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QUARTERLY REPORT ON

HOUSEHOLD DEBT AND CREDIT

2021:Q2 (RELEASED AUGUST 2021)

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 2021Q2[1]

Aggregate household debt balances increased by $313 billion in the second quarter of 2021, a 2.1% rise from 2021Q1, and now stand at $14.96 trillion. Balances are $812 billion higher than at the end of 2019 and $691 billion higher than 2020Q2. The 2.1% increase in aggregate balances was the largest seen since 2013Q4 and marked the largest nominal increase in debt balances since 2007Q2.

Balances

Mortgage balances shown on consumer credit reports increased by $282 billion in the second quarter of 2021, and stood at $10.44 trillion at the end of June. Balances on home equity lines of credit (HELOC) saw a $13 billion decline, the 18th consecutive decrease since 2016Q4, bringing the outstanding balance to $322 billion. Credit card balances grew in the second quarter, by $17 billion, after a $49 billion decline in the first quarter. Still, credit card balances remain $140 billion lower than they had been at the end of 2019. Auto loan balances increased by $33 billion in the second quarter. Student loan balances declined by $14 billion. In total, non-housing balances grew by $44 billion, with increases in auto loans and credit card balances offsetting the decline in student loan balances.

Originations

New extensions of installment credit hit series highs in 2021Q2 for both mortgages and auto loans. Mortgage originations, measured as appearances of new mortgage balances on consumer credit reports and which include refinances, were at $1.2 trillion, surpassing the volumes seen in the preceding 3 quarters. In the 4 quarters ending in 2021Q2, mortgage originations reached a historic high, with nearly $4.6 trillion in mortgages originated. With the robust pace of originations in the past 4 quarters, 44% of the outstanding mortgage balance is originated in the past year. Auto loan originations, which include both loans and leases, reached $202 billion. Aggregate limits on credit card accounts stepped up by $36 billion in the 2nd quarter as well, after declines in the quarters following the onset of the Covid pandemic. Limits on home equity lines of credit (HELOC) shrunk by $13 billion, continuing the declining trend.

Median mortgage origination credit scores were roughly flat, with the median credit score of newly originated mortgages at 786, reflecting a continuing high quality of underwriting standards and higher shares of refinances. The median credit score on newly originated auto loans declined, by 10 points at both the median and the 10th percentile.

Delinquency & Public Records

Aggregate delinquency rates have remained low and declining since the beginning of the pandemic recession, reflecting an uptake in 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. As of late June, 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 pandemic hit the United States. Of the $405 billion of debt that is delinquent, $316 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 forbearances and other supportive policy measures continues to be visible in the delinquency transition rates. The share of mortgages that transitioned to delinquency hit a record low 0.4%, as the option to enter forbearance is available. Meanwhile, 53% of loans in early delinquency transitioned to current, a higher rate than before the pandemic as delinquent loans enter forbearance. Foreclosures remain on pause for most loans due to the CARES-provisioned moratorium.

Delinquency rates by product continued to decline, and new transitions into delinquency mostly declined across the board, continuing to reflect the various borrower assistance programs available. The share of student loans that are reported as delinquent remains very low, as the majority of outstanding federal student loans are covered by CARES Act administrative forbearances. Auto loans and credit cards also showed continued declines in their delinquency transition rates, reflecting the impact of government stimulus programs and bank-offered forbearance options for troubled borrowers.

About 119,000 consumers had a bankruptcy notation added to their credit reports in 2021Q2, a small uptick from the previous quarter but near a historic low. The share of consumers with a 3rd party collection account is also near a historic low.

Housing Debt

- There was $1.22 trillion in newly originated mortgage debt in 2021Q2, with 71% of it originated to borrowers with credit scores over 760.

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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.

- About 8,100 individuals had a new foreclosure notation added to their credit reports between April 1 and June 30, by far the lowest number of foreclosures we have seen since the beginning of our series in 1999, with foreclosures effectively on legal hold due to CARES Act and other restrictions.
- The share of mortgage balances 90+ days past due fell to 0.5%, a historic low as forbearance remains an option and foreclosures are mostly on hold.

Student Loans

- Outstanding student loan debt stood at $1.57 trillion in the second quarter, a $14 billion drop from 2021Q1.
- About 5.7% of aggregate student debt was 90+ days delinquent or in default in 2021Q2.[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 – increased to 121 million, a 3.7% increase from the previous quarter, after having declined since the second quarter of 2020.
- 206 million new accounts were opened in the second quarter, a jump after subdued account openings since the pandemic hit.

[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.

August 2021

FEDERAL RESERVE BANK OF NEW YORK

RESEARCH AND STATISTICS ● MICROECONOMIC STUDIES

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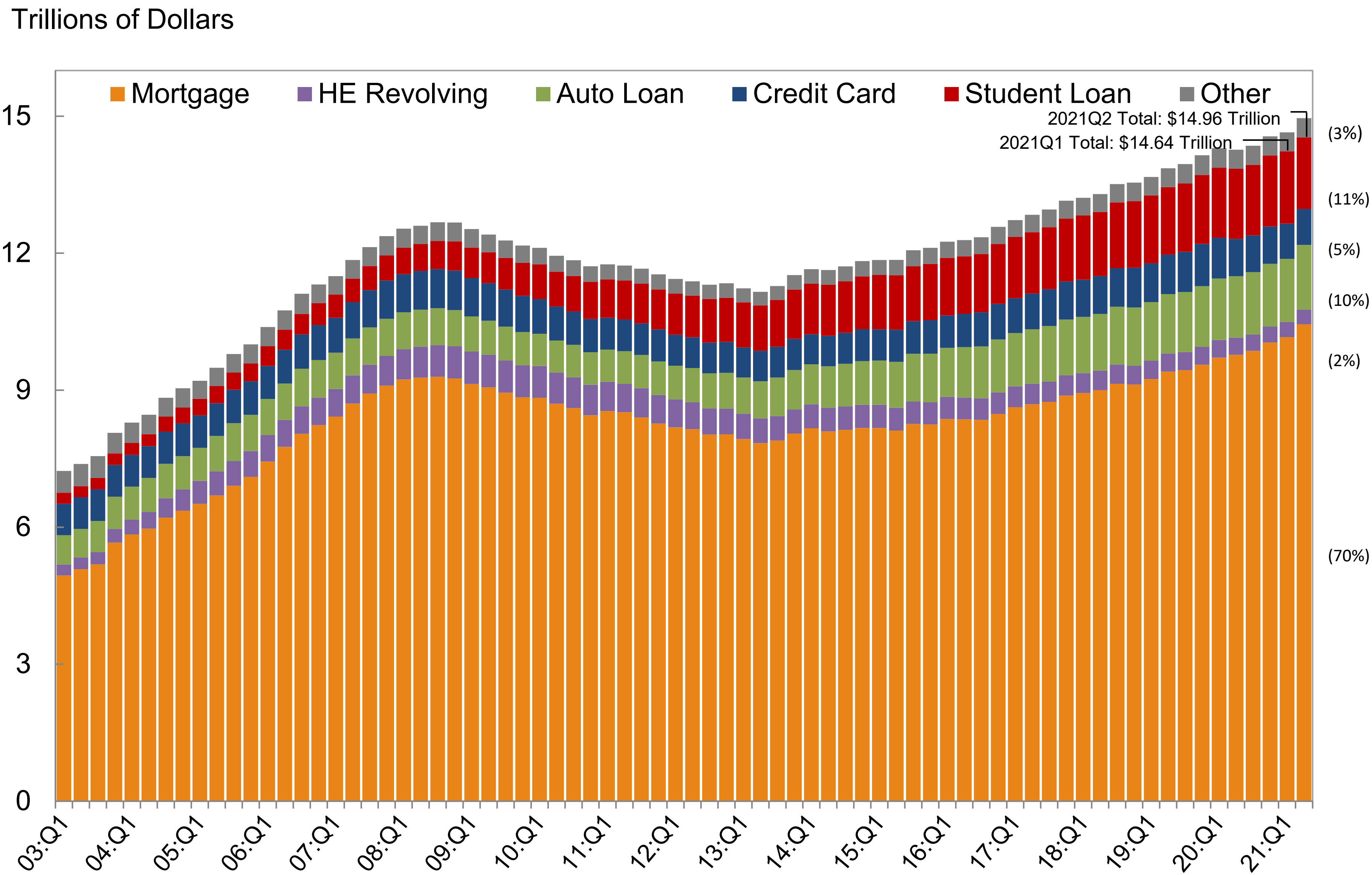
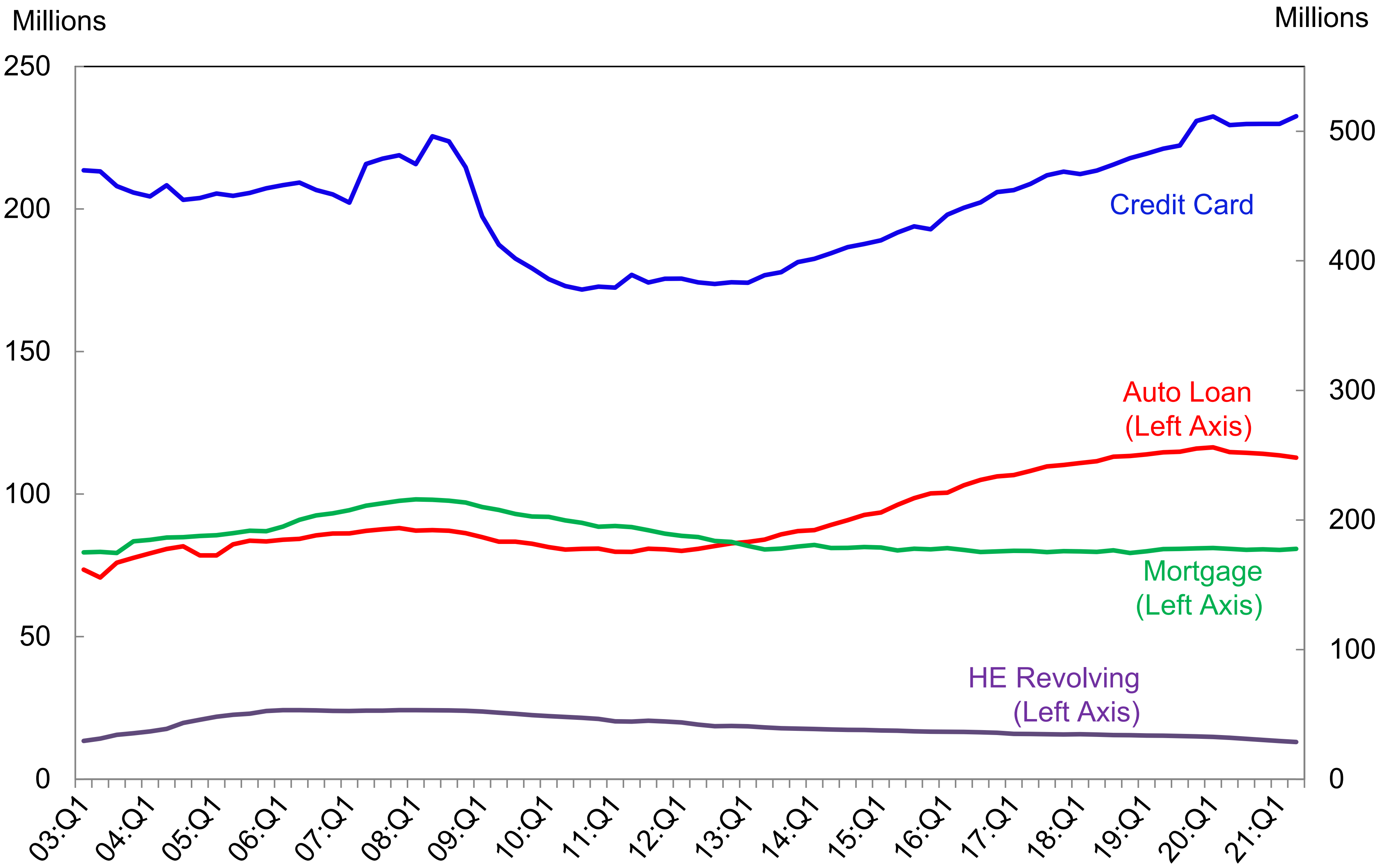
NATIONAL CHARTS

