

Household Debt and Credit: 2012 in Review

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The views presented here are those of the author and do not necessarily reflect those of the Federal Reserve Bank of New York, or the Federal Reserve System

The Fed and Consumer Debt Reporting

- We regularly provide updates on the current status of consumer debt in our *Quarterly Report on Household Debt and Credit*.
- Today I will discuss the new 4Q 2012 release and review 2012 developments
- The findings discussed here are based on the FRBNY Consumer Credit Panel – a unique dataset constructed by the New York Fed based on a 5% representative sample of Equifax consumer credit reports

QUARTERLY REPORT ON HOUSEHOLD DEBT AND CREDIT

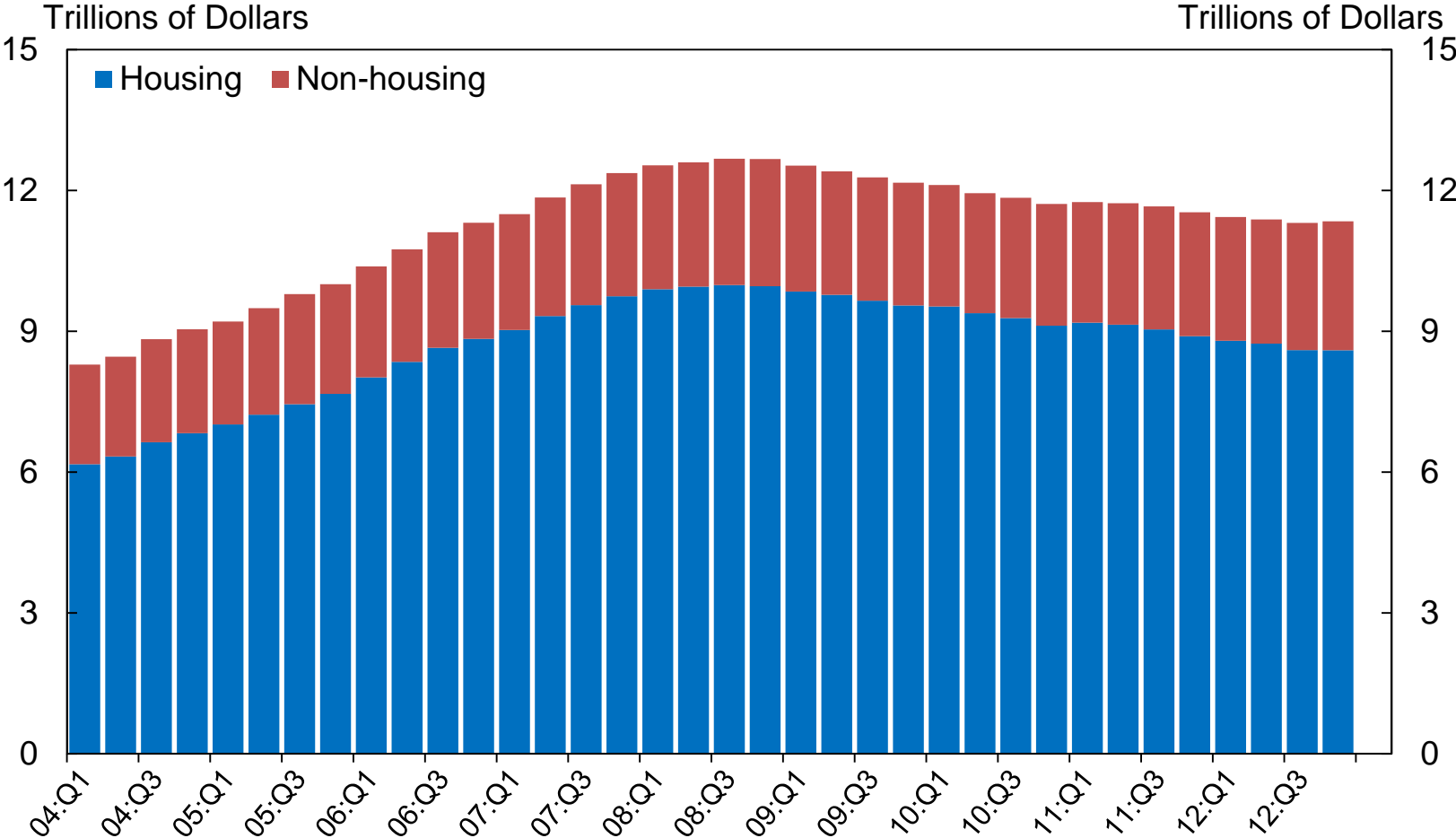


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Aggregate Household Debt

Total Debt Balance Up Slightly in Q4, by \$31 billion



Source: FRBNY Consumer Credit Panel/Equifax

Balance now at \$11.3 trillion -- \$1.3 trillion below 3Q 2008 peak and \$200 billion below 4Q 2011 level

