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A large percentage of people carry persistent balances.

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Melissa Meggison, above, always managed to keep her credit-card balance near zero, but that changed after her divorce. Joseph Daniel-Hoste, far left, and his husband, Brooks Daniel-Hoste, got help from a credit-counseling agency, trimmed expenses and later bought a home. SOFIA ALDINIO FOR WSJ (2)



JOSEPH DANIEL- HOSTE



LEAH FISHWICK

Americans Strain to Pay Down \$1.25 Trillion Credit-Card Bill

BY DAN FROSCH

After working all day as an operations director at a busy New England hospital, Catherine Clarke would lie awake at night wondering where she went wrong.

Despite her \$194,000 salary, Clarke's Chase Sapphire creditcard balance had crept up to \$15,000. She could afford the \$572 monthly minimum, but with a 26% interest rate, it barely made a dent.

Like many Americans, Clarke, who is 42 years old, was pushed to her financial limit by the one-two punch of inflation and the highest interest rates in decades. She avoided going out with friends to save money, and considered taking a second job as a receptionist at her gym. She imagined something terrible befalling her, and her parents discovering her mounting credit-card bills.

"It felt very similar to a struggle with weight," Clarke said. "It doesn't happen overnight. It happens slowly, and then suddenly, you're like 'Oh, crap, my pants don't fit.'" In the first quarter of this year, the percentage of creditcard balances that were at least 90 days delinquent rose to 13.12%, according to data released in May by the Federal Reserve Bank of New York. That's the highest level in 15 years, and the most since the period following the 2008 financial crisis.

America's total credit-card balance stood at \$1.25 trillion in the first quarter, according to the New York Fed, up from \$1.18 trillion in that quarter last year. That's the highest first-quarter balance since the New York Fed began recording the measurement in 1999.

President Trump has played down economic stress from higher prices. Asked earlier this month whether the financial situation of Americans was a motive to end the Iran war, he said "not even a little bit."

Republicans in Congress, though, are facing mounting voter anxiety over the economy ahead of the November midterms.

Average interest rates on cards rose to 21% in February, from 14.6% in February 2022, according to a survey of creditcard issuing banks by the Federal Reserve.

Last year, 5.6% of credit-card holders were 60 days or more behind on their payments, surpassing prepandemic levels, according to data compiled by Breno Braga, an economist with the Urban Institute, a leftof-center research group. Over the past two years, his analysis showed, the rate rose to its highest level since 2018 for residents of lower, middle and upper-income communities alike.

“When food, housing and healthcare is all more expensive, there is less money to pay off your credit card,” Braga said. “So more people are faced with decisions. They don’t want to lose their house or their cars. They need to pay their utility bills. They’re more likely to stop paying their credit cards first.”

Americans straining to pay off their debt have flooded credit-counseling agencies. The National Foundation for Credit Counseling, a network of nonprofits that helps people reduce credit-card debt, said it had 24% more clients in January than a year earlier. Its average number of monthly clients was 60% higher this year than in 2018.

Missed payments

Melissa Meggison, a medical assistant from South Portland, Maine, is one of those clients. She always managed to keep her credit-card balances near zero. Meggison, who earns \$65,000, and her then-husband, who made about \$70,000 working at a shipyard, used their cards only for gas, groceries and emergency care for their four dogs, she said.

That allowed them to pay down other expenses—\$7,000 in back taxes, the remaining bills from her 2016 gastric bypass surgery, and a \$1,250 monthly mortgage on their home.

When they divorced in 2023, her financial stability was shattered. Alone for the first time in 30 years, she began using credit cards on items to help her cope, such as cooking equipment for a baking hobby and new jeans after she lost weight. She started putting dog food and vet appointments on the cards, too.

The interest rate on one reached 29%. Each time she missed a payment, the late fees made it impossible to pay even the minimum.

Within nine months, Meggison’s credit-card balance ballooned to over \$20,000. With missed payments and late fees, the minimum on her Capital One card rocketed to \$1,600, she said.