Total Debt Balance and its Composition



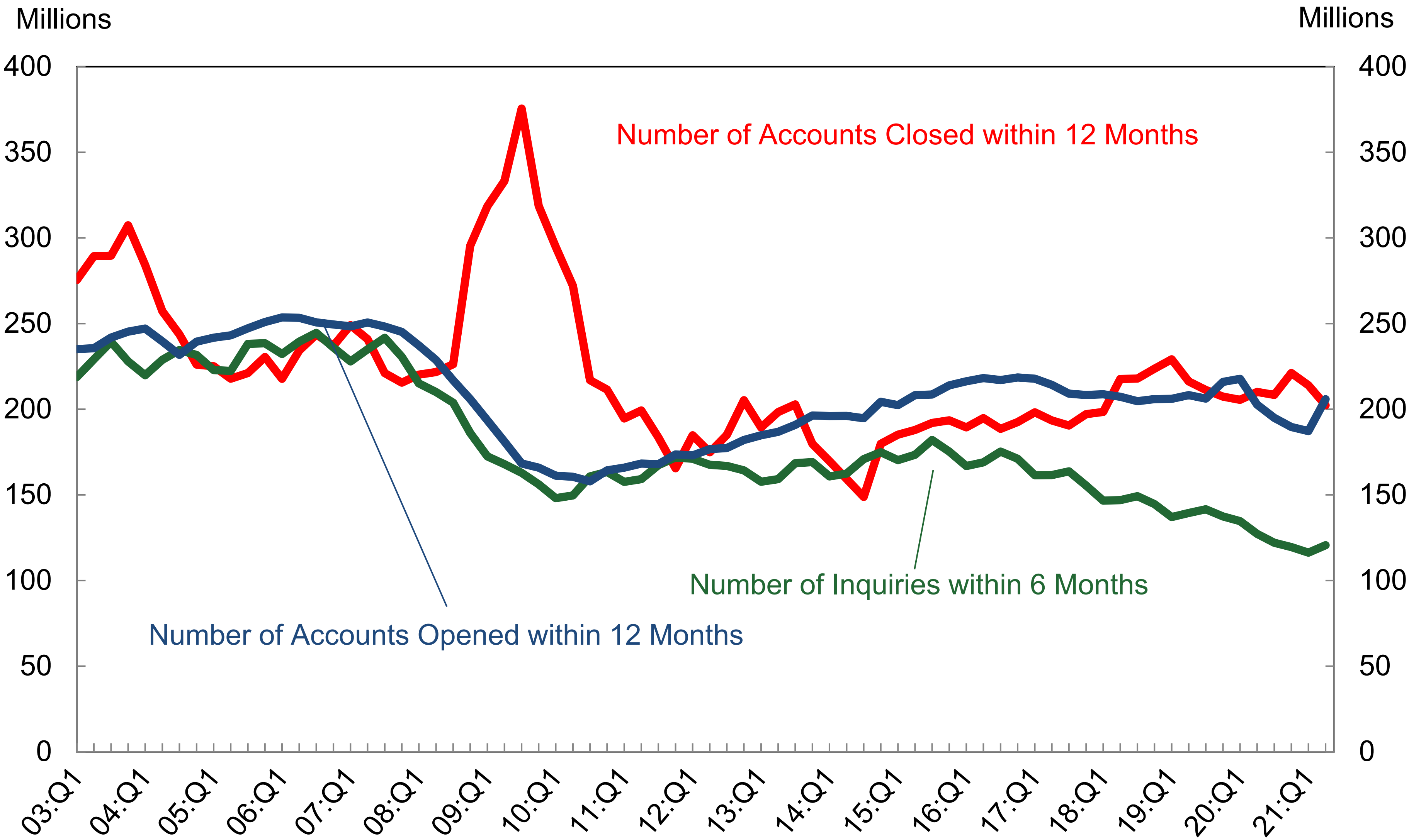
Source: New York Fed Consumer Credit Panel/Equifax

Number of Accounts by Loan Type



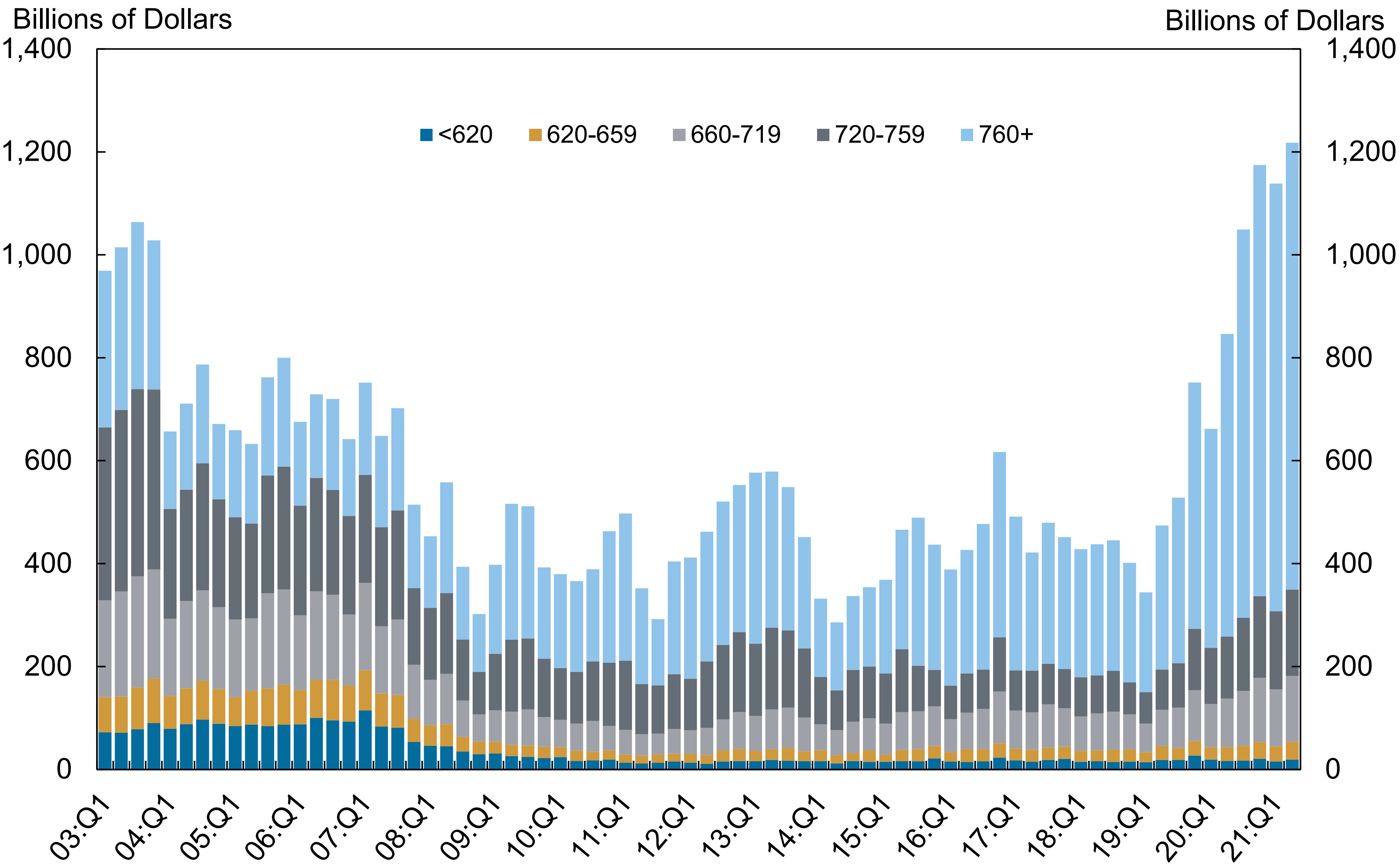
Source: New York Fed Consumer Credit Panel/Equifax

Total Number of New and Closed Accounts and Inquiries



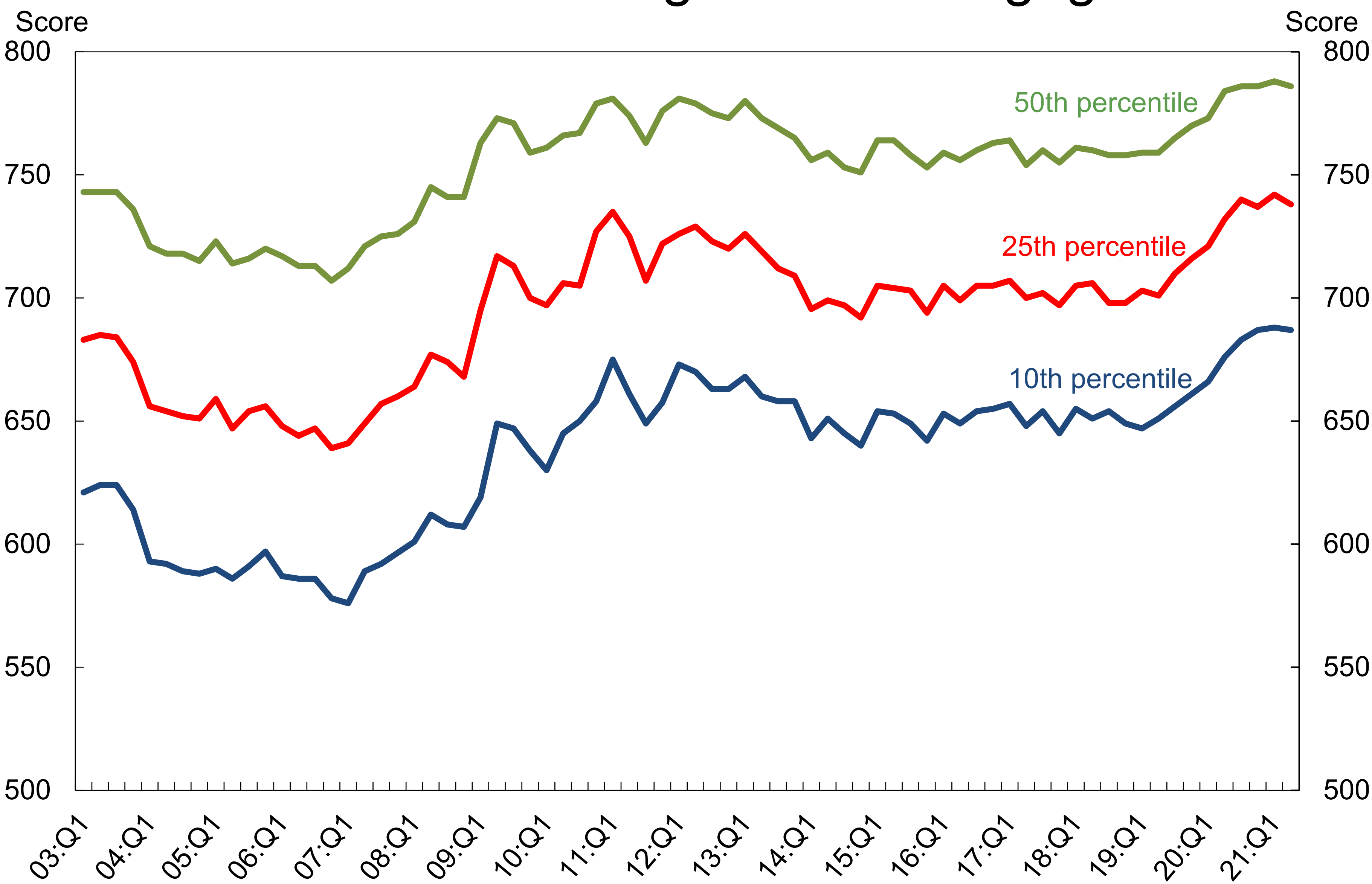
Source: New York Fed Consumer Credit Panel/Equifax

