10 U.S.C. §987(b)).[90] The Servicemembers Civil Relief Act enables

[89] *Usury* can refer to charging perceived unreasonably high interest rates or rates in excess of legal limits in cases where such limits are in place.

[90] The Department of Defense issued a final rule that extended the provisions of the Military Lending Act to include "a (continued...)

active duty servicemembers either individually or jointly with their spouse to have the interest rates on their credit cards and other forms of consumer debt reduced to 6% during their period of military service (50 U.S.C. §3901).[91]

Federal credit unions are statutorily restricted to an APR cap of 15% for credit cards, but such a cap can be increased in certain circumstances if prevailing interest rate levels threaten the safety and soundness of credit unions (12 U.S.C. §1757). In February 2026, the National Credit Union Administration (NCUA) voted to maintain a higher ceiling of 18%, which is now set to expire in September 2027.[92] This 18% ceiling has been in effect since 1987, despite the large range in the value of the prime rate over that period.[93] The median interest rate for subprime borrowers at credit unions tends to be at the credit union interest rate ceiling of 18%, while rates are slightly lower for near-prime/prime or superprime borrowers.[94] Credit union issuers represented 7% of the total market at the end of 2024.[95]

State interest rate limits on bank credit cards are determined by where financial institutions are headquartered, not where their consumers reside. This question is, however, currently being litigated for state-chartered banks, with certain pertinent legislation recently being introduced.[96] Currently, many nationally chartered credit card companies are based in either Delaware or South Dakota because of those states' relatively lenient interest rate regulations. This applies to banks as well as nonbanks.[97]

Effects of Rate Caps on Credit Cards

Broad federal regulation of credit card interest rates may have several impacts on financial markets and consumers.

As discussed above, card issuers rely on risk-based pricing in order to make their loans. Depending on its level, a theoretical credit card interest rate cap could alter the quantity of loans issued or otherwise modify the characteristics of loans issued. To expand, assume a bank currently has an interest rate that intersects borrower demand with their supply of credit cards, thereby clearing the market at an efficient quantity. With a theoretical cap below the "efficient"

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wider range of credit products, including credit cards." This rule came into effect for credit cards in October 2017. FDIC, "Final Rule: Military Lending Act," September 8, 2015, https://www.fdic.gov/news/financial-institution-letters/2015/fil15037.pdf. (The Department of Defense is currently using a "secondary Department of War designation" per Executive Order 14347 of September 5, 2025.)

[91] This provision also include a limitation of 6% during military service and one year afterward for mortgages.

[92] National Credit Union Administration (NCUA), "NCUA Board Extends Loan Interest Rate Ceiling," press release, February 6, 2026, https://ncua.gov/newsroom/press-release/2026/ncua-board-extends-loan-interest-rate-ceiling.

[93] NCUA, "Loan Interest Rate Ceiling Supplemental Info," February 6, 2026, https://ncua.gov/regulation-supervision/letters-credit-unions-other-guidance/permissible-loan-interest-rate-ceiling-extended-0/supplemental-info. Credit unions may be able to offer lower rates below the ceiling in part because of their unique structure. Specifically, they are owned by their members and offer products solely to their members, which may temper some profit-maximizing behavior. Credit unions also benefit from federal income tax exemption, which may contribute to lower rates. For more on credit unions, see CRS Report R46360, *The Credit Union System: Lending Activities and Selected Regulatory Developments*, by Darryl E. Getter.

[94] Letter from James C. Akin, Head of Regulatory Advocacy, America's Credit Unions, to Legal Division Docket Manager, CFPB, April 17, 2025, https://americascus.widen.net/view/pdf/626de66c-2bd1-4e62-b034-21d81414bb78/ACU%20Letter%20to%20CFPB%20-%20RFI%20Regarding%20Consumer%20Credit%20Card%20Market%204.17.25.pdf.

[95] CFPB, *The Consumer Credit Card Market*, December 2025, p. 100.

[96] See S. 3889/H.R. 7866.

[97] For more on this issue, see CRS Legal Sidebar LSB10512, *Federal Banking Regulator Finalizes Rule on State Usury Laws*, by Jay B. Sykes.

market clearing rate, issuers may reconsider riskier borrowers. For those borrowers, issuers may no longer adequately be able to price the risk of default and delinquency, because the cap precludes higher pricing accounting for higher rates of delinquency and default. The result is increased rate compression, with lower spreads between borrowers with the highest and lowest creditworthiness.

Moreover, banks rely heavily on credit card interest revenue. Card issuers would limit their credit card business or change their pricing to compensate for the projected loss in interest revenue. For example, and depending on the construction of the APR cap, banks could increase fees not traditionally considered a part of calculation of APR, such as annual fees and late fees. This happened in the late 1970s and early 1980s when banks' credit card profits were constrained by increased funding costs and state-legislated interest rate caps. Banks began instituting annual fees to make up for lost revenue.[98] Certain bills introduced would target such fees in addition to a broader cap.[99]

Some economic evidence suggests that consumer welfare is worse under consumer credit price caps.[100] Some researchers have argued that a credit card rate cap would result in less-creditworthy borrowers being denied credit.[101] Economists at The World Bank argued that existing and historical rate caps were a "blunt instrument" that resulted in a decline in access to credit and an increase in fees that were not covered in the interest rate calculation.[102] Further, research from economists on payday loans in Illinois and evidence from 19th century state interest rate cap laws found declines in lending in response to usury laws.[103] To the extent access is limited, prospective borrowers might increasingly rely on credit sources outside of the banking system. This might result in consumers using credit with higher APRs, less flexibility in repayment and distribution of funds, and fewer consumer protections.

