

# The NFCC Financial Stress Forecast<sup>SM</sup>

THE NFCC FINANCIAL STRESS FORECAST continues to trend upward as consumers' ability to repay unsecured debt gets into painful territory, solidly in Stage 5: "Debt Looms" on the Debt Burden Scale. At this stage, debt becomes a more prominent presence with the U.S. consumer, casting a shadow on financial security.

FIRST QUARTER, 2024

## About the NFCC Consumer Debt Score

The NFCC Financial Stress Forecast (FSF) offers valuable insights into consumers' capacity to repay unsecured debt, providing a clear depiction of their financial distress levels. This forecast highlights the critical connection between consumers' financial well-being, unsecured debt default, and its ripple effect on lending default metrics in the quarters ahead.

### Key Highlights

- The NFCC Financial Stress Forecast slightly declined by 1.2% in the first quarter of 2024, following an increase of 7.8% in the fourth quarter of 2023.
- The FSF for 2023Q4 is 5.3, solidly in Stage 5: "Debt Looms" on the Debt Burden Scale (see box on right). At this stage, debt becomes a more prominent presence, casting a shadow on financial security. This stage marks a turning point toward taking action to get ahead of worsening conditions.
- The FSF has soared by 58.5% since the low of 3.3 set in 2021Q3. This substantial increase highlights a noteworthy change in consumer financial distress levels over a relatively short period.

### Debt Burden Scale

- Stage 0: Debt-Free Bliss.
- Stage 1: A Gentle Reminder.
- Stage 2: A Nibble of Debt.
- Stage 3: Debt Whispers.
- Stage 4: Debt Starts to Nag.
- Stage 5: Debt Looms.
- Stage 6: Tightening the Belt.
- Stage 7: Debt Feels Oppressive.
- Stage 8: Debt Feels Overwhelming.
- Stage 9: Debt is Crushing.
- Stage 10: Debt Devastates.

The NFCC Financial Stress Forecast serves as a bellwether for the overall financial stress condition of the American consumer. As such, it is also an indicator of future trends in net charge-offs and delinquencies as reported quarterly by all U.S. commercial banks.



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