Managing High-Interest Debt:

How Cash-Out Refinances Can Help Homeowners Find Relief

AcademyBank

About Academy Bank

At Academy Bank, we realize that financial wellness is your gateway to great moments. We're the simple banking solution that provides easy access to funds and know-how.

Academy Bank's corporate headquarters are located in Kansas City, Missouri and commercial banking locations are found in Arizona, Arkansas, Colorado, Kansas, and Missouri. We provide a wide range of financial solutions to businesses and individuals, including commercial and small business lending, treasury management, and mortgage services.

We feature the latest banking technologies, including Smart ATM and Interactive Teller Machine video banking because we are always searching for ways to provide a better banking experience. With a branch network of more than 80 banking centers and counting, we grow our deposits organically, one person, one household, and one business at a time.

Academy Bank is a wholly owned subsidiary of Dickinson Financial Corporation, a unique $4.58 billion banking franchise that serves clients nationwide through its retail and military banking subsidiaries. Academy Bank's sister bank is Armed Forces Bank, which proudly serves active-duty, veterans, retirees, DOD, civilians, and their families.

Introduction

High-interest debt poses a serious financial burden for many American adults, affecting their ability to save and plan for the future. As living costs continue to rise and economic uncertainties persist, more people are finding it difficult to stay on top of their financial obligations.

Managing credit card debt, which is one of the most common forms of high-interest debt, has become especially important, as it can quickly spiral out of control if not addressed. Reducing or eliminating this type of debt is essential for financial stability and long-term peace of mind.

This whitepaper delves into how American adults are managing their credit card debt while also exploring a potential solution to alleviate the burden: cash-out refinances.

Credit Card Usage Among American Adults

Credit card usage is a significant aspect of financial behavior in the United States, with a vast majority of American adults relying on credit for daily expenses, emergencies, and larger purchases.

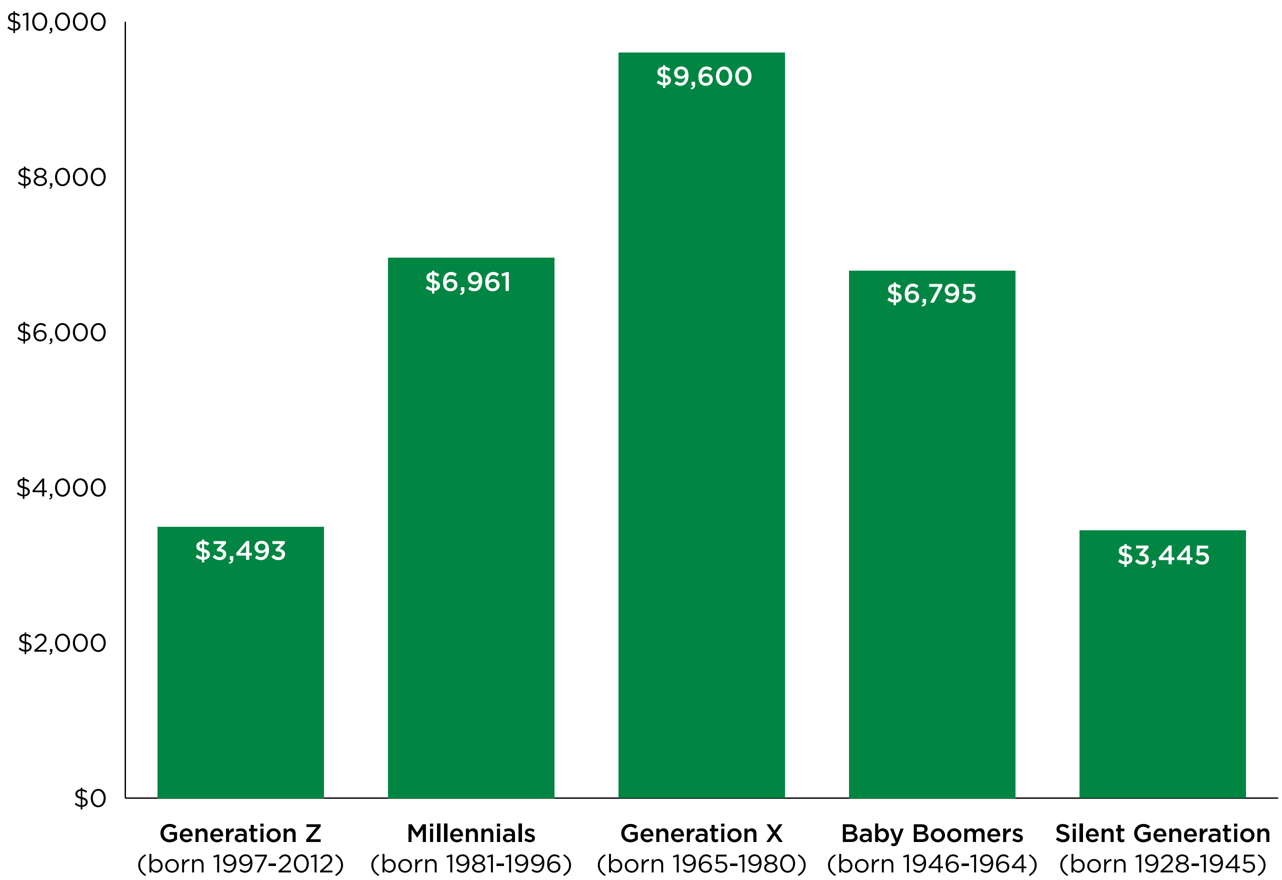
In 2024, 81% of Americans held at least one credit card (Federal Reserve). The average American adult carries 7.1 credit cards and actively uses 3.7 of those, highlighting the widespread reliance on credit as a financial tool. (Experian)