Mortgage Originations by Credit Score*



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

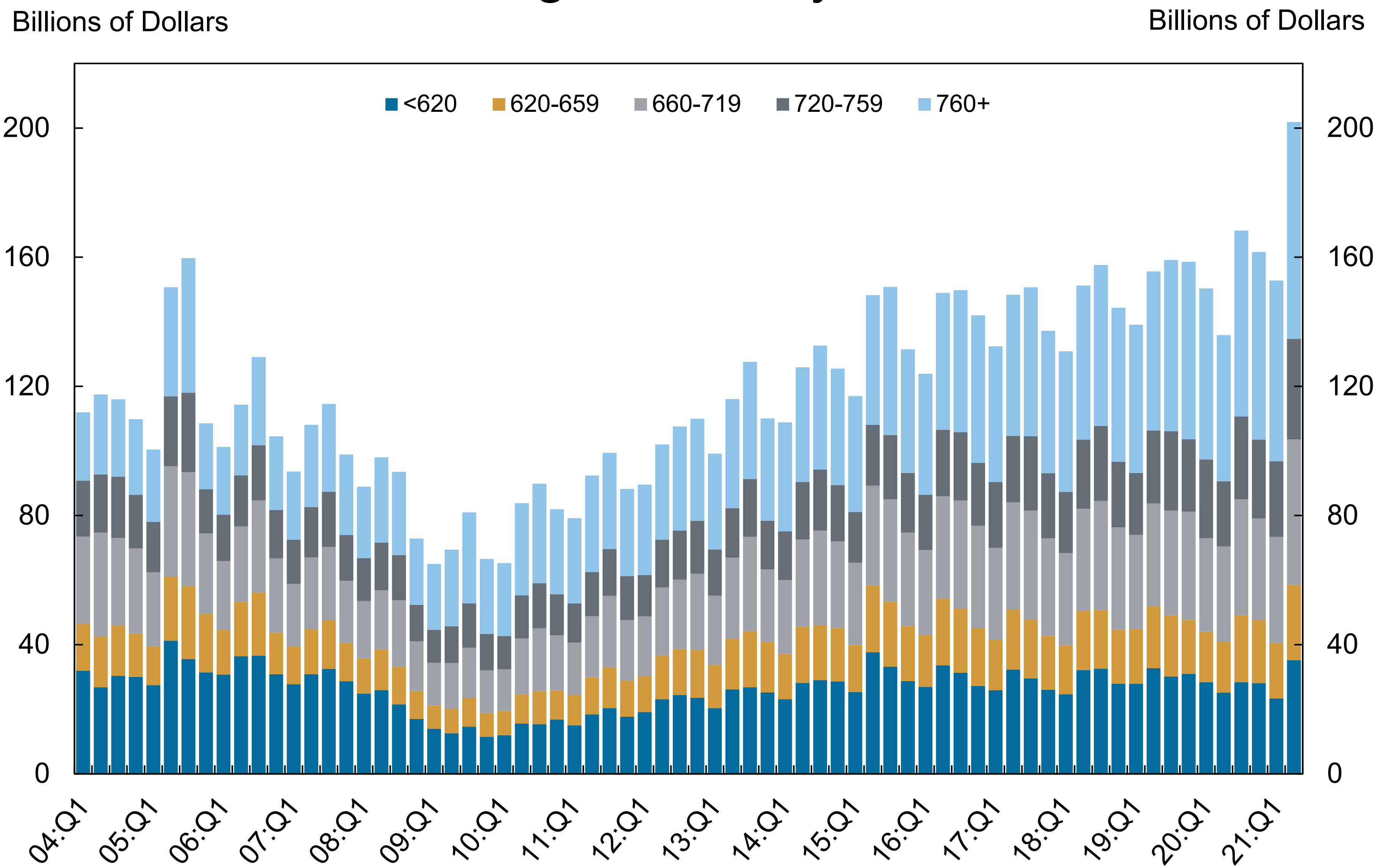
Credit Score at Origination: Mortgages*



Source: New York Fed Consumer Credit Panel/Equifax

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

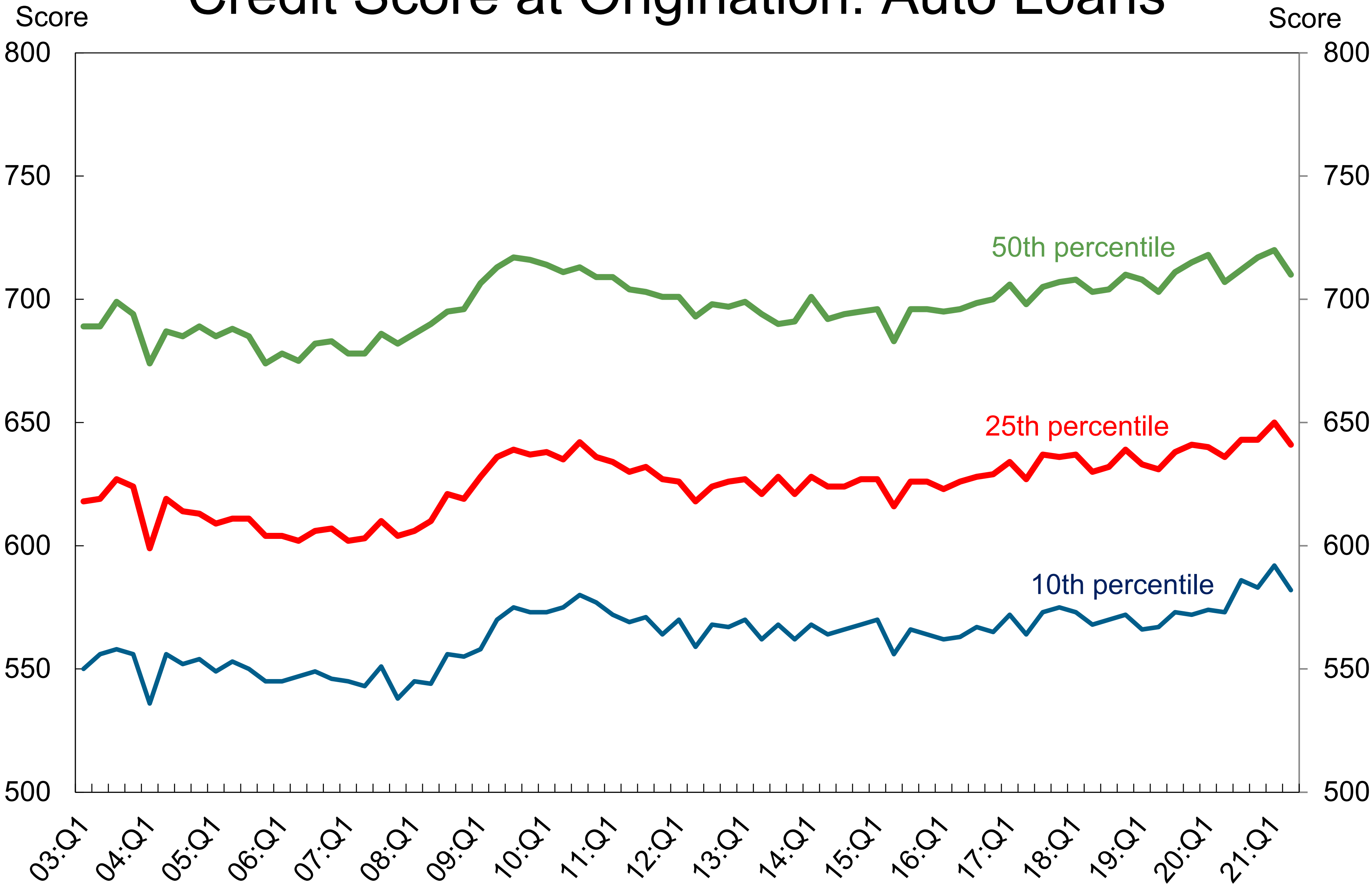
Auto Loan Originations by Credit Score*



Source: New York Fed Consumer Credit Panel/Equifax

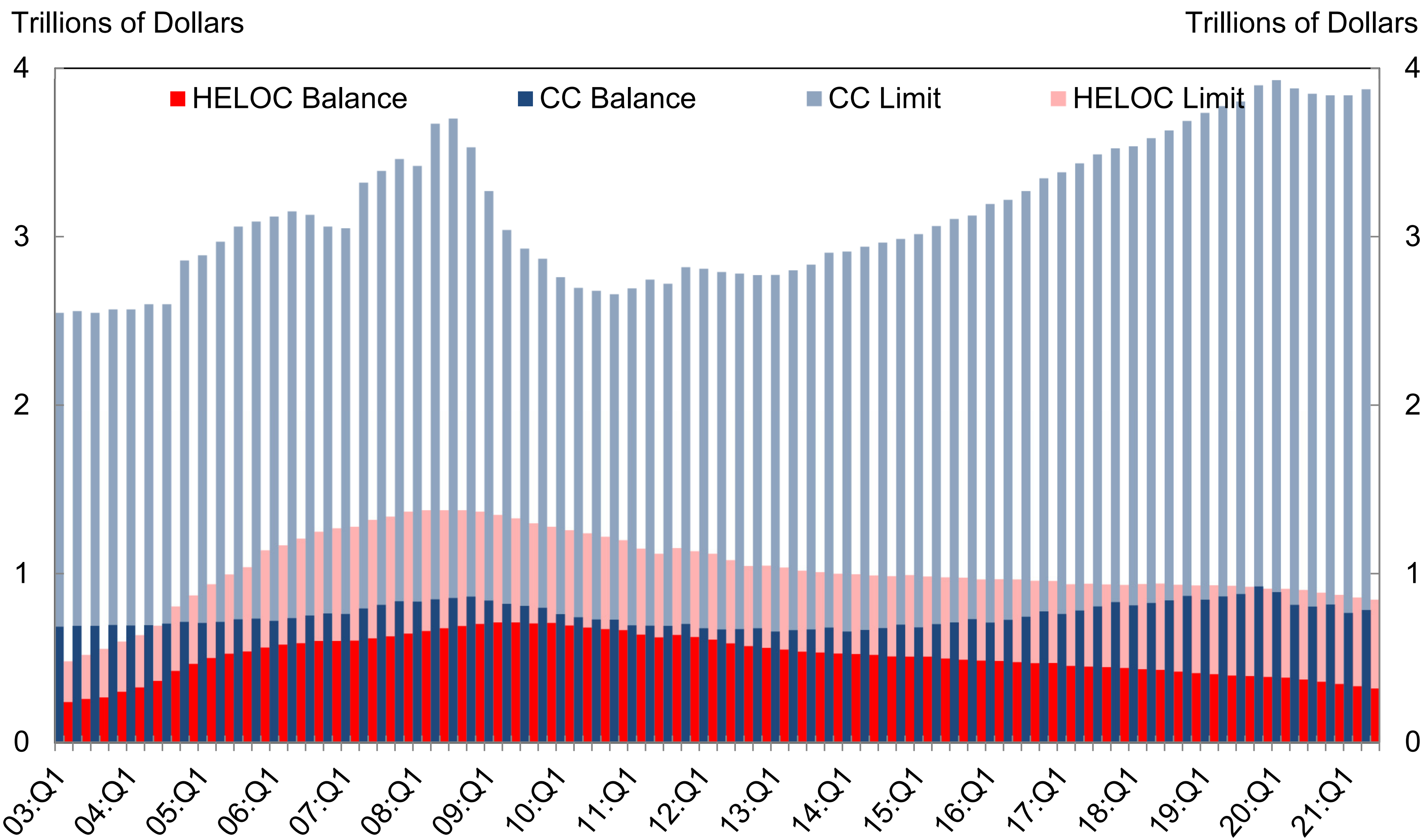
* Credit Score is Equifax Riskscore 3.0

Credit Score at Origination: Auto Loans*



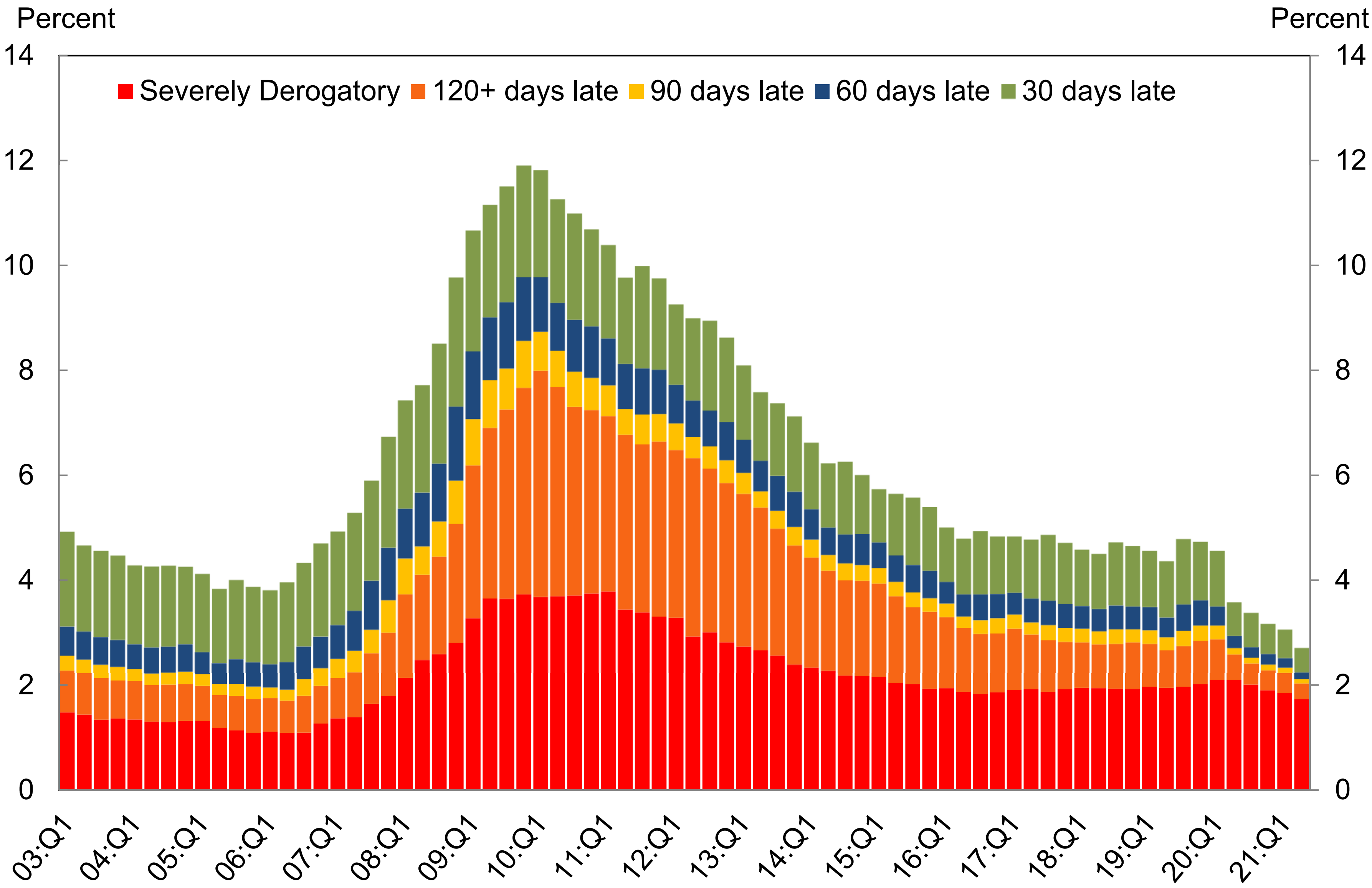
Source: New York Fed Consumer Credit Panel/Equifax
* Credit Score is Equifax Riskscore 3.0

