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QUARTERLY REPORT ON

HOUSEHOLD DEBT AND CREDIT

2022:Q1 (RELEASED MAY 2022)

FEDERAL RESERVE BANK *of* NEW YORK

RESEARCH AND STATISTICS GROUP

ANALYSIS BASED ON NEW YORK FED CONSUMER CREDIT PANEL/EQUIFAX DATA

Household Debt and Credit Developments in 2022Q1[1]

Aggregate household debt balances increased by $266 billion in the first quarter of 2022, a 1.7% rise from 2021Q4. Balances now stand at $15.84 trillion, $1.7 trillion higher than at the end of 2019, just before the Covid pandemic.

Balances

Mortgage balances shown on consumer credit reports increased by $250 billion during the first quarter of 2022 and stood at $11.18 trillion at the end of March. Balances on home equity lines of credit (HELOC) were relatively flat and have been for the past 3 quarters, bucking a declining trend in place since 2016Q4; the outstanding HELOC balance stands at $317 billion. Credit card balances declined by $15 billion, a typical seasonal change. Credit card balances had declined significantly in the first year of the pandemic and remain $86 billion lower than at the end of 2019. Auto loan balances increased by $11 billion in the first quarter. Student loan balances now stand at $1.59 trillion, and increased by $14 billion in the first quarter of 2022. In total, non-housing balances grew by $17 billion, boosted additionally by a $7 billion increase in other balances, which include consumer finance loans, retail cards, and unclassified loans.

Originations

Originations for both auto loans and mortgages declined in the first quarter of 2022, after a historically brisk 2021. Mortgage originations, measured as appearances of new mortgages on consumer credit reports and which include refinances, were at $859 billion in 2022Q1. This represented a decrease from the high volumes seen during 2021, but still was $197 billion higher than the volume seen in 2020Q1, just before the pandemic hit. The volume of newly originated auto loans, which includes leases, was $177 billion, primarily reflecting higher origination amount per loan rather than more loans originated. Aggregate limits on credit cards were augmented by $64 billion in the 1st quarter, and aggregate credit limits now stand at $4.12 trillion, $224 billion above the pre-pandemic level. Limits on home equity lines of credit (HELOC) declined by $6 billion, reflecting declining HELOC uptake, after the rare $8 billion increase seen in 2021Q4.

The median credit score of newly originated mortgages declined again, to 776, down from a series high in 2021Q1 of 788. Yet, credit scores on newly originated mortgages remain very high and reflect continuing high lending standards. The median credit score on newly originated auto loans increased by 4 points but remains in line with the level seen since the pandemic began.

Delinquency & Public Records

Aggregate delinquency rates were unchanged in the first quarter of 2022 and remain very low, after declining sharply through the beginning of the pandemic. Delinquency rates have been low in part due to forbearances (provided by both the CARES Act and voluntarily offered by lenders), which protect borrowers' credit records from the reporting of skipped or deferred payments. Although these forbearances have ended for most types of debts, the pause on student loan payments remains in place. As of late March, 2.7% of outstanding debt was in some stage of delinquency, a 2.0 percentage point decrease from the fourth quarter of 2019, just before the COVID-19 pandemic hit the United States. Of the $431 billion of debt that is delinquent, $299 billion is seriously delinquent (at least 90 days late or "severely derogatory", which includes some debts that have been removed from lenders' books but upon which they continue to attempt collection).

The share of debt transitioning into delinquency increased modestly for nearly all debt types, except student loans, although they remain very low by historic standards. The delinquency transition rate for credit cards increased by 0.2 percentage points, while mortgages, auto loans, and HELOCs all saw 0.1 percentage point increases in their delinquency transition rates. Although foreclosures are very low, there was a small uptick in new foreclosures in 2022Q1.

Delinquency rates by product were mostly flat. The share of student loans that are reported as delinquent continues to decline, as the majority of outstanding federal student loans are covered by CARES Act administrative forbearances, which have been extended through August 31, 2022. These forbearances have the mechanical effect of making previously delinquent debt "current," reducing the overall delinquency rate.

About 91,000 consumers had a bankruptcy notation added to their credit reports in 2022Q1, the lowest level since the series began in 1999. The share of consumers with a 3rd party collection account is also at a new historic low; approximately 6% of consumers have a third party collection account on their credit report, with an average balance of $1,219.

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[1] This report is based on the New York Fed Consumer Credit Panel, which is constructed from an anonymized, nationally representative random sample drawn from Equifax credit report data. For details on the data set and the measures reported here, see the data dictionary available at the end of this report. Please contact Joelle Scally with questions at joelle.scally@ny.frb.org.

Housing Debt

- There was $859 billion in newly originated mortgage debt in 2022Q1, with 68% of it originated to borrowers with credit scores over 760.
- About 24,000 individuals had a new foreclosure notation added to their credit reports during the first quarter, compared to only 9,000 individuals in the fourth quarter of 2021, reflecting the partial resumption on new foreclosures. Although the hold on foreclosures due to CARES was lifted on July 31st 2021, additional federal and state policies will forestall many foreclosure starts.
- The share of mortgage balances 90+ days past due remained at 0.5%, a historic low.

Student Loans

- Outstanding student loan debt stood at $1.59 trillion in the 2022Q1, a $14 billion increase from 2021Q4.
- About 5% of aggregate student debt was 90+ days delinquent or in default in 2022Q1.[2] The lower level of student debt delinquency reflects a Department of Education decision to report current status on loans eligible for CARES Act forbearances.

Account Closings, Credit Inquiries and Collection Accounts

- The number of credit inquiries within the past six months – an indicator of consumer credit demand – was at 109 million, a 5.1% decline from the previous quarter.
- 229 million new accounts were opened in the first quarter, an uptick from the previous quarter and slightly higher than typical pre-pandemic levels.

[2] As explained in a 2012 report, delinquency rates for student loans are likely to understate effective delinquency rates because about half of these loans are currently in deferment, in grace periods or in forbearance and therefore temporarily not in the repayment cycle. This implies that among loans in the repayment cycle delinquency rates are roughly twice as high.

May 2022

FEDERAL RESERVE BANK OF NEW YORK

RESEARCH AND STATISTICS ● MICROECONOMIC STUDIES

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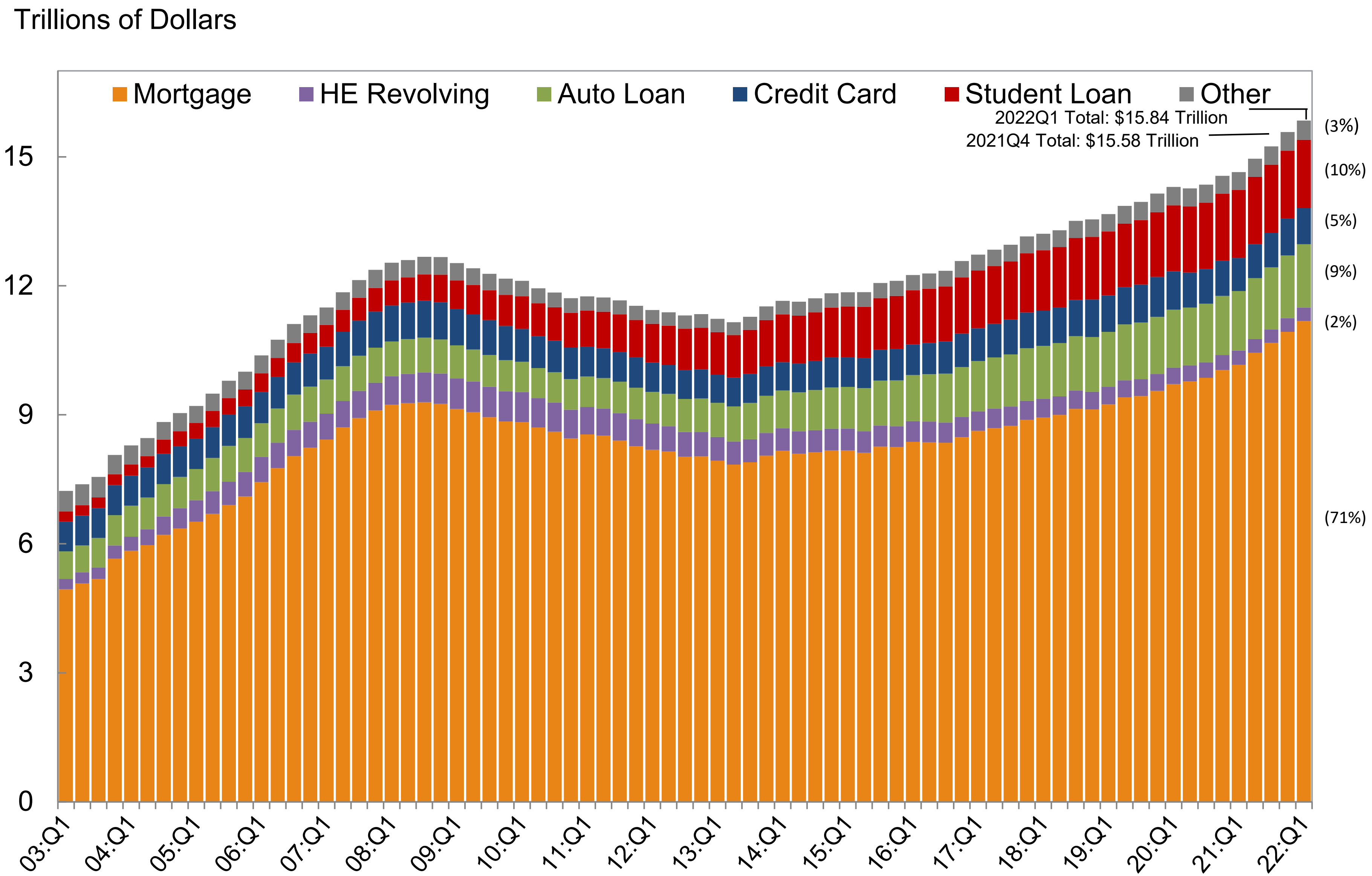
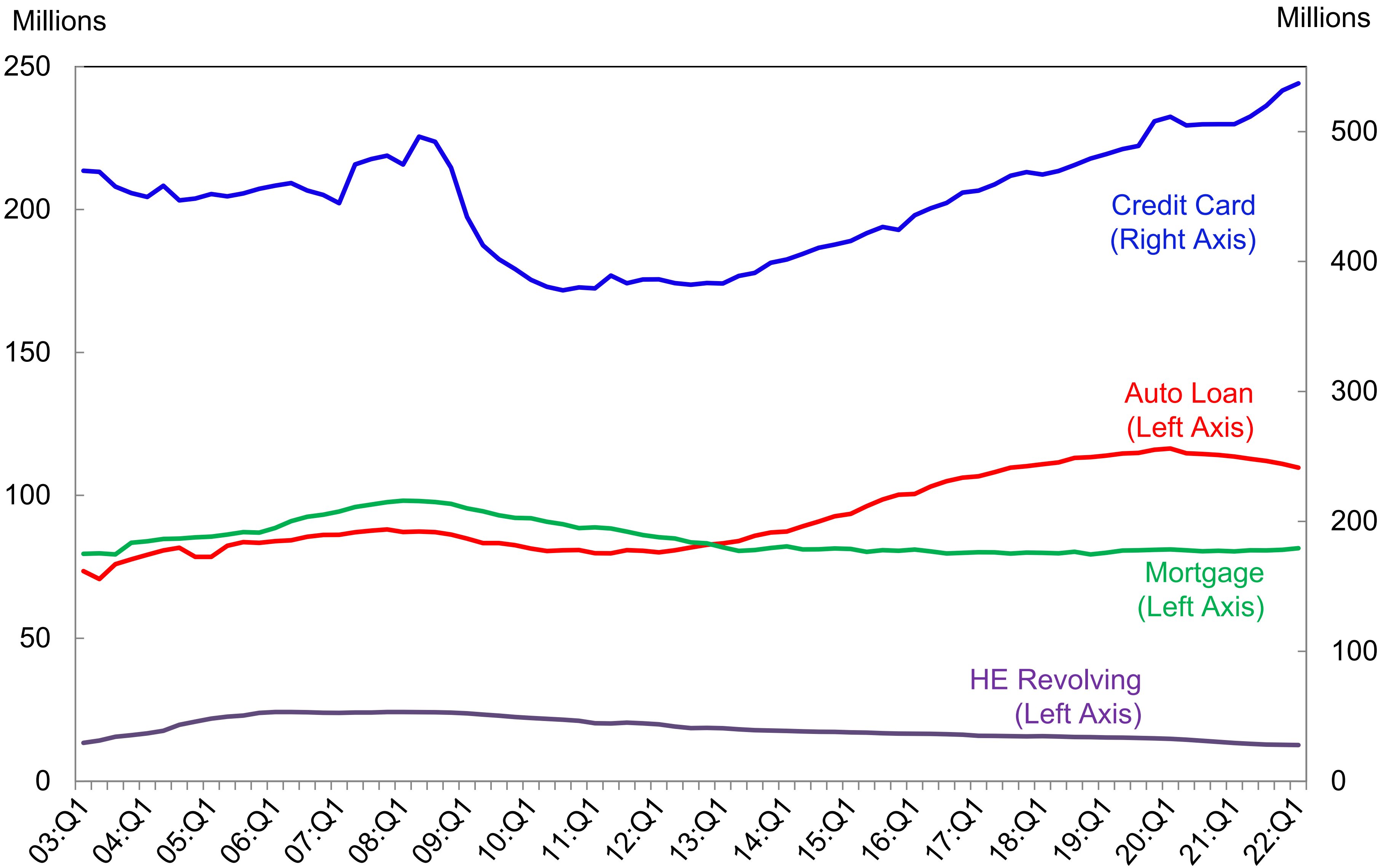
NATIONAL CHARTS

Total Debt Balance and its Composition



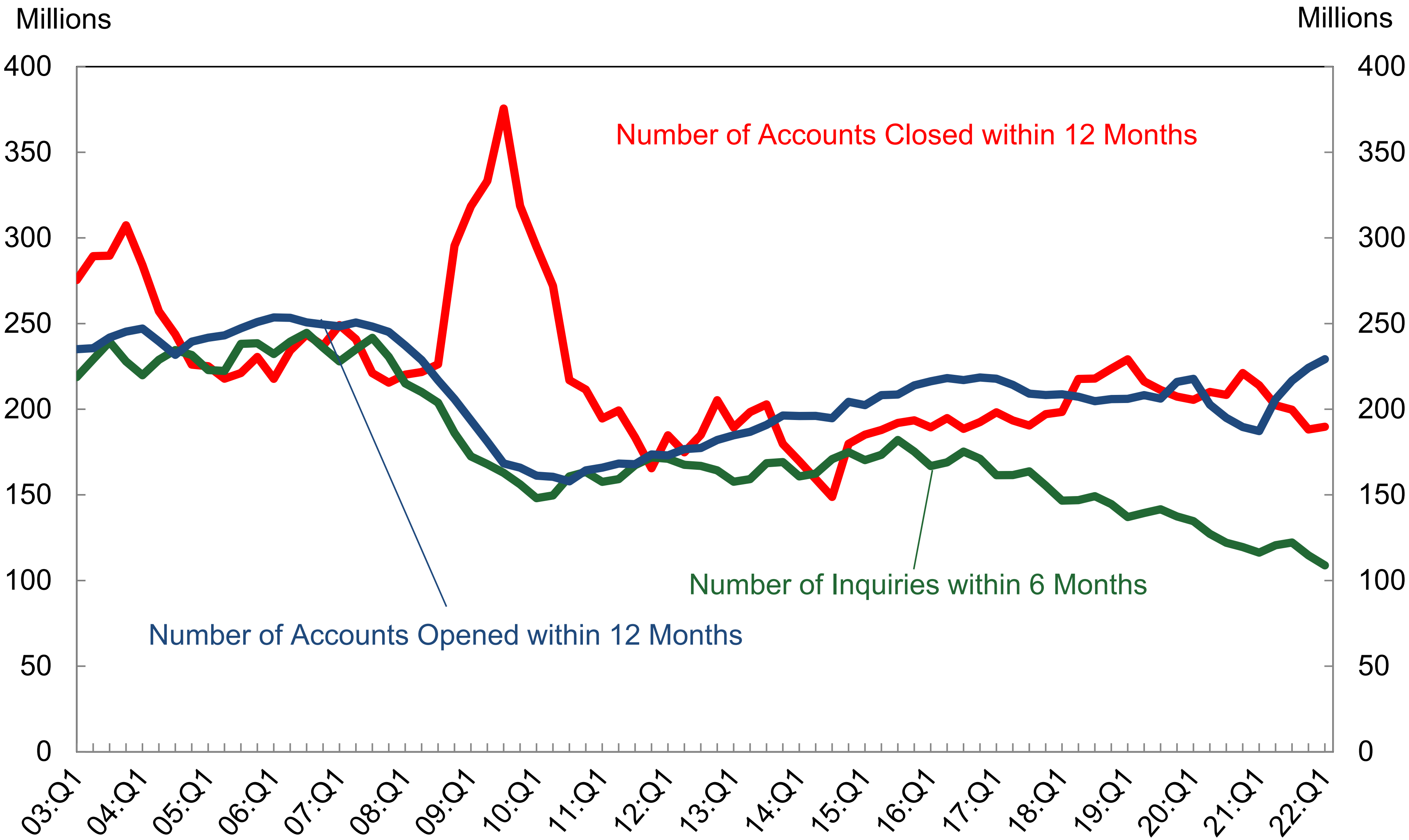
Source: New York Fed Consumer Credit Panel/Equifax

Number of Accounts by Loan Type



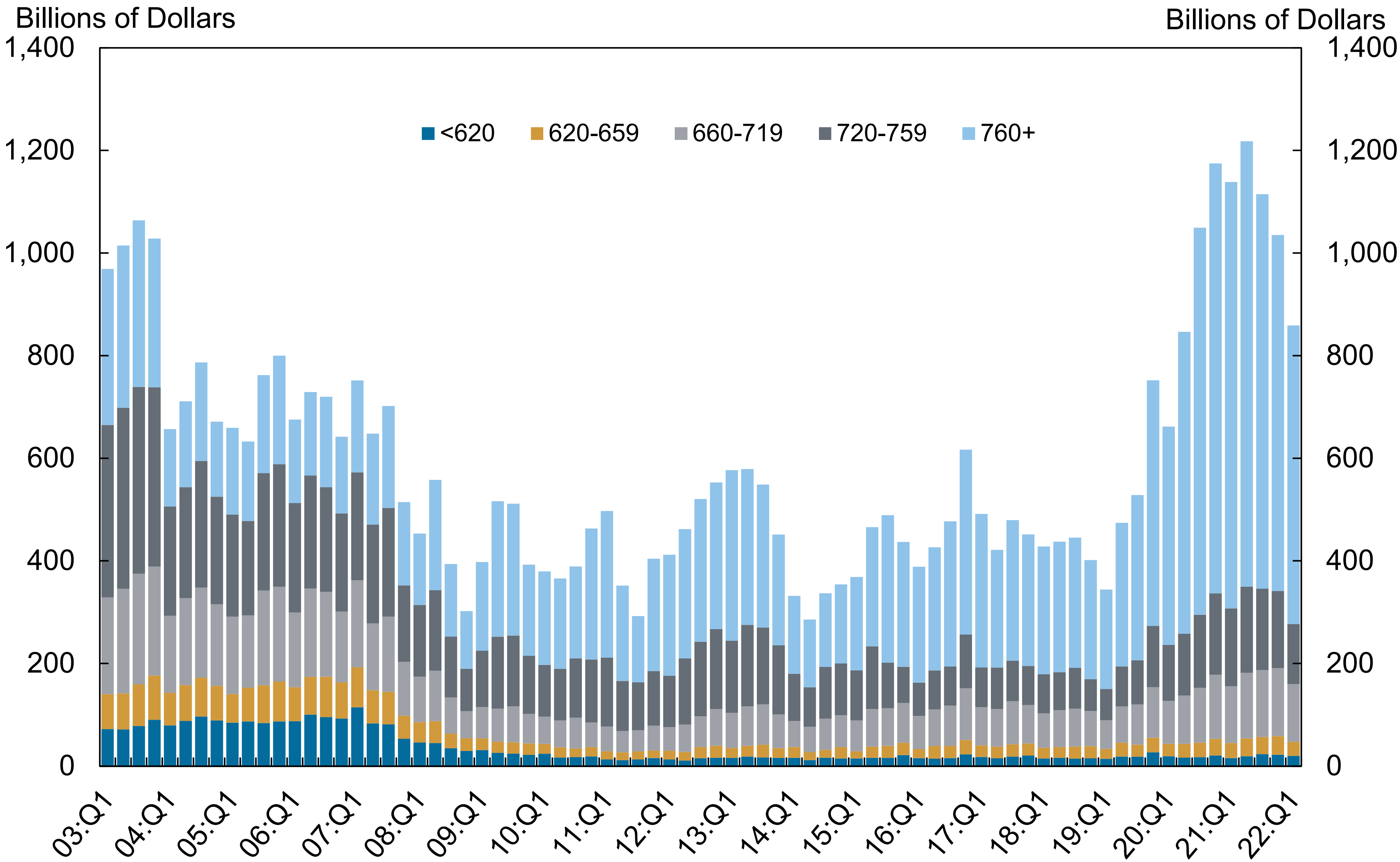
Source: New York Fed Consumer Credit Panel/Equifax

