spring 2021

Cambridge Quarterly

newsletter

COVID-19 Financial Statistics

How the Pandemic Panned Out

Employee Spotlight: Juan Sanchez

A PERSONAL FINANCE LETTER PRESENTED BY CAMBRIDGE CREDIT COUNSELING

67 Hunt Street • Agawam, MA 01001 • (800) 527-7595 • www.cambridge-credit.org

CAMBRIDGE CARES INITIATIVE

Christopher Viale
President & CEO

We've recently started something we're calling the Cambridge Cares program. It's our way to help your family and friends. We want to help as many folks as we can, and we need your help to let them know about our services. One out of every 4 households is struggling to pay down debt.

HOW THE PANDEMIC PANNED OUT

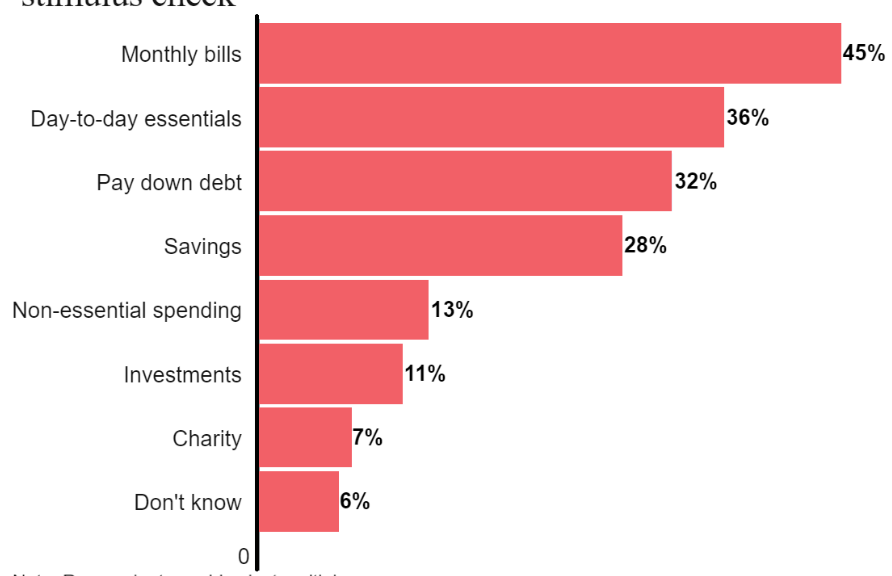
That payment The pandemic finally feels like it's beginning to come to a close in the United States, though its economic impact will surely be felt for many years to come. In this edition of our Quarterly Newsletter, we're examining trends and statistics from the last year to better understand how our financial behavior may have changed, and to figure out where consumers stand right now.

At the moment, 42% of Americans report spending less money every month than they did before the onset of the pandemic. Perhaps not surprisingly, income levels and job security influenced those numbers. 53% of adults with higher income spent more, month to month, while 43% of those with middle incomes and 34% of those with lower incomes spent less. Higher and middle-income individuals attribute their altered spending habits to the changes in their daily activities due to pandemic restrictions (Think about less access to restaurants, movies, bars, holiday get-togethers.) Those with lower incomes and greater job instability reported being worried about their personal finances due to the rising cost of necessities. We'll talk more about that later.

STIMULUS CHECKS

Americans are arguably making prudent use of their "stimulus" checks, even though the intention was to provide financial relief. In a Bankrate.com study, in which participants could select more than one answer, 45% of recipients planned to put their money toward bills; 36% planned to spend it on day-to-day necessities; 32% will pay down debt, and 28% will increase their savings. Only 13% of recipients indicated they would use their relief checks for non-essential spending.

Just 13 percent plan to buy non-essential items with third stimulus check



Note: Respondents could select multiple answers.
Source: Bankrate's Stimulus Check survey, March 24-26, 2021

Juan Sanchez is a member of our Customer Care Department. He's a very active member of the community and he's always looking for opportunities to volunteer. He's been with us since 2019!

I love the team spirit at Cambridge. We are always available to help one another and teach one another to provide the best customer service to our clients. I also love calling clients when they complete the program. That moment of celebration I get to have with them is awesome.