Collection agencies rang her constantly. “They don’t let up with the phone calls,” she said. “I think I was being called every hour—at my work, at home. But I just didn’t have the money.”

Americans carry, on average, about \$6,500 to \$6,700 in credit-card debt, according to credit-reporting agencies. The percentage of cardholders with balances of more than \$10,000 has risen in communities across different income levels since 2018, analysis from the Urban Institute data shows. Last year, 17% of cardholders in low-income communities held balances greater than that amount, 20% in medium-income communities and 25% in higher-income communities.

The National Foundation for Credit Counseling produces a quarterly financial stress forecast that predicts credit-card delinquency risk based on client metrics from credit-counseling groups. Delinquency risk levels over the past 12 months have been the highest since the forecast’s inception in 2022.

Middle-class households in particular are struggling to pay down balances as more families “shift to a pattern of survival debt,” said Bruce Mc-Clary, spokesman for the foundation.

In Meggison’s case, the incessant bills and collection calls, coupled with the anguish of divorce, were like an earsplitting noise she couldn’t quiet. One night in August 2024, she said, she tried to kill herself. Terrified, she contacted a friend who called 911. She was hospitalized for a week. When she got out, she sold her house, using the \$100,000 net to pay off most of her debts—except the credit cards. American Consumer Credit Counseling, a nonprofit that works with credit-card companies to reduce interest rates and monthly payments for people in debt, helped her devise a payback plan. She has since paid off about half of her credit-card debt, with payments of \$586 a month.

Recently remarried, she has sworn off credit cards, though her husband keeps one for emergencies. The couple can narrowly swing their \$2,500 rent on a townhouse in South Portland, but are looking to purchase a small house to save money.

“I am a little better off, but still living paycheck to paycheck,” Meggison said. “It’s very tempting to open new credit cards to ease that burden. But from my past mistakes, I know it makes things worse in the end.”

The jump in interest rates is making it especially hard for those on low economic rungs to dig out of debt. Cardholders in low-income communities— ZIP Codes with an average household income less than \$89,500—had 60-day delinquencies of 8%, the highest rate of any income level, according to Braga's analysis.

'Game of juggling'

Joseph Daniel-Hoste, 46, was working as an executive assistant at an Episcopal church in Grosse Pointe Farms, Mich., several years ago when the trouble started with his credit cards.

Daniel-Hoste, who made \$40,000 at the time, relied on his three cards as a way to plug the gap when cash got low toward the end of the church's two-week pay period. Gas and groceries. A new set of sheets at Target. The occasional dinner out with friends.

For Daniel-Hoste, a classically trained pipe organist who plays in regional orchestras and teaches piano on the side, his expenditures hardly seemed exorbitant. Besides, he lived rent-free in church housing.

He would stagger payments, making headway on one card by paying just over the minimum one month, then doing the same on a different card the next. But with interest rates on the cards rising to between 24% and 26%, the balances veered in the wrong direction.

"It was a perilous game of juggling," he said. "I could see the debt grow even though I was making payments."

A large percentage of people carry persistent balances, said Scott Schuh, an economist at West Virginia University who studies credit-card spending. They are hit hard when interest rates spike, especially if their balances are high, he said.

"If you only pay that minimum balance, you may never pay off the credit-card debt," said Schuh, who previously worked for the Federal Reserve Board of Governors.

Daniel-Hoste and his husband, who was in nursing school, struggled to figure out how to generate more income to pay off card debt that had surged to \$20,000. It strained their relationship.

Daniel-Hoste drew back from friends, concocting excuses to avoid meals out unless a friend offered to pay. Tension over the cards contributed to Daniel-Hoste and his husband splitting. No matter how many music gigs he took on the side, he couldn't make progress on his balances. A doctor prescribed him antidepressants and anti-anxiety medication, he said. He contemplated suicide.

On a whim, he took a job at a local nonprofit that helps low-income people get the proper documentation to apply for federal food and housing assistance. His salary went up by \$20,000, then another \$30,000 when he was named the group's executive director. He got involved in a new relationship.