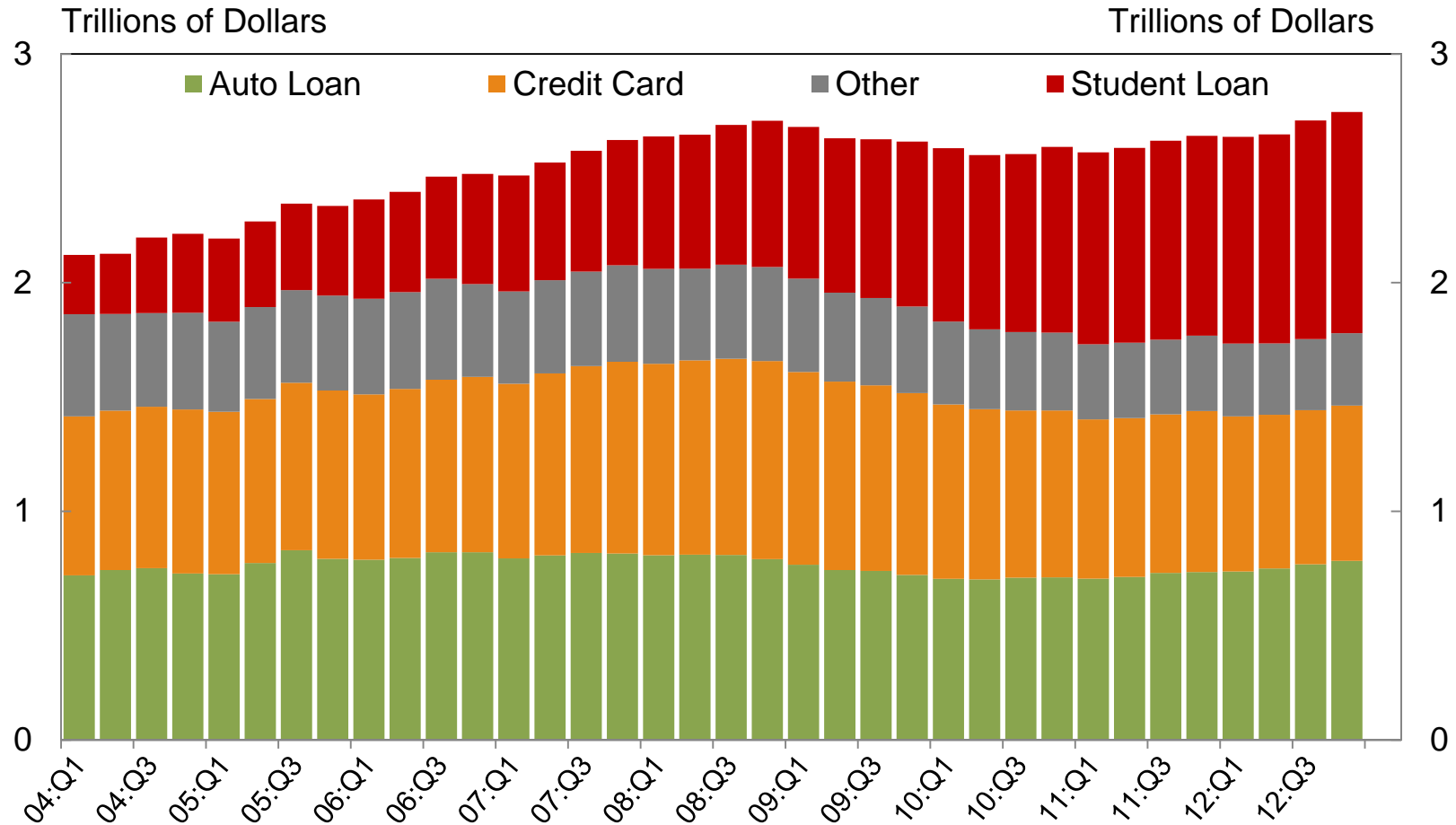


Factors Behind Change in Total Debt Balance

- Housing debt, by far the largest component of household debt, was roughly flat in the 4th quarter at \$8.6 trillion.
 - Mortgages were up slightly, due to increased originations
 - Home Equity Line of Credit (HELOC) balances decreased by \$10B in part due to higher charge-offs of delinquent debt from credit reports in 3rd quarter
- Non-housing debt up \$36B in 4th quarter, continuing recent upward trend, boosted by increases in student and auto loan balances
 - student loan balances up \$92B (11%) during 2012
 - auto loan balances up \$50B (7%) during 2012
 - credit card balances decreased by \$25B (4%) in 2012



