

MAKING GOVERNMENT WORK BY MONITORING FINANCIAL DISTRESS

MAPPING CONSUMER DEBT-DRIVEN FINANCIAL
DISTRESS IN NEW YORK CITY

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Hidden financial distress: rising consumer debt is driving uneven economic vulnerability across New York City.

An increasing number of households in New York City are experiencing increased financial instability that is driven by the growing burden of consumer debt. While overall debt-to-income ratios in New York remain relatively manageable compared to other states,¹ this aggregate measure masks significant and worsening distress at the household and neighborhood level. Rising credit card balances, increasing auto loan delinquencies, and the reemergence of student loan repayment obligations have placed new pressure on already financially vulnerable New Yorkers.²

Recent data show that delinquencies are rising across debt types, with 4.8 percent of household debt now delinquent, and increases in serious delinquency for credit cards, mortgages, and student loans.³ These trends are concentrated among lower-income households and in historically under-resourced communities, where residents are more likely to rely on high-cost credit and less able to absorb economic shocks. As a result, financial distress is not evenly distributed. It is clustered geographically, particularly in communities of color, reflecting longstanding inequities in income, wealth and access to affordable financial products, even as it remains largely obscured in citywide averages.⁴

In New York City, residents in communities of color are significantly more likely to have subprime credit scores, limiting access to lower-cost borrowing and increasing reliance on high-interest credit products.⁵ National data show that 42 percent of borrowers in predominantly non-White communities have debt in collections, compared to just 26 percent in predominantly White communities, underscoring stark disparities in financial vulnerability.⁶

Current policy approaches rely heavily on income-based indicators, such as poverty rates and employment levels, which fail to capture these dynamics. While important, these measures do not reveal the real-time financial pressures households face as they manage multiple forms of debt. As a result, the City lacks a comprehensive, neighborhood-level understanding of where debt-driven financial distress is most acute and which forms of debt are driving instability.

Neighborhoods with similar median incomes, for example, can experience dramatically different levels of financial vulnerability depending on factors such as debt burden, credit utilization, delinquency rates, and exposure to collections. Without incorporating these dimensions, the City lacks visibility into where financial distress is actually occurring and how it is evolving over time.

This gap limits the City's ability to:

- Identify early warning signs of financial instability
- Target financial counseling, debt relief, and outreach programs effectively
- Prevent cascading outcomes such as eviction, job disruption, vehicle lost, and long-term credit damage

As a result, policy responses are often reactive, addressing crises after they emerge, rather than preventative. Moreover, the absence of a standardized, data-driven framework makes it difficult to measure program impact or allocate resources equitably, and limits the effectiveness of financial counseling, consumer protection enforcement, and borrower relief efforts.

Without a more precise, data-driven framework to measure and map financial distress, New York City risks misallocating resources and missing opportunities to prevent crises such as eviction, default, and long-term financial exclusion, particularly among low-income communities and communities of color.

Creating a Consumer Debt Distress Index (CDDI)

To address this gap, this proposal recommends the creation of a ZIP code-level Consumer Debt Distress Index (CDDI) to map and monitor financial distress across New York City.

The CDDI can integrate key indicators of financial vulnerability, including:

- Debt burden relative to income
- Delinquency and default rates across debt types
- Credit utilization and accounts in collections
- Exposure to high-risk or high-cost debt products

These components can be combined into a composite index, generating a granular, neighborhood-level map of financial distress that identifies both the severity and drivers of economic vulnerability.

To further strengthen its policy relevance, the CDDI should incorporate age-disaggregated insights, enabling analysis of financial distress across key population groups—particularly working-age adults and older adults. This added dimension will allow the City to identify distinct patterns of vulnerability, such as student loan and credit card stress among younger adults or fixed-income and medical-related debt burdens among older residents.

Incorporating age-based analysis will support more precise and tailored interventions, helping agencies design strategies that reflect the specific financial risks, income dynamics, and support needs of different populations, and ensuring that outreach, counseling, and relief efforts are aligned with the lived experiences of New Yorkers across the life course.