And according to Bankrate, nearly half of American cardholders now carry credit card debt—many with no plan to pay it off.

The State of Credit Card Debt in America

American adults collectively held over $1.21 trillion in credit card debt in Q2 2025, according to the Federal Reserve Bank of New York, which equates to an average balance of about $5,595 per cardholder. From a generational perspective, Generation X has consistently held the most credit card debt over the last three years, as reported by an Experian survey.

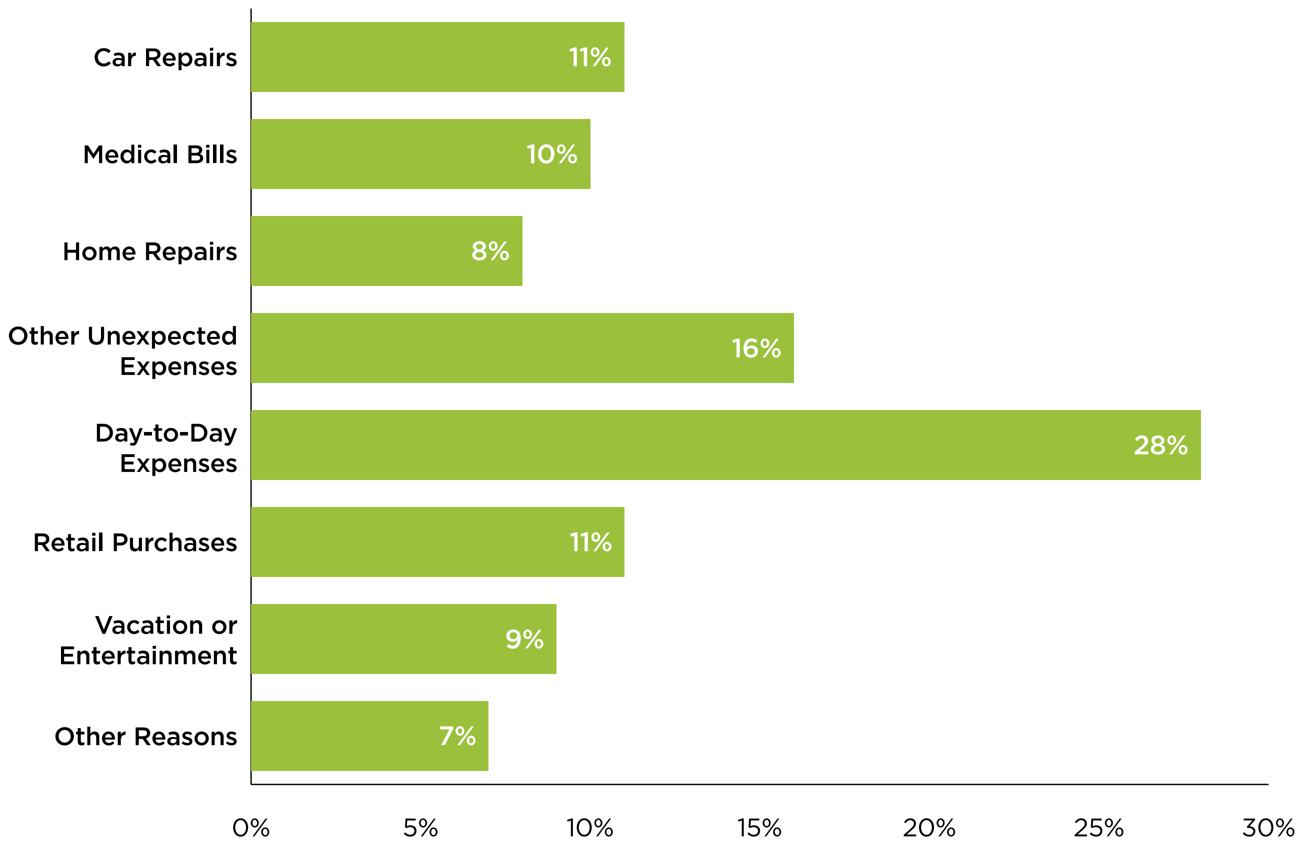
Average Credit Card Balance by Generation, 2025