Still, he secretly carried his debt around like an invisible weight. Sitting on the couch at his new partner's home one night, he unburdened himself. His partner confided that he, too, had about \$12,000 of credit-card debt and had recently started working with Consolidated Credit, a nonprofit that provides debt-management programs to help people pay down their balances. Daniel-Hoste agreed to get in touch.

The nonprofit negotiated his cards' interest rates down to 6%, and over the past two years, Daniel-Hoste has paid off what he owed. The couple, now married, bought a home.

They have a \$1,900 mortgage, and still keep two cards—one for emergencies and one for discretionary expenses, which they try to limit.

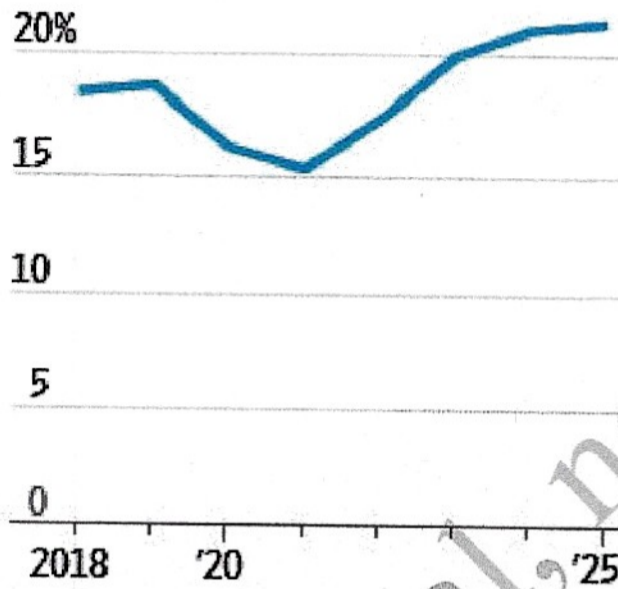
Catherine Clarke also has paid off her debt, at first with the help of a debt-counseling program she entered last year, and then with a bonus from work in December. The experience has left her shaken. She has scaled back her gym membership, bought a coffee machine to cut out her daily Starbucks trips and does everything possible to pay her balance as soon as her paycheck hits her bank account.

“Like a lot of Americans,” she said, “I’m one or two big emergencies away from being like, ‘Oh God, I’m going to go back into debt.’”