Current financial counseling, consumer protection enforcement, and outreach efforts are constrained by limited geographic targeting and incomplete data infrastructure. Existing approaches typically rely on:

- Income and poverty measures
- Citywide or borough-level data
- Program participation metrics rather than underlying financial stress

Aggregate indicators often obscure localized pockets of distress within otherwise prosperous areas. Without neighborhood-level insights into debt burden, delinquency, and credit health, the City cannot fully align resources with need. The CDDI addresses these shortcomings and offers a place- and consumer-based targeted alternative strategy.

Implementation Through Executive Action

The City can implement this initiative through Mayoral executive action, ensuring rapid deployment and strong cross-agency coordination. Specifically, the Mayor can issue an Executive Order directing the development of a citywide financial distress mapping system and establishing the CDDI as an interagency priority aligned with the City's affordability and economic mobility goals. This directive would formalize collaboration across key agencies and ensure accountability in building a comprehensive, data-driven framework to identify and address neighborhood-level financial distress.

The Department of Consumer and Worker Protection (DCWP) has the track record and subject-matter expertise to lead this initiative, and could collaborate closely with the Federal Reserve Bank of New York and relevant City agencies—including the NYC Office of the Comptroller, the Mayor's Office of Economic Opportunity, the Department of Housing Preservation and Development, the Human Resources Administration, and the Mayor's Office of Data Analytics—as well as external research partners, to support data integration, analysis, and implementation. Community-based organizations would play a critical role in validating findings and supporting targeted outreach.

To maximize the CDDI's utility, the City should develop a public-facing, interactive dashboard that maps financial distress at the ZIP code level, providing a dynamic and accessible tool for policymakers, agencies, and community stakeholders. The dashboard will display:

- Distress levels across neighborhoods
- Key drivers of debt distress by ZIP code (e.g., credit cards, student loans, auto loans)
- Trends over time to identify emerging risks and improvements

In addition to citywide visualization, the platform should allow users to filter and aggregate data by City Council district, borough, and other administrative boundaries, enabling elected officials to better understand financial conditions within their constituencies. The City should also produce regular briefing reports and district-level summaries tailored for elected officials, agency leaders, and community partners.

This approach will promote transparency, support data-driven decision-making, and equip policymakers and community-based organizations with actionable insights to more effectively target services, outreach, and interventions in the communities most in need.

This initiative will enable New York City to:

- Target financial counseling and outreach to the highest-need neighborhoods
- Direct debt-relief efforts where borrowers are most vulnerable
- Strengthen consumer protection enforcement in high-risk areas
- Improve cross-agency alignment, connecting debt distress data to housing, workforce, and public benefits programs

Most importantly, it will allow the City to shift from a reactive to a preventative policy approach, identifying risks early and intervening before financial instability escalates into crisis.

CDDI Case Study: Student Loans

The student loan debt crisis serves as a case study for mapping distress and targeting resources to provide critical relief. Within the City, student loan outcomes reflect similar inequities. Predominantly minority neighborhoods experience higher rates of student loan default, tied to systemic disparities in educational access, labor market outcomes, and wealth accumulation.⁷ Nationwide, including in New York, student loan borrowers are experiencing unprecedented levels of delinquency and defaults.⁸

In the past, the City has mapped student loan distress and issued population-specific reports on student loan borrowers as a tool for delivering resources to at-risk New Yorkers.⁹ These efforts allowed the City to deploy financial counselors and free legal assistance to communities with the greatest need, delivering resources that were bespoke to the problem. Through the CDDI, the City could do the same with all types of financial distress that New Yorkers face.

Connection to Affordability, Economic Justice, and Racial Justice

Consumer debt distress is fundamentally an affordability issue. As the cost of living in New York City continues to rise, many households rely on credit, both traditional credit such as credit cards and loans, and more frequently, Buy Now Pay Later and Payroll Advance types of products¹⁰ to cover essential expenses such as

housing, healthcare, and transportation. When debt becomes unaffordable due to high interest rates, rapidly increasing balances, or unstable incomes, households can become trapped in cycles of repayment that undermine long-term financial stability.