On the other hand, some research points to potential benefits of limiting credit access.[104] Some economists argue that reducing credit availability could benefit some consumers by preventing them from taking out costly forms of credit.[105] These interventions might be advantageous if policymakers are concerned that consumers are taking on credit card debt in response to potential behavioral biases, as opposed to rationally increasing credit card debt for consumption smoothing

[98] Glenn B. Canner and Charles A. Luckett, "Developments in the Pricing of Credit Card Services," *Federal Reserve Bulletin*, September 1992, https://fraser.stlouisfed.org/title/federal-reserve-bulletin-62/september-1992-20844?page=23.

[99] See S. 2781, S. 381/H.R. 1944.

[100] José Ignacio Cuesta and Alberto Sepúlveda, "Price Regulation in Credit Markets: A Trade-Off Between Consumer Protection and Credit Access," Stanford Institute for Economic Policy Research, September 2021, https://drive.google.com/file/d/1VJcQ7-Kao6erTo7_fU1wTFzS3SR3OV5R/view. Some of the material in this section is adapted from CRS In Focus IF12861, *Interest Rate Caps on Credit Cards: Policy Issues*, by Karl E. Schneider and Andrew P. Scott.

[101] Diego Zuluaga, "Loan Interest Caps Take Credit Away from the Poor," Cato Institute, June 27, 2019, https://www.cato.org/commentary/loan-interest-caps-take-credit-away-poor.

[102] Samuel Munzele Maimbo and Claudia Alejandra Henriquez Gallegos, *Interest Rate Caps Around the World: Still Popular, but a Blunt Instrument*, The World Bank, Policy Research Working Paper 7070, October 2014, https://documents1.worldbank.org/curated/en/876751468149083943/pdf/WPS7070.pdf; Aurora Ferrari et al., "Interest Rate Caps: The Theory and the Practice," World Bank, Policy Research Working Paper 8398, April 4, 2018.

[103] J. Brandon Bolen et al., "Credit for Me but Not for Thee: The Effects of the Illinois Rate Cap," *Public Choice*, vol. 197 (2023), pp. 397-420; Efraim Benmelech and Tobias J. Moskowitz, "The Political Economy of Financial Regulation: Evidence from U.S. State Usury Laws in the 19th Century," *The Journal of Finance*, vol. 65, no. 3 (2010), pp. 1029-1073, https://doi.org/10.1111/j.1540-6261.2010.01560.x.

[104] Edward L. Glaeser and José A. Scheinkman, "Neither a Borrower nor a Lender Be: An Economic Analysis of Interest Restrictions and Usury Laws," National Bureau of Economic Research Working Paper 4954, December 1994.

[105] Giuseppe Coco and David de Meza, "In Defense of Usury Laws," *Journal of Money, Credit and Banking*, vol. 41, no. 8 (December 2009), pp. 1691-1703.

or other purposes. For example, as consumers are denied credit cards under a rate cap environment, would they instead solely rely on debit cards and better limit aggregate consumption?[106] Similar arguments are made for overdraft and payday loans. Policymakers may make different assessments on the viability of price caps depending on the product types and their associated risks. Higher risk revolvers with credit cards at the lower APR could still benefit from the lower rate, decreasing the total amount of interest that they would pay for a given month and possibly stemming the total borrowing cycle by more quickly paying off interest. But transactors might be worse off if issuers compensate for lower interest income by raising fees or reducing ancillary rewards.

One recent paper from the Vanderbilt Policy Accelerator argued that rate caps between 10% and 15% for credit cards would not result in reduced access because of the relatively high profits that banks make from credit cards.[107] However, this analysis represents a departure from the majority of the academic literature on the previously discussed effects of rate caps, which acknowledges a likely decline in newly originated credit in response to a rate cap and a response to risk-based pricing as currently employed by credit card issuers. A bank is unlikely to underwrite the same number of credit cards at a lower interest rate constrained by an imposed cap.

Certain other forms of products would likely increase in popularity in conjunction with a credit card interest rate cap that decreased aggregate lending by banks. Banks may shift certain of their credit card originations to personal loans or personal lines of credit, depending on the reach of such a policy. Interest rates are generally lower for such products than for credit cards, but in the case of increased borrowing from previous credit card customers, banks may change their terms for such products. The BNPL market would benefit from such a credit card cap, as multiple "pay in 4" products can in some ways emulate the multiple transactions of a credit card, spreading payments out over time.[108] BNPL is not a perfect substitute for a general-purpose credit card, with the relative unavailability of or increased difficulty of using BNPL at certain smaller retailers and with in-person transactions. Other consumers may increasingly rely on other non-payment forms of consumption smoothing vehicles to more quickly access a paycheck or other needed liquidity.[109] High-risk borrowers who lose access to credit may not have enough easy access to lower-cost credit to quickly make up for such lost liquidity.