Factors Contributing to Credit Card Balances and Debt

As the costs of everyday essentials continue to rise, many Americans are relying more heavily on credit cards to make ends meet. According to [Bankrate's 2025 Credit Card Debt Report](), nearly half of U.S. adults with credit cards (46%) carry a balance.

When asked about the primary causes of their debt, participants reported the following:



Essential costs—like car repairs, medical bills, home repairs, unexpected expenses, and everyday living—make up nearly three-quarters (73%) of credit card balances nationwide. And as the cost of bills and basic necessities continues to climb, many consumers are finding it even harder to get ahead—leaving little room to make meaningful progress toward paying down their balances.

Barriers to Paying off Debt

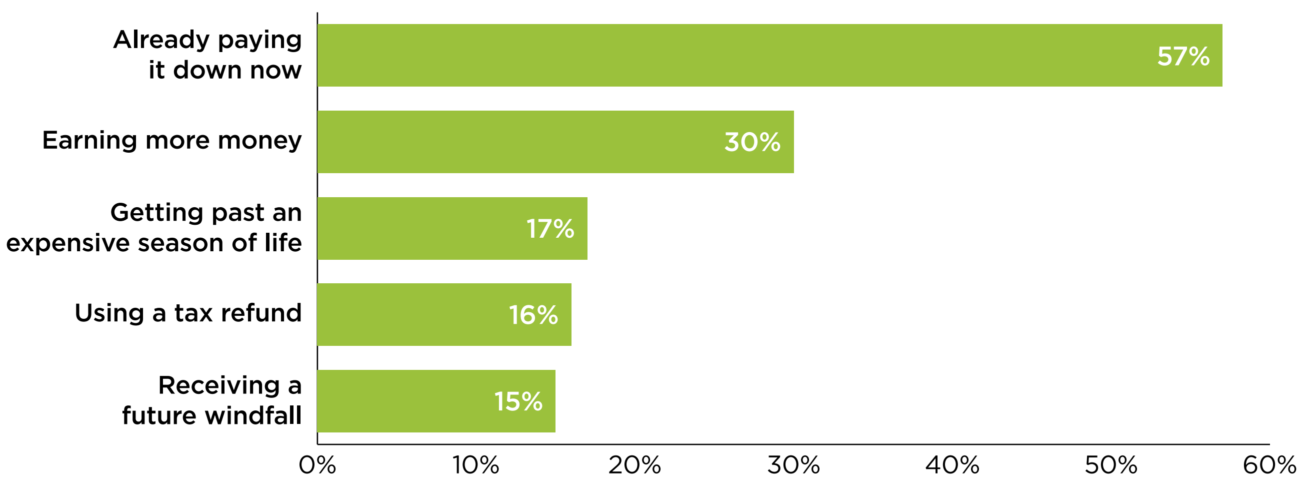
Even when people want to pay off their credit cards, many face obstacles that make it nearly impossible to get ahead. From higher living expenses to limited savings and mounting interest charges, these factors are preventing households from reaching their financial goals.