Total Number of New and Closed Accounts and Inquiries



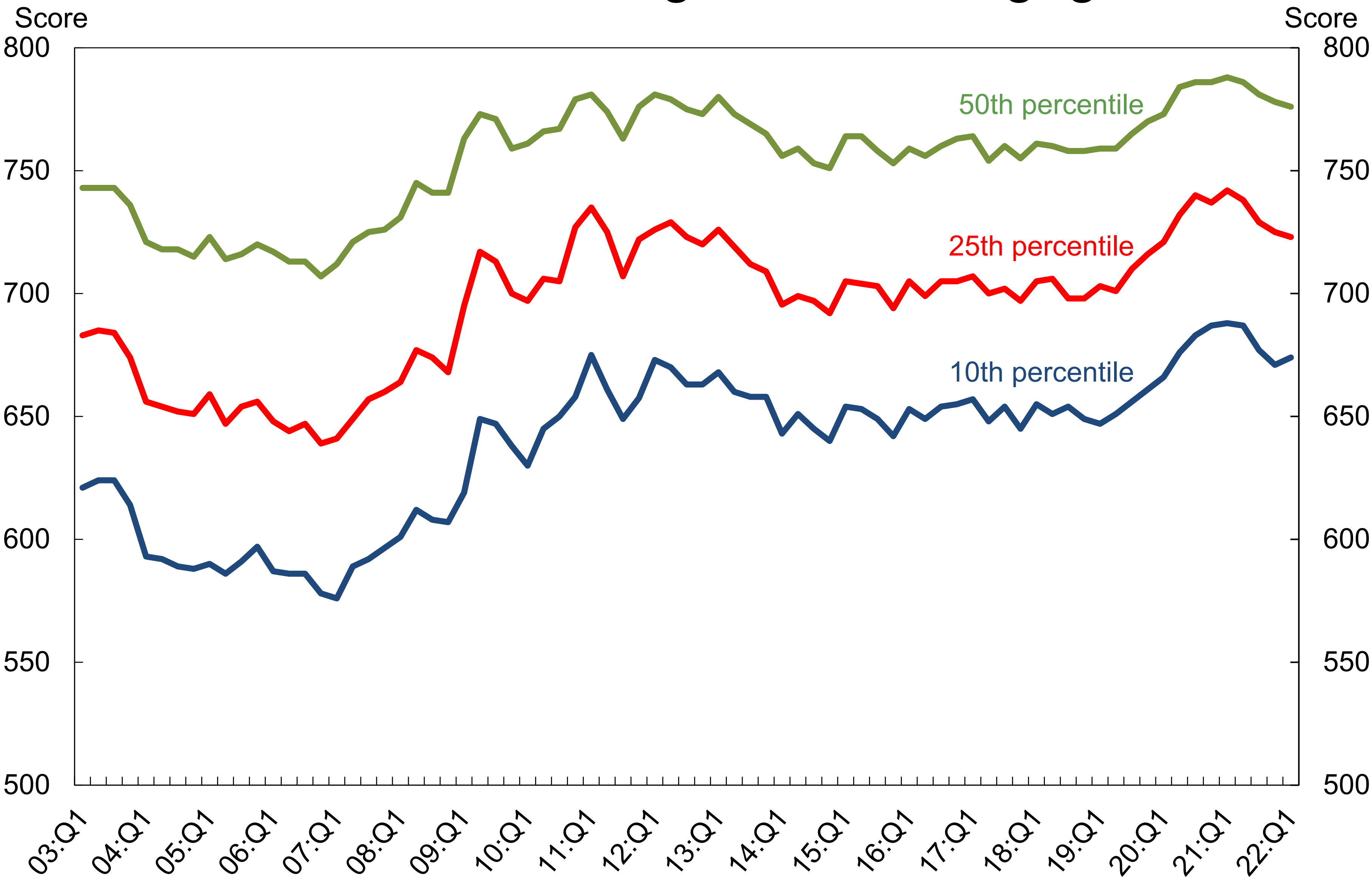
Source: New York Fed Consumer Credit Panel/Equifax

Mortgage Originations by Credit Score*



Source: New York Fed Consumer Credit Panel/Equifax
* Credit Score is Equifax Riskscore 3.0

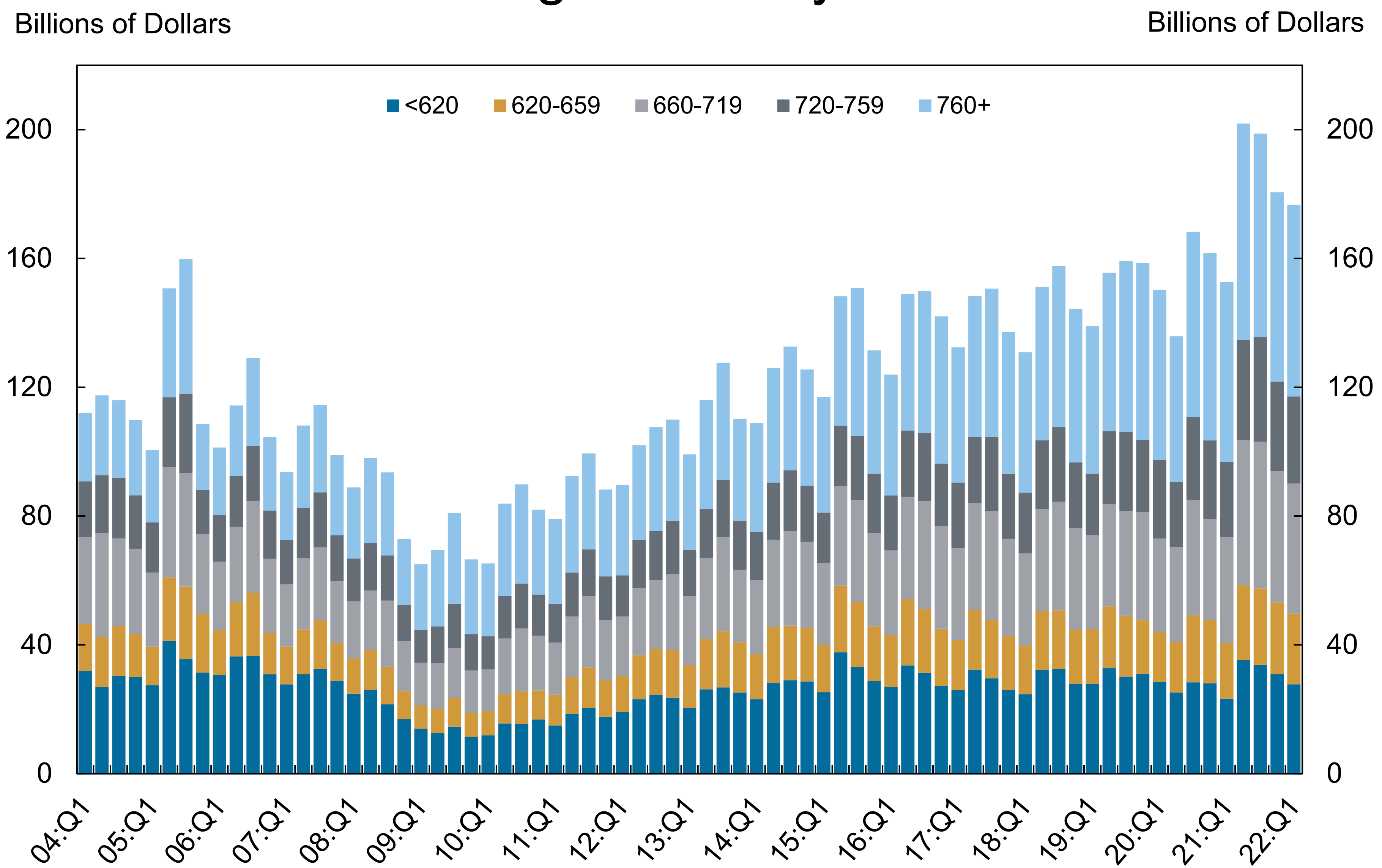
Credit Score at Origination: Mortgages*



Source: New York Fed Consumer Credit Panel/Equifax

* Credit Score is Equifax Riskscore 3.0; mortgages include first-liens only.

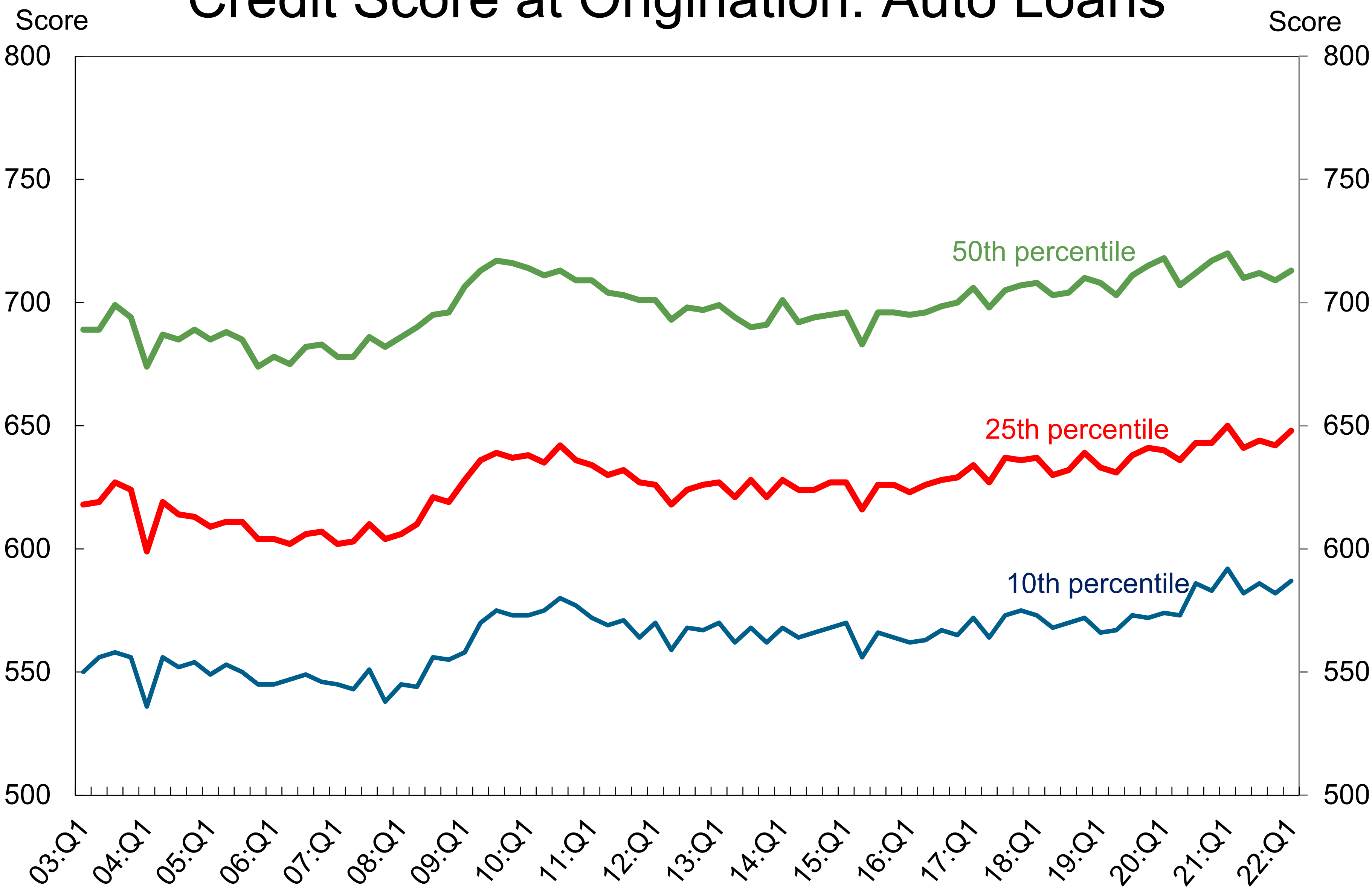
Auto Loan Originations by Credit Score*



Source: New York Fed Consumer Credit Panel/Equifax

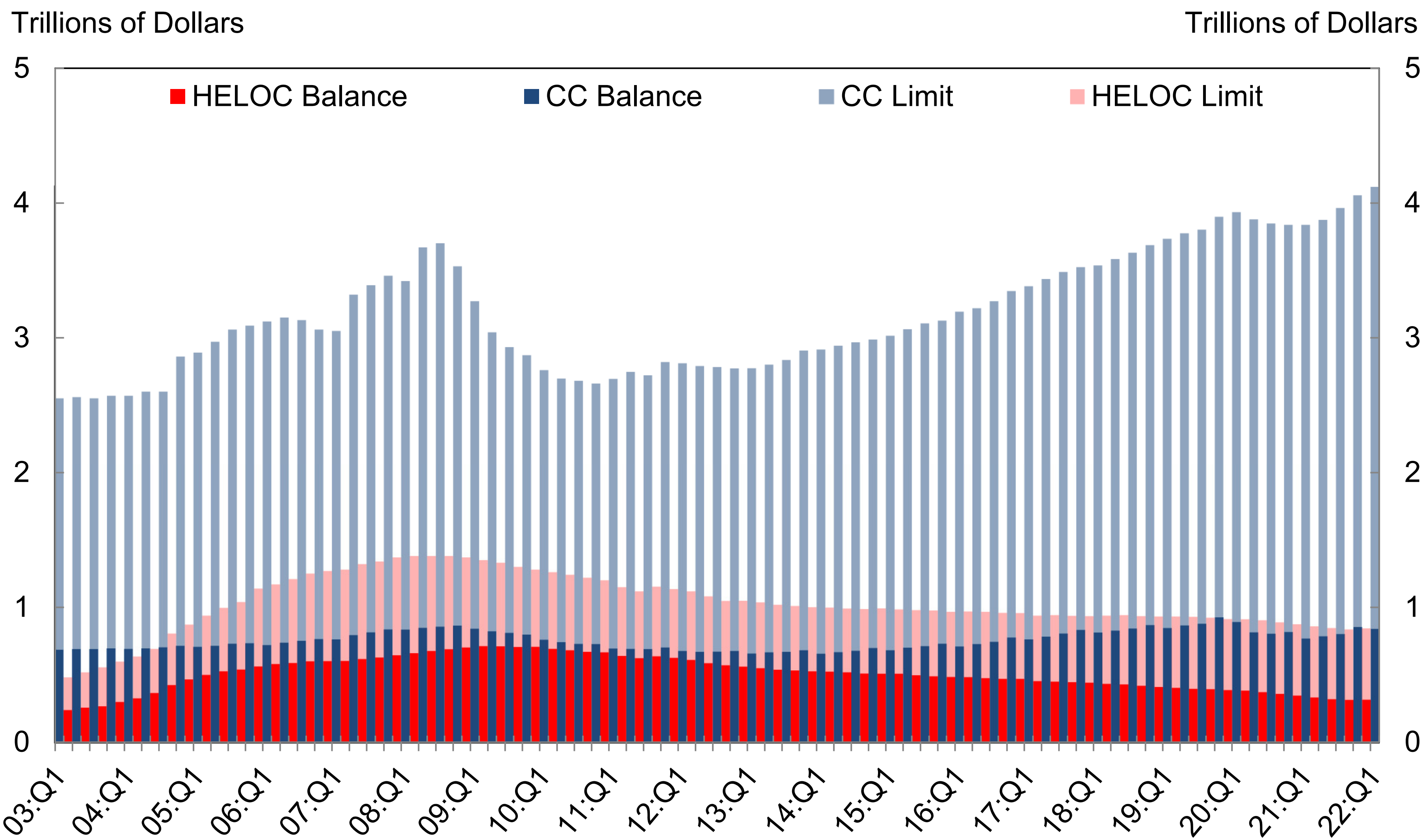
* Credit Score is Equifax Riskscore 3.0

Credit Score at Origination: Auto Loans*



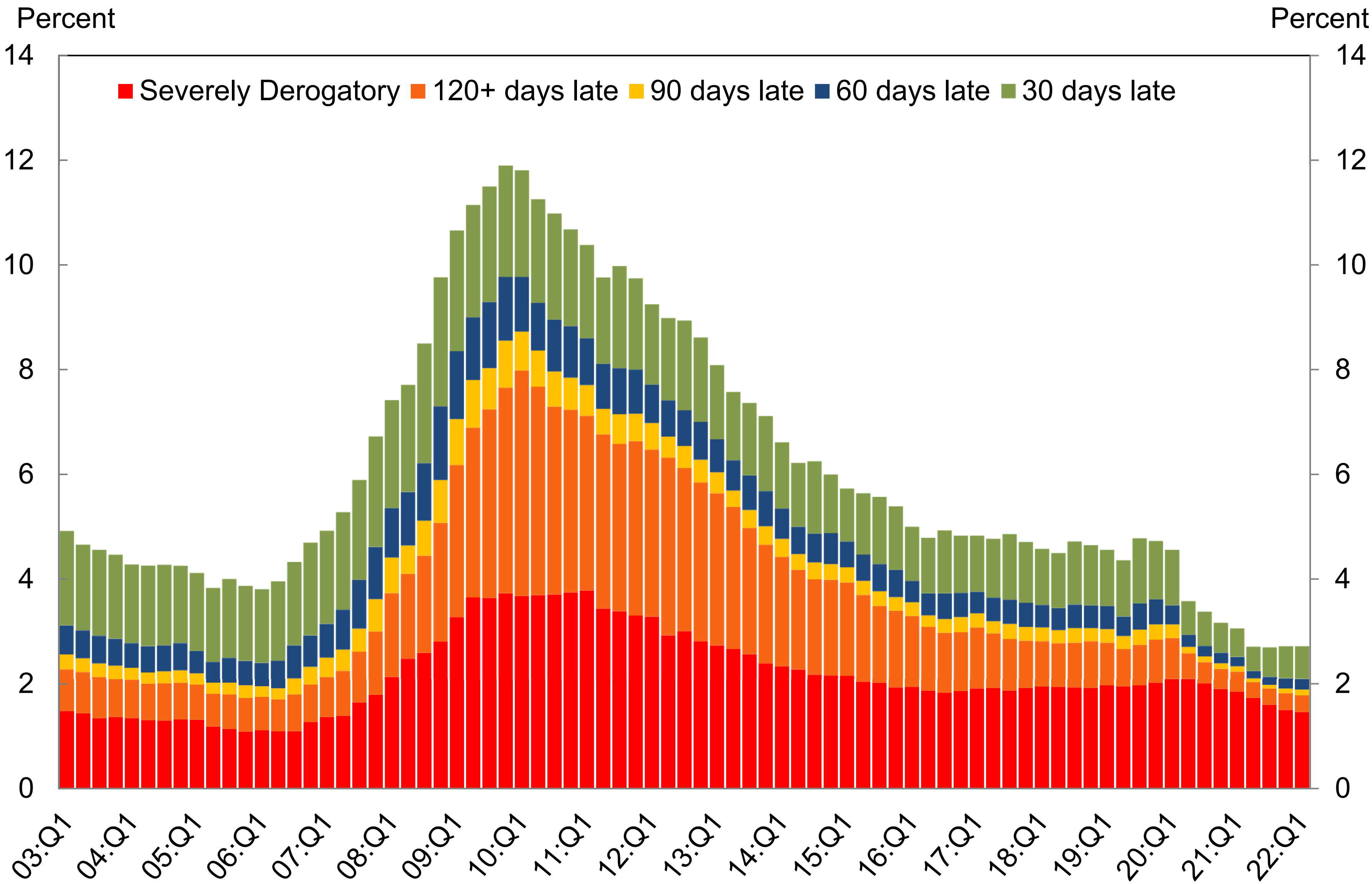
Source: New York Fed Consumer Credit Panel/Equifax
* Credit Score is Equifax Riskscore 3.0