The degree to which credit card caps will impact lending is directly related to the level of the caps relative to the current rates offered by firms. For example, proposals to cap credit card APRs at 36% would have minimal effects with current rates. The highest maximum purchase APRs in the CFPB's TCCP database are 35.99% for a handful of cards. This proposal, if applied broadly, would be more likely to impact payday loans or other high-interest products. In contrast, the vast majority of credit card median APRs are above 15%, and nearly every card has a median APR above 10%.[110] A rate cap at either level would be more likely to have substantial effects on the

[106] Pierre Bachas et al., "How Debit Cards Enable the Poor to Save More," *The Journal of Finance*, vol. 76, no. 4 (2021), pp. 1913-1957.

[107] Brian Shearer, *Capping Credit Card Rates*, Vanderbilt Policy Accelerator, September 2025, https://cdn.vanderbilt.edu/vu-URL/wp-content/uploads/sites/412/2025/09/03183755/Capping-Credit-Card-Rates.pdf.

[108] For more on BNPL, see CRS Report R48858, *Buy Now, Pay Later: Policy Issues and Options for Congress*, by Karl E. Schneider and Paul Tierno. The most popular form of BNPL product is called "pay in 4," where a consumer generally pays 25% of the total cost up front for a purchase and makes the remaining three payments in equal two-week increments.

[109] See, for example, the "Payday Loans and Other Similar Credit Alternative Financial Products" and "Earned Wage Access (EWA)" sections in CRS Report R48747, *An Overview of Consumer Finance Products and Related Policy Issues*, by Karl E. Schneider.

[110] CFPB, "Terms of Credit Card Plans (TCCP) Survey." There are certain data quality issues with APRs that make (continued...)

revenue and risk-based underwriting described in this section. Rate caps between 10% and 36% would have effects somewhere in the middle of such values.

Existing Legislation and Policy Options

A number of congressional proposals would cap credit card interest rates.[111] For example, in the 119th Congress, S. 381 and H.R. 1944 would cap credit card APRs at 10% until January 2031. S. 2781 and S. 3793 would cap fees and interest or APRs for most forms of consumer credit at 36%, in line with the Military Lending Act and certain state laws. S. 3721 would enable states to set maximum APRs for consumer credit that apply to the state where a consumer resides rather than the location of the financial institution's headquarters. President Trump and other Administration officials have called for a limit on credit card interest rates to 10% for one year.[112]

Outside of such proposals, Congress could consider a few alternatives. A fixed rate, particularly at a low level, may particularly constrain credit card companies from originating credit during periods when the federal funds rate is particularly high and thus the cost of obtaining funding for financial institutions is high. One policy option would be a floating credit card interest rate cap pegged to the federal funds rate, which might give financial institutions increased flexibility to adjust credit cards APRs in high rate environments where they can increase APRs at the same level. For example, as of October 2026, the effective federal funds rate is 3.9%, so pegging the maximum rate at 15 percentage points plus the federal funds rate would lead to a rate cap of 18.9%, roughly in line with that currently implemented by the NCUA.

An alternative mechanism to take into account broader market conditions is extending the rate cap implemented for credit unions to financial institutions writ large. As previously discussed, the NCUA has the ability to increase the interest rate cap if prevailing interest rate levels threaten the safety and soundness of credit unions. This provision has led to a consistently elevated credit card cap relative to the original rate as passed by Congress (15%). Alternatively, proponents of caps might consider removing the NCUA's discretion, since it has used it to consistently allow higher rates than the law's benchmark. While rate regulation has been among the most popular policy mechanisms to decrease credit card interest rates, other policy considerations may also offer alternatives while potentially leading to smaller reductions to aggregate credit access. Some of these alternatives are discussed later in this report.

Fee Regulation

Credit card issuers may charge fees associated with a variety of activities that consumers may undertake throughout the life of the credit card.[113] According to CFPB data, consumers paid a total of $31.3 billion in fees in 2024, a number much smaller than total interest charges but an

calculating an exact percentage difficult. The select cards with median APRs below 10% were primarily from credit unions; see, for example, Greater Pittsburgh Police Federal Credit Union, "Loans," https://www.gppfcu.com/loans?creditcards; Siouxland Federal Credit Union, "Current Rates," https://www.siouxlandfederalcu.com/member-resources/current-rates.

[111] For a discussion, see CRS In Focus IF12861, *Interest Rate Caps on Credit Cards: Policy Issues*, by Karl E. Schneider and Andrew P. Scott.

[112] World Economic Forum, "Davos 2026: Special Address by Donald J Trump, President of the United States of America," January 21, 2026, https://www.weforum.org/stories/forum-institutional/davos-2026-special-address-donald-trump-president-united-states-america/; U.S. Congress, Senate Committee on Banking, Housing, and Urban Affairs, *The Financial Stability Oversight Council's Annual Report to Congress*, 119th Cong., 2nd sess., February 5, 2026.

[113] This report excludes discussion of interchange fees and the Credit Card Competition Act (S. 3623/H.R. 7035, as introduced in the 119th Congress). For more on these policy issues, see CRS In Focus IF12548, *How the Credit Card Competition Act of 2023 Could Affect Consumers, Merchants, and Banks*, by Andrew P. Scott.

increase that outpaced inflation relative to 2022.[114] These expenditures may include late fees, which are often assessed when consumers do not make minimum payments on time; annual fees charged at time of origination or after a year of holding the card; and other fees, such as balance transfer or cash advance fees. Late fees (53%) and annual fees (28%) are the predominant fees charged to consumers and have also driven the total growth in fees. Much of the policy action in this space has been centered around late fees, in part because of the punitive nature of such fees and because annual fees are largely driven by premium cards available to customers with superprime and prime credit scores, who are less likely to take on revolving credit card debt.