Credit Limit and Balance for Credit Cards and HE Revolving



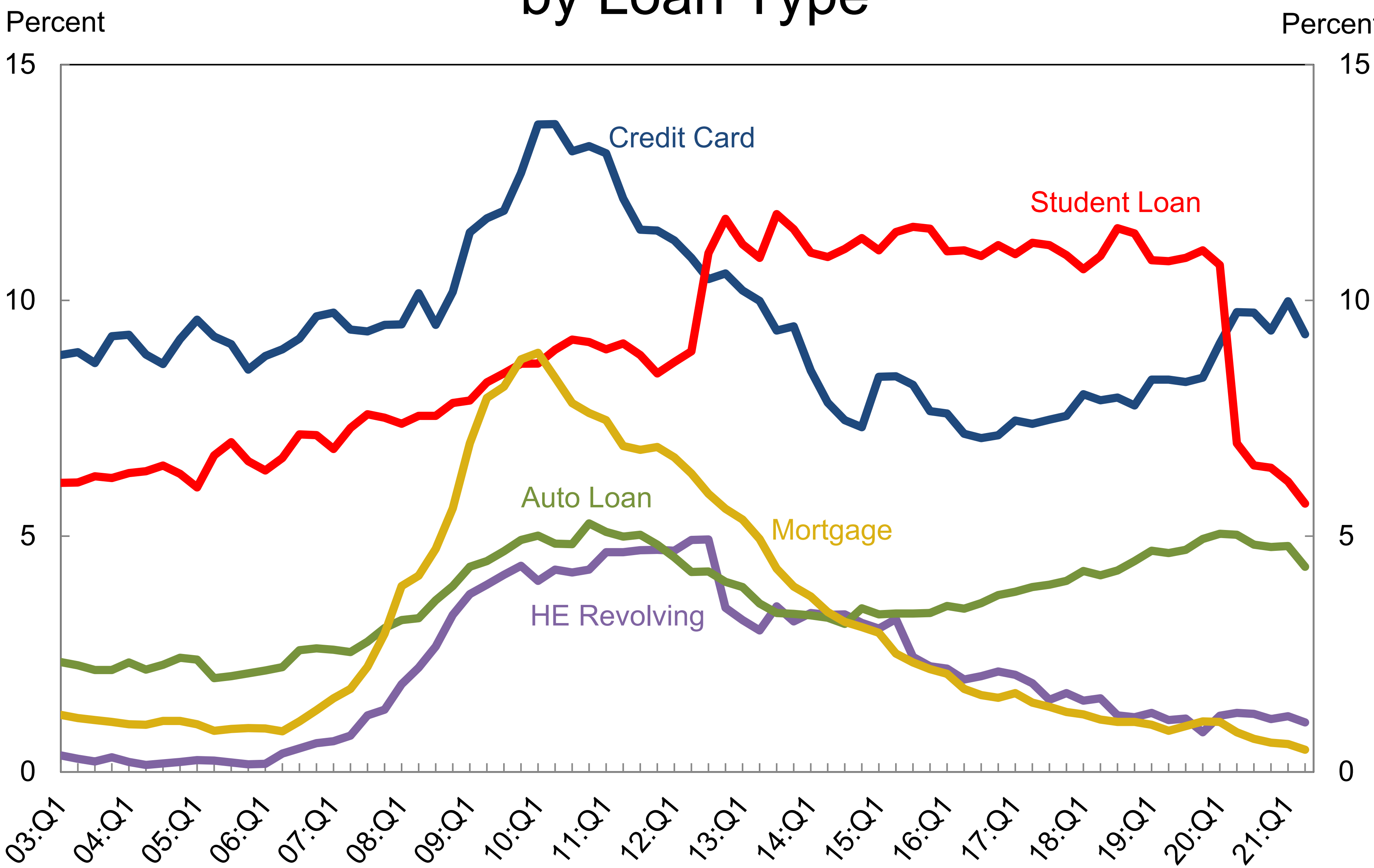
Source: New York Fed Consumer Credit Panel/Equifax

Total Balance by Delinquency Status



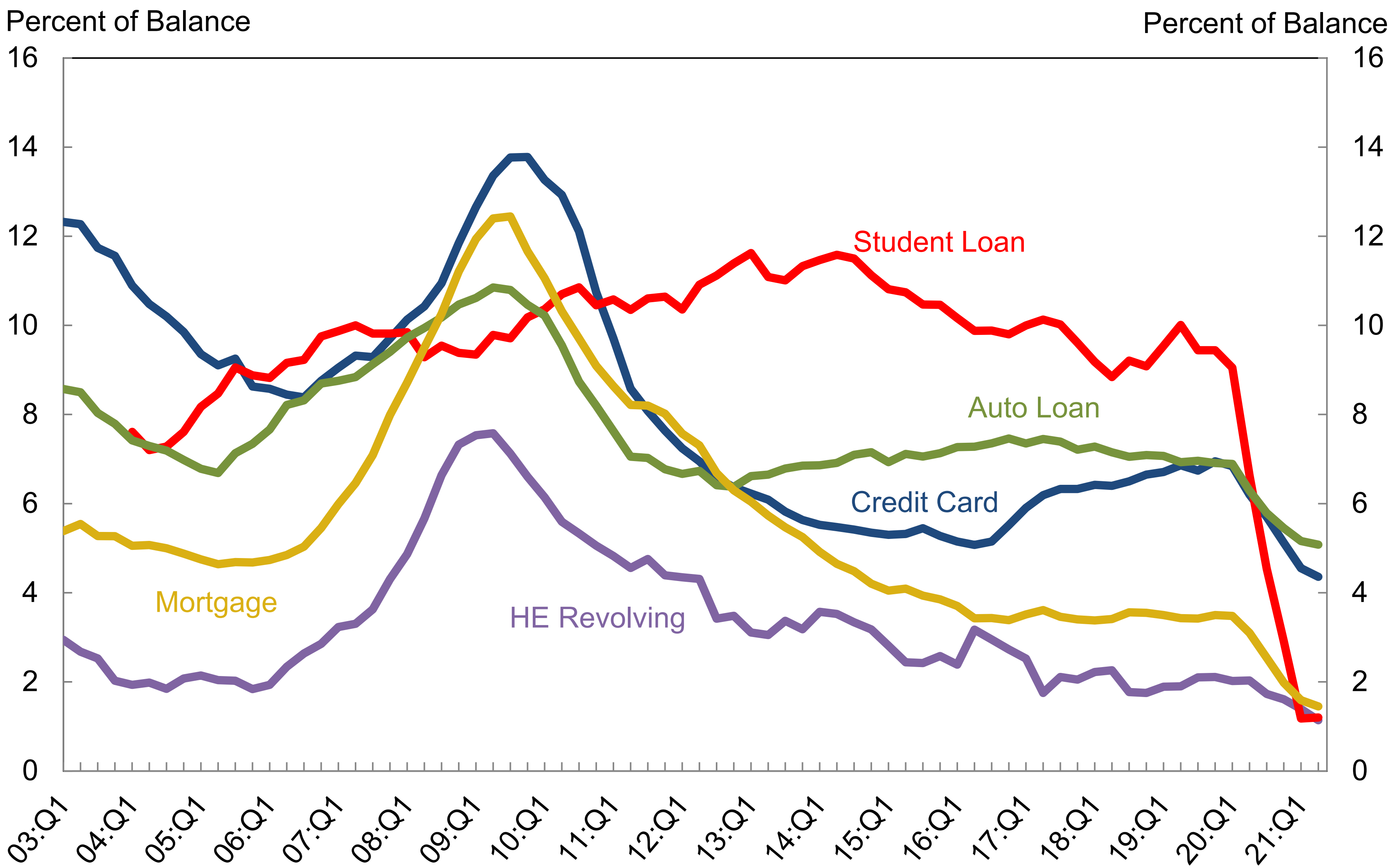
Source: New York Fed Consumer Credit Panel/Equifax

Percent of Balance 90+ Days Delinquent by Loan Type



Source: New York Fed Consumer Credit Panel/Equifax

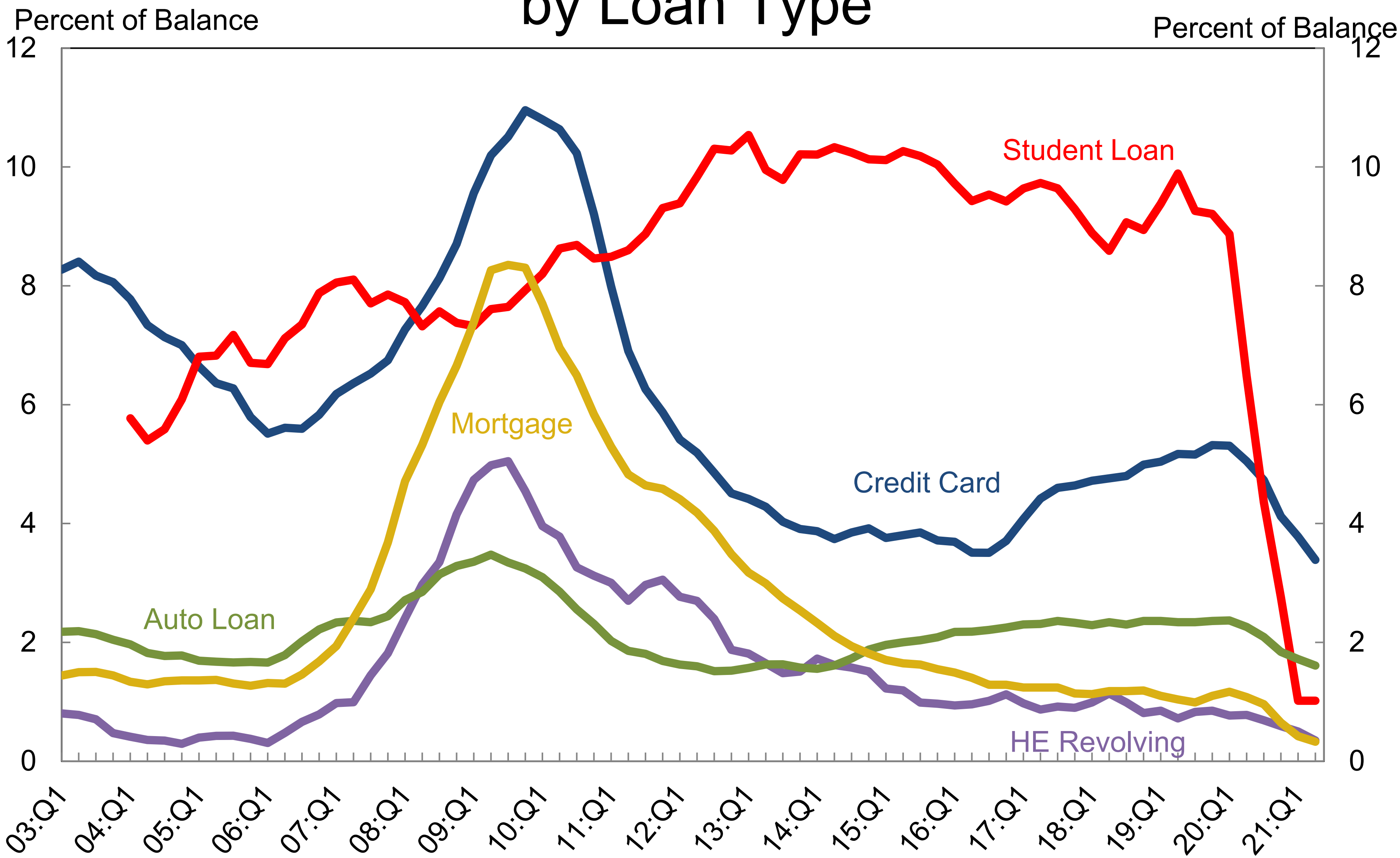
Transition into Delinquency (30+) by Loan Type