This issue is also central to economic justice. Credit health influences access to foundational opportunities. A borrower's credit profile can determine their ability to:

- Secure stable housing
- Access employment opportunities
- Obtain affordable insurance, utilities, and financial products

As such, debt-driven financial distress can limit upward mobility and reinforce broader inequality.

The issue is deeply tied to racial justice as well. Structural disparities in wealth, credit access, and income mean that Black and Latino New Yorkers are more likely to experience high-cost borrowing, lower credit scores, and aggressive debt collection practices. These inequities reflect systemic barriers that continue to shape financial outcomes across generations.¹¹ The CDDI would therefore serve as a tool to advance the Administration's commitment to affordability and economic and racial justice.

Conclusion

The challenge facing New York City is not simply the amount of debt residents carry, but how that debt is distributed, structured, and experienced across communities and across the life course. Aggregate economic indicators obscure deep disparities in financial vulnerability, particularly among low-income households, communities of color, and different age groups, masking the uneven ways in which debt burdens and financial risks are felt across the city.

A neighborhood-level understanding of consumer debt distress is essential to advancing affordability, promoting economic mobility, and addressing persistent racial and economic inequities. By establishing a Consumer Debt Distress Index through executive action, the City can equip itself with a powerful tool to identify need with precision, anticipate risks, and deliver more targeted, equitable, and effective policy responses.

This proposal offers a clear and achievable path forward: one that transforms fragmented data into actionable insight, and insight into meaningful impact. By investing in a more comprehensive and data-driven understanding of financial distress, New York City can better protect its residents, strengthen household stability, and ensure that all communities—across incomes, neighborhoods, and age groups—have a fair opportunity to achieve long-term financial security.

Endnotes

- 1 *State Debt-to-Income Ratio, 1999–2025*, Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/releases/z1/dataviz/household_debt/state/table/ (accessed 2025).
- 2 Report, *Household Debt Trends Among NYC Residents*, Office of the New York City Comptroller (Aug. 13, 2024), <https://comptroller.nyc.gov/reports/household-debt-trends-among-nyc-residents/>.
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- 4 *Id.*
- 5 Caleb Quakenbush, Madeline Brown, et al., *Tracking the Credit Health of New York City Residents*. Urban Institute (Feb. 2021), https://www.urban.org/sites/default/files/publication/103663/tracking-city-credit-health_nyc.pdf.
- 6 *Id.*
- 7 Report, *Unequal Burden: Black Borrowers and the Student Loan Debt Crisis*, New York City Department of Consumer and Worker Protection (July 2020), https://www.nyc.gov/assets/dca/downloads/pdf/partners/SLDBlackBorrowers_Report.pdf.
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- 9 See, e.g., Report, *Student Loan Debt Distress Across NYC Neighborhoods: Identifying Indicators of Vulnerability*, NYC Department of Consumer and Worker Protection (Nov. 2018), <https://www.nyc.gov/assets/dca/downloads/pdf/partners/Research-StudentLoanDebtDistressAcrossNYCNeighborhoods.pdf>; Report, *Unequal Burden: Black Borrowers and the Student Loan Debt Crisis*, New York City Department of Consumer and Worker Protection (July 2020), https://www.nyc.gov/assets/dca/downloads/pdf/partners/SLDBlackBorrowers_Report.pdf.

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11 Andrew Warren, Wanjira Chege, Kennan Cepa, and Necati Celik, *Pulse Points: Disparities in Credit Scores and Length of Credit History*, Financial Health Network (Dec. 11 2024), https://finhealthnetwork.org/wp-content/uploads/2024/12/FHN_Pulse-Points_-_Disparities-in-Credit-Scores-and-Length-of-Credit-History.pdf.