Under Section 102 of the CARD Act, issuers may only charge late fee penalties that are reasonable and proportional to the payment the consumer has missed. Such provisions were eventually implemented by the Federal Reserve in a *safe harbor* rule that allows financial institutions to charge credit card late fees at certain stages and dollar amounts associated with missing payments.[115] This safe harbor rule was $25 for the first missed payment and $35 for subsequent missed payments within the next six billing cycles.[116] Such changes resulted in the average late fee decreasing from $33 in 2008 to $23 in 2010. The aggregate effect of such changes was substantial: Late fees declined in the wake of such rule changes without increases to other such fees.[117] This safe harbor rule has been adjusted annually for inflation. As of February 2024, this safe harbor rule was $30 for the first missed payment and $41 for subsequent missed payments.[118] Currently, such safe harbors are $32 and $43, respectively, and such fees are adjusted annually for inflation. The mean late fee charged to an account month using data from January 2015 to December 2023 was $28.39, while the median was $35.[119]

In March 2024, the CFPB finalized a revision to the safe harbor rule that would have capped credit card late fees at $8 and eliminated inflation adjustments for that amount.[120] This rule, which would have applied to card issuers and alongside affiliates with one million or more open credit card accounts, would have been effective May 2024. The policy debate surrounding this issue reflects many of the same debates in the interest rate regulation discussion: What are the effects on consumer access relative to potential decreased access to credit but lower fees for individuals who were previously charged a much higher amount?[121] In addition, decreasing such a late fee

[114] CFPB, *The Consumer Credit Card Market*, December 2025, p. 61.

[115] This safe harbor rule was eventually transferred to the CFPB under Title X of Dodd-Frank.

[116] For more on the current provisions, see 12 C.F.R. §1026.52(b).

[117] Sumit Agarwal et al., "Regulating Consumer Financial Products: Evidence from Credit Cards," *Quarterly Journal of Economics*, vol. 130, no. 1 (2015), pp. 111-164.

[118] There are additional provisions for small card issuers. If a consumer misses two payments, late fees may be equivalent to 3% of overdue balance, and such late penalty fees cannot be bigger than the minimum payment.

[119] Itamar Drechsler et al., *Credit Card Banking*, Federal Reserve Bank of New York, Staff Reports No. 1143, October 2025, p. 60, https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr1143.pdf?sc_lang=en.

[120] S. 3660 would broadly mirror these provisions; however, this bill has not yet received action from the Senate Committee on Banking, Housing, and Urban Affairs. H.R. 5953 would, while appropriations are not in effect for one or more federal agencies, prohibit financial institutions and card issuers from imposing late fees on covered federal employees not receiving pay during that time period. In the 118th Congress, certain Members introduced bicameral Congressional Review Act (CRA) resolutions that would have overturned this credit card late rule: H.J.Res. 121, H.J.Res. 122, and S.J.Res. 70. H.J.Res. 122 was ordered to be reported by the House Committee on Financial Services (H.Rept. 118-618). For more on the CRA, see CRS In Focus IF10023, *The Congressional Review Act (CRA): A Brief Overview*, by Maeve P. Carey et al.

[121] For more on this debate, see, for example, Austin Anton, "CFPB Ignores Competition, Administrative Law Principles and Misconstrues Credit Card Markets in Late-Fee Review," Bank Policy Institute, February 1, 2023, https://bpi.com/cfpb-ignores-competition-administrative-law-principles-and-misconstrues-credit-card-markets-in-late-fee-review/; Adam Rust, "CFA Statement and Factsheet in Response to the Publication of the CFPB's Credit Card Late (continued...)

cap may reduce the deterrent nature of this penalty fee on nonpayment and potentially further drive delinquency. It is unlikely that such a fee cap would have as large an impact on card operations as a rate cap, as late fees are a much lower level of total revenue.

Shortly after this rule was finalized, it was challenged in federal court by the Chamber of Commerce and other plaintiffs, who argued that the CFPB exceeded its statutory authority and violated the CARD Act, among other issues.[122] The court granted a preliminary injunction delaying the effective date of the rule. The court subsequently vacated this rule in April 2025 following a joint request filed by the CFPB, under new management, and the plaintiffs in which both parties agreed that the rule violated the CARD Act.[123] This action reflected a reported broader policy position by new CFPB leadership that the CFPB "shall not engage in attempts to create price controls."[124] In July 2026, the CFPB filed a request for information on credit card late fees for interagency review.[125] At the time of publication of this report, it is unclear what the agency plans to do with this information.

Statute requires late fees to be disclosed at the time of origination. However, the degree to which at origination a consumer observes the amount that they would be charged for a late fee, relative to a potentially more salient amount such as APR, is an open policy question.[126] Consumers are more likely to be charged a late fee during the first few months after the credit card is opened. This is because consumers are often paying manually during that time period and adopt automatic payments only after missing a payment and subsequently being charged a late fee.[127] Credit card issuers are required to disclose penalty fees when charging late fees to an individual on a periodic statement, meaning individuals respond to this salient amount or the amount displayed on their online credit card statement when reviewing recent transactions.

Generally, such late penalty fees are charged as a raw dollar amount constrained by the amount of minimum payment (often 1% of balance plus fees and interest, as discussed in the "Structure of Credit Card Payments" section), as opposed to a percentage of total dollars on the account. For low-balance consumers, this may create a situation where such penalty fees are fairly large in proportion to the total balance on the account.