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

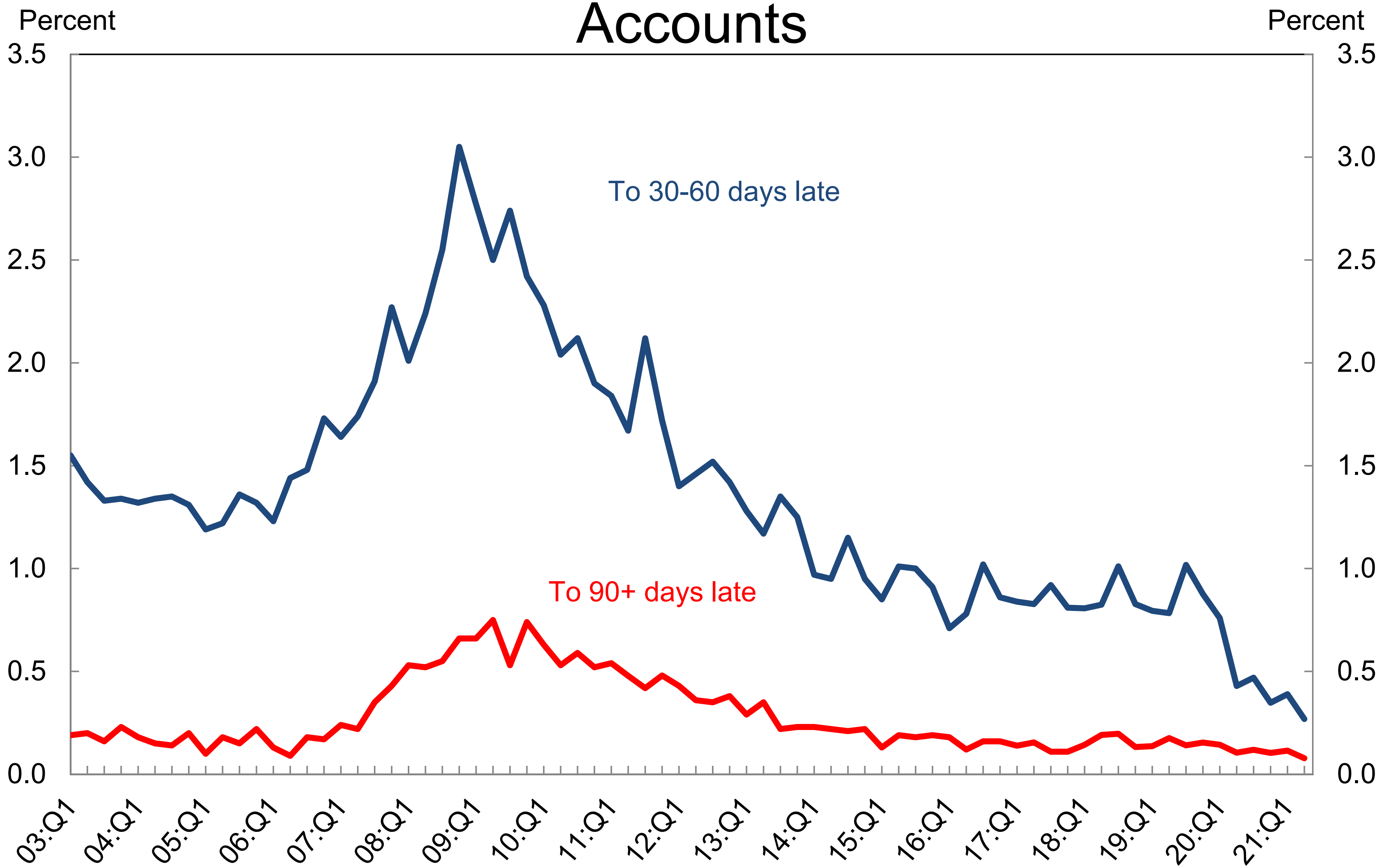


Note: 4 Quarter Moving Sum

Source: New York Fed Consumer Credit Panel/Equifax

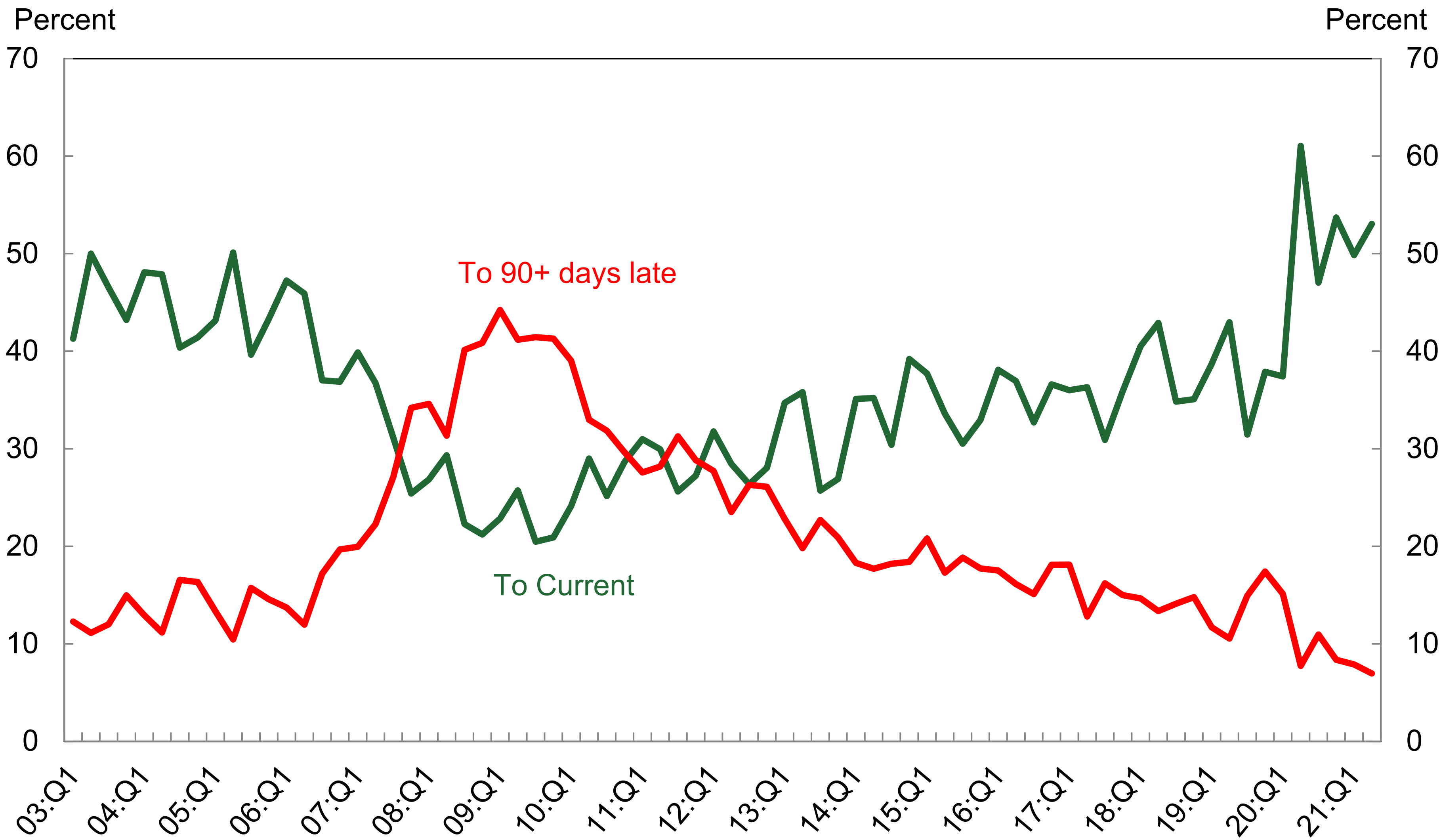
Student loan data are not reported prior to 2004 due to uneven reporting

Quarterly Transition Rates for Current Mortgage Accounts



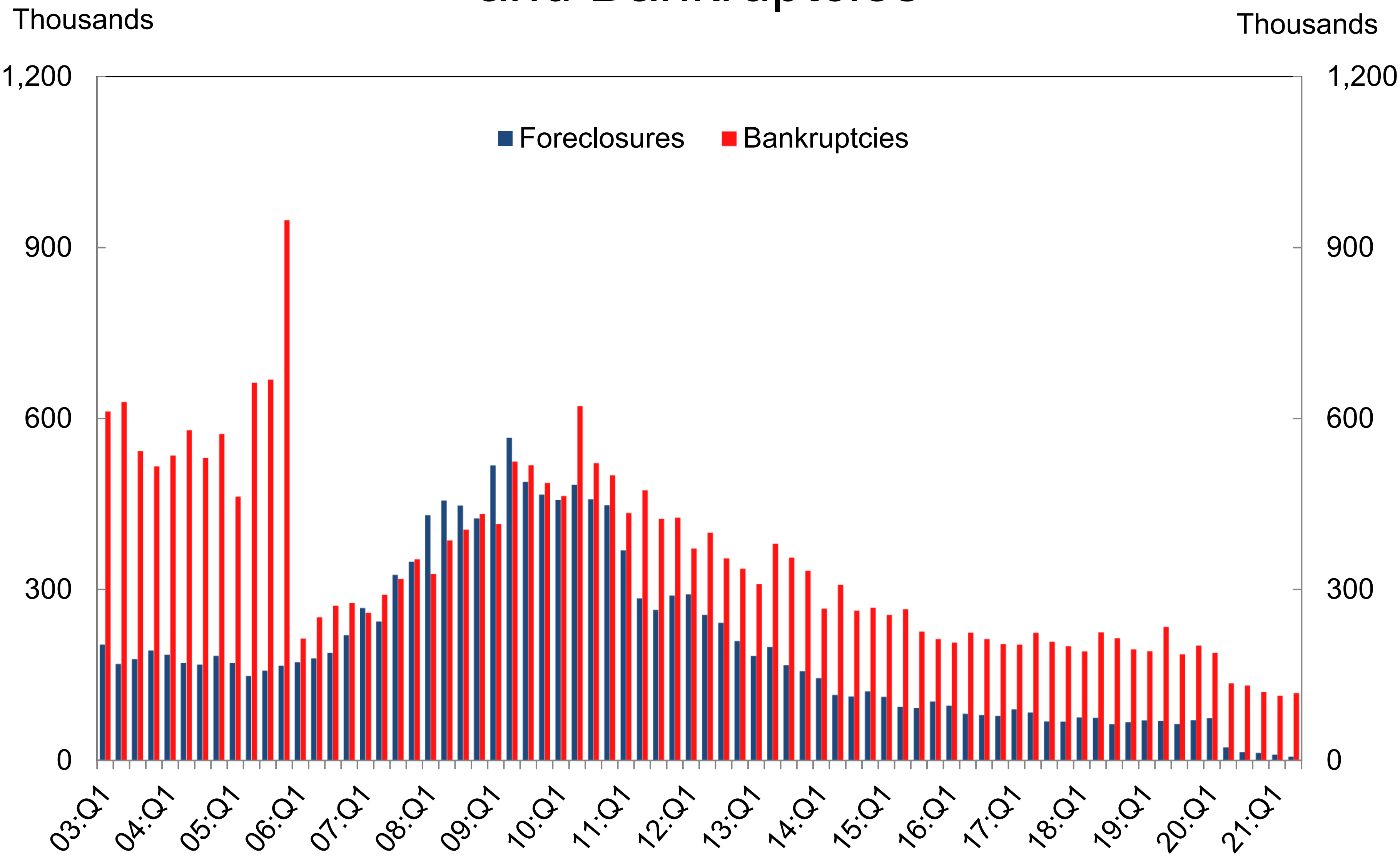
Source: New York Fed Consumer Credit Panel/Equifax