Being a non profit agency we are not able to advertise like the for profit debt settlements do on TV, the Radio and internet. So, Americans don't know there are safe places to turn if they are struggling with debt. These companies that advertise everywhere are for-profit companies in this business to make money. Sometimes, their programs can make things worse for consumers. Unfortunately, because of the high fees these companies charge, they control the advertising space.

Together we can make a difference and provide a safe path to help you and your loved ones live a better financial life. Please, share the Cambridge Cares video [click here]. Thank you for caring, and may you and your loved ones be as safe and healthy as possible in 2021.

Again, trends were visible for each level of income. Two-thirds of lower income adults said that they had used a large portion of their relief checks to pay their bills and/or purchased essentials, compared to half of middle-income adults and one-third of higher income adults. Another third of higher-income adults said that they would likely put all of the money into savings, a luxury that many lower to middle income adults didn't appear to have.

DEBT

You might be surprised to hear that balances on revolving debt (credit cards, home equity lines of credit, and personal lines of credit) actually decreased during the pandemic. Revolving debt actually fell by 10.55%, or $115.1 billion, in 2020. That means the total outstanding revolving debt decreased from $1.09 trillion in 2019 to $974.9 billion in 2020.This appears to be attributable to a reduced reliance on credit and the use of relief checks to help pay down these types of debt.

But it's not all good news. Installment credit balances, such as auto loans, personal loans, loans for mobile homes/boats/trailers, etc., rose to the highest they've ever been. We saw a 3.9% increase from 2019 to 2020, with non-revolving balances now topping $3.2 trillion! It seems that Americans have prioritized paying back their revolving debts rather than this type of debt, which is not without consequences. Slipping into default on secured loans like many of these could lead to forfeiture of collateral.

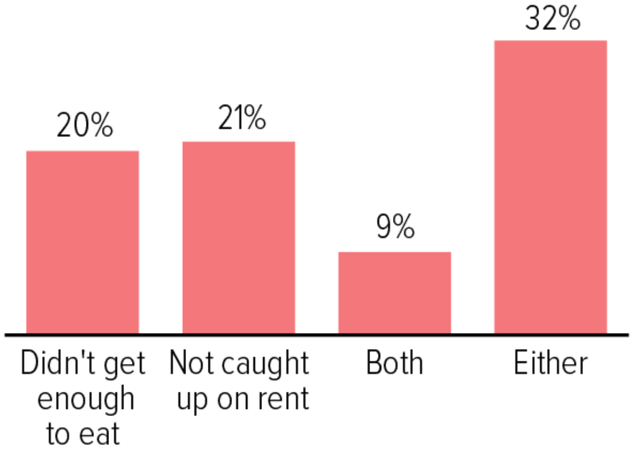
FOOD

As wage-loss rates steadily rose, many Americans fought to meet basic needs, most notably, food. As of March 2021, the number of people struggling to meet their basic food needs is still very high. 8% of adults, roughly 18 million people, reported that their household did not have enough food to eat "sometimes or often" in the last seven days. 8.8 million of those people were responsible for children. For context, only 8.5 million people reported the same lack of food in 2019, that's well over a 100% increase. Interestingly enough, food hardship measures spiked at the onset of the pandemic and rose again in the fall of 2020.

Could this be attributed to the timing of the first and second waves of infection? Or maybe the beginning of the school year? Only at the beginning of 2021 have these food hardship numbers begun to decline, presumably from the nationwide relief package that was enacted at the end of 2020.

Nearly 1 in 3 Children in Renter Households Face Food and/or Housing Hardship

Percent of children in households that:



Note: Didn't get enough to eat = household had "not enough to eat" sometimes or often in last 7 days. Figures omit children in households that do not pay cash rent, such as those in employer-provided housing, as well as those who did not respond to one or both hardship questions. Survey does not collect data on children directly; figures for children are estimated based on number of children in each household.

Source: CBPP analysis of Census' Household Pulse Survey public use file, data collected April 28 - May 10, 2021.