A policy option could be constraining the late penalty fee at a lower of a set dollar amount or as a percentage of total balance to better account for situations in which low-balance consumers forget to make a payment on their account or lack the one-time liquidity.[128] Another policy option may be further incentivizing automatic payments to further increase the number of on-time payments, reducing the accidental late fees, before enrollment into automatic payments.

Fees Rule," Consumer Federation of America, press release, March 5, 2024, https://consumerfed.org/news/press-releases/cfa-statement-and-factsheet-in-response-to-the-publication-of-the-cfpb-s-credit-card-late-fees-rule/.

[122] Complaint, Chamber of Commerce v. CFPB, No. 4:24-CV-00213 (N.D. Tex. March 2024).

[123] Order & Final Judgment, Chamber of Commerce v. CFPB, No. 4:24-CV-00213 (N.D. Tex. April 2025), https://storage.courtlistener.com/recap/gov.uscourts.txnd.387342/gov.uscourts.txnd.387342.150.0_1.pdf.

[124] CFPB, "Supervision and Enforcement Priorities," May 28, 2026, https://www.consumerfinance.gov/enforcement/supervision-and-enforcement-priorities/.

[125] CFPB, "Request for Information Regarding Credit Card Late Fees and Late Payments," July 6, 2026, https://www.reginfo.gov/public/do/eoDetails?rrid=1454912.

[126] For a discussion, see Natasha Sarin, *The Salience Theory of Consumer Financial Regulation*, University of Pennsylvania Institute for Law & Economics Research Paper 18-30, September 12, 2018, https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID3247960_code711466.pdf?abstractid=3224172&mirid=1.

[127] John Gathergood et al., "How Do Consumers Avoid Penalty Fees? Evidence from Credit Cards," *Management Science*, vol. 67, no. 4 (May 13, 2020).

[128] In the proposed late fee rule, the CFPB considered a proposal to restrict late fee amounts at 25% of required minimum payments; however, such a proposed provision was not finalized.

Financial Literacy and Disclosures

Financial literacy describes the skills, knowledge, and tools that equip people to make individual financial decisions and take actions to attain their goals.[129] The Financial Literacy and Education Commission (FLEC) was created by the Fair and Accurate Credit Transactions Act of 2003 (P.L. 108-159) and was subsequently updated in 2010 by Dodd-Frank. The FLEC coordinates the financial literacy and education activities sponsored by various federal agencies. Some government agencies have certain statutory mandates for financial literacy-related provisions.[130] For example, Dodd-Frank created an Office of Financial Education within the CFPB. Statute states that the office "shall be responsible for developing and implementing initiatives intended to educate and empower consumers to make better informed financial decisions."[131]

Through financial literacy, consumers may learn more constructive financial habits to properly budget their income, save up their earnings, and better manage their money. Certain prior research has suggested that individuals with higher financial literacy and knowledge may lead to lower levels of higher-cost borrowing and credit card debt.[132] For example, certain consumers have been shown to behave irrationally in holding sufficient low-interest savings to pay off high-interest credit card debt but do not do so. Individuals within this "credit card debt puzzle" are more likely to have lower financial literacy, leading to increased cycles of indebtedness, relative to a rational theory of debt and payments.[133]

There may be limitations on the relative effects of financial education and literacy on consumer behavior specifically and the effects on credit card debt. Financial literacy may not be as effective after a consumer has increased their credit card debt to unsustainable levels and may better serve as a preventative measure before such behavior begins, as an educational tool to inform consumers on the usefulness and pitfalls associated with credit. Moreover, financial literacy is not a substitute for a more intractable short-run income-expense difference that may exist for particularly low-income consumers in the long run, requiring a change in either side of the household budget. If consumers are irrational in their use of credit cards, rather than merely uninformed in terms of literacy or understanding of the product, better financial literacy may not improve their overall credit card debt situation.

Congress could consider directing agencies involved in credit cards to do more specific types of financial literacy activities, such as focusing on responsible credit card use or coordinating activities across agencies. In Section 803 of the CLARITY Act of 2025 (H.R. 3633) as reported in

[129] See CRS Report R46941, *Financial Literacy and Financial Education Policy Issues*, by Cheryl R. Cooper.

[130] For example, the Department of Defense leads programs on personal financial management for military servicemembers (see 10 U.S.C. §992). The Small Business Administration is tasked with providing increased awareness of credit practices and requirements at small business development centers (15 U.S.C. §648(c)(3)(A)) and financial counseling for small businesses participating in certain programs (15 U.S.C. §636(j)(10)(A)(ii)).

[131] 12 U.S.C. §5493(d)(1). Provisions discussed do not specifically mention credit cards but do include related provisions, such as "providing opportunities for consumers to access … information to assist with the evaluation of credit products [and] activities intended to … reduce debt." For examples of some of the resources for financial education, see CFPB, "Adult Financial Education Tools and Resources," September 29, 2026, https://www.consumerfinance.gov/consumer-tools/educator-tools/. For a specific example for credit cards, see CFPB, "Credit Cards and How to Use Them Wisely," 2022, https://files.consumerfinance.gov/f/documents/cfpb_MAYG_activities_credit-cards-how-to-use-wisely_guide.pdf.