Non-housing Balances Up, Largely Driven by Student Loans



Source: FRBNY Consumer Credit Panel/Equifax

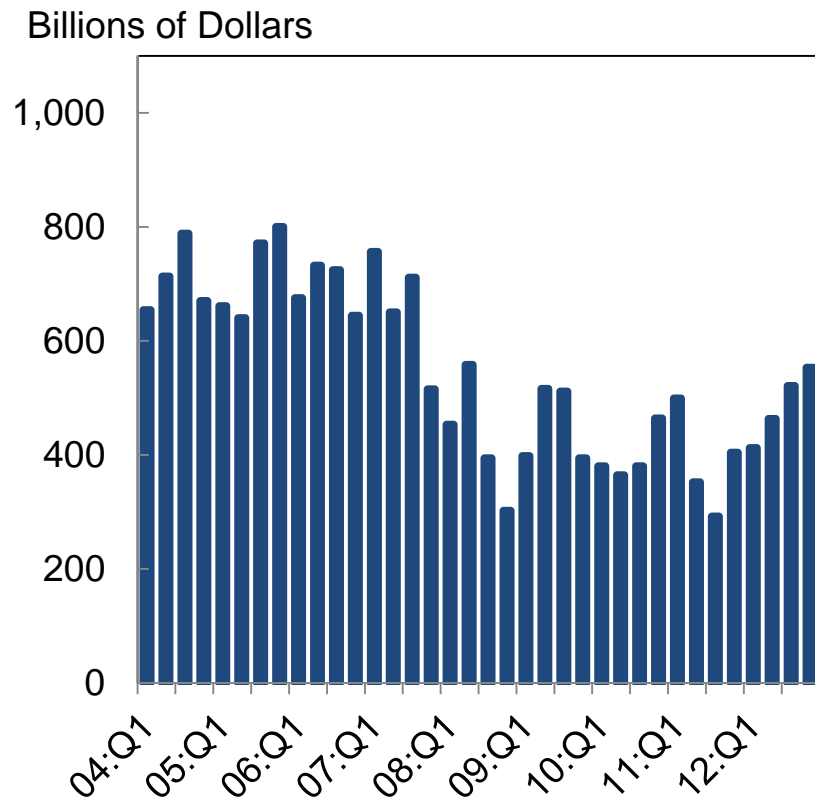
Increased by approximately \$100B over 2012. Aggregate balance at new high of \$2.75 trillion



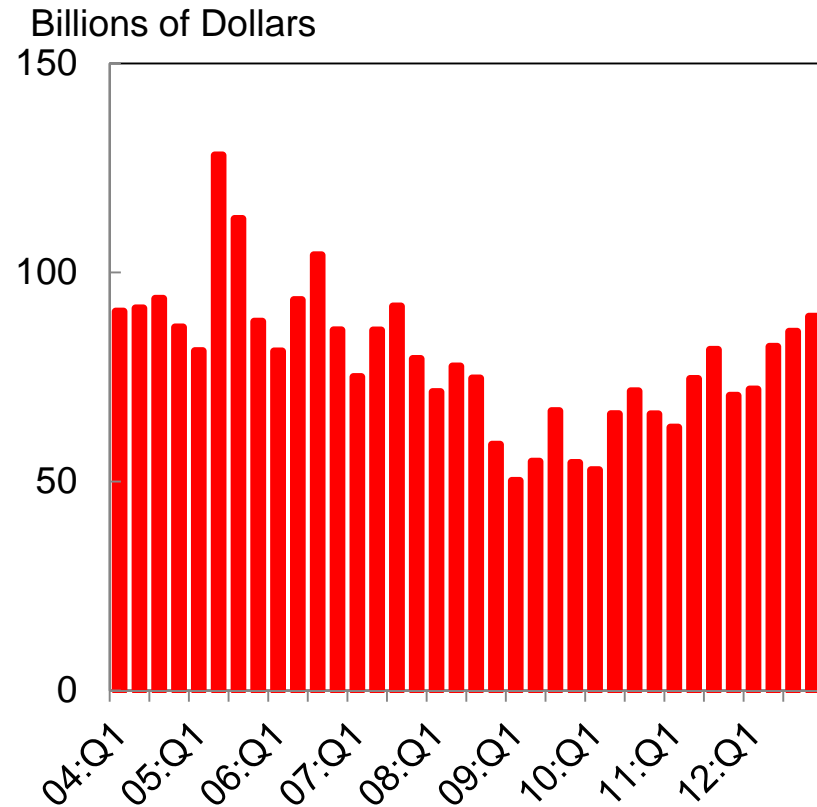
Behind the Aggregate Trends: Mortgage and Auto Loan Originations Increasing