According to the most recent American Household Credit Card Debt Study by NerdWallet, more than one-third of Americans with revolving credit card debt (35%) say they expect to always carry a balance—suggesting that debt has become a long-term financial reality rather than a short-term setback. Another 14% report that they can't afford to make even the minimum payments, a clear indicator of financial strain.

While 57% of those with revolving credit card debt report that they are currently paying it down, others are holding out hope that future circumstances will improve. Nearly three in ten (30%) of those with revolving debt say they plan to pay off their debt once they make more money—a sentiment shared equally by higher-income households and those earning less than $100,000 per year.

Others are planning for an expected drop in expenses (17%), a tax refund (16%), or a future windfall (15%) to make progress on paying their debt.

How Americans Plan to Pay Off Credit Card Debt



While many cardholders may not be able to pay off their credit card in full from month to month, only 3.04% of accounts were considered delinquent in Q2 2025 (Federal Reserve). However, delinquency rates have remained above 3% since early 2023, reaching levels not seen since Q1 2012.

The Impact of High Interest Rates

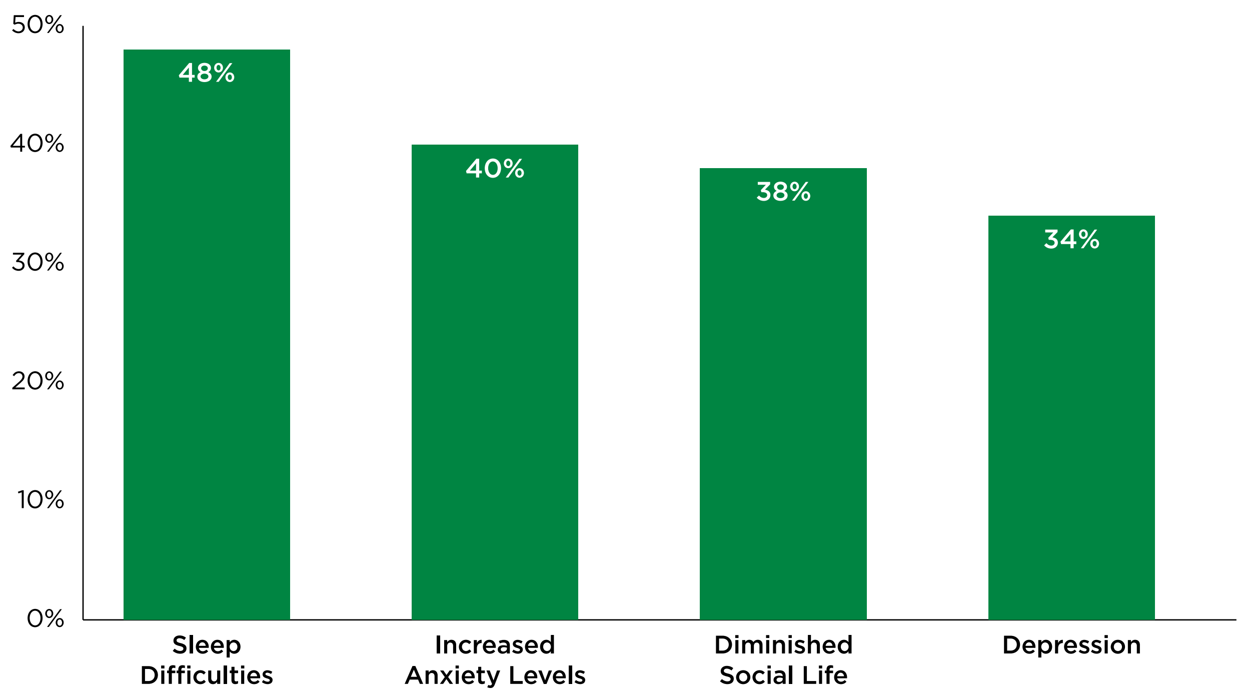
On top of rising credit card balances as a result of an increasing cost of living, high interest rates on credit cards often contribute to a cardholder's inability to pay off debt—as cited by 43% of the respondents above.

According to Equifax, anything above 8% is considered a "high" interest rate. And in October 2025, the median credit card interest rate was 25.32% (Forbes Advisor). An interest rate like that can *significantly* compound the total debt owed.