[132] Annamaria Lusardi and Peter Tufano, "Debt Literacy, Financial Experiences, and Overindebtedness," *Journal of Pension Economics & Finance*, vol. 14 (2015), pp. 332-368; Fuzhong Chen et al., "Investigating the Associations of Consumer Financial Knowledge and Financial Behaviors of Credit Card Use," *Heliyon*, vol. 9, no. 1 (2023).

[133] Laura C. Ricaldi et al., "Financial Literacy and Its Impact on the Credit Card Debt Puzzle," *Financial Services Review*, vol. 30 (2022), pp. 107-124.

the Senate, there are specific provisions pertaining to financial literacy and digital assets that would require a joint study and report by the Commodity Futures Trading Commission and the Securities and Exchange Commission. Among other things, this report would research the financial literacy among retail digital asset consumers, the efficacy of current financial literacy information, and the most effective public-private partnerships. Similar provisions could be considered for credit cards, coordinating cross-regulator financial literacy research or identification of effective methods to target credit card debt. Other considerations could be given to making existing financial literacy statutes more explicit to including credit-card-related provisions or further including such responsibilities in statute, where agencies are doing financial literacy without specific statutory requirements to do so.

Providing pertinent financial information at the point of offering credit card and other products to consumers is one way to improve financial education and reduce the information asymmetries that may exist between credit card issuers and consumers. With such information, a consumer can choose to accept the product, compare a product with others in the marketplace, or opt for a different payment product entirely. As discussed, the CARD Act mandates that card issuers provide both periodic disclosures associated with monthly repayments, one-time disclosures associated with account opening, and disclosures with increases in rate or changes to card benefits. The relative effect of the CARD Act appeared to be that credit card agreements became simpler following implementation of the act but remained complex documents.[134] Such disclosures may provide consumers with more information to make informed decisions in whether to open a credit card, if and how to pay down revolving debt, and whether to close a card.

The effectiveness of such disclosures is an important policy question, and numerous studies have found contradictory results for different aspects of the disclosures, with most studies finding that certain disclosures associated with the CARD Act had modest effects on consumer behavior.[135] Many consumers may skip over such disclosures or merely skim them for the most pertinent terms. The degree to which online banking has decreased the salience of such disclosures and whether such disclosures should be modified to increase their effectiveness are important policy questions. For example, policymakers could consider mandating that links to the most recent periodic disclosures are present on the payment page. Policymakers could prioritize listing only the most salient terms of the disclosures, with additional options to view more extensive information.

Structure of Credit Card Payments

Credit cards are paid monthly, with payments generally due on the same date each month. This amount owed is known as a *statement balance* and can vary month to month as expenses and

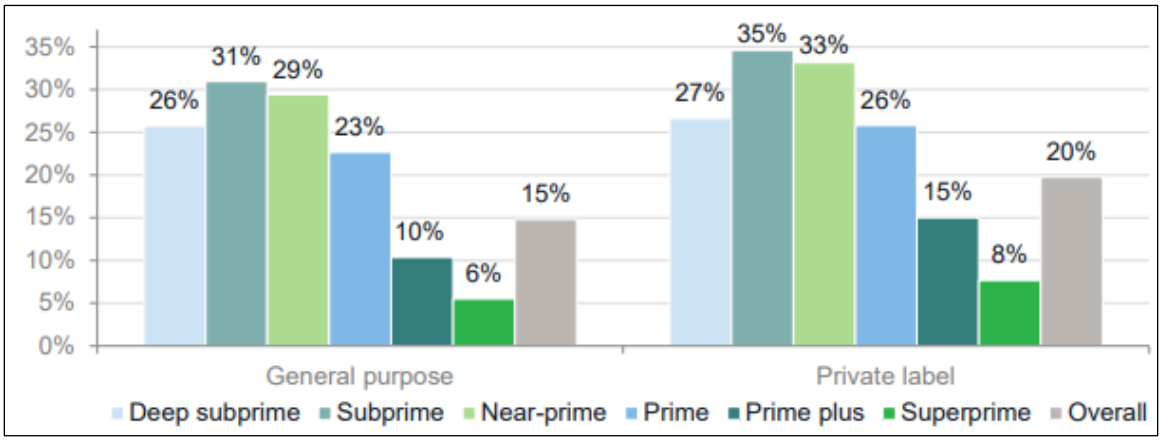
[134] "The Bureau's 2013 Report found that credit card agreements became simpler and shorter after the CARD Act Rules became effective. However, the Bureau's 2015 Report noted that card agreements became longer, but not more complex, from 2012 to 2014. The Bureau's 2017 Report noted declines in the complexity level of credit card pricing disclosures from 2009 to 2010, and that the level of complexity had remained stable. These agreements remain complex documents." CFPB, "CARD Act Rules Review Pursuant to the Regulatory Flexibility Act; Request for Information Regarding Consumer Credit Card Market," 85 *Federal Register* 52958, August 27, 2020.