Steady growth during 2012. Auto loan originations back to 2007 levels

Mortgage



Auto loan

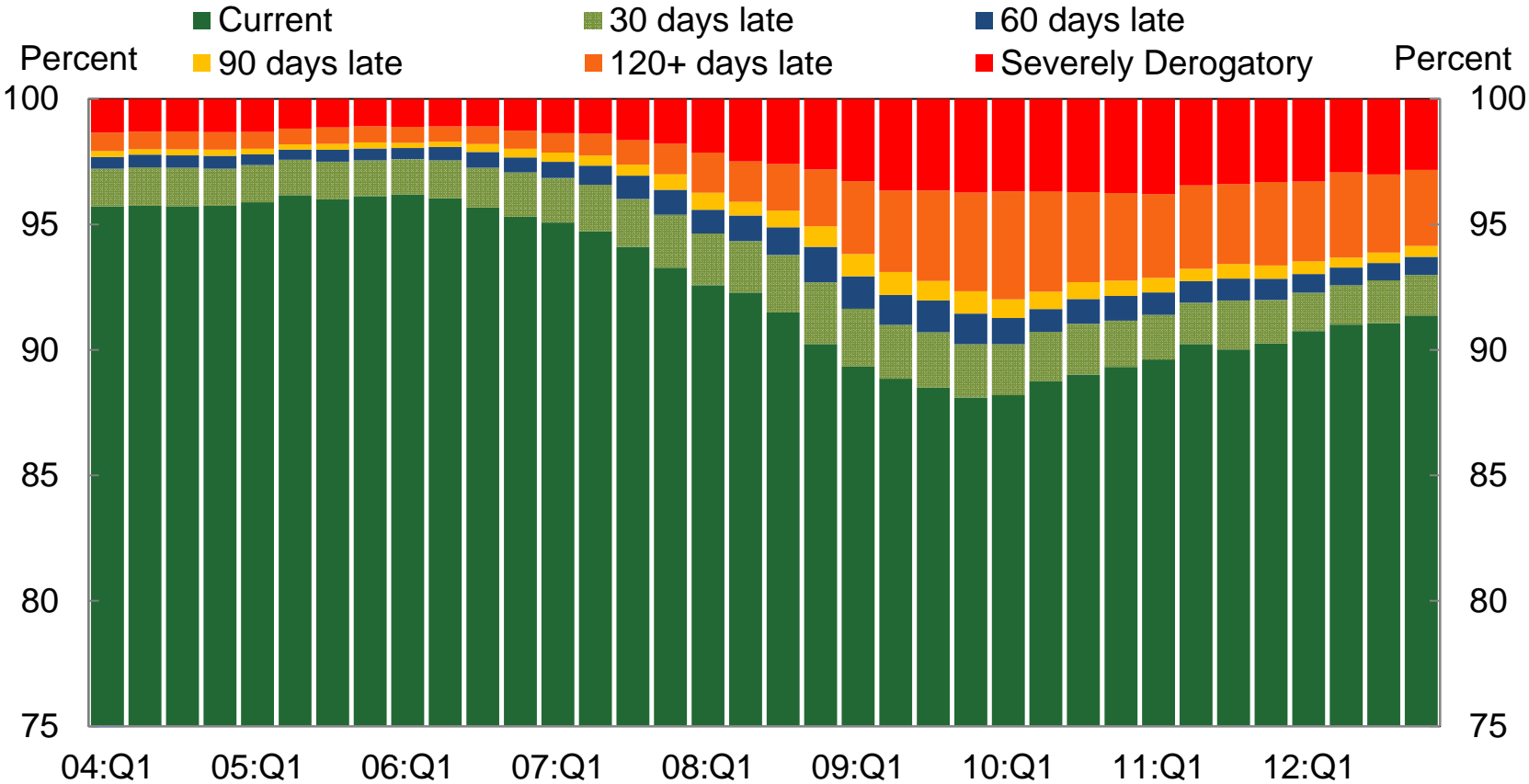


Source: FRBNY Consumer Credit Panel/Equifax



Debt Delinquencies

Overall Debt Delinquency Rates Continue to Fall, but Remain Well Above Pre-crisis Levels