Credit Limit and Balance for Credit Cards and HE Revolving



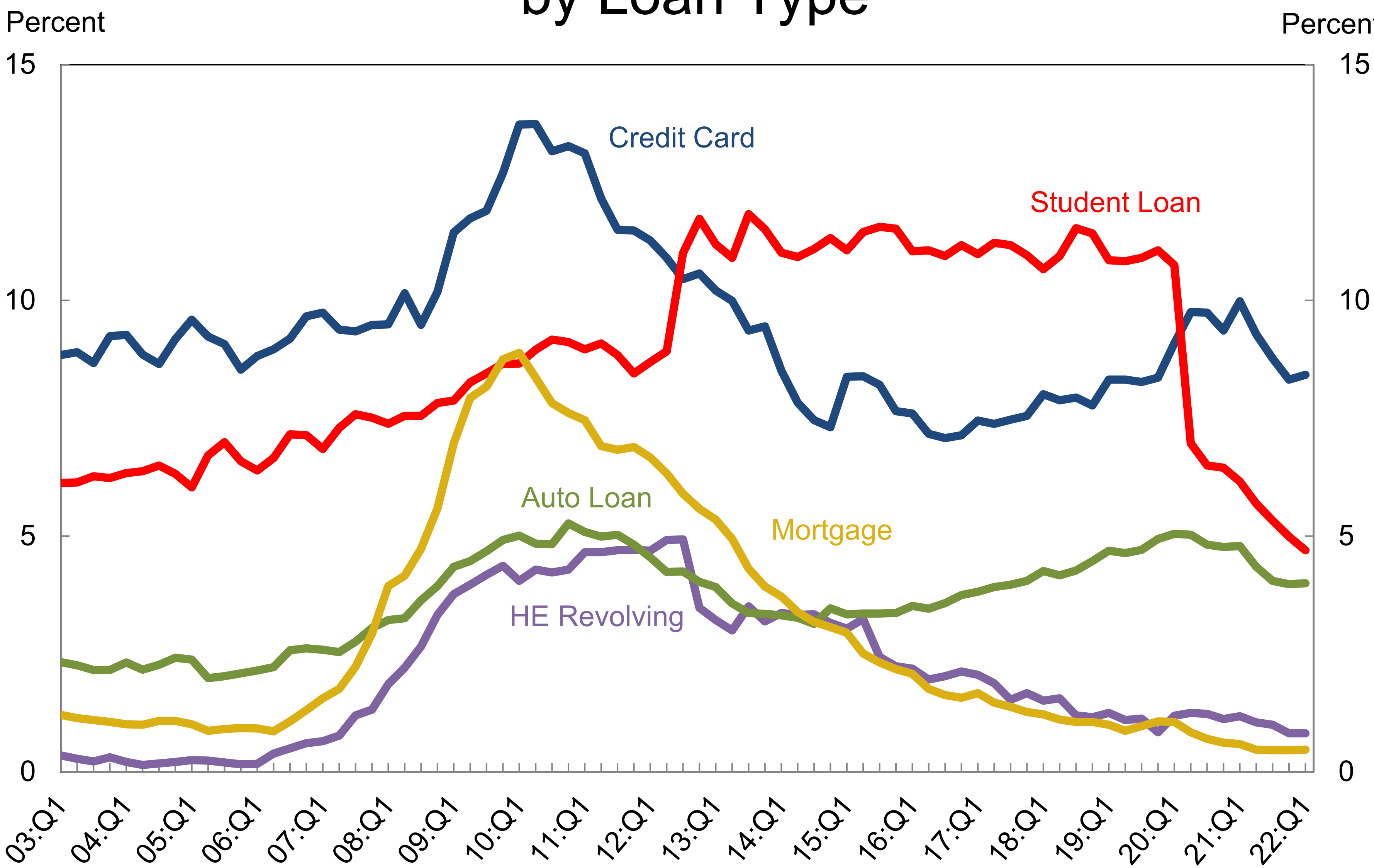
Source: New York Fed Consumer Credit Panel/Equifax

Total Balance by Delinquency Status



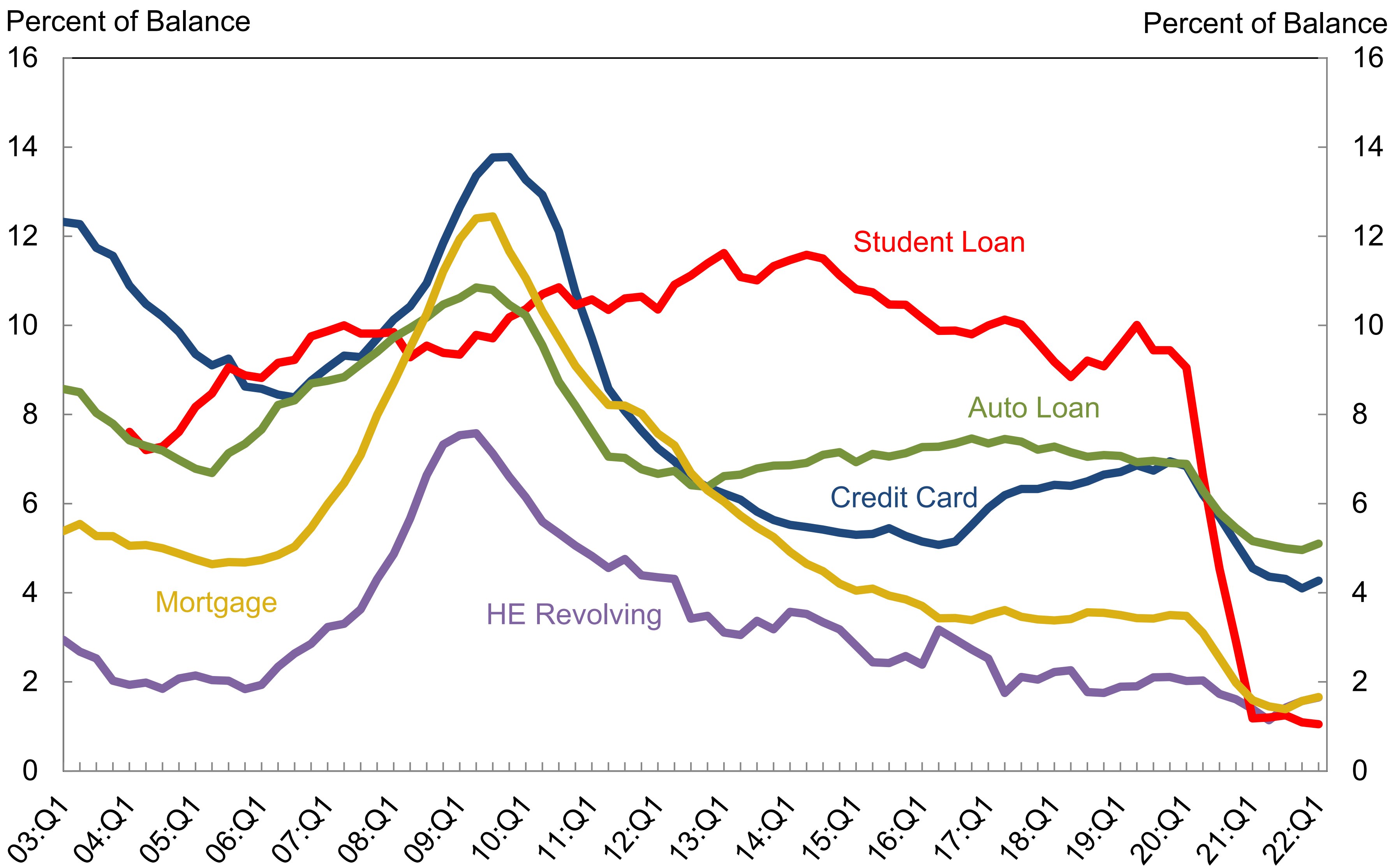
Source: New York Fed Consumer Credit Panel/Equifax

Percent of Balance 90+ Days Delinquent by Loan Type



Source: New York Fed Consumer Credit Panel/Equifax

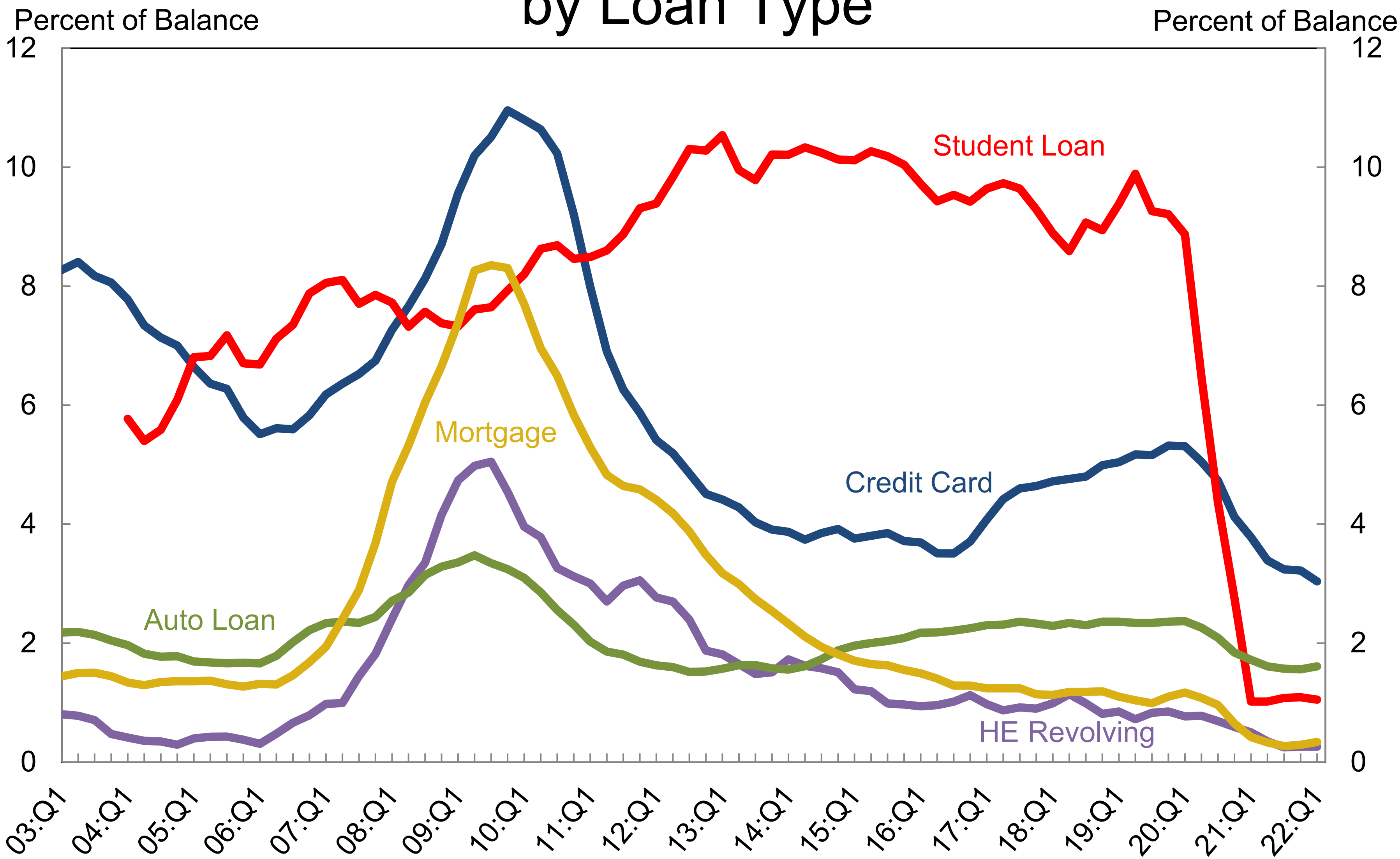
Transition into Delinquency (30+) by Loan Type



Source: New York Fed Consumer Credit Panel/Equifax

Note: 4 Quarter Moving Sum
Student loan data are not reported prior to 2004 due to uneven reporting

Transition into Serious Delinquency (90+) by Loan Type

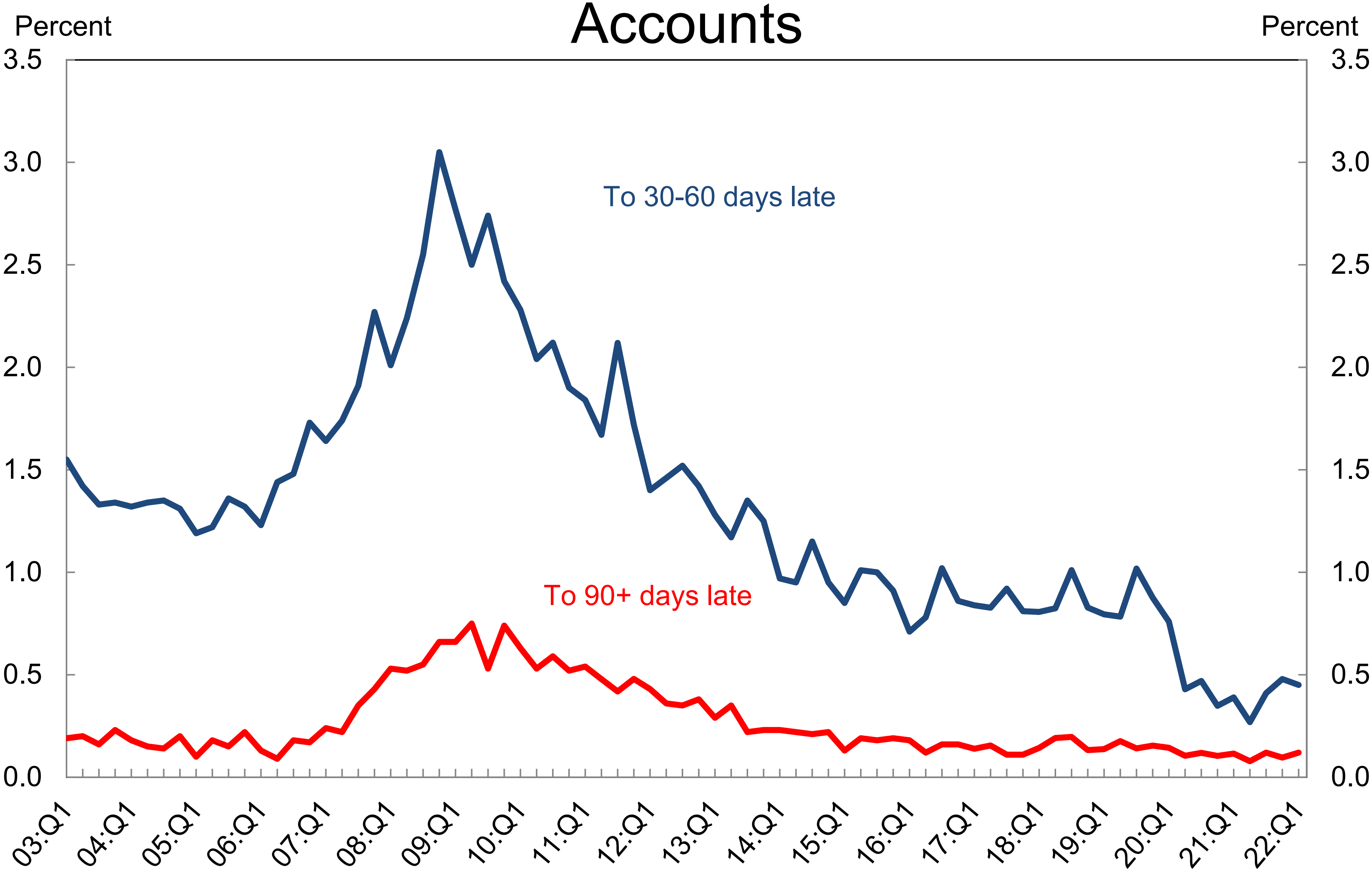


Note: 4 Quarter Moving Sum

Source: New York Fed Consumer Credit Panel/Equifax

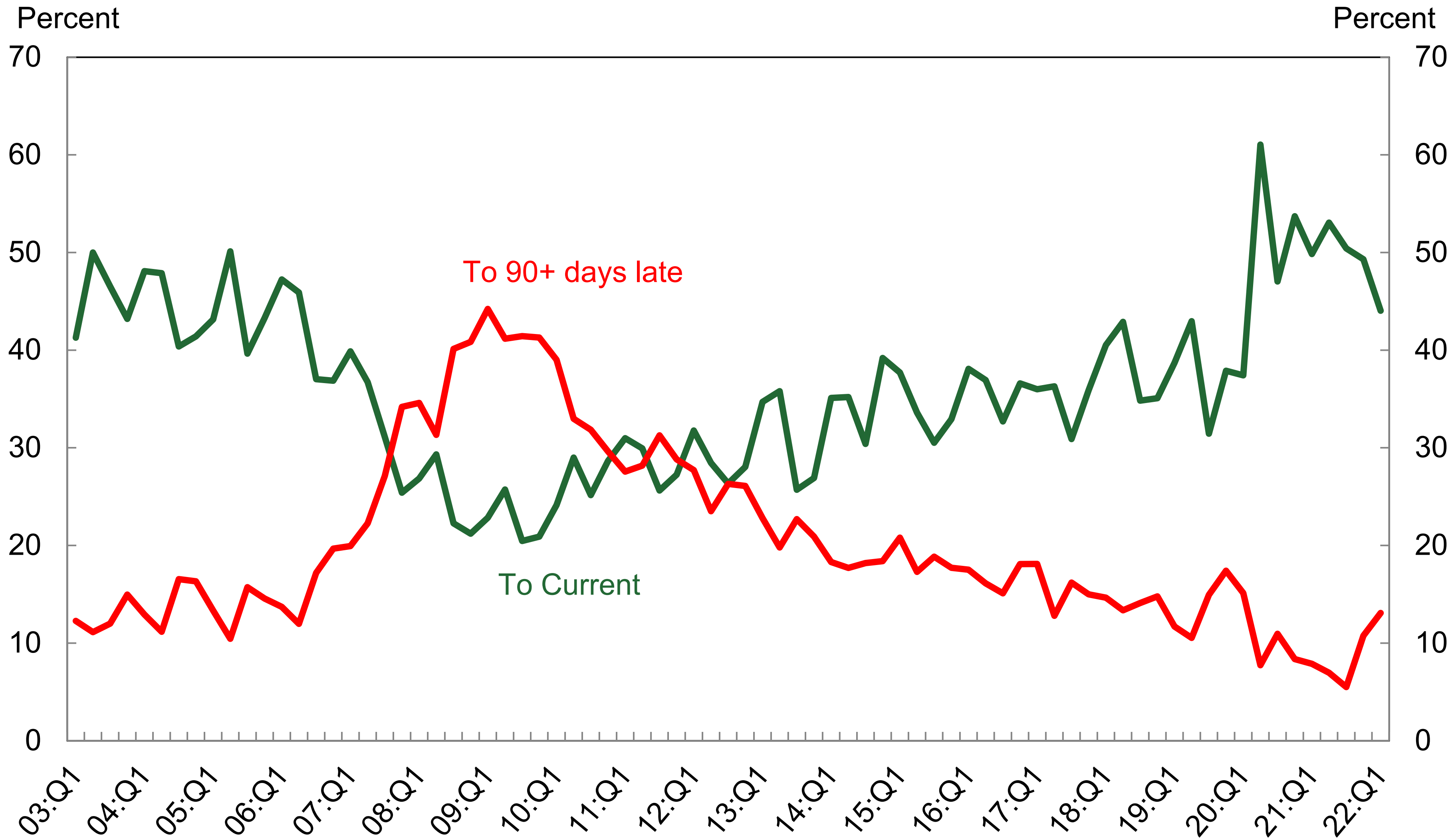
Student loan data are not reported prior to 2004 due to uneven reporting

