

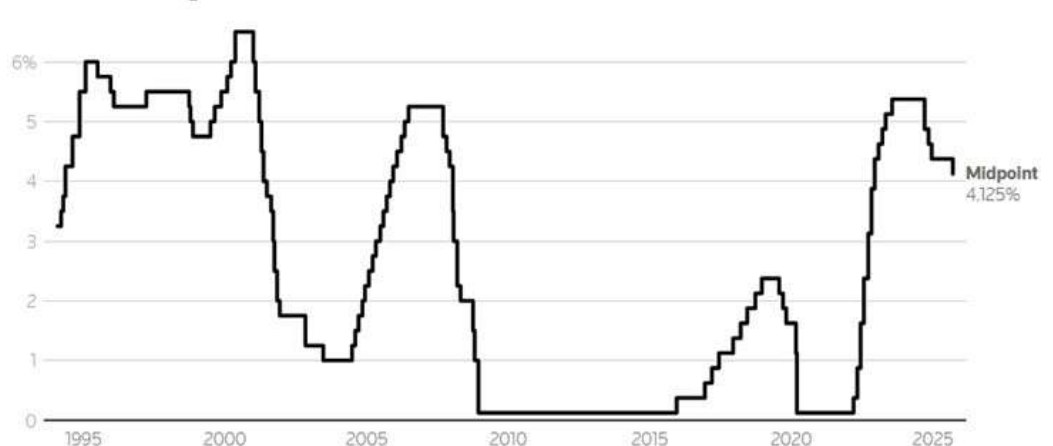
## **Fed delivers normal-sized rate cut, sees steady pace of further reductions; Miran dissents**

By Howard Schneider and Ann Saphir, Reuters, September 17, 2025

The Federal Reserve cut interest rates by a quarter of a percentage point on Wednesday and indicated it will steadily lower borrowing costs for the rest of this year, as policymakers responded to concerns about weakness in the job market in a move that won support from most of President Donald Trump's central bank appointees. Only new Governor Stephen Miran, who joined the Fed on Tuesday and is on leave as the head of the White House's Council of Economic Advisers, dissented in favor of a half-percentage-point cut.

The rate cut, along with projections showing two more quarter-percentage-point reductions are anticipated at the remaining two policy meetings this year, indicate Fed officials have begun to downplay the risk that the administration's volatile trade policies will stoke persistent inflation, and are now more concerned about weakening growth and the likelihood of rising unemployment. The cut, the first move by the policy-setting Federal Open Market Committee since

Federal funds target rate



December, lowered the policy rate to the 4.00%-4.25% range. "The Committee is attentive to the risks to both sides of its dual mandate and judges that downside risks to employment have risen," the central bank's rate-setting Federal Open Market Committee said in its policy statement. "Job gains have slowed, and the unemployment rate has edged up."

New economic projections showed policymakers at the median still see inflation ending this year at 3%, well above the central bank's 2% target, a projection unchanged from the last set of forecasts in June. The projection for unemployment was also unchanged at 4.5% and the one for economic growth slightly higher at 1.6% versus 1.4%. Stocks turned modestly higher after the decision, while the dollar fell against a basket of major trading partners' currencies. Treasury yields were little changed and rate futures markets saw more than a 90% probability of another rate cut at the Fed's next meeting in late October.

### **STAGFLATION RISK EASING**

Compared to the stagflationary risks contained in the last set of projections, with the Fed slowing its rate cuts to head off inflation, the new projections show an emerging sense among officials that they can head off any rise in unemployment with a faster pace of rate reductions, while inflation eases slowly next year. Fed officials have gradually warmed to the idea that Trump's tariffs would have only a temporary impact on inflation, and the latest forecasts are consistent with that view. The move to a more consistent pace of cuts was backed by Fed Governor Christopher Waller and Vice Chair of Supervision Michelle Bowman, Trump appointees who dissented over the policy decision in late July to hold rates steady. Miran dissented over the latest cut and appears to have penciled in the steepest rate cuts in projections issued after he joined the Board of Governors on Tuesday. In the newest "dot plot," one rate projection of 2.875% for the end of 2025 stands out as being three-quarters of a percentage point below the next lowest one. Trump has demanded steep rate cuts. Among those voting in favor of the decision was Fed Governor Lisa Cook, who attended the meeting despite Trump's effort to fire her and after two courts supported her challenge of his attempted dismissal.