Quarterly Transition Rates for 30-60 Day Late Mortgage Accounts



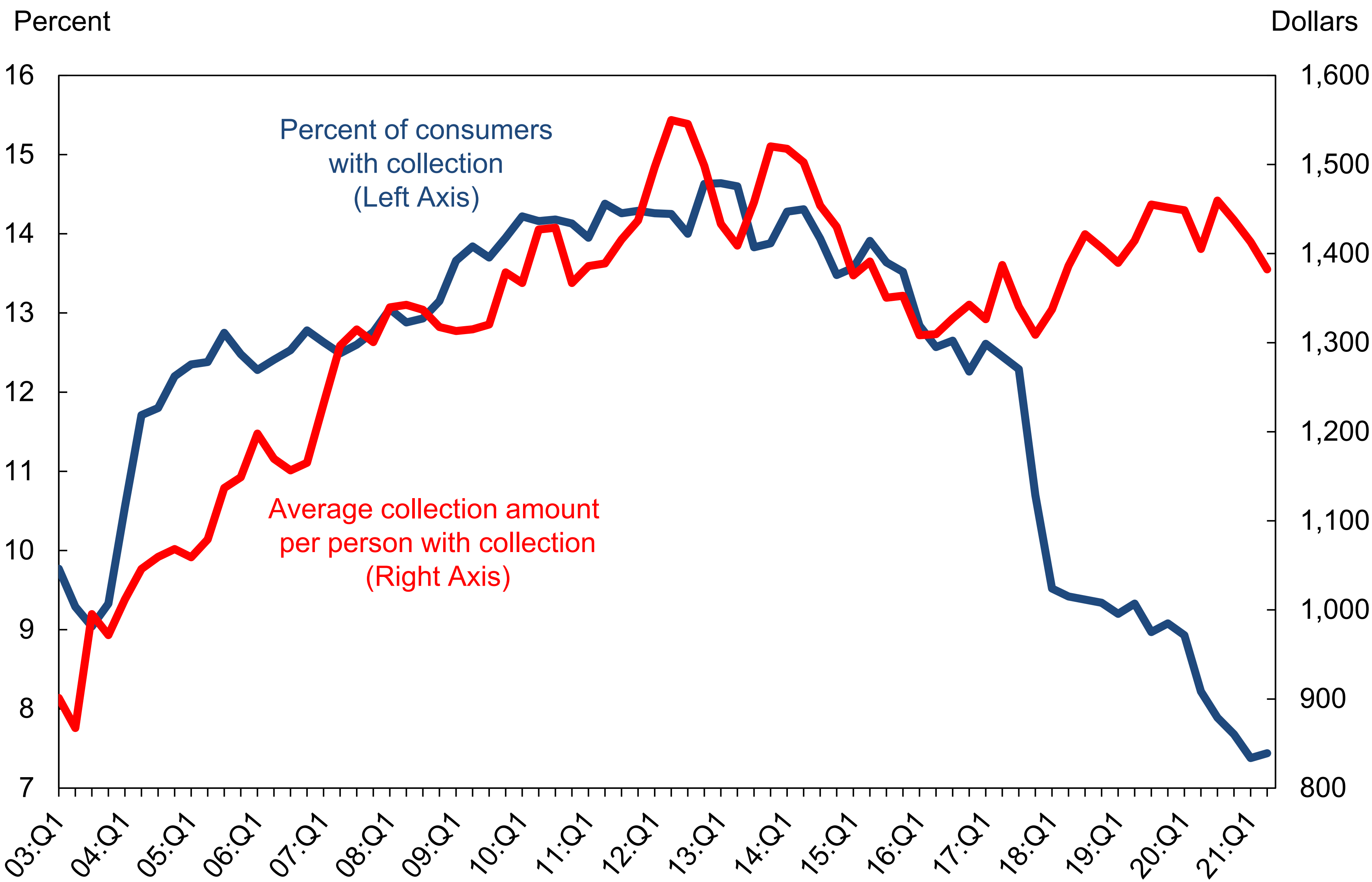
Source: New York Fed Consumer Credit Panel/Equifax

Number of Consumers with New Foreclosures and Bankruptcies



Source: New York Fed Consumer Credit Panel/Equifax

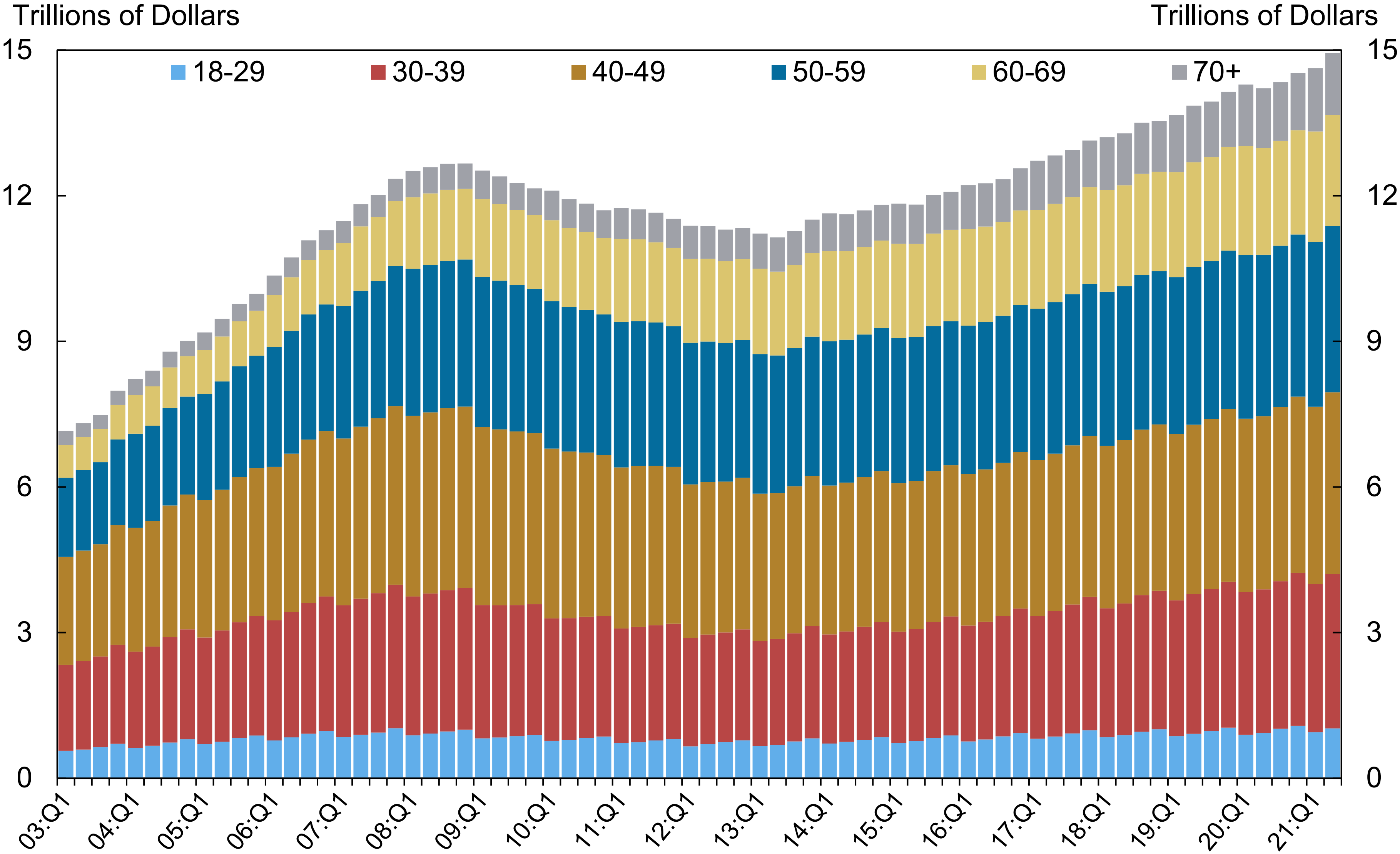
Third Party Collections



Source: New York Fed Consumer Credit Panel/Equifax

SELECT CHARTS BY AGE

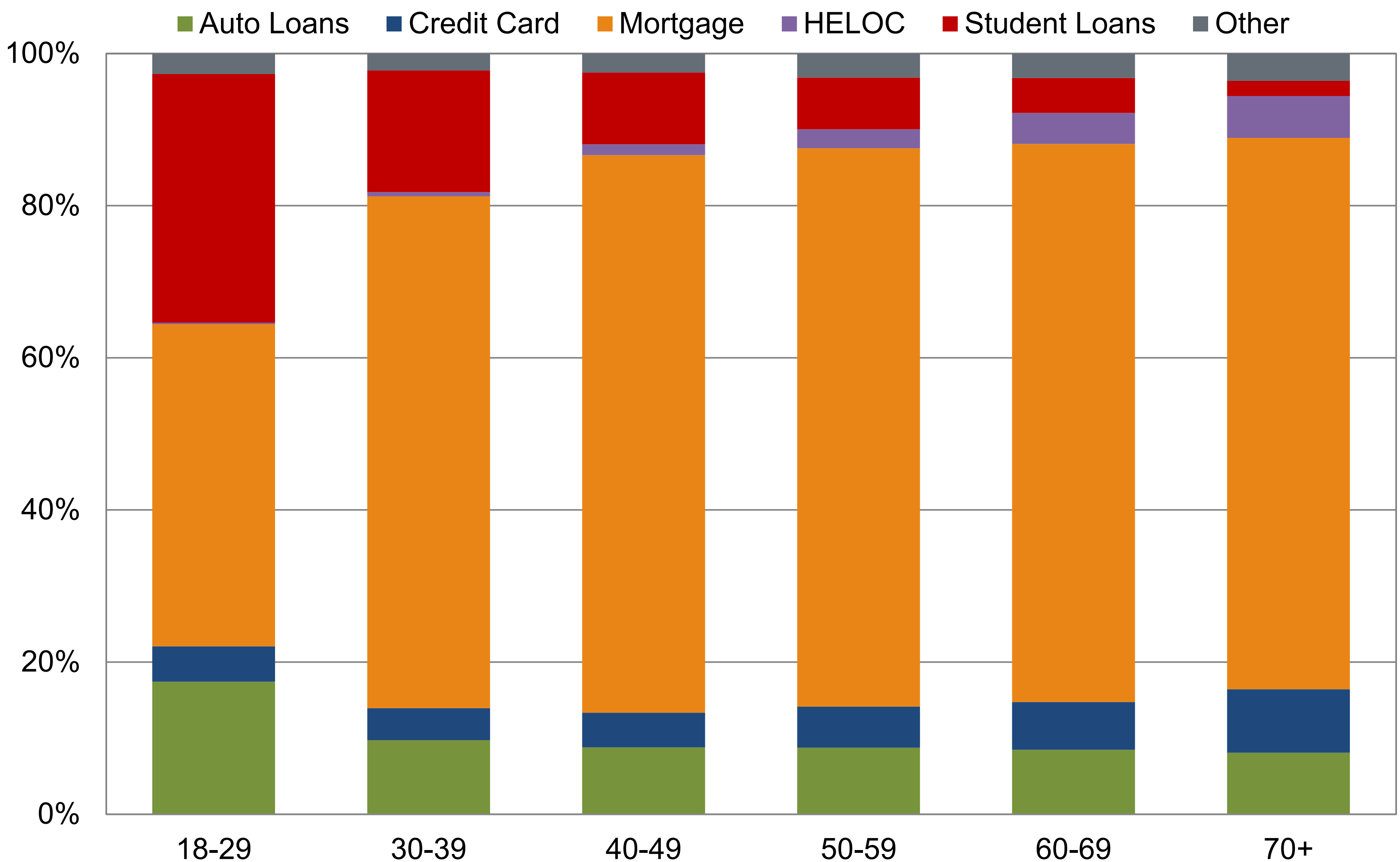
Total Debt Balance by Age



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.