Quarterly Transition Rates for Current Mortgage Accounts



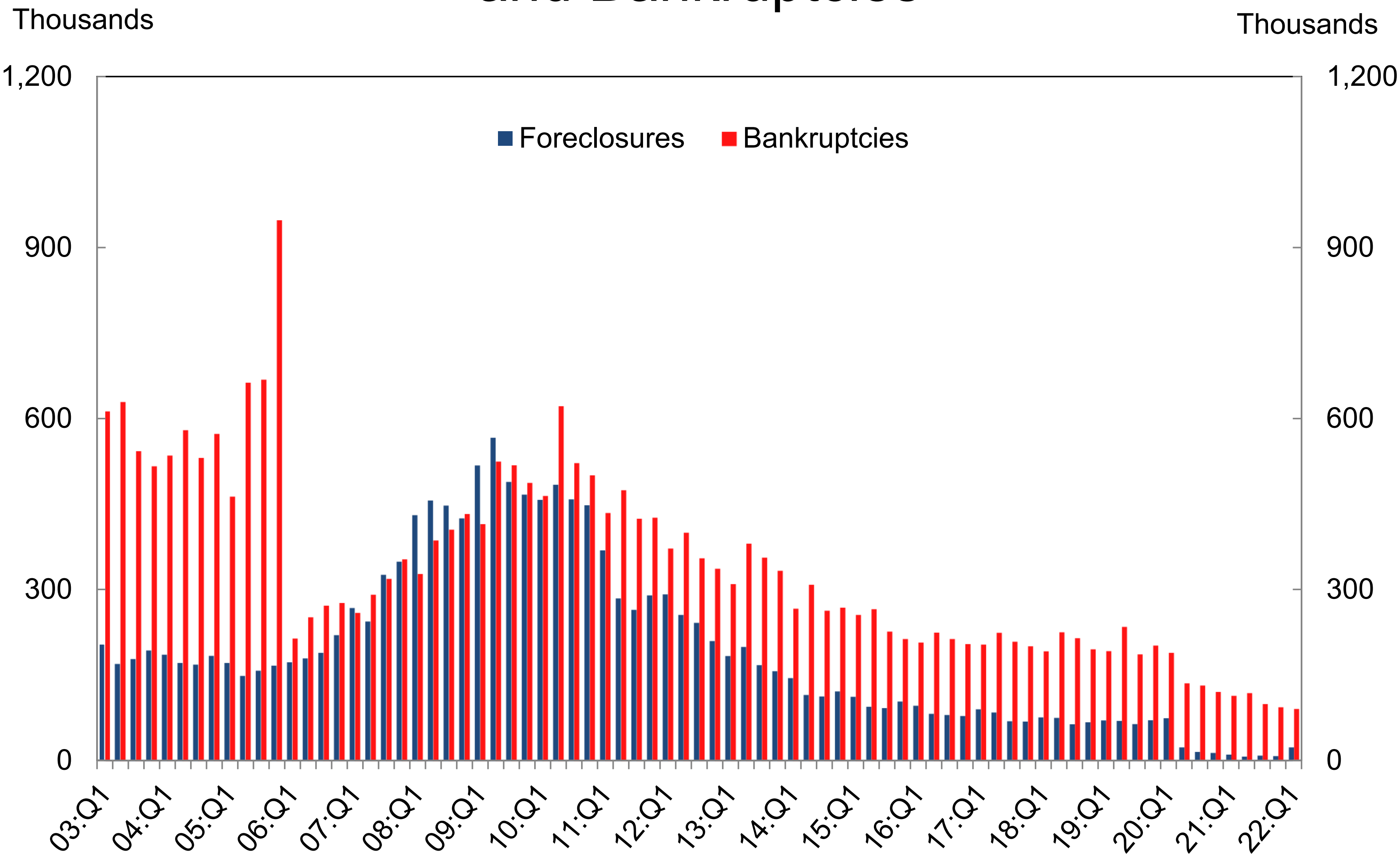
Source: New York Fed Consumer Credit Panel/Equifax

Quarterly Transition Rates for 30-60 Day Late Mortgage Accounts



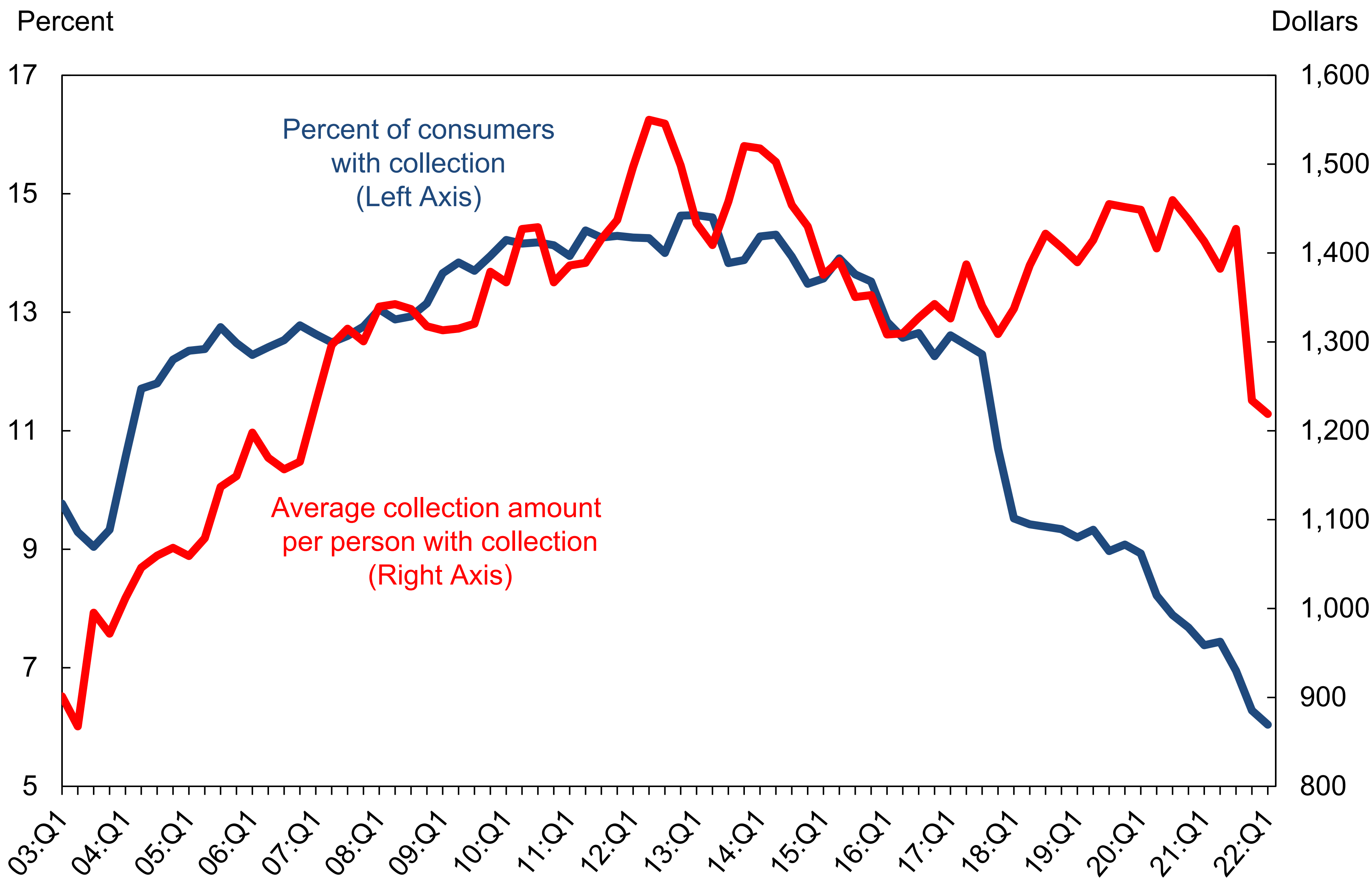
Source: New York Fed Consumer Credit Panel/Equifax

Number of Consumers with New Foreclosures and Bankruptcies



Source: New York Fed Consumer Credit Panel/Equifax

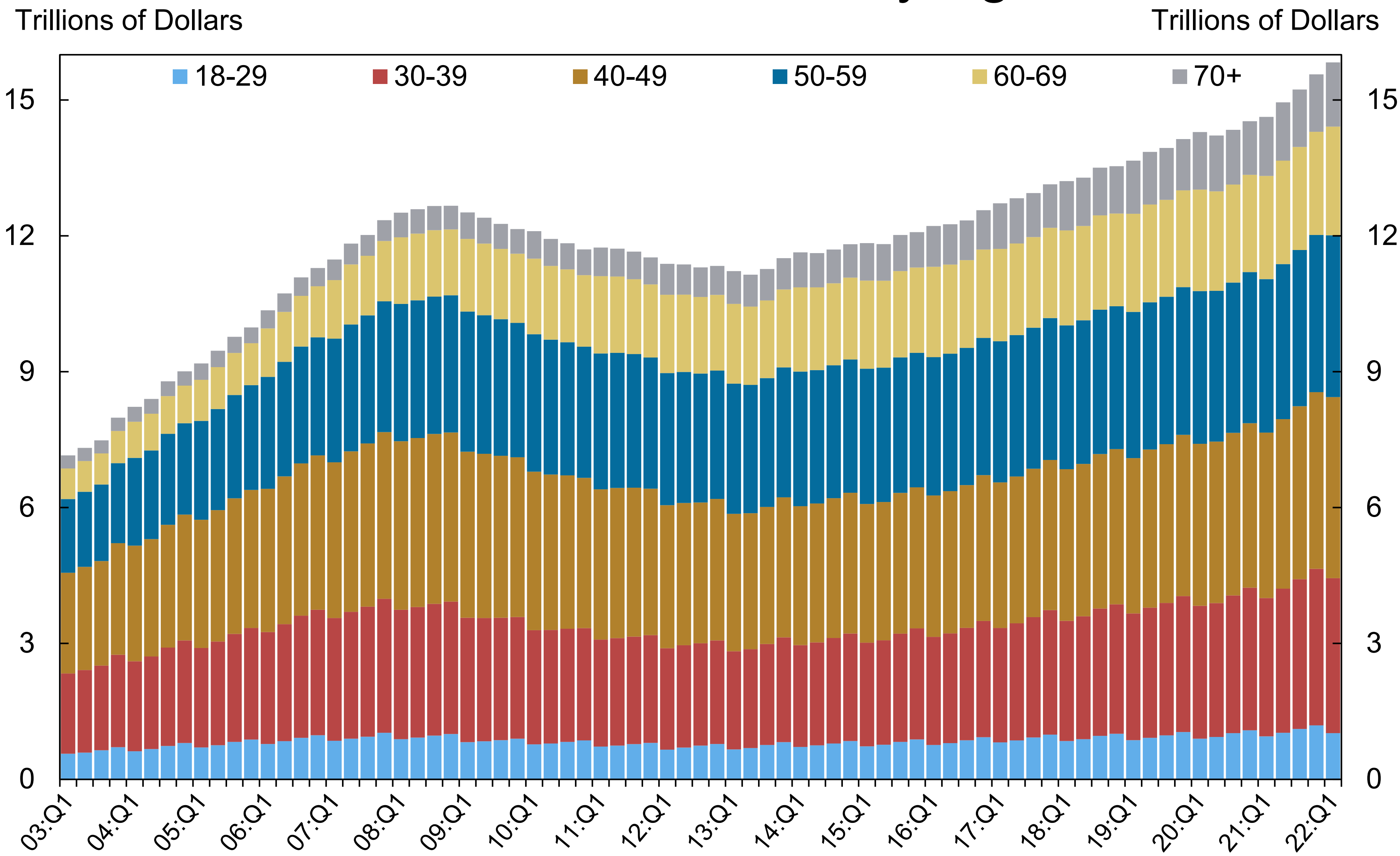
Third Party Collections



Source: New York Fed Consumer Credit Panel/Equifax

SELECT CHARTS BY AGE

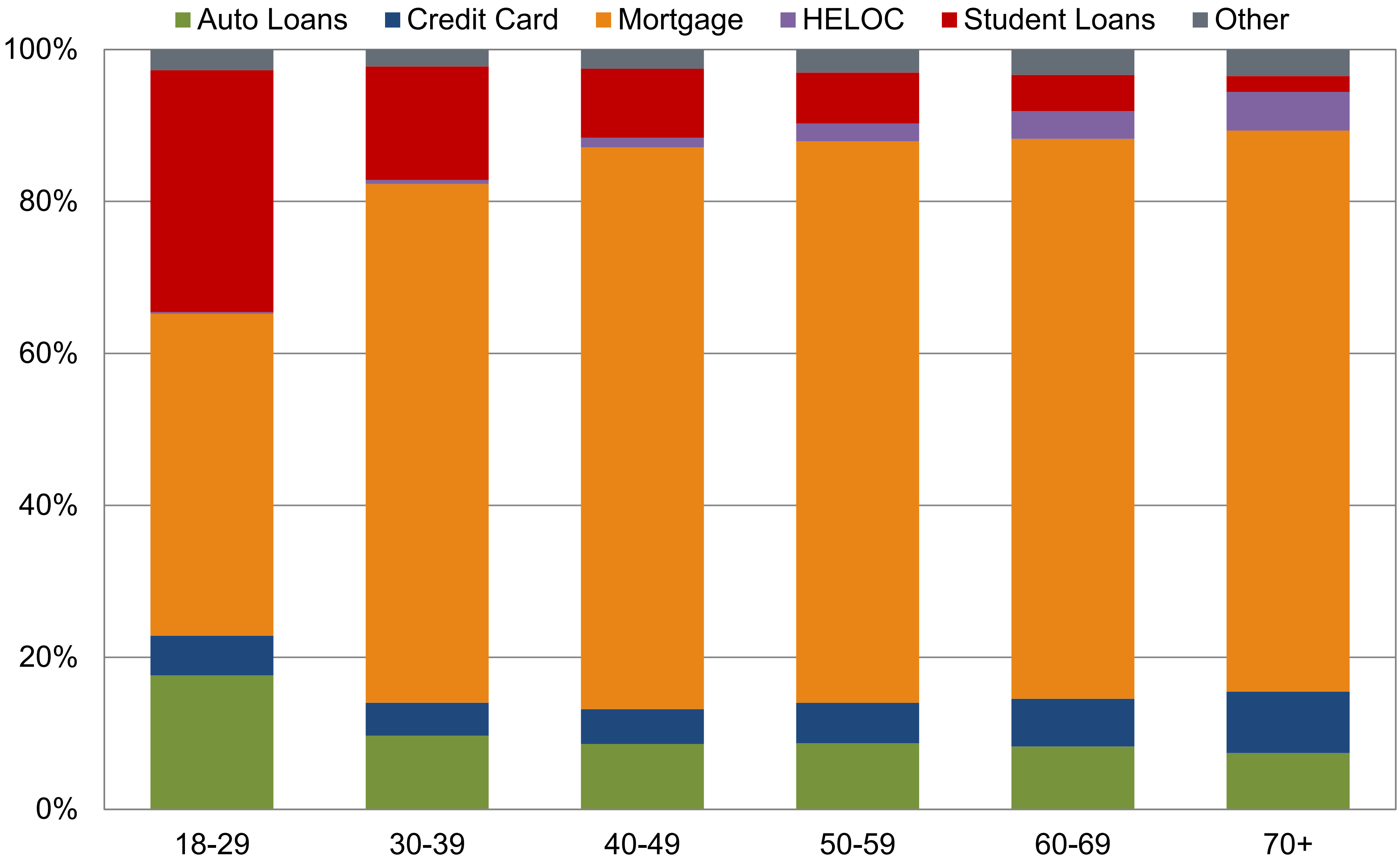
Total Debt Balance by Age



Note: Age is defined as the current year minus the birthyear of the borrower. Age groups are re-defined each year. Balances may not add up to totals due to a small number of individuals with unknown birthyears.

Source: New York Fed Consumer Credit Panel/Equifax

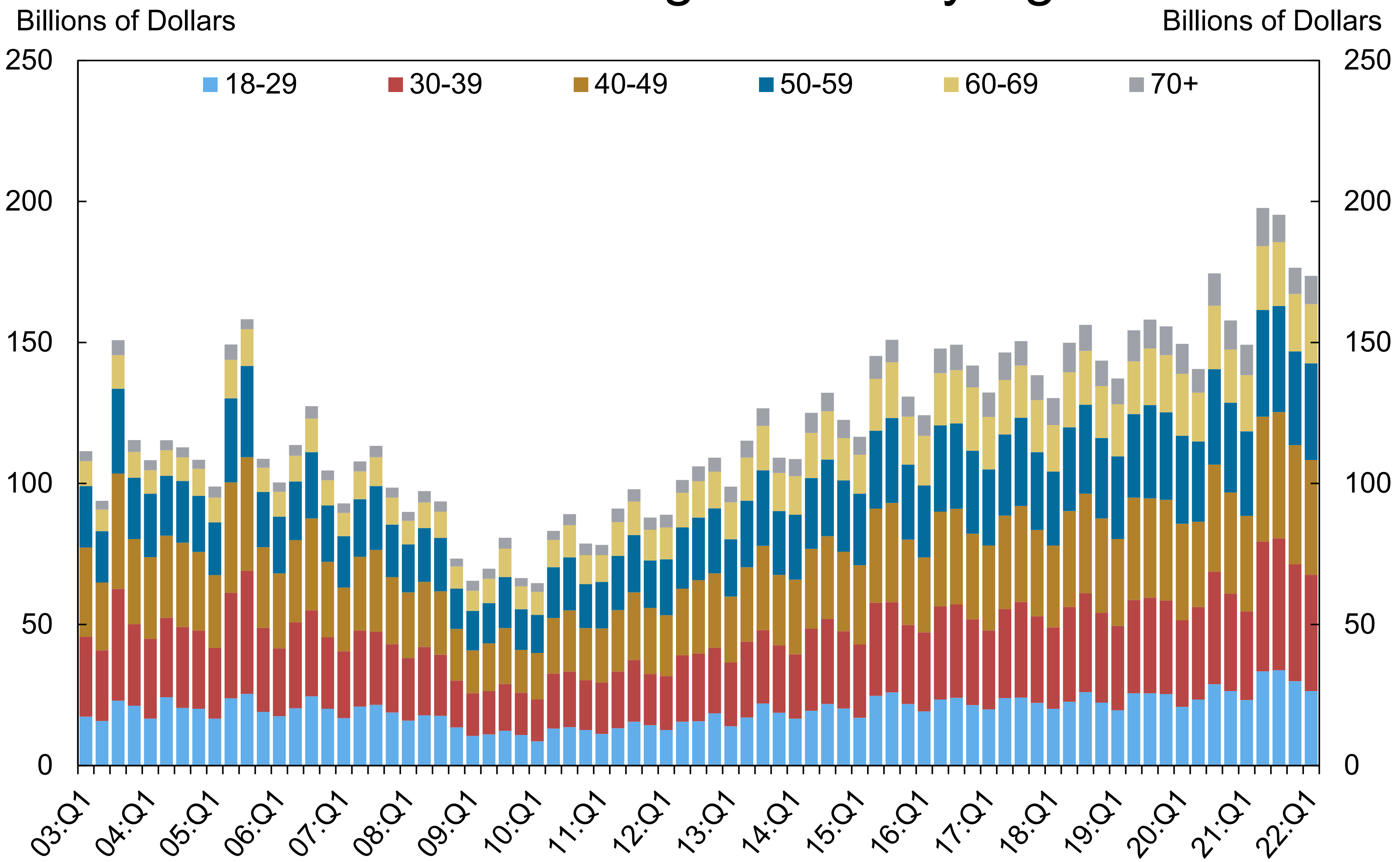
Debt Share by Product Type and Age (2022 Q1)



Note: Age is defined as the current year minus the birthyear of the borrower. Age groups are re-defined each year. Balances may not add up to totals due to a small number of individuals with unknown birthyears.