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

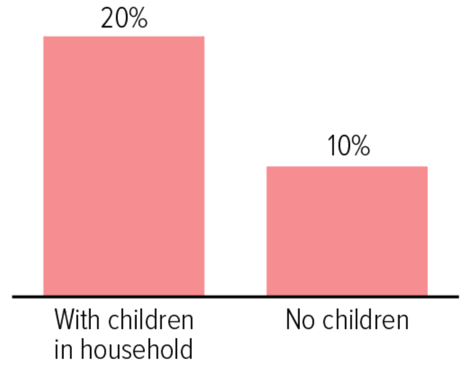
HOUSING

Many Americans had a hard time making their rent and mortgage payments over the last twelve months. 20% of renters – that's 15 million adults, are still not caught up on their monthly rent obligations. Experts speculate that this data point corresponds to tens of billions of dollars in unpaid rent. This is undoubtedly because almost five million renters reported significant income loss. Many renters are worried that they will be evicted after pandemic protections expire at the end of June.

For homeowners, delinquency and forbearance rates on mortgages each rose to around 9% in May of last year. Thankfully, these rates have finally plateaued. In December 2020, 2.15 million loans were 90 days past due. That's over 400% more than in 2019, just months before the pandemic hit. Although these numbers have begun to level out, they suggest that more than 17 million renters and homeowners are likely in trouble. 20% of Americans report worrying every day about their housing situation, even as the pandemic recedes.

1 in 5 Renters Living With Children Are Not Caught Up on Rent

Share of adult renters saying household is not caught up on last month's rent



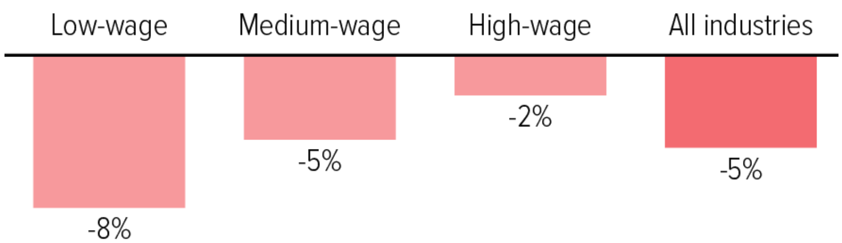
Note: Chart excludes renters who did not respond to question.

Source: CBPP analysis of Census Bureau Household Pulse Survey tables for May 12-24, 2021

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

Job Losses Largest in Low-Wage Industries

Percent change in number of jobs, February 2020 to May 2021



Note: Industries were ranked by average wages in February 2020 and divided into three groups containing roughly the same number of jobs.

Source: CBPP calculations of Bureau of Labor Statistics data

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

JOBS

One of the most obvious impacts of the pandemic was the meteoric rise in the nation's unemployment rate. In the space of just a few months, millions of Americans lost their jobs, suffered from reduced income, or needed to quit their jobs to watch their children as daycare centers closed and schools switched to online learning. In Cambridge's home state of Massachusetts, we have one of the highest average childcare costs in the nation at $20,913 a year. That's $1,743 a month!

But not spending all that money on childcare wasn't necessarily enough to keep household budgets afloat, because 49% of workers who lost wages are still earning significantly less money than they were in the beginning of 2020. Age also played a role in pandemic unemployment figures. Older workers were hit the hardest. 58% of workers over 50 years old are still earning less than before the pandemic, compared to 20% of workers aged 49 and younger. And when it comes to job losses by income strata, minimum wage workers experienced the highest unemployment rates - roughly 56% of all jobs lost. Thankfully, the number of job openings is now higher than it was at the beginning of the pandemic, though many employers report that it has been tough to fill some spots.

Though the pandemic seems to be passing, many Americans continue to battle financial hardships. At Cambridge, we've certainly learned a lot about consumers over the past year, how they value their money, how they behave in a crisis, and, over the next year, how they'll behave when the financial pressure fades. Will they return to old habits, or will they adopt new ones?

Until then, if you or anyone you know is having a hard time managing your debt, or if you'd like to review your spending plan with one of our certified counselors, please give us a call at (800) 235-1407 to see if we can help. We're still all in this together.