[135] Lauren Eden Jones et al., "The Effects of CARD Act Disclosures on Consumers' Use of Credit Cards," *SSRN*, June 20, 2012; CFPB, *CARD Act Report: A Review of the Impact of the CARD Act on the Consumer Credit Card Market*, October 1, 2013, https://files.consumerfinance.gov/f/201309_cfpb_card-act-report.pdf; Enrique Seira et al., "Are Information Disclosures Effective? Evidence from the Credit Card Market," *American Economic Journal: Economic Policy*, vol. 9, no. 1 (2017), pp. 277-307; Sumit Agarwal et al., "Regulating Consumer Financial Products: Evidence from Credit Cards," *The Quarterly Journal of Economics*, vol. 130, no. 1 (2015), pp. 111-164.

payments on existing balance fluctuate. The statement balance consists of the charges from the given month plus any additional charges such as fees and interest from the previous month plus any still-owed balance minus any payments already levied. Consumers, particularly transactors, often pay off statement balances using automatic payments, where a credit card directly debits out of a checking or savings account. This amount can be the statement balance, the minimum payment, or another amount specified by a consumer. Such a practice may be less common for liquidity constrained consumers who are potentially concerned about overdraft or other fees associated with their checking account or juggling multiple payments from rent, other credit cards, or other installment loans. One difficulty, and advantage, of credit cards is this variable payment amount. This makes repayment of the credit card more flexible, but the variable payment amount may make it more difficult for a consumer to predict the aggregate amount owed each month without paying attention to each transaction individually and in the aggregate.

Minimum monthly payment refers to the amount that a consumer must pay in order to remain current on their consumer loan, thus avoiding a late payment fee.[136] Consumers often pay more than that amount to reduce the balance or, in the case of transactors, pay off the balance in full each month. Most accounts pay more than the minimum, and the share that do so has risen relative to 2023 and is at the highest level since 2015.[137] **Figure 8** shows the share of Americans paying the minimum payment in 2024.

Figure 8. Share of Accounts Making Just the Minimum Payment, 2024



Source: Consumer Financial Protection Bureau (CFPB), *The Consumer Credit Card Market*, December 2025, p. 72.

Notes: This analysis comes from the Federal Reserve Board's Y-14+ data. For more on these data, see footnote 80.

A certain share of accounts may not be paying the minimum but may be anchored around the minimum payment as set by the card issuer and potentially making decisions based on their minimums each month. For example, in 2024, 43% of accounts paid their total balance off each month, 22% paid at least 10% but less than the total balance, and an additional 35% paid less than 10% of the total balance.[138]

[136] Excluding a situation in which a consumer requests and receives forbearance from a credit card issuer.

[137] CFPB, *The Consumer Credit Card Market*, December 2025, p. 5.

[138] CFPB, *The Consumer Credit Card Market*, December 2025, p. 69. These data are solely based on the Y-14 data, while the analysis in **Figure 8** is based on the Y-14 data supplemented by specialized issuer data.

Section 201 of the CARD Act requires a disclosure intended to display the consequences of making only minimum monthly payments. The provision required card issuers to make payoff disclosures comparing the total cost of credit for minimum monthly payments on the current balance to making payments over three years. Such information is often included in a box, as depicted on CFPB model forms,[139] and accompanies a warning stating that making minimum payments will "increase the amount of interest you pay and the time it takes to repay your balance." However, such disclosures provide no informational value to individuals who do not view them. Research assessing the effectiveness of this provision found that these disclosures increased the number of accounts making the three-year payments from minimum payments by "0.5 percentage points on a base of 5.7%."[140] Other analysis from the Federal Reserve suggests that "new [CARD Act] disclosures appear to have had little effect on the share of cardholders who make only the required minimum payments."[141] These changes were measured shortly after the implementation of the CARD Act, and some research has suggested that the rise in online banking and consumer awareness of certain disclosures have tempered the effects of this and other disclosures.[142]

Certain regulatory context guides the minimum payment policy debate. In January 2003, four depository institution regulatory agencies issued guidance pertinent to credit cards, including a section on minimum payments.[143] In the guidance, the regulators noted a "general easing of minimum payment requirements in recent years," often failing to cover finance charges and fees during the billing cycle and resulting in negative amortization. In the guidance, the regulators state that lenders must require minimum payments moving forward "that will amortize the current balance over a reasonable period of time."

Banks have generally interpreted such provisions to mean that repayment of principal should be above 1%, in addition to fees and interest.[144] For riskier borrowers, such minimum percentage

[139] CFPB, "Appendix G to Part 1026—Open-End Model Forms and Clauses," 12 C.F.R. Part 1026.

[140] Sumit Agarwal et al., "Regulating Consumer Financial Products: Evidence from Credit Cards," *The Quarterly Journal of Economics*, vol. 130, no. 1 (2015), pp. 111-164.

[141] Glenn B. Canner and Gregory Elliehausen, "Consumer Experiences with Credit Cards," *Federal Reserve Bulletin*, January 15, 2014, https://www.federalreserve.gov/pubs/bulletin/2013/articles/consumer-experiences-with-credit-cards/default.htm.

[142] In the wake of the implementation of the CARD Act, some issuers conducted CFPB-directed research into awareness of their electronic bills, where warnings such as the following were included: "Most issuers report being able to track the percentage of consumers opening an electronic bill prior to making an online payment, and they report that on average 26% of consumers access their electronic bill before making an online payment. It is worth noting that this figure does not capture consumers who may review a paper billing statement prior to making an online payment." Only a percentage of such individuals likely perceived the warning itself. Later in the same document, the CFPB notes that no issuers "provide the minimum payment warning on the payment screen in their online account portal, and very few issuers show the minimum payment warning on screens leading up to an online payment transaction." CFPB, *CARD Act Report: A Review of the Impact of the CARD Act on the Consumer Credit Card Market*, October 1, 2013, pp. 67-68, https://files.consumerfinance.gov/f/201309_cfpb_card-act-report.pdf.