Source: New York Fed Consumer Credit Panel/Equifax

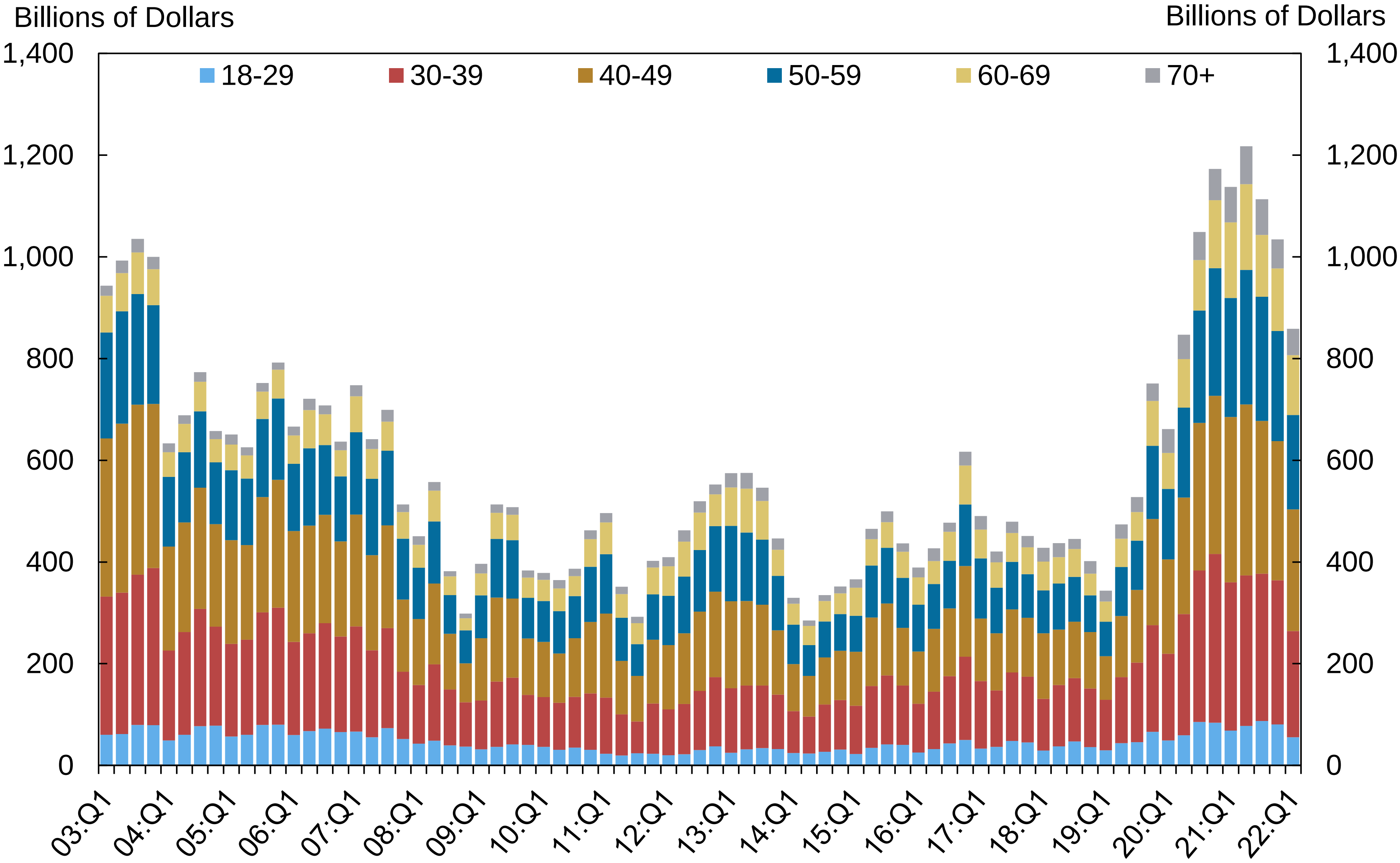
Auto Loan Originations by Age



Source: New York Fed Consumer Credit Panel/Equifax

Note: Age is defined as the current year minus the birthyear of the borrower. Age groups are re-defined each year. Balances may not add up to totals due to a small number of individuals with unknown birthyears.

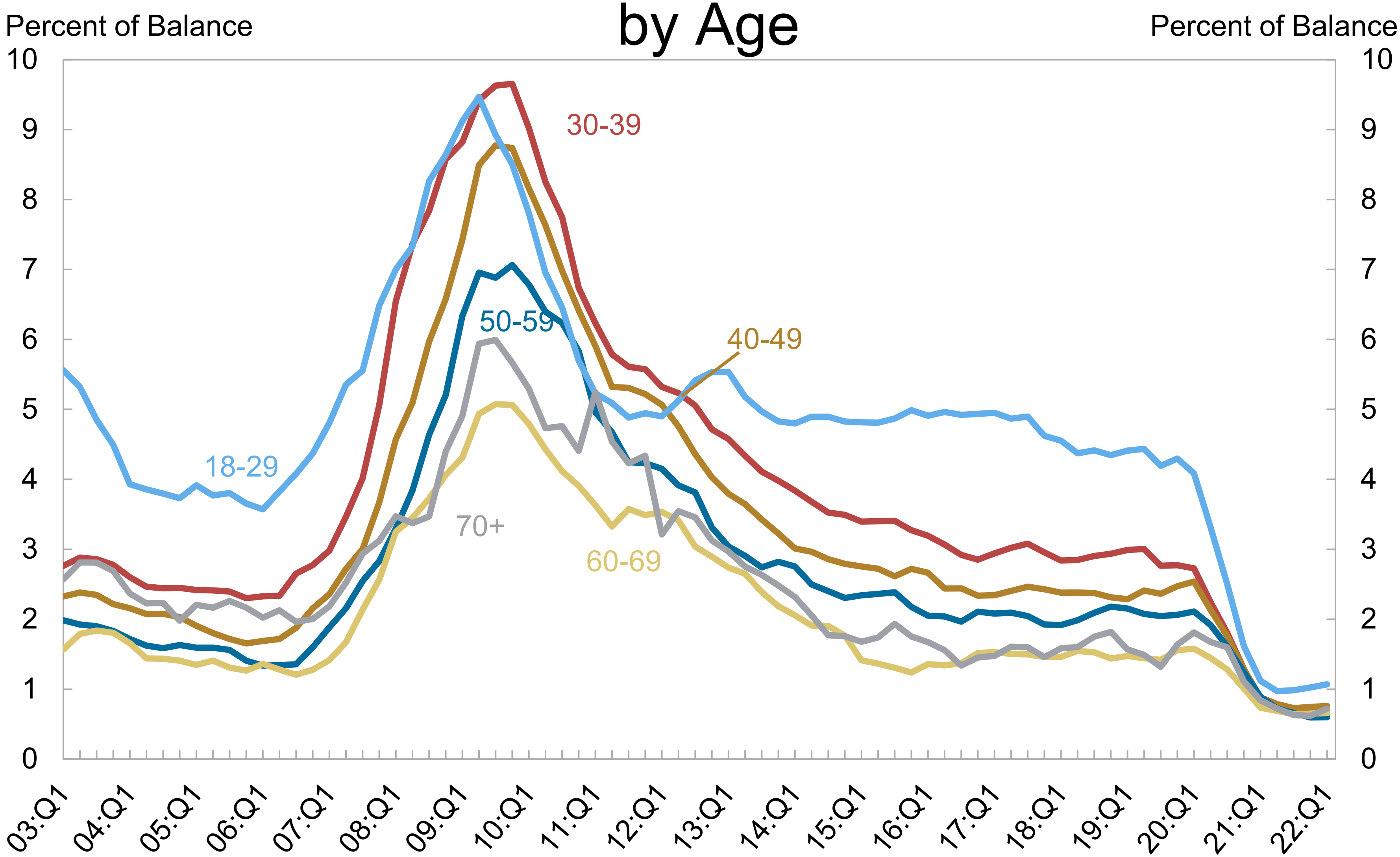
Mortgage Originations by Age



Source: New York Fed Consumer Credit Panel/Equifax

Note: Age is defined as the current year minus the birthyear of the borrower. Age groups are re-defined each year. Balances may not add up to totals due to a small number of individuals with unknown birthyears.

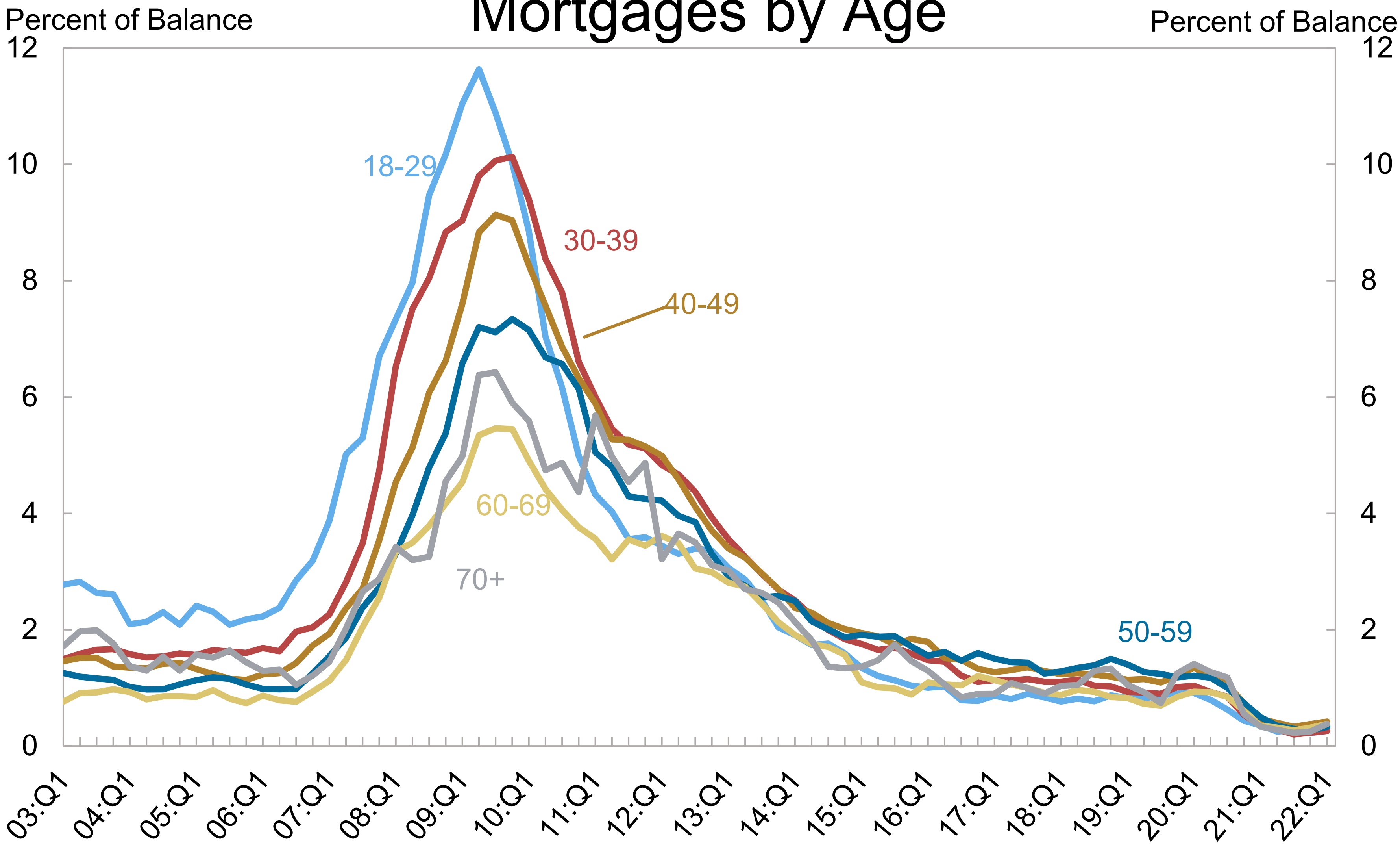
Transition into Serious Delinquency (90+) by Age



Note: 4 Quarter Moving Sum.
Age is defined as the current year minus the birthyear of the borrower.
Age groups are re-defined each year.

Source: New York Fed Consumer Credit Panel/Equifax

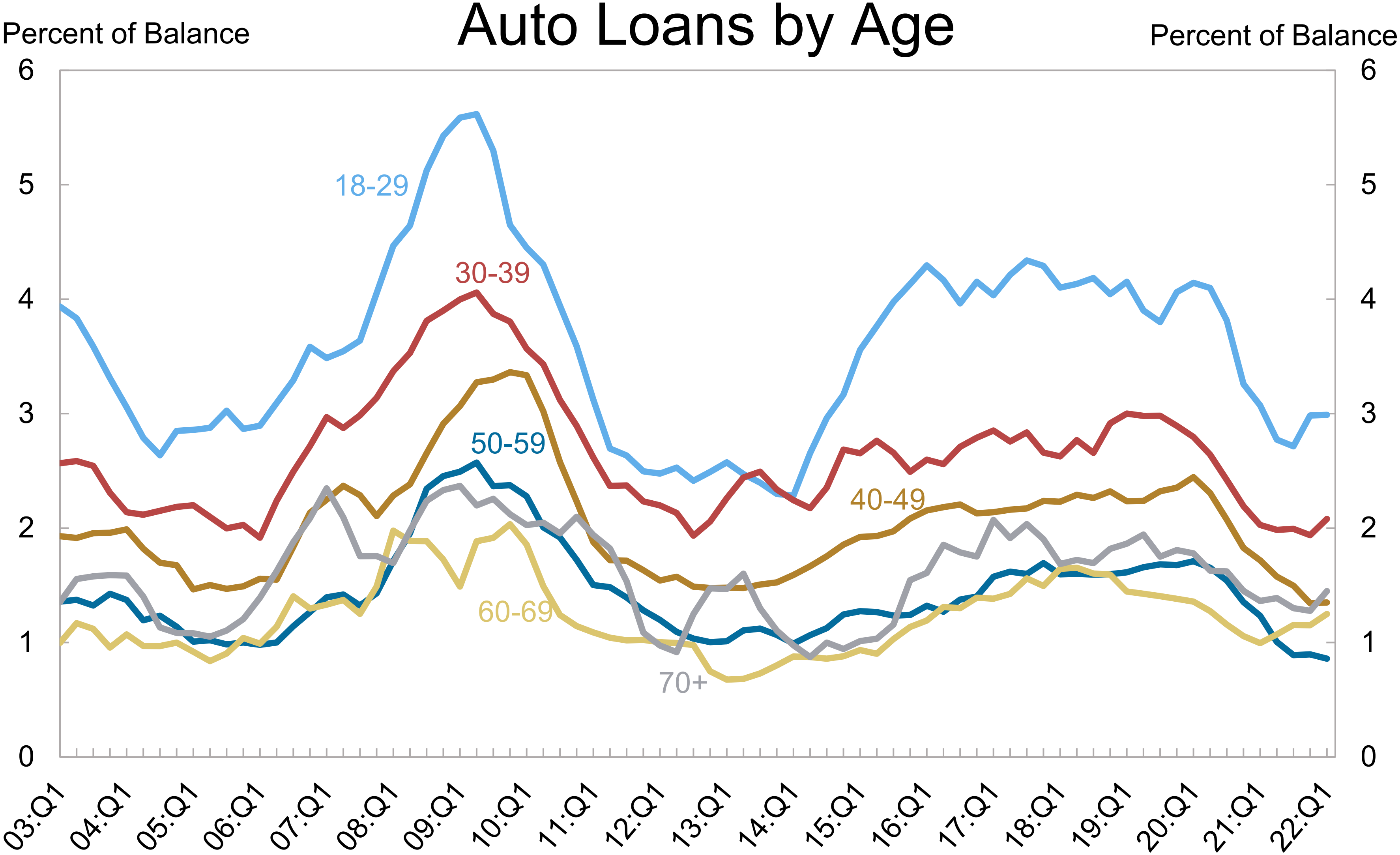
Transition into Serious Delinquency (90+) for Mortgages by Age



Note: 4 Quarter Moving Sum.
Age is defined as the current year minus the birthyear of the borrower.
Age groups are re-defined each year.

Source: New York Fed Consumer Credit Panel/Equifax

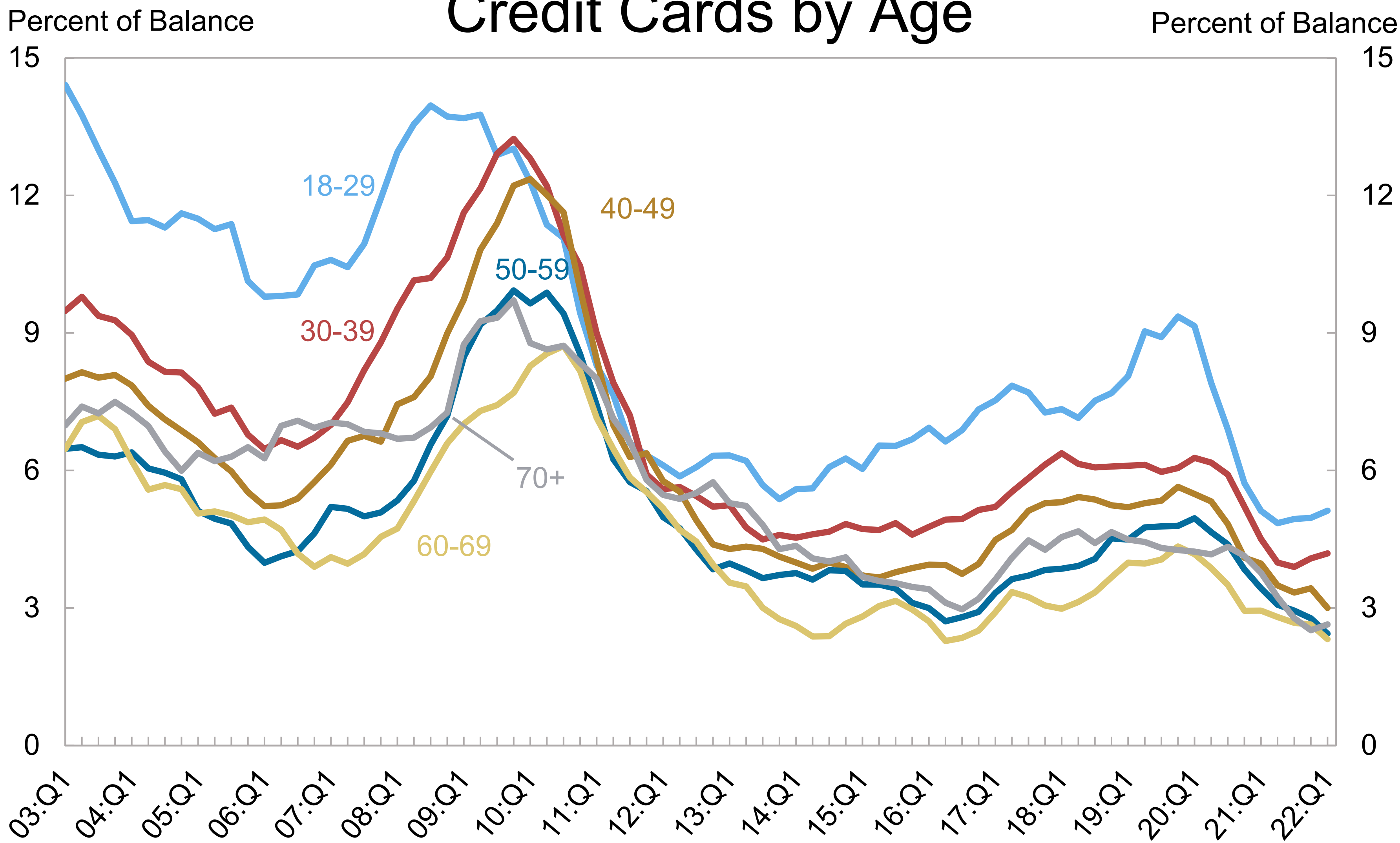
Transition into Serious Delinquency (90+) for Auto Loans by Age



Note: 4 Quarter Moving Sum.
Age is defined as the current year minus the birthyear of the borrower.
Age groups are re-defined each year.