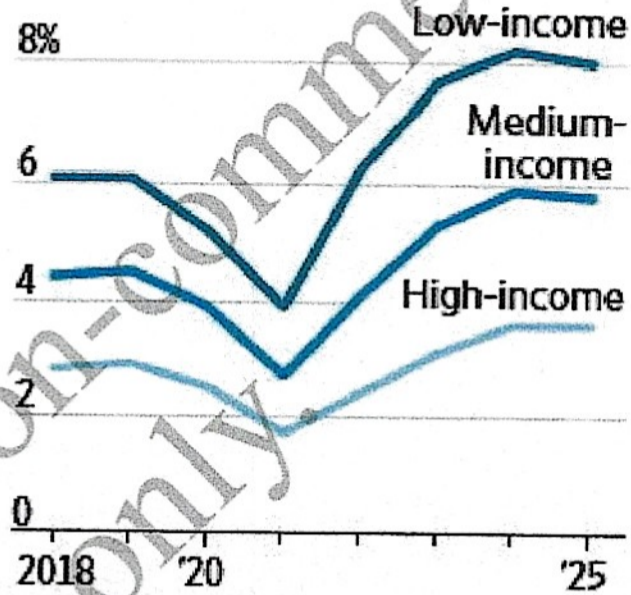
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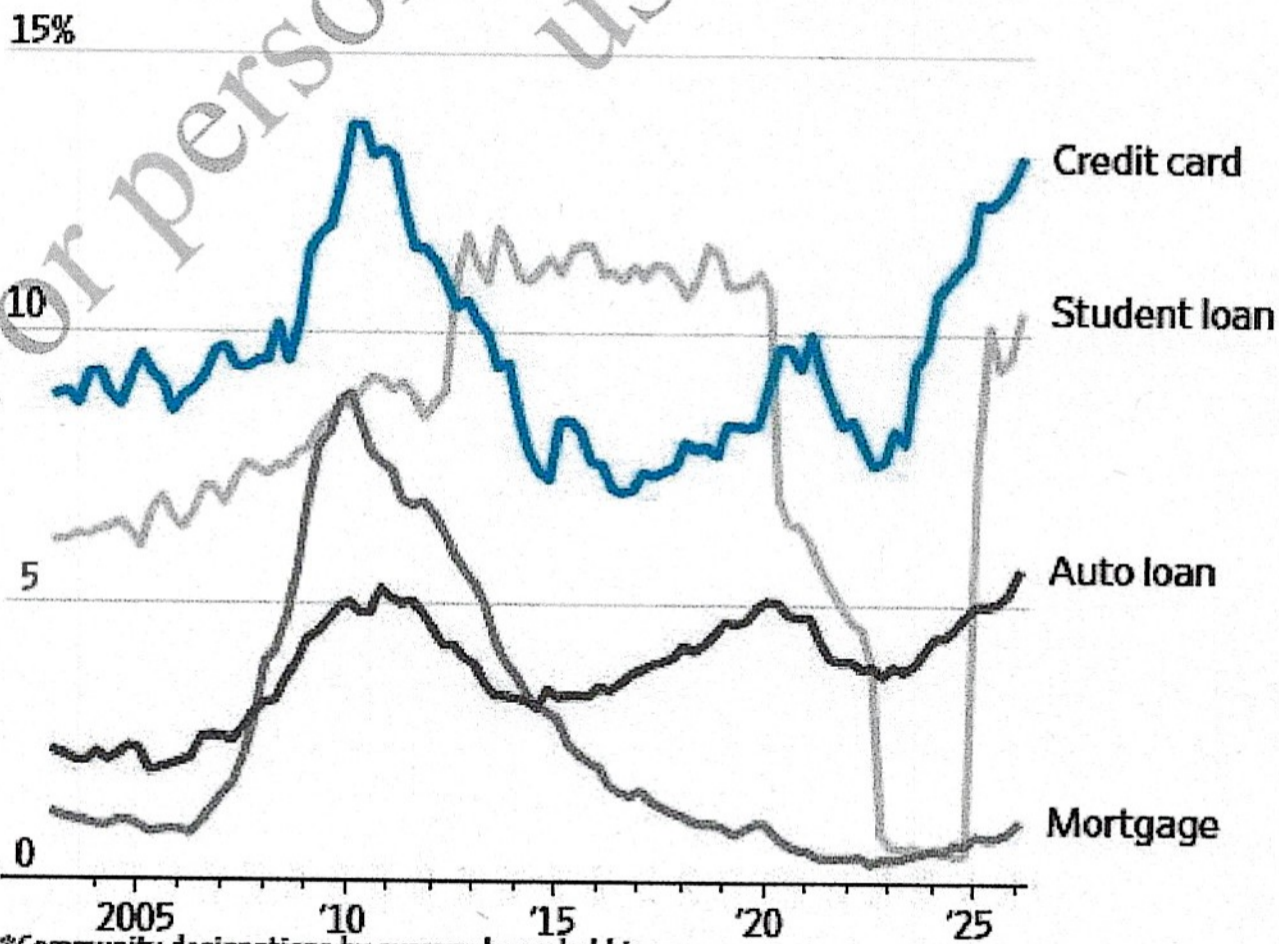
Share of credit-card holders with credit-card debt more than \$10,000



Percentage of credit-card balances 60+ days delinquent, by community*



Percentage of balances 90+ days delinquent, by loan type



*Community designations by average household income
 Sources: Urban Institute (credit card holders with more than \$10,000 debt, delinquency rate);
 Equifax via New York Federal Reserve Consumer Credit Panel (balances 90+ days delinquent)

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