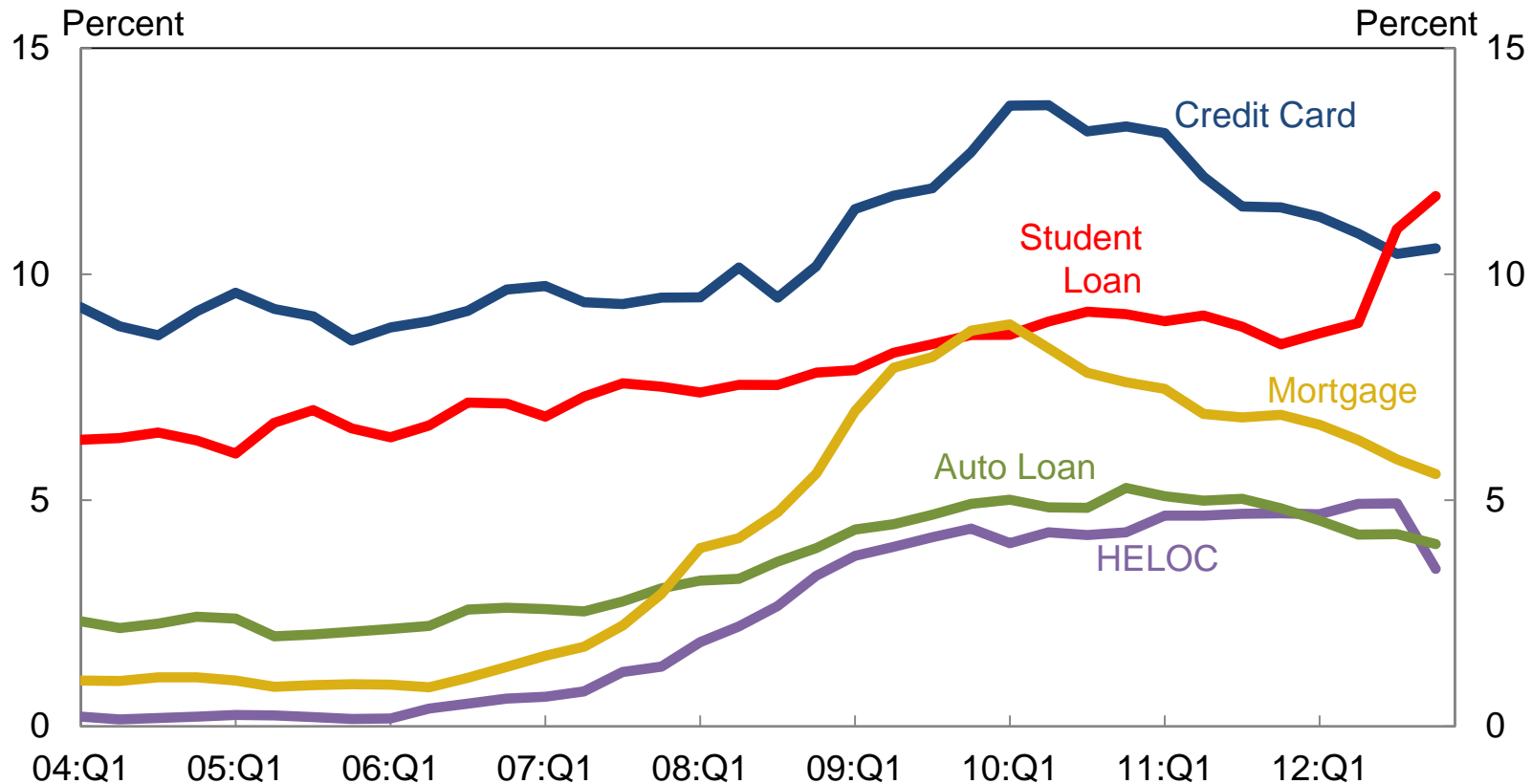


Source: FRBNY Consumer Credit Panel/Equifax

- Reflects (i) continued charge-offs of delinquent debt
- (ii) lower transition rates into delinquency
- (iii) increase in new originations