Source: New York Fed Consumer Credit Panel/Equifax

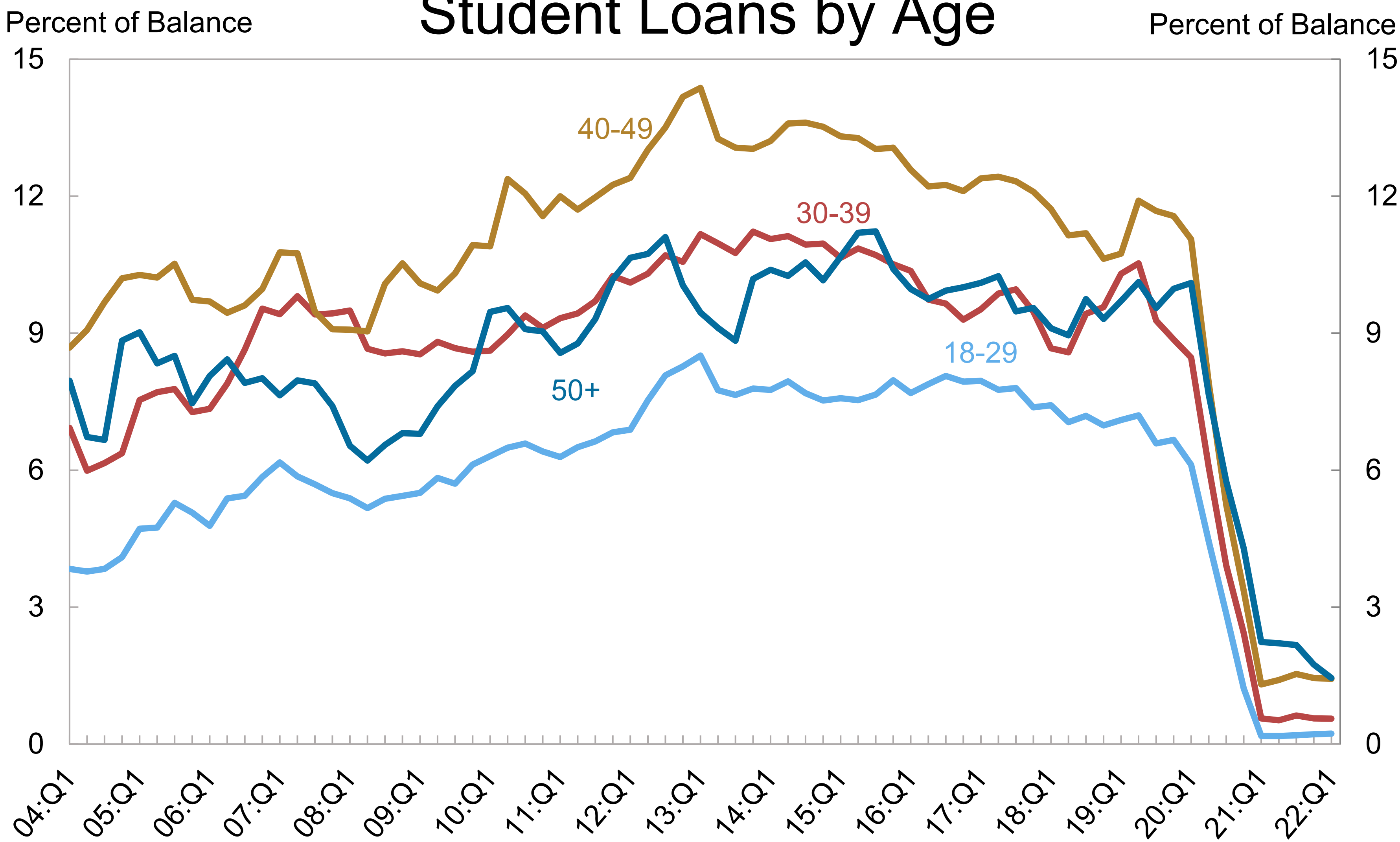
Transition into Serious Delinquency (90+) for Credit Cards by Age



Note: 4 Quarter Moving Sum.
Age is defined as the current year minus the birthyear of the borrower.
Age groups are re-defined each year.

Source: New York Fed Consumer Credit Panel/Equifax

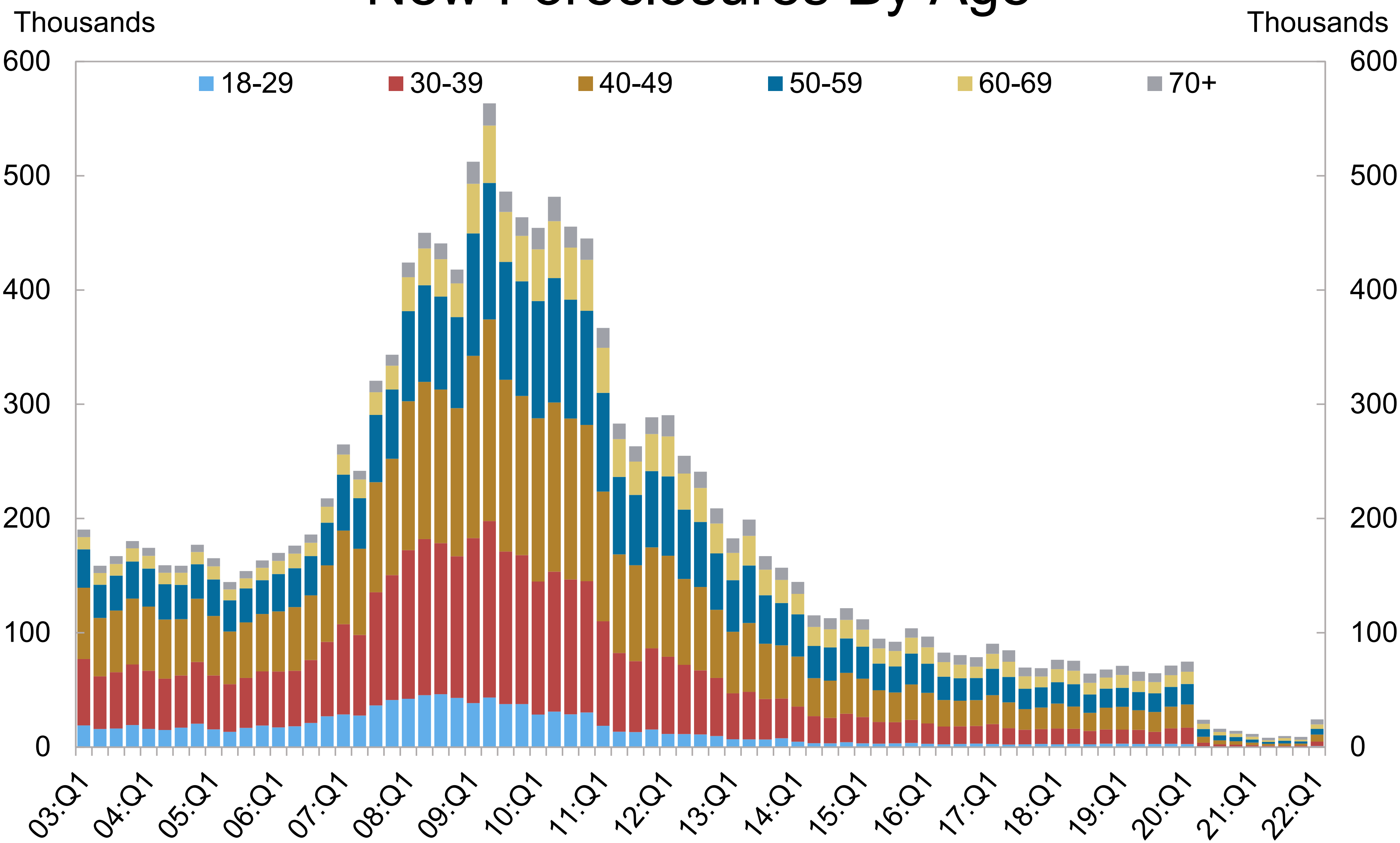
Transition into Serious Delinquency (90+) for Student Loans by Age



Note: 4 Quarter Moving Sum.
Age is defined as the current year minus the birthyear of the borrower.
Age groups are re-defined each year

Source: New York Fed Consumer Credit Panel/Equifax

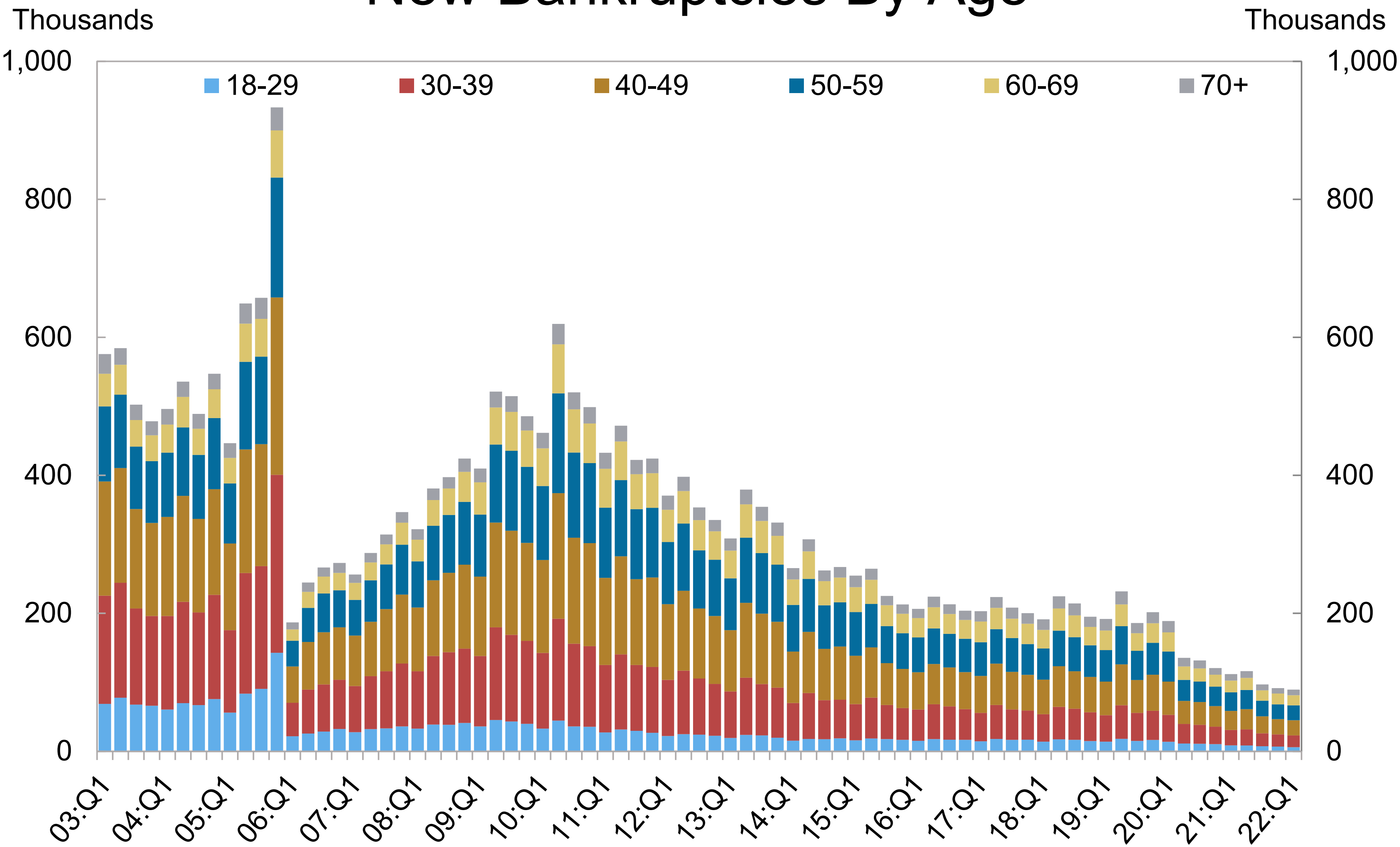
New Foreclosures By Age



Source: New York Fed Consumer Credit Panel/Equifax

Note: 4 Quarter Moving Sum.
Age is defined as the current year minus the birthyear of the borrower.
Age groups are re-defined each year. Balances may not add up to totals due to a small number of individuals with unknown birthyears.

New Bankruptcies By Age

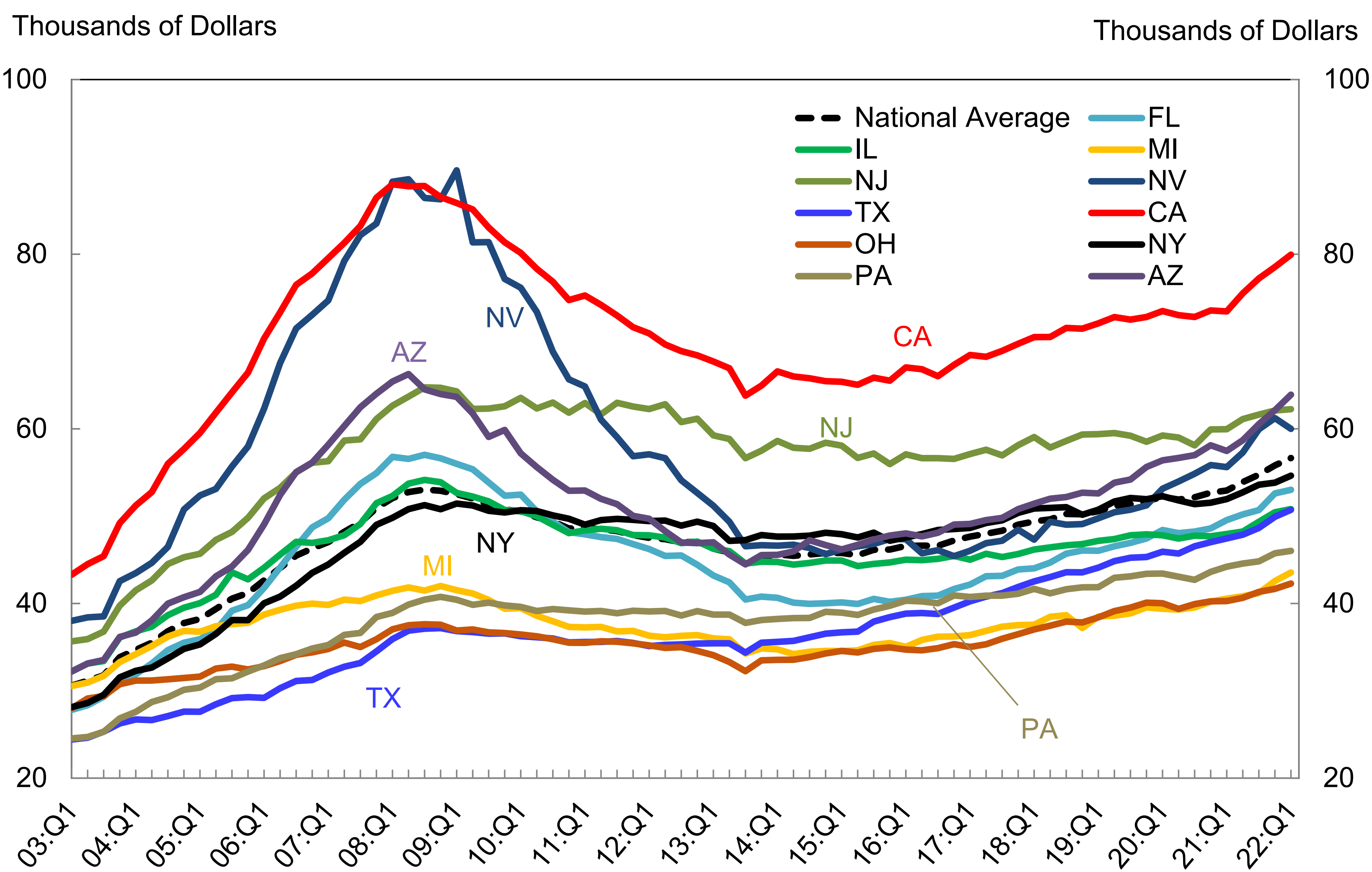


Note: 4 Quarter Moving Sum.
Age is defined as the current year minus the birthyear of the borrower.
Age groups are re-defined each year. Balances may not add up to totals due to a small number of individuals with unknown birthyears.