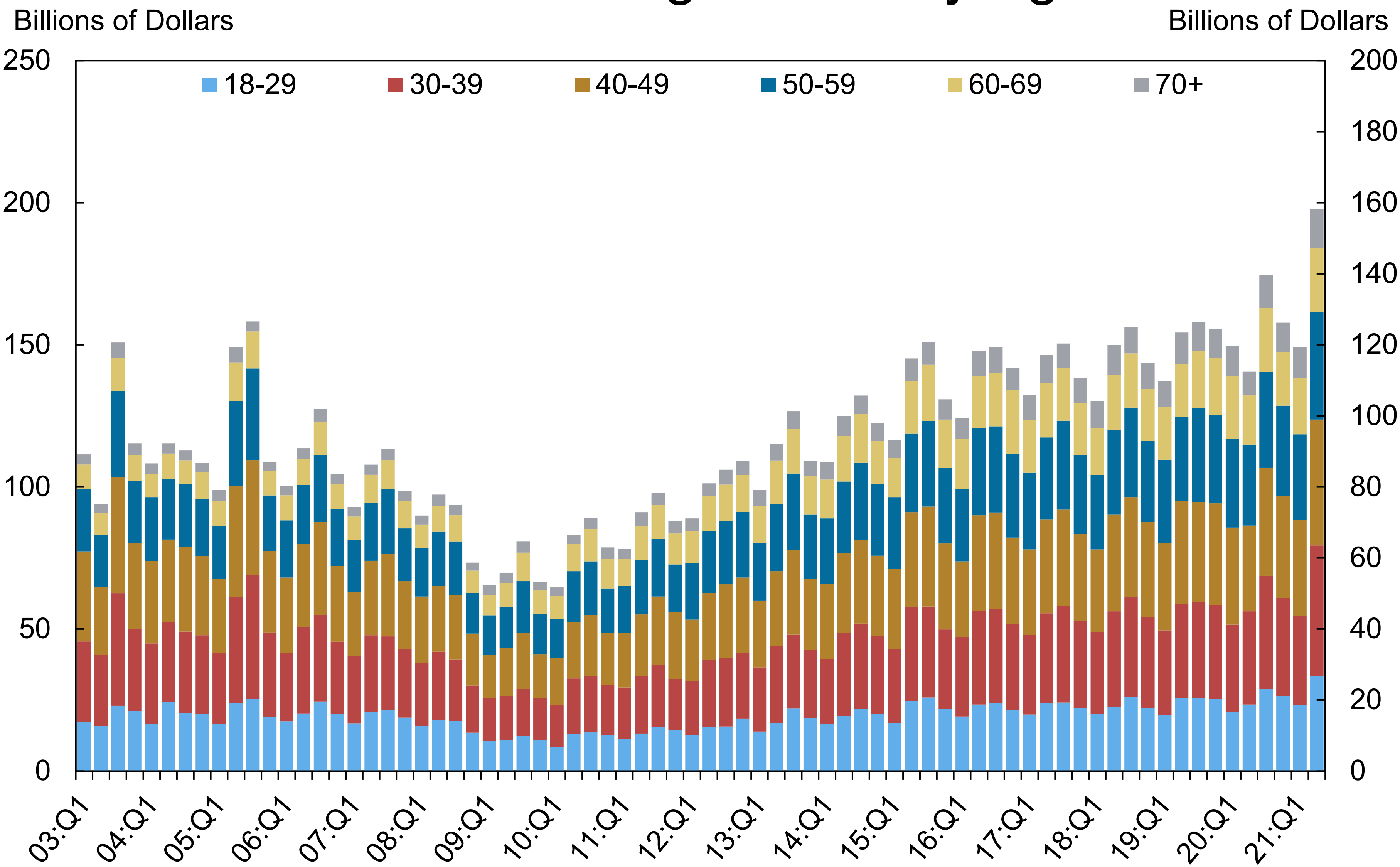
Debt Share by Product Type and Age (2021 Q2)



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

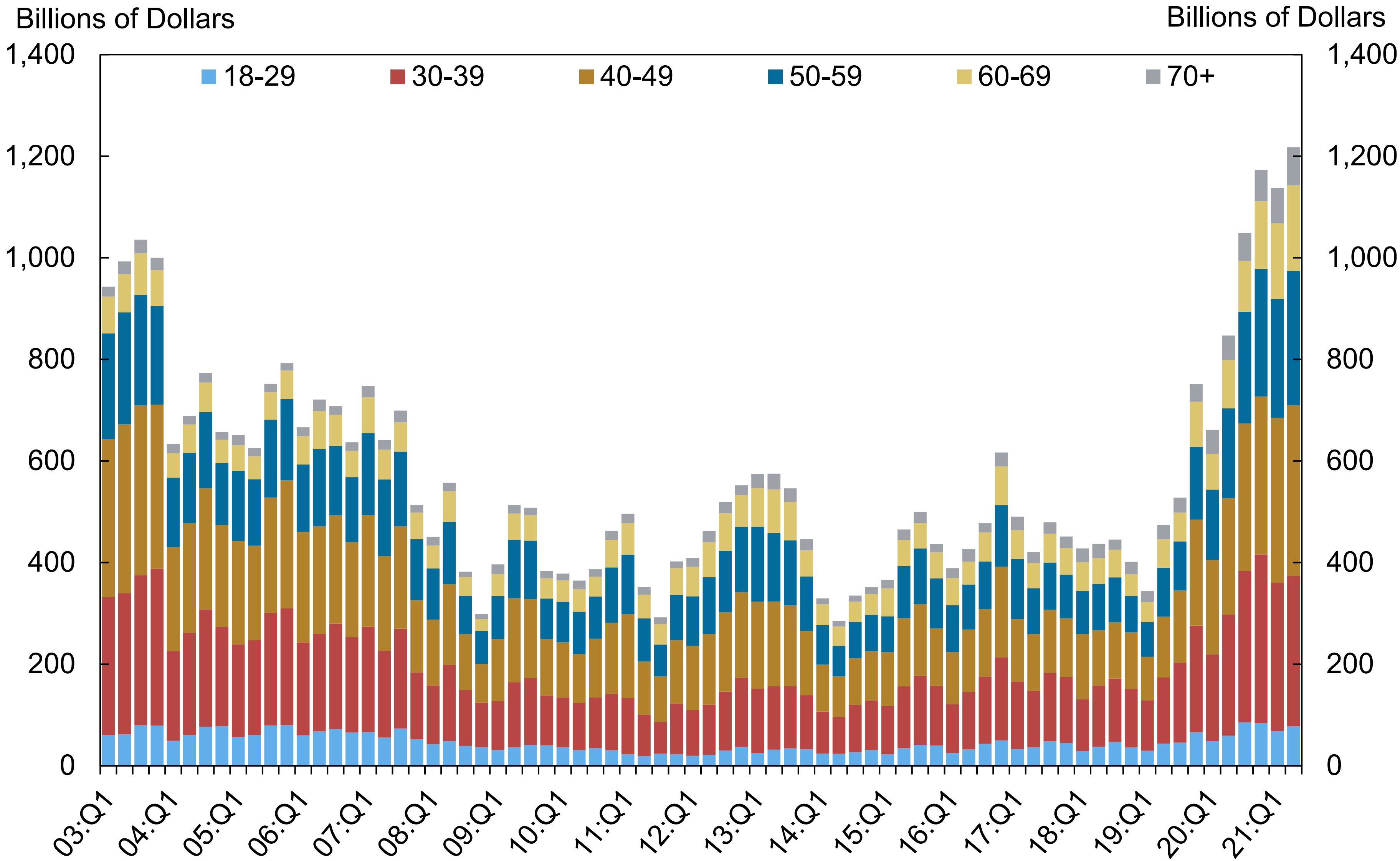
Auto Loan Originations by Age



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.

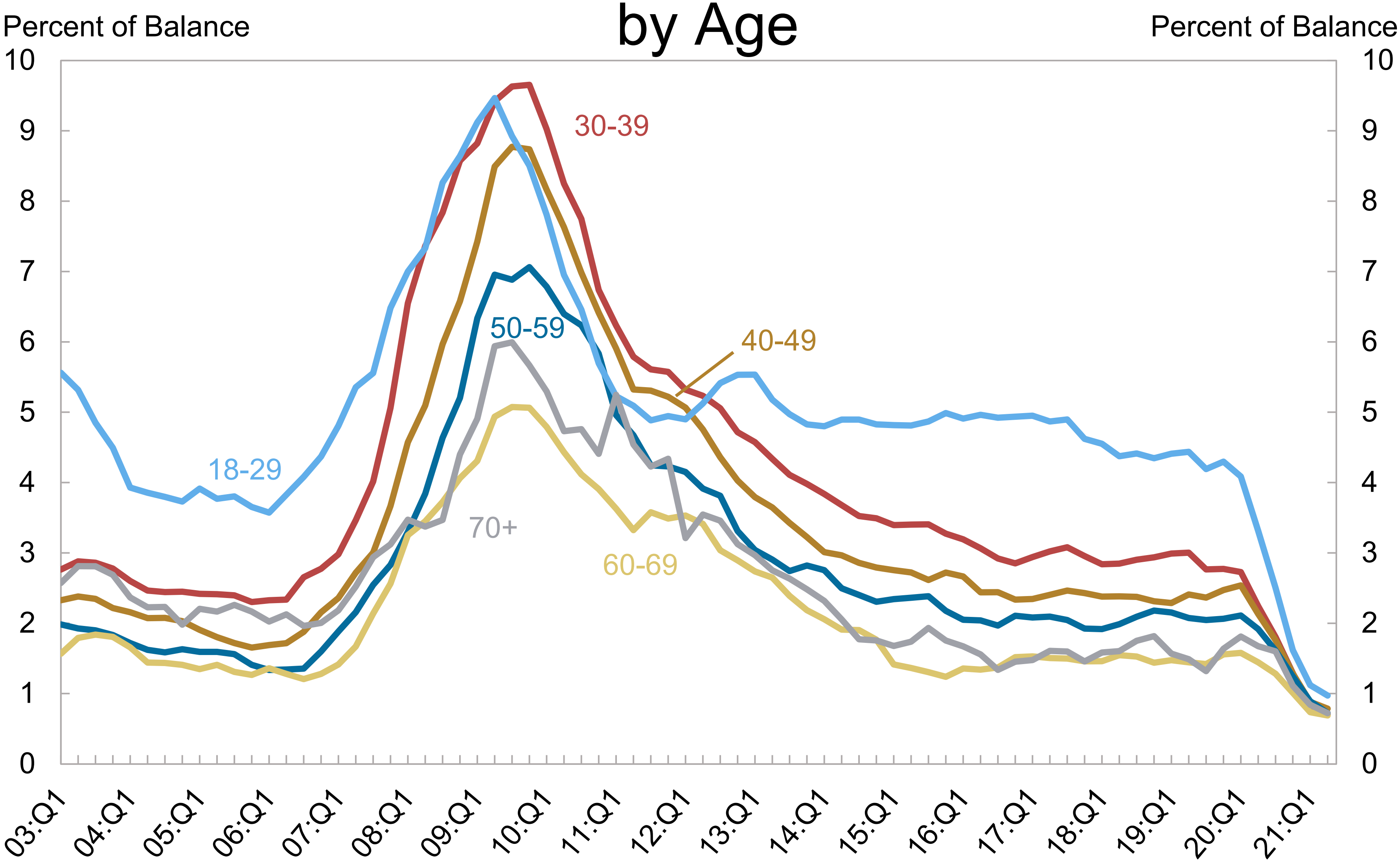
Mortgage Originations by Age



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.

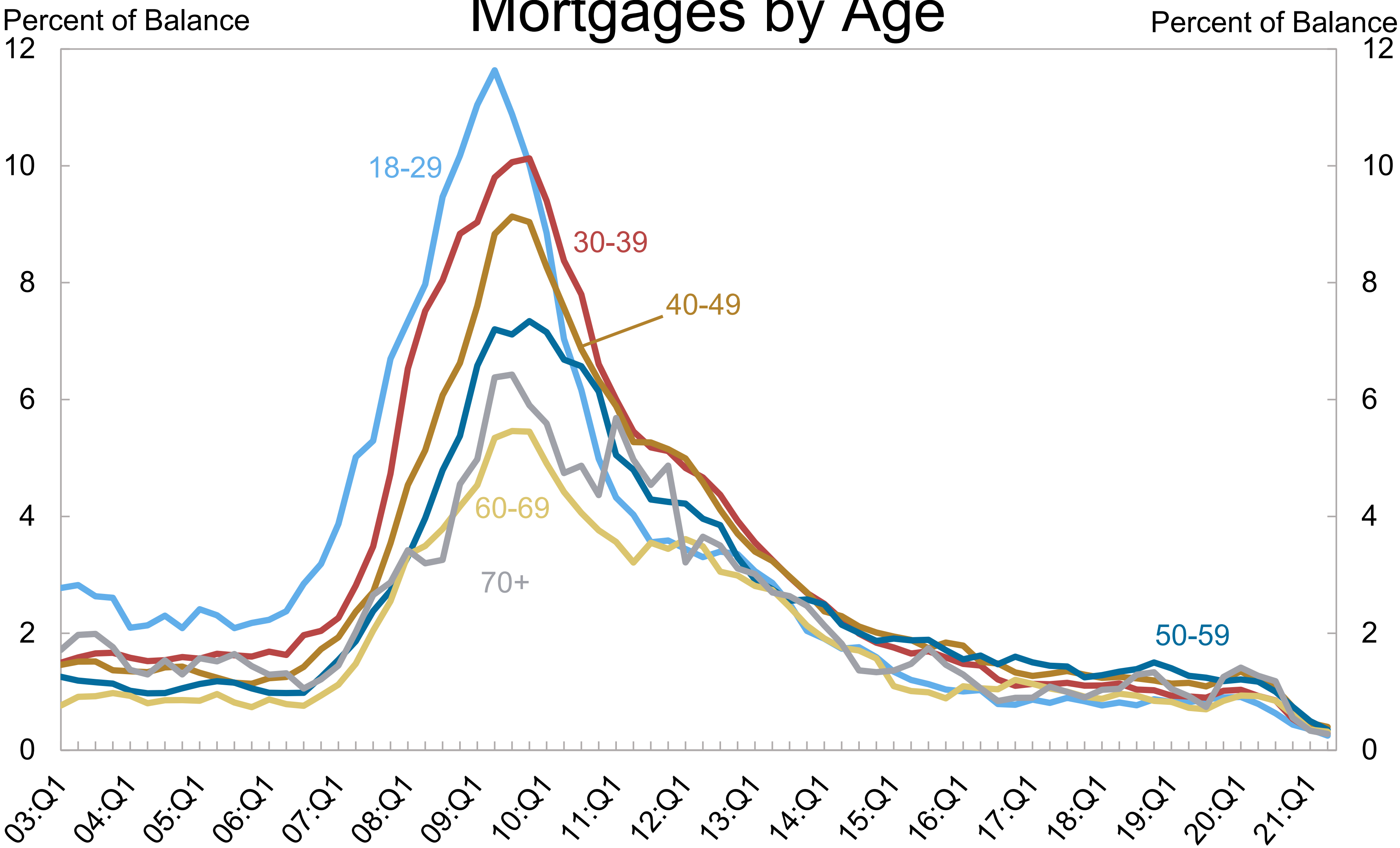
Transition into Serious Delinquency (90+) by Age