Improvements in Most Delinquency Rates

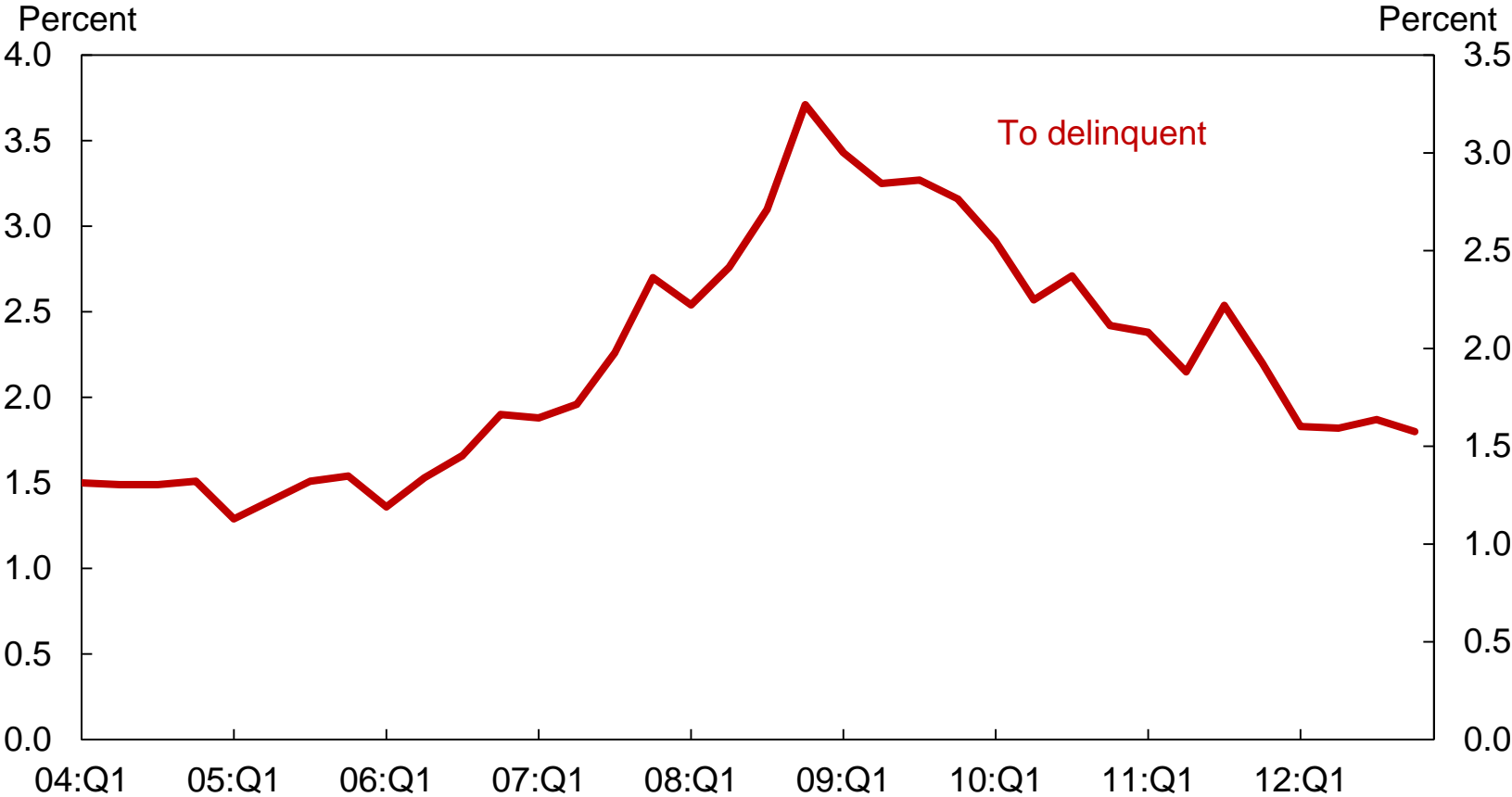
Percent of balance 90+ days delinquent



Source: FRBNY Consumer Credit Panel/Equifax

- During 2012 continued declines in delinquency rates for mortgages, auto and credit card loans.
- Trend for student loans remains upward.