Source: New York Fed Consumer Credit Panel/Equifax

CHARTS BY SELECT STATE

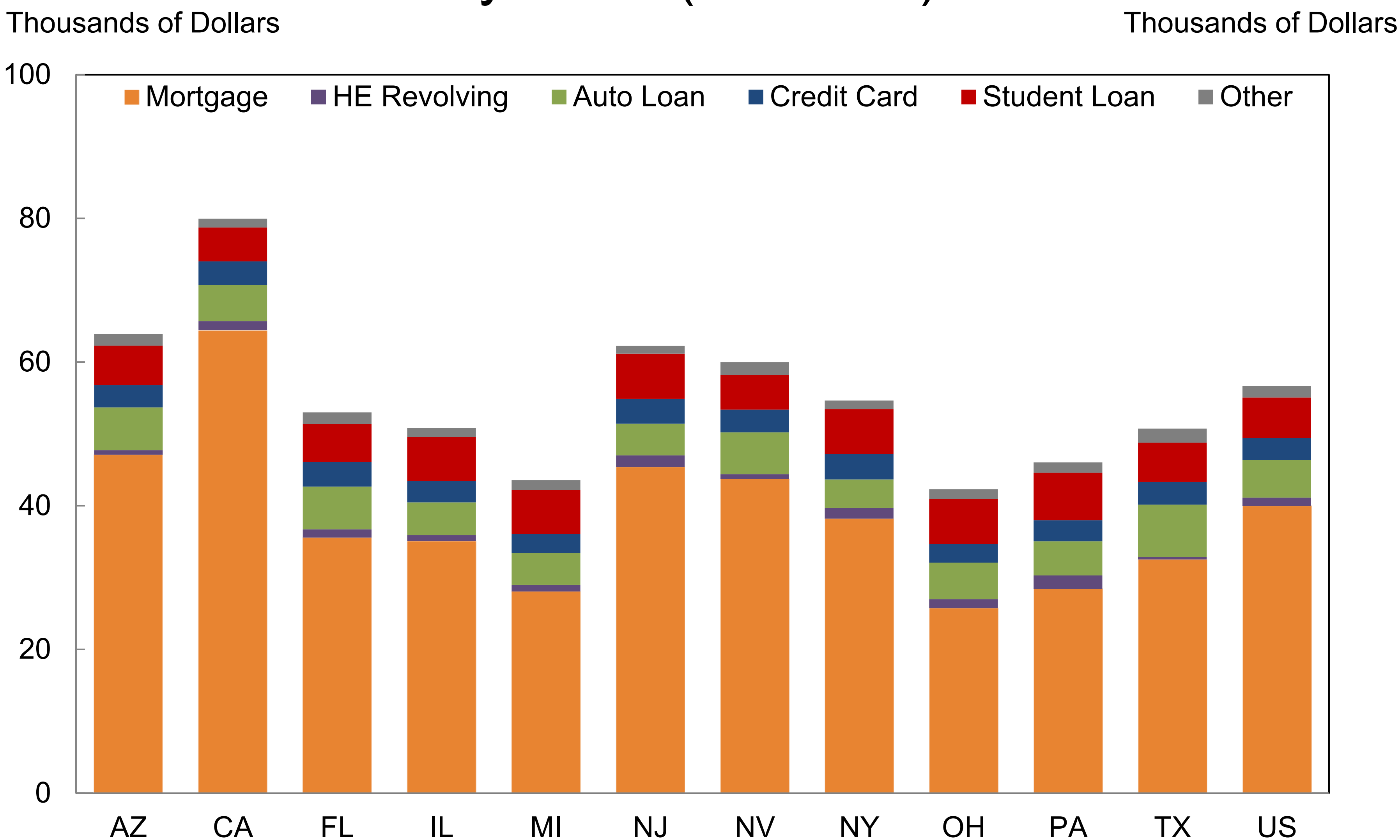
Total Debt Balance per Capita* by State



Source: New York Fed Consumer Credit Panel/Equifax

Note: *Based on the population with a credit report

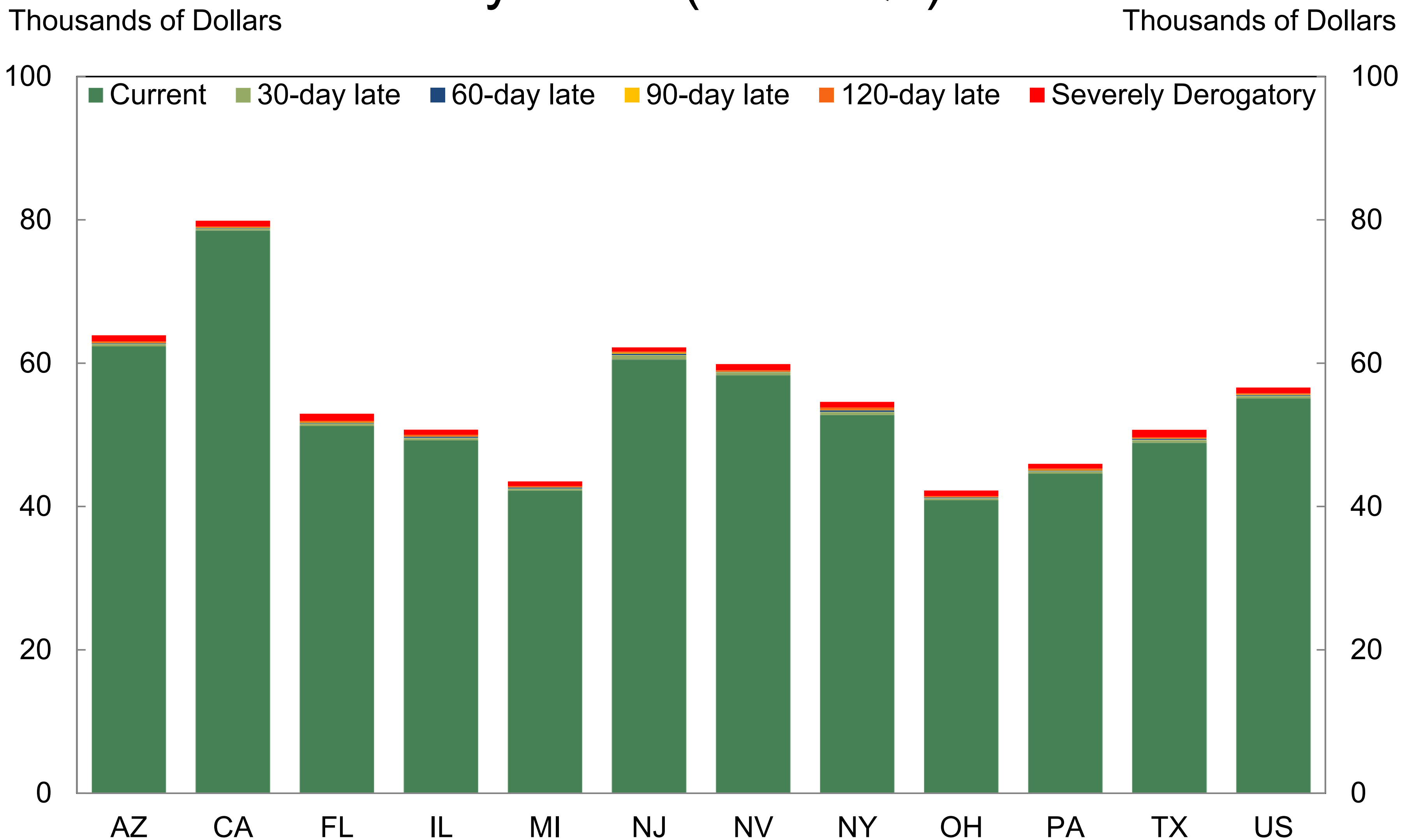
Composition of Debt Balance per Capita* by State (2022 Q1)



Source: New York Fed Consumer Credit Panel/Equifax

Note: * Based on the population with a credit report

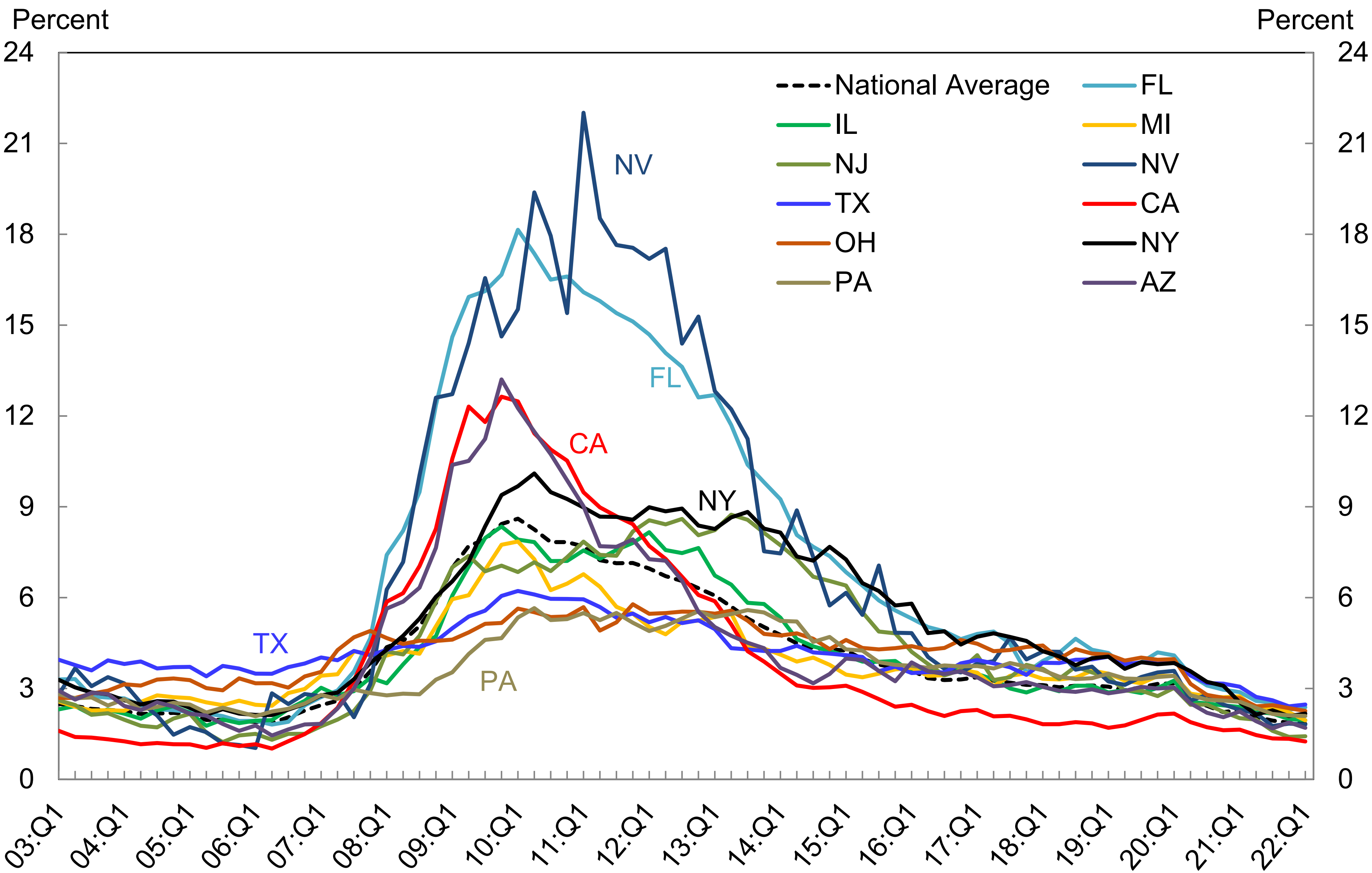
Delinquency Status of Debt Balance per Capita* by State (2022 Q1)



Source: New York Fed Consumer Credit Panel/Equifax

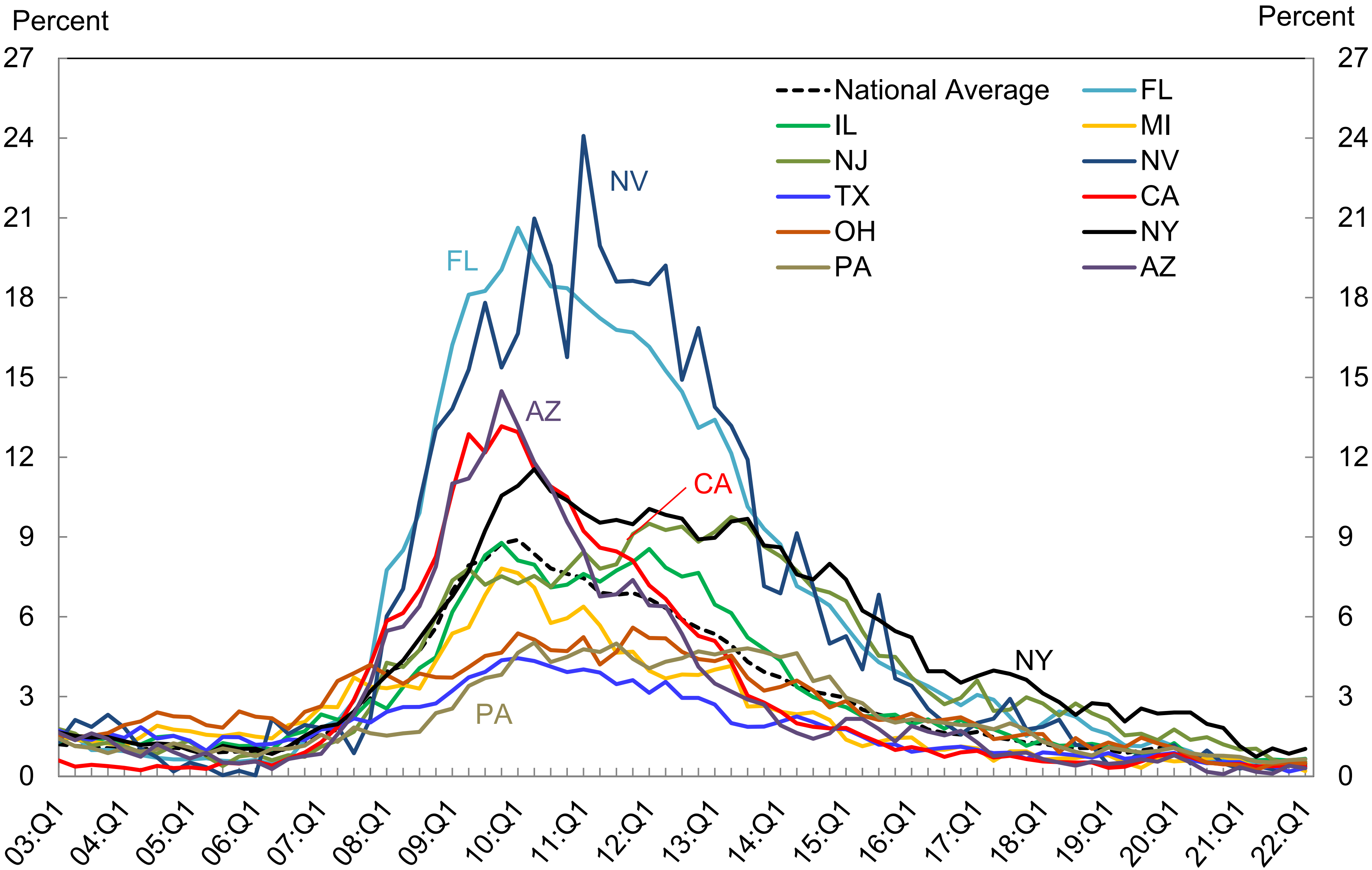
Note: * Based on the population with a credit report

Percent of Balance 90+ Days Late by State



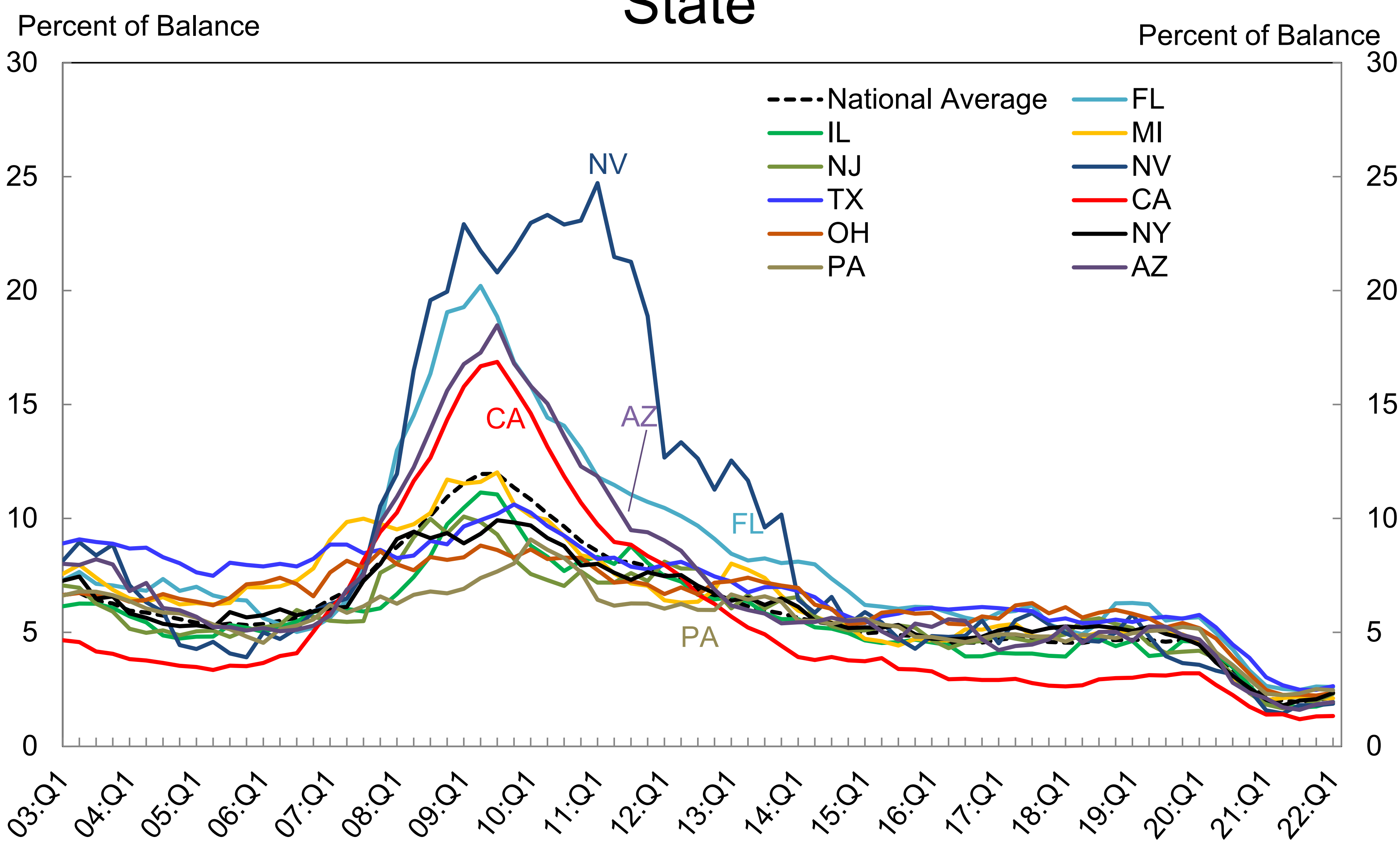
Source: New York Fed Consumer Credit Panel/Equifax

Percent of Mortgage Debt 90+ Days Late by State



Source: New York Fed Consumer Credit Panel/Equifax

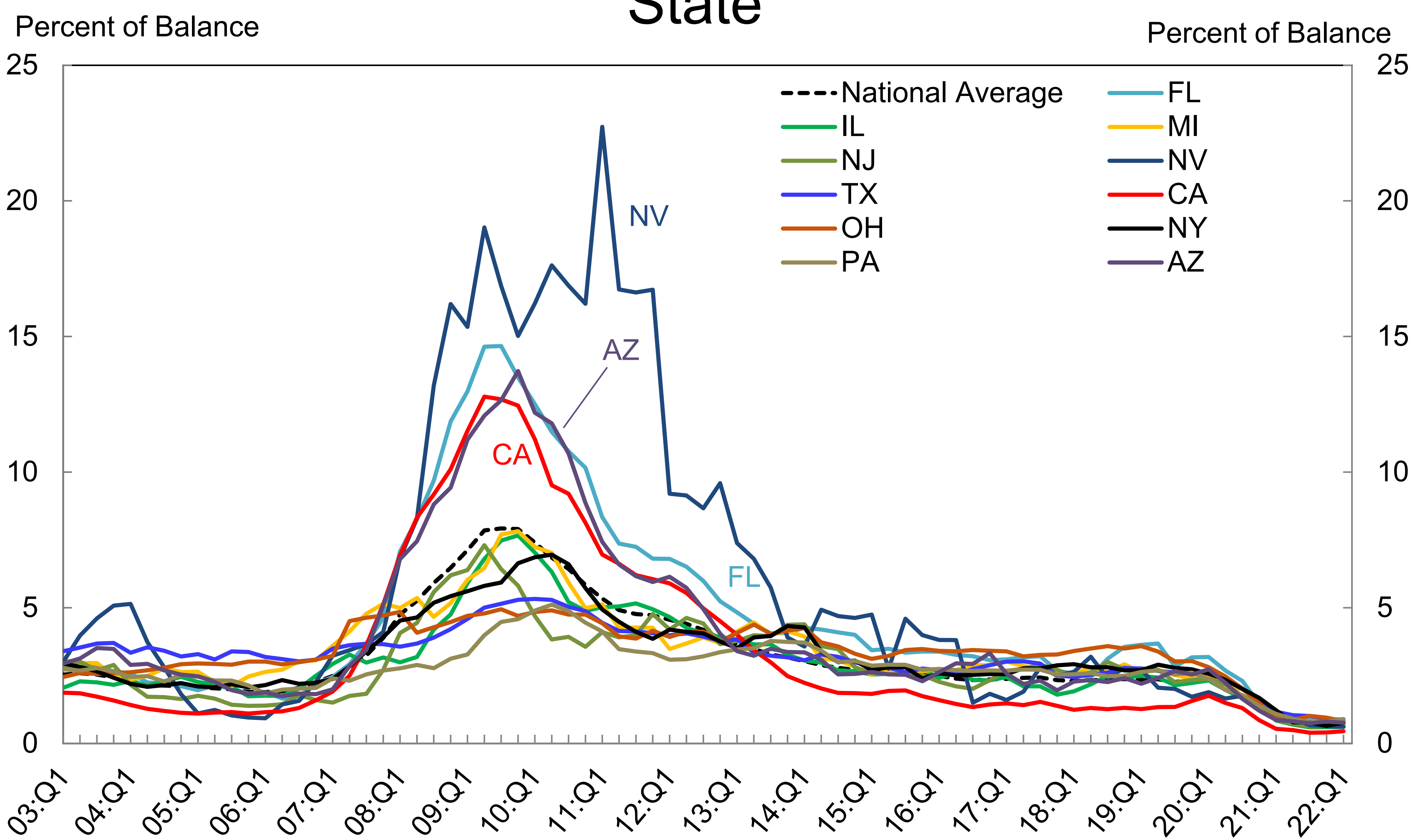
Quarterly Transition Rates into 30+ Days Late by State*



Source: New York Fed Consumer Credit Panel/Equifax

Note: *Four Quarter Moving Sum, Rates from Current to 30+ Days Delinquent, All Accounts. Revised May 2017.