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

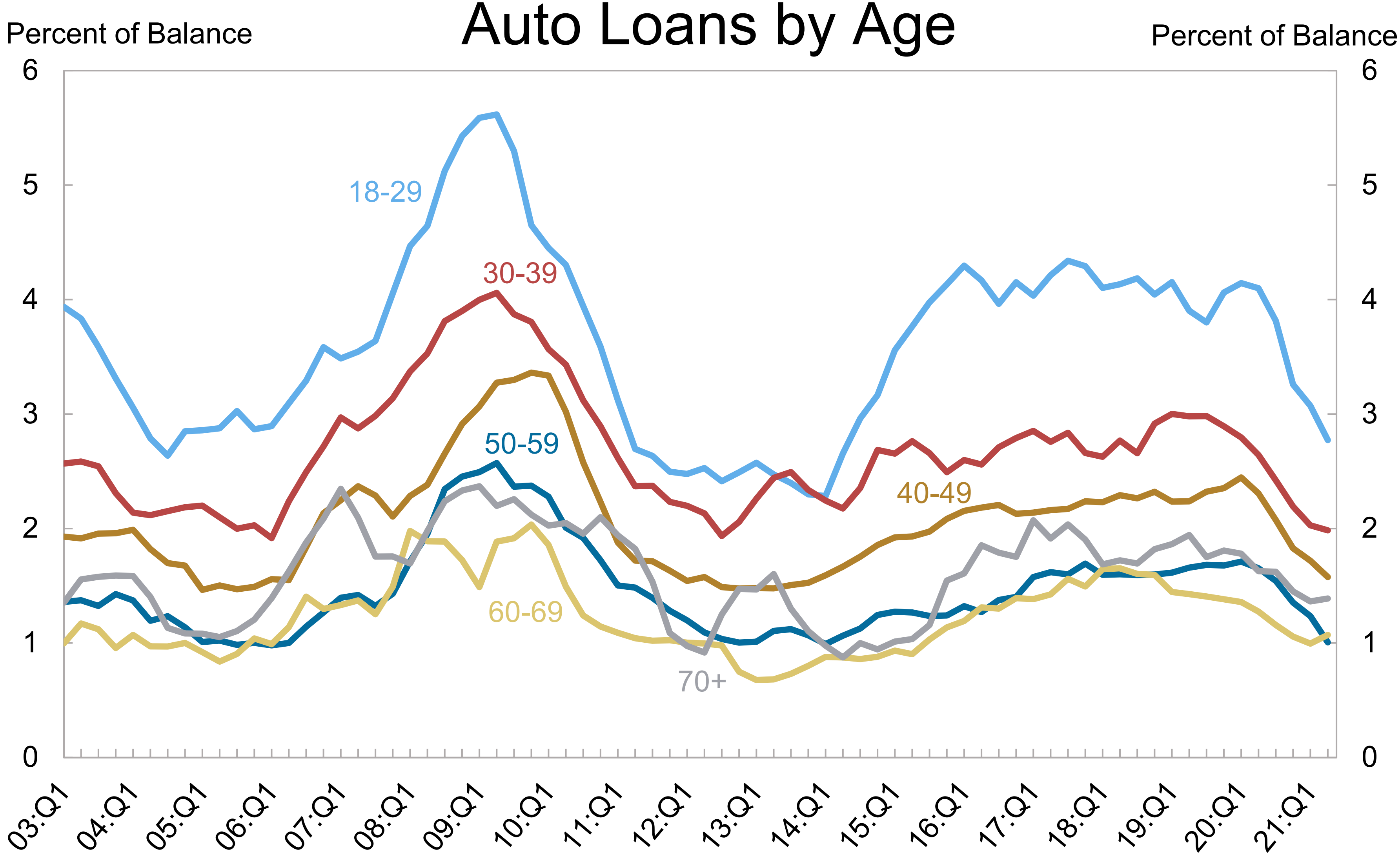
Transition into Serious Delinquency (90+) for Mortgages by Age



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

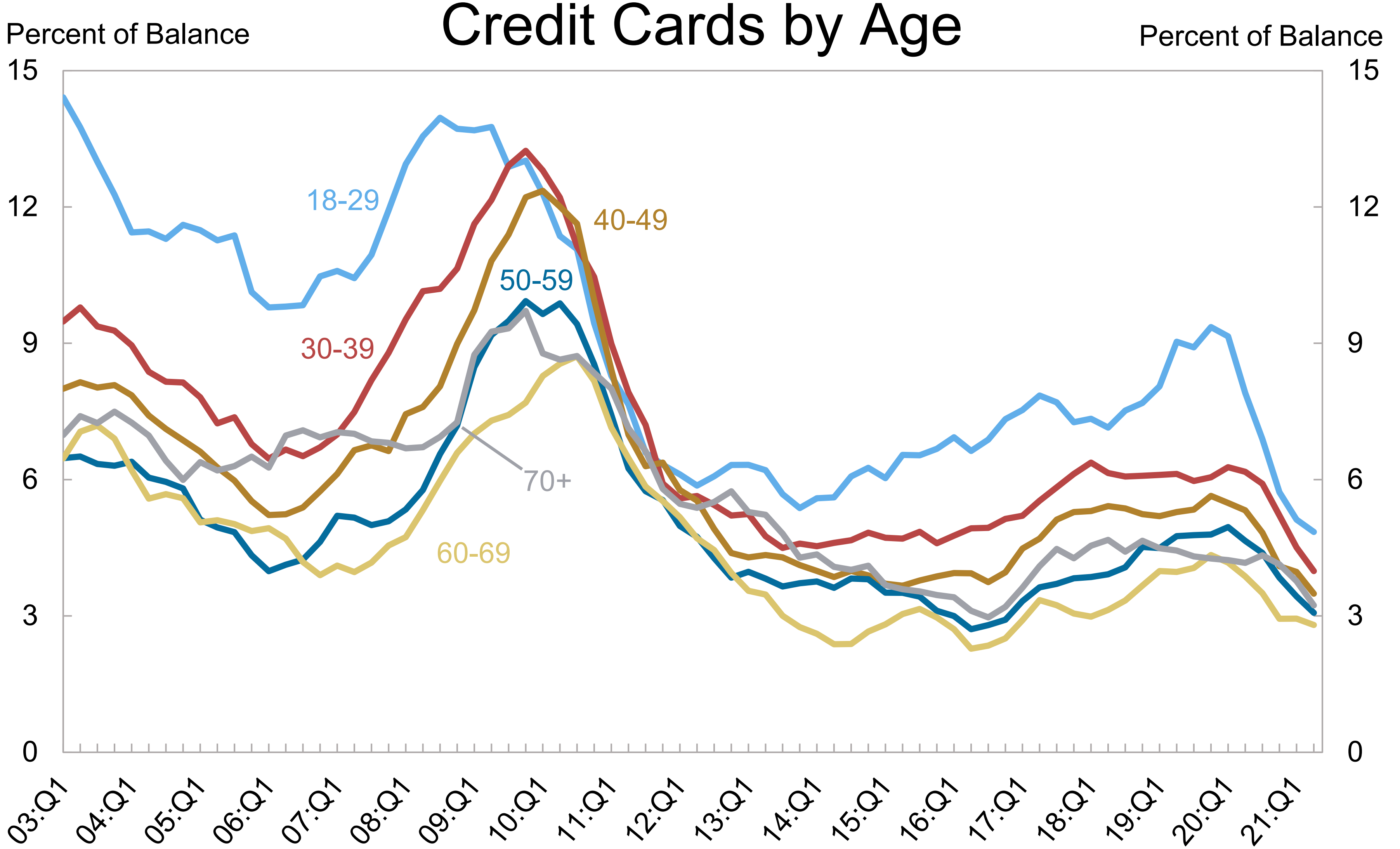
Transition into Serious Delinquency (90+) for Auto Loans by Age



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

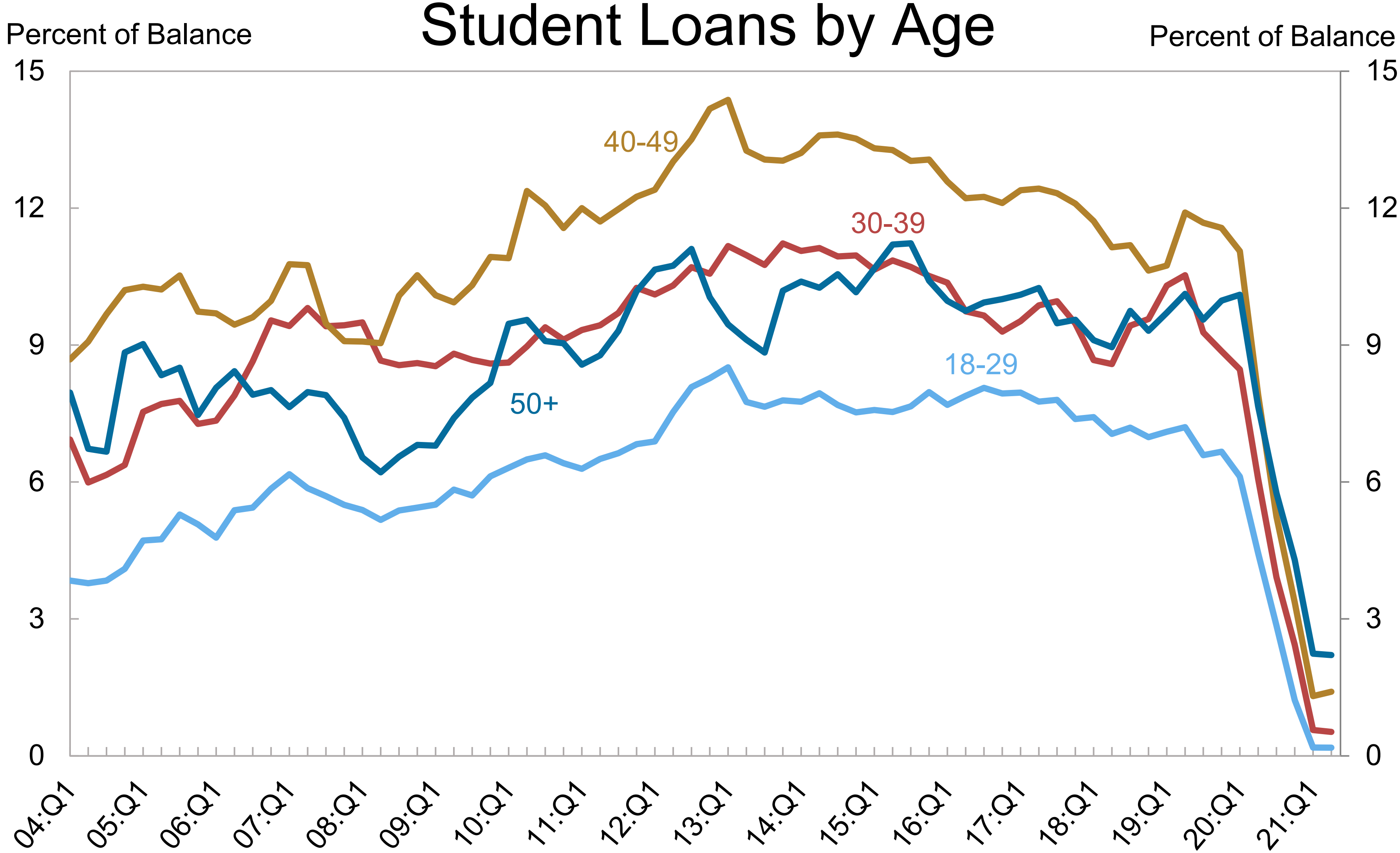
Transition into Serious Delinquency (90+) for Credit Cards by Age



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