Quarterly Transition Rates for Current Mortgages

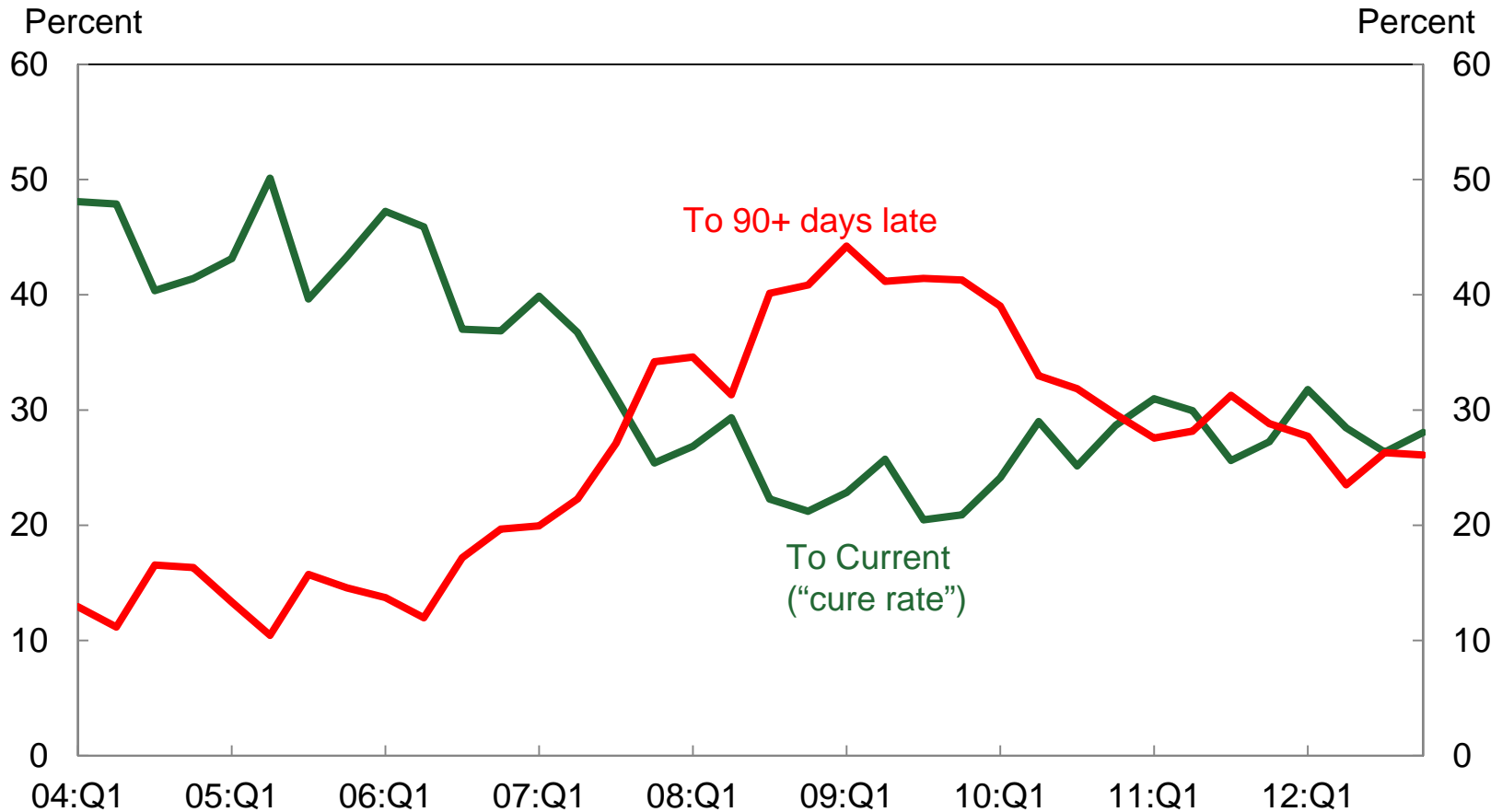


Source: FRBNY Consumer Credit Panel/Equifax

Mortgage transition rates into delinquencies are approaching pre-crisis levels



Quarterly Transition Rates for 30-60 Day Late Mortgages

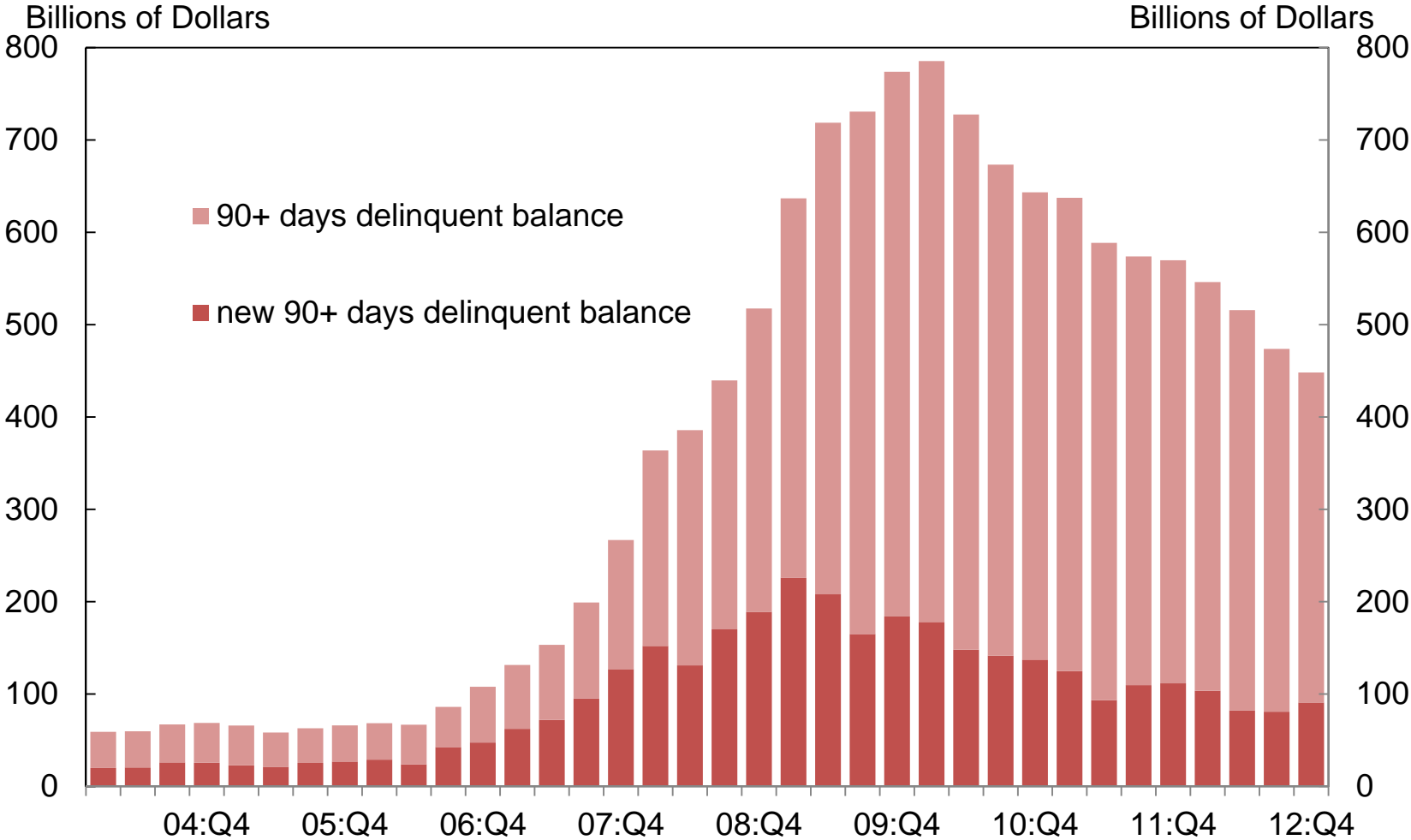


Source: FRBNY Consumer Credit Panel/Equifax

Cure rates higher than 2009 trough levels, but remain below pre-crisis levels

Foreclosure “pipeline” still large but shrinking

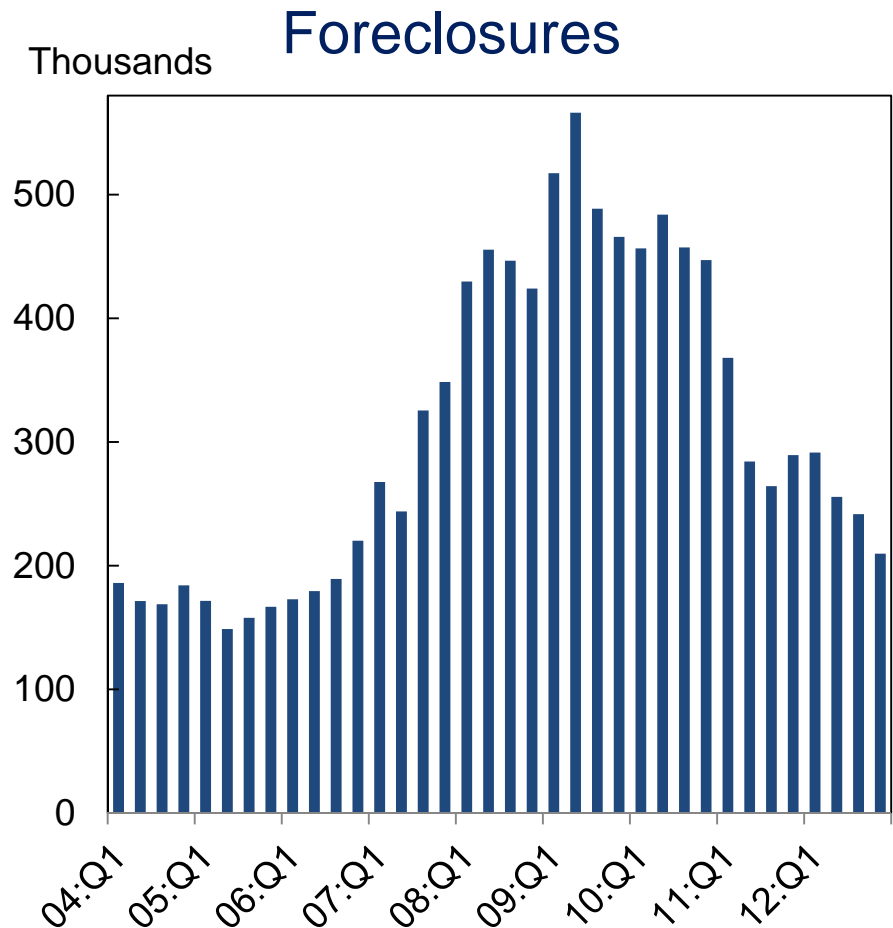
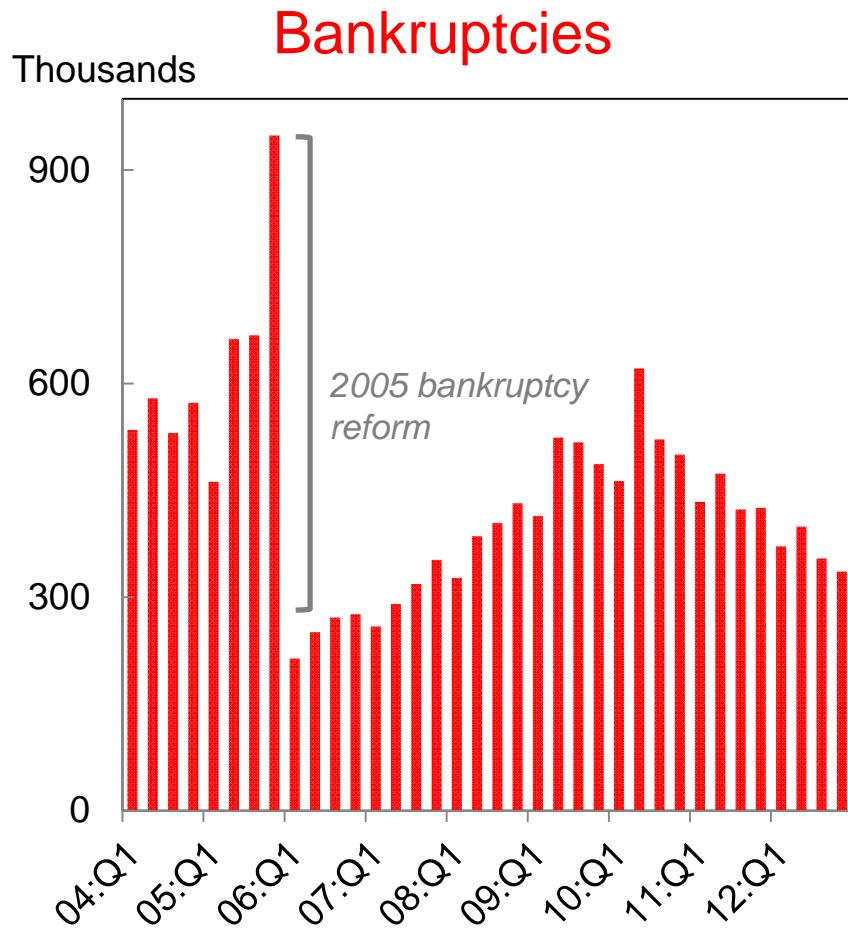
90+ days delinquent mortgage balance



Source: FRBNY Consumer Credit Panel/Equifax

Reflected in declining bankruptcies and foreclosures

Consumers with New Bankruptcies and Foreclosures



Source: FRBNY Consumer Credit Panel/Equifax

Summary and outlook

The overall picture points to continued signs of healing in consumer credit markets

- **On the positive side**, delinquencies on mortgages and auto loans continue to fall, and mortgage and auto loan originations are increasing.
 - With mortgages being the main driver of household debt this suggests a possible end to the post-2008 decline in overall debt – need to see if trend is sustained over next few quarters
- **On the negative side**, delinquency rates remain high by historical standards.
 - As more HELOCs reach end-of-draw period, delinquency rate likely to resume upward trend
 - Student loan delinquency rates continue to increase