## **Credit scores drop at fastest pace since the Great Recession**

Matt Egan, CNNMoney, Sep 16, 2025

Credit scores are falling at the fastest pace since the Great Recession as Americans struggle to keep up with the high cost of living and the return of student debt payments. The national average FICO score dropped by two points this year, the most since 2009, according to data released Tuesday by the analytics company. Although credit scores remain significantly higher than during the Great Recession, they are down for the second year in a row. FICO found a growing share of borrowers are falling behind on car loans, credit cards and personal loans. **Younger Americans, exposed to the double whammy of high student debt and low entry-level hiring, are under even more financial pressure. Gen Z borrowers experienced an average credit score drop of three points — the biggest decline of any age group**

**since 2020 during the pandemic**, according to FICO. The findings underscore the growing disconnect between the euphoria on Wall Street and pessimism on Main Street. While US stocks continue to shatter record highs, a significant chunk of Americans say they are hurting. "We've seen a K-shaped economy where those with wealth tied to stock market portfolios and rising home values are doing well and others are struggling with high rates and affordability problems," Tommy Lee, senior director at FICO, told CNN.

#### Mounting financial stress

Average credit scores fell sharply after the 2008 financial crisis, as unemployment skyrocketed and millions of Americans could not make their mortgage payments and defaulted on their auto loans. Credit scores increased each year from 2013 to 2024, when they dropped by a single point, according to FICO. But FICO found that **delinquency rates on auto loans, credit cards and personal loans are at or near their highest levels since 2009. These delinquency rates are "more consistent with an economy in recession than one still in expansion,"** FICO said, adding that mortgage and home equity loan delinquency rates are still near historic lows.

FICO found that 14% of Gen Zers have had a large credit score decline of 50 points or more in the past year — more than any other year and double the decline of 2021. At least some of this pressure on younger Americans is linked to student debt. Following a Covid-era pause, student loan delinquencies were not reported on credit files until February. The Department of Education restarted collecting federal student loans in default in May. This shift disproportionately impacts Gen Zers because about one in three (34%) of them have open student loans, double the national at large, according to FICO. Between February and April, 6.1 million consumers had a student loan delinquency added to their credit file, according to FICO. That means the student loan delinquency rate has climbed to a record high of 29% among the 21 million borrowers with a student debt payment due. Another 1.9 million consumers haven't had a delinquency reported even though they have student debt payments due and haven't made payments. The impact of these late student debt payments is amplified by the fact that Gen Zers often don't have the long history of making credit payments that feed into credit scores. That makes their credit scores vulnerable to more volatility, both up and down.

#### 'Drastic hit' to credit score

Another problem: **Younger Americans are also contending with the most difficult job market in years for new college graduates.** Dimitri Tsolakis, 22, said he applied to hundreds of jobs after graduating from American University in 2024 with a degree in international relations. It took Tsolakis 14 months to finally land a full-time job, or at least one that wasn't a scam. But the job he did get, as a secretary at a law firm in Orlando, called for a dramatic cut to his income relative to his prior work as a server. "My credit score took a drastic hit because I had to compromise and take a job where I'm severely underpaid," Tsolakis told CNN in a phone interview. Tsolakis owes \$35,000 in student debt but has had to pause repayments to focus on making his car payments and paying for other living expenses. He's hardly alone in skipping payments. About one in five (19%) of consumers say they paid less or skipped bills to get by in the past year, according to a July survey by the Federal Reserve Bank of Philadelphia. That's up from 17% a year earlier. Even more consumers (47%) said they cut discretionary spending in the past year, while 23% said they reduced essential spending. FICO found that 64% of Gen Z and 61% of Millennials with student loans rely on credit cards, buy-now-pay-later loans or personal loans to bridge financial gaps.

#### Taking on a second job

Sue Murphy, a nurse in Philadelphia, took a parent-PLUS loan to help fund her daughter's college education. The \$70,000 in student debt requires monthly payments of just over \$500. To make ends meet, Murphy took on a second job, making her schedule 12 days on and one day off. "It almost feels like it doesn't pay to be an honest hardworking citizen in this country anymore," Murphy said. The plan had been to make 10 years of payments and then have the balance of the student debt forgiven because Murphy works at Temple Health in Philadelphia, a nonprofit medical system that qualifies for public service loan forgiveness. However, Murphy now fears **the student debt won't qualify for forgiveness because of rule changes proposed by the Trump administration. At the order of the White House, the Education Department has proposed amending the definition of employers that qualify for loan forgiveness by excluding employers involved in "illegal activities."** "The Public Service Loan Forgiveness Program exists to serve American heroes like teachers, police officers, and firefighters — not individuals or employers engaged in illegal activities that harm Americans," Ellen Keast, deputy press secretary at the Education Department, said in a statement to CNN. "The Department has no business subsidizing the employees who work for organizations that break the law by mutilating and maiming healthy children or aiding and abetting illegal immigration and terrorism." Murphy said she makes her payments on time so her credit score hasn't gone down drastically but her high debt-to-income ratio doesn't help matters. "I will go into retirement with student debt," Murphy said.