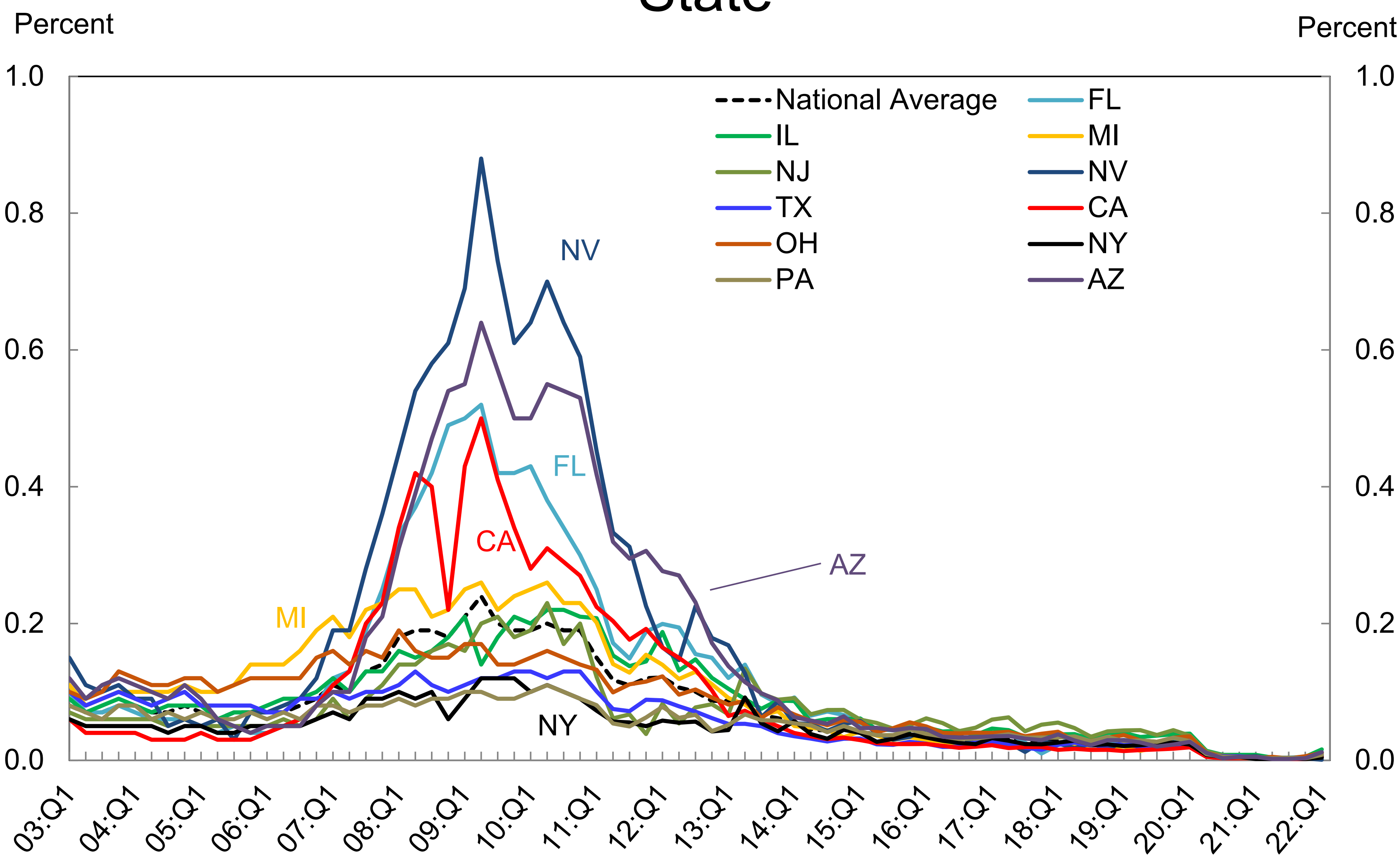
Quarterly Transition Rates into 90+ Days Late by State*



Source: New York Fed Consumer Credit Panel/Equifax

Note: *Four Quarter Moving Sum, Rates from Current and up to 60 Days Delinquent to 90+ Days Delinquent, All Accounts. Revised May 2017.

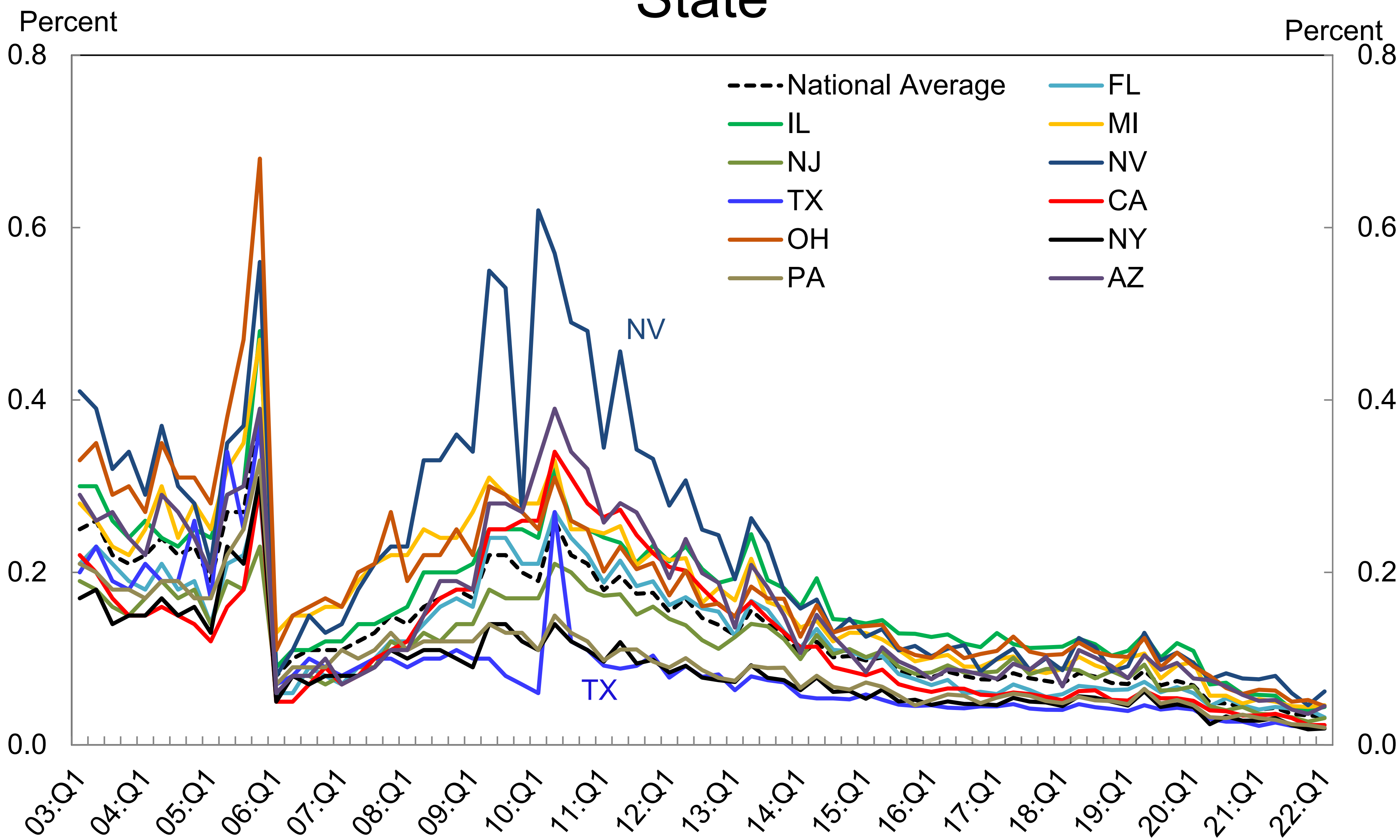
Percent of Consumers* with New Foreclosures by State



Source: New York Fed Consumer Credit Panel/Equifax

Note: * Based on the population with a credit report

Percent of Consumers* with New Bankruptcies by State



Source: New York Fed Consumer Credit Panel/Equifax

Note: * Based on the population with a credit report

Data Dictionary

The FRBNY Consumer Credit Panel consists of detailed Equifax credit-report data for a unique longitudinal quarterly panel of individuals and households from 1999 to 2022[1]. The panel is a nationally representative 5% random sample of all individuals with a social security number and a credit report (usually aged 19 and over). We also sampled all other individuals living at the same address as the primary sample members, allowing us to track household-level credit and debt for a random sample of US households. The resulting database includes approximately 44 million individuals in each quarter. More details regarding the sample design can be found in Lee and van der Klaauw (2010).[2] A comprehensive overview of the specific content of consumer credit reports is provided in Avery, Calem, Canner and Bostic (2003).[3]

The credit report data in our panel primarily includes information on accounts that have been reported by the creditor within 3 months of the date that the credit records were drawn each quarter. Thus, accounts that are not currently reported on are excluded. Such accounts may be closed accounts with zero balances, dormant or inactive accounts with no balance, or accounts that when last reported had a positive balance. The latter accounts include accounts that were either subsequently sold, transferred, or paid off as well as accounts, particularly derogatory accounts, that are still outstanding but on which the lender has ceased reporting. According to Avery et al (2003), the latter group of noncurrently reporting accounts, with positive balances when last reported, accounted for approximately 8% of all credit accounts in their sample. For the vast majority of these accounts, and particularly for mortgage and installment loans, additional analysis suggested they had been closed (with zero balance) or transferred.[4] Our exclusion of the latter accounts is comparable to some 'stale account rules' used by credit reporting companies, which treat noncurrently reporting revolving and nonrevolving accounts with positive balances as closed and with zero balance.

All figures shown in the tables and graphs are based on the 5% random sample of individuals. To reduce processing costs, we drew a 2% random subsample of these individuals, meaning that the results presented here are for a 0.1% random sample of individuals with credit reports, or approximately 267,000 individuals as of Q1 2017.[5] In computing several of these statistics, account was taken of the joint or individual nature of various loan accounts. For example, to minimize biases due to double counting, in computing individual-level total balances, 50% of the balance associated with each joint account was attributed to that individual. Per-capita figures are computed by dividing totals for our sample by the total number of people in our sample, so these figures apply to the population of individuals who have a credit report.

In comparing aggregate measures of household debt presented in this report to those included in the Board of Governor's Flow Of Funds (FoF) Accounts, there are several important considerations. First, among the different components included in the FoF household debt measure (which also includes debt of nonprofit organizations), our measures are directly comparable to two of its components: home mortgage debt and consumer credit. Total mortgage debt and non-mortgage debt in the third quarter of 2009 were respectively $9.7 and $2.6 trillion, while the comparable amounts in the FoF for the same quarter were

[1] Note that reported aggregates, especially in 2003-2004, may reflect some delays in the reporting of student loans by servicers to credit bureaus which could lead to some undercounting of student loan balances. Quarterly data prior to Q1 2003, excluding student loans, will remain available on the Household Credit webpage.

[2] Lee, D. and W. van der Klaauw, "An introduction to the FRBNY Consumer Credit Panel", [2010].

[3] Avery, R.B., P.S. Calem, G.B. Canner and R.W. Bostic, "An Overview of Consumer Data and Credit Reporting", Federal Reserve Bulletin, Feb. 2003, pp 47-73.

[4] Avery et al (2003) found that for many nonreported mortgage accounts a new mortgage account appeared around the time the account stopped being reported, suggesting a refinance or that the servicing was sold. Most revolving and open non-revolving accounts with a positive balance require monthly payments if they remain open, suggesting the accounts had been closed. Noncurrently reporting derogatory accounts can remain unchanged and not requiring updating for a long time when the borrower has stopped paying and the creditor may have stopped trying to collect on the account. Avery et al report that some of these accounts appeared to have been paid off.

[5] Due to relatively low occurrence rates we used the full 5% sample for the computation of new foreclosure and bankruptcy rates. Additionally, to capture and account for servicer discrepancies, we used the 1% sample for student loan data. For all other graphs, we found the 0.1% sample to provide a very close representation of the 5% sample.

$10.3 and $2.5 trillion, respectively.[6] Second, a detailed accounting for the remaining differences between the debt measures from both data sources will require a more detailed breakdown and documentation of the computation of the FoF measures.[7]

Loan types. In our analysis we distinguish between the following types of accounts: mortgage accounts, home equity revolving accounts, auto loans and leases, bank card accounts, student loans and other loan accounts. *Mortgage accounts* include all mortgage installment loans, including first mortgages and home equity installment loans (HEL), both of which are closed-end loans. *Home Equity Revolving accounts* (aka Home Equity Line of Credit or *HELOC*), unlike home equity installment loans, are home equity loans with a revolving line of credit where the borrower can choose when and how often to borrow up to an updated credit limit. *Auto Loans* are loans taken out to purchase a car, including leases, provided by automobile dealers and automobile financing companies. *Bankcard accounts* (or credit card accounts) are revolving accounts for banks, bankcard companies, national credit card companies, credit unions and savings & loan associations. *Student Loans* include loans to finance educational expenses provided by banks, credit unions and other financial institutions as well as federal and state governments. The *Other* category includes Consumer Finance (sales financing, personal loans) and Retail (clothing, grocery, department stores, home furnishings, gas etc) loans.

Our analysis excludes authorized user trades, disputed trades, lost/stolen trades, medical trades, child/family support trades, commercial trades and, as discussed above, inactive trades (accounts not reported on within the last 3 months).

Total debt balance. Total balance across all accounts, excluding those in bankruptcy.

Number of open, new and closed accounts. Total number of open accounts, number of accounts opened within the last 12 months. Number of closed accounts is defined as the difference between the number of open accounts 12 months ago plus the number of accounts opened within the last 12 months, minus the total number of open accounts at the current date.

Inquiries. Number of credit-related consumer-initiated inquiries reported to the credit reporting agency in the past 6 months. Only ‘hard pulls’ are included, which are voluntary inquiries generated when a consumer authorizes lenders to request a copy of their credit report. It excludes inquiries made by creditors about existing accounts (for example to determine whether they want to send the customer pre-approved credit applications or to verify the accuracy of customer-provided information) and inquiries made by consumers themselves. Note that inquiries are credit reporting company specific and not all inquiries associated with credit activities are reported to each credit reporting agency. Moreover, the reporting practices for the credit reporting companies may have changed during the period of analysis.

High credit and balance for credit cards. Total amount of high credit on all credit cards held by the consumer. High credit is either the credit limit, or highest balance ever reported during history of this loan. As reported by Avery et al (2003) the use of the highest-balance measure for credit limits on accounts in which limits are not reported likely understates the actual credit limits available on those accounts.

High credit and balance for HE Revolving. Same as for credit cards, but now applied to HELOCs.

Credit utilization rates (for revolving accounts). Computed as proportion of available credit in use (outstanding balance divided by credit limit), and for reasons discussed above are likely to overestimate actual credit utilization.

[6] Flow of Funds Accounts of the United States, Flows and Outstandings, Third Quarter 2009, Board of Governors, Table L.100.

[7] Our debt totals exclude debt held by individuals without social security numbers. Additional information suggests that total debt held by such individuals is relatively small and accounts for little of the difference.

Delinquency status. Varies between current (paid as agreed), 30-day late (between 30 and 59 day late; not more than 2 payments past due), 60-day late (between 60 and 89 days late; not more than 3 payments past due), 90-day late (between 90 and 119 days late; not more than 4 payments past due), 120-day late (at least 120 days past due; 5 or more payments past due) or collections, and severely derogatory (any of the previous states combined with reports of a repossession, charge off to bad debt or foreclosure). Not all creditors provide updated information on payment status, especially after accounts have been derogatory for a longer period of time. Thus the payment performance profiles obtained from our data may to some extent reflect reporting practices of creditors.

Percent of balance 90+ days late. Percent of balance that is either 90-day late, 120-day late or severely derogatory. 90+ days late is synonymous to seriously delinquent.

New foreclosures. Number of *individuals* with foreclosures first appearing on their credit report during the past 3 months. Based on foreclosure information provided by lenders (account level foreclosure information) as well as through public records. Note that since borrowers may have multiple real estate loans, this measure is conceptually different from foreclosure rates often reported in the press. For example, a borrower with a mortgage currently in foreclosure would not be counted here if he receives a foreclosure notice on an additional mortgage account. In the case of joint mortgages, both borrowers' reports indicate the presence of a foreclosure notice in the last 3 months, and both are counted here.

New bankruptcies. New bankruptcies first reported during the past 3 months. Based on bankruptcy information provided by lenders (account level bankruptcy information) as well as through public records.

Collections. Number and amount of 3rd party collections (i.e. collections not being handled by original creditor) on file within the last 12 months. Includes both public record and account level 3rd party collections information. As reported by Avery et al (2003), only a small proportion of collections are related to credit accounts with the majority of collection actions being associated with medical bills and utility bills.

Consumer Credit Score. Credit score is the Equifax Risk Score 3.0. It was developed by Equifax and predicts the likelihood of a consumer becoming seriously delinquent (90+ days past due). The score ranges from 280-850, with a higher score being viewed as a better risk than someone with a lower score.

New (seriously) delinquent balances and transition rates. New (seriously) delinquent balance reported in each loan category. For mortgages, this is based on the balance of each account at the time it enters (serious) delinquency, while for other loan types it is based on the net increase in the aggregate (seriously) delinquent balance for all accounts of that loan type belonging to an individual. **Transition rates.** The transition rate is the new (seriously) delinquent balance, expressed as a percent of the previous quarter's balance that was not (seriously) delinquent.

Newly originated installment loan balances. We calculate the balance on newly originated mortgage loans as they first appear on an individual's credit report. For auto loans we compare the total balance and number of accounts on an individual credit report in consecutive quarters. New auto loan originations are then defined as increases in the balance accompanied by increases in the number of accounts reported.