The impact of such high interest rates and increasing debt can be devastating. Even for those making consistent payments, when rates are this high, a larger portion is likely to be going toward paying off interest rather than reducing the principal balance—meaning the overall debt reduction is minimal. When unexpected expenses or changes in income arise, it can be even harder to stay on top of payments and avoid falling even deeper into debt.

The mental aspect of living with debt also shouldn't be ignored: in a Forbes Advisor survey, 54% of respondents shared that they "often or always" feel stressed by their debt circumstances, while 32% said they "sometimes" feel stressed because of their debt.

According to the respondents, other unwelcome side effects of living with debt included:

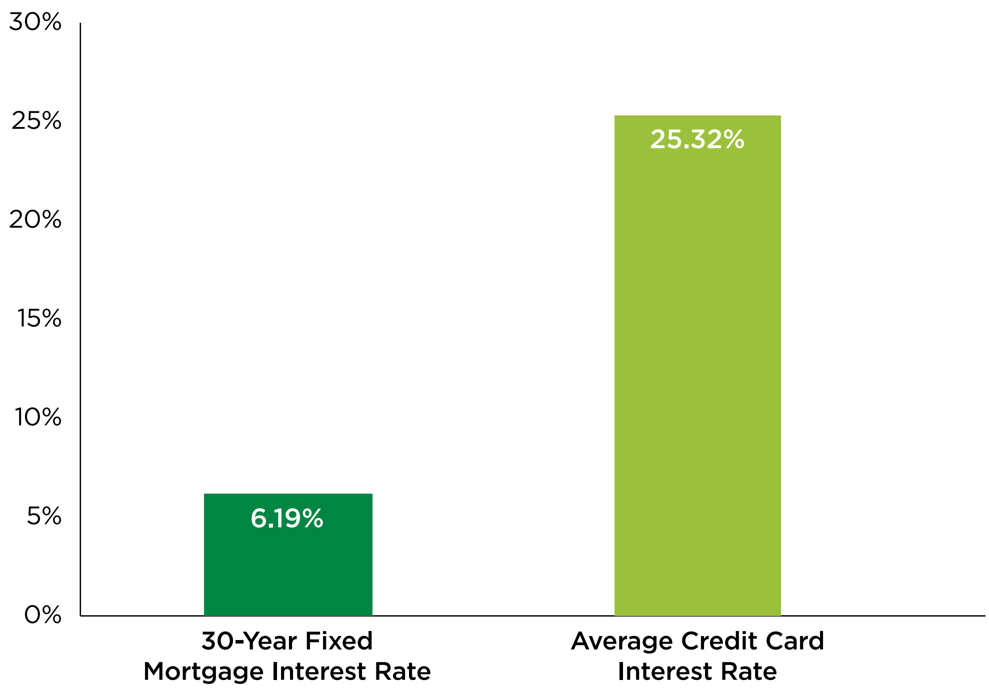


How Cash-Out Refinances Can Provide a Solution

For those struggling with high-interest credit card debt, homeowners should consider exploring cash-out refinances as a viable solution.

A cash-out refinance is when an existing mortgage is refinanced for more than the amount owed, and the homeowner takes the difference in cash. This option can provide the funds needed to pay down high-interest credit card debt.

While a refinance involves taking on a new interest rate, the interest rate is almost certainly guaranteed to be lower than the credit card debt's interest rate. In October 2025, the average 30-year-fixed mortgage rate was less than 7%—about 20% lower than a typical credit card interest rate in the same period (Federal Reserve Bank of St. Louis; Forbes).



And in October, the Federal Reserve slashed interest rates even further, which could make it the perfect time to initiate the cash-out refinance process (CNBC).

As home equity has risen in the past few years, cash-out refinances have become more popular, most recently peaking in Q2 2025 (The Associated Press). The average cash-out refinance borrower during that time period extracted $94,000—which is more than enough to pay the average American's outstanding credit card balance of $5,595.

Conclusion

For American homeowners struggling with credit card debt, a cash-out refinance could be a strategic way to achieve financial relief. By leveraging the equity in their homes, they can access funds at a lower interest rate, ultimately reducing their overall debt burden.

This approach not only offers immediate financial relief but also fosters long-term financial stability.

Academy Bank recognizes the complexities of managing credit card debt and the potential of cash-out refinances as a solution. We are committed to providing homeowners with the resources and support they need to make informed financial decisions.

If you are considering a cash-out refinance, consult with our financial experts to explore your options and take a step towards a more secure financial future.

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