[143] See Office of the Comptroller of the Currency et al., *Credit Card Lending: Account Management and Loss Allowance Guidance*, 2003, p. 3, https://www.occ.gov/news-issuances/bulletins/2003/bulletin-2003-1a.pdf.

[144] See, for example, prepared statement from executive vice president of Citi Cards in U.S. Congress, Senate Committee on Banking, Housing, and Urban Affairs, *Regulatory Requirements and Industry Practices of Credit Card Issuers*, 109th Cong., 1st sess., May 17, 2005. "Under this new schedule, a customer's minimum payment requirement covers interest, late fees, and 1 percent of the balance due. This formula was adopted to meet the [Office of the Comptroller of the Currency's] recent requirement for positive amortization of credit card debt on an individual customer basis" (p. 75). As the CFPB stated in 2025, "Most issuers set minimum payment at 1 percent of the balance, similar to levels observed in 2015. Issuers typically add the sum of finance charges, fees, and past due amounts onto this percent of the cycle-ending balance to arrive at the minimum payment." CFPB, *The Consumer Credit Card Market*, December 2025, p. 70. Also referenced in Justin Katz et al., "The Supply Side of Consumer Debt Repayment," *SSRN*, June 5, 2026.

may be between 5% and 7%, as lenders may be more concerned about default and want to recover more principal up front.[145] Card issuers charge the higher of minimum payments as a flat percentage of the total principal, adding interest and fees from the previous month to prevent that negative amortization or a preset flat fee.[146] The most common flat fee floor was $40 among issuers included in the CFPB's analysis of credit card agreements.[147]

Certain research has suggested that monthly payments in the United States may be being set at a relatively low level to maximize credit card profitability, where such a level could hinder the long-term consumer repayment of credit card debt.[148] Specifically, consumers may be anchored at their minimum payments even as they can pay more or redistribute payments from other sources of consumer debt with lower interest rates. In response, lenders set low minimum payments to benefit from increased interest payments over time, as a consumer gradually pays off such a balance over more statement periods than with higher minimum monthly payments. As a result, a consumer may pay more interest over time, absent a higher minimum. Minimum payments generally are allocated to cover interest or other ancillary fees first, before decreasing principal. Consumers may also pay above minimum monthly payments but are still anchored at such a value, increasing their payments relative to that minimum value. As a result, a consumer may choose to pay less than otherwise absent a higher minimum payment that may be optimal.

If a consumer takes that minimum payment as a part of their monthly budget, rather than duly considering the overall amount of consumer debt they may not make adjustments to their budget or incoming funds.[149] A consumer could make multiple responses to affirmatively decrease such debt: increasing their incomes, decreasing consumption, decreasing paying off other lower-interest rate debt, or drawing down prior savings. This behavioral change may be hindered by a lack of recognition of the extent of the problem with lower minimum monthly payments. Certain previous evidence from Mexico and Quebec documented that regulatory changes that increase mandatory credit card minimum monthly payments appeared to lead to increases in repayment and decreases in overall credit card debt.[150]

The relative effects of a policy to increase the minimum payment formula likely depend on the liquidity constraints of the consumer. For some consumers, the minimum monthly payment may represent the most they can currently pay and a higher payment could result in them being harmed by higher credit card minimum monthly payments, as they no longer can pay such funds.[151] As a result of this policy, credit card companies may rationally expect decreases in total fees and interest from their products and could marginally decrease total lending to riskier consumers.

Congress could consider certain policy responses. As discussed, banks currently appear to interpret regulatory guidance as setting a floor for minimum payments at 1% of total balance in addition to fees and interest to avoid negative amortization. This does not appear to be in

[145] Discussed in Justin Katz et al., "The Supply Side of Consumer Debt Repayment," *SSRN*, June 5, 2026.

[146] Such minimum payments would not exceed the statement balance on the credit card account.

[147] CFPB, *The Consumer Credit Card Market*, December 2025, p. 70. This represents a $15 increase since 2015, roughly keeping pace with the changes in the Consumer Price Index.

[148] Justin Katz et al., "The Supply Side of Consumer Debt Repayment," *SSRN*, June 5, 2026.

[149] Hiroaki Sakaguchi et al., "Default Effects of Credit Card Minimum Payments," *American Marketing Association*, vol. 59, no. 4 (2021).

[150] Paolina C. Medina and Jose L. Negrin, "The Hidden Role of Contract Terms: The Case of Credit Card Minimum Payments in Mexico," *Management Science*, vol. 68, no. 5 (2022), pp. 3856-3877; Jason Allen et al., "Credit Card Minimum Payment Restrictions," Bank of Canada Staff Working Paper 2024-26, July 15, 2024, https://publications.gc.ca/collections/collection_2024/banque-bank-canada/FB3-5-2024-26-eng.pdf.

[151] Benedict Guttman-Kenney, "Targeting Higher Credit Card Payments," *SSRN*, October 7, 2026.

response to any direct congressional action, and Congress could reconsider this numerical amount or require a new rulemaking from bank regulators to review and reissue this guidance weighing other priorities, such as incentivizing long-term consumer repayment of credit card debt or providing certain numerical guidance themselves. Other alternatives may include setting a floor as a percentage of total balance, inclusive of fees and interest. Another less prescriptive option would be to direct financial regulators or GAO to research how minimum payments affect borrowers, including whether they anchor certain borrowers to that amount. Such research could weigh the costs and benefits of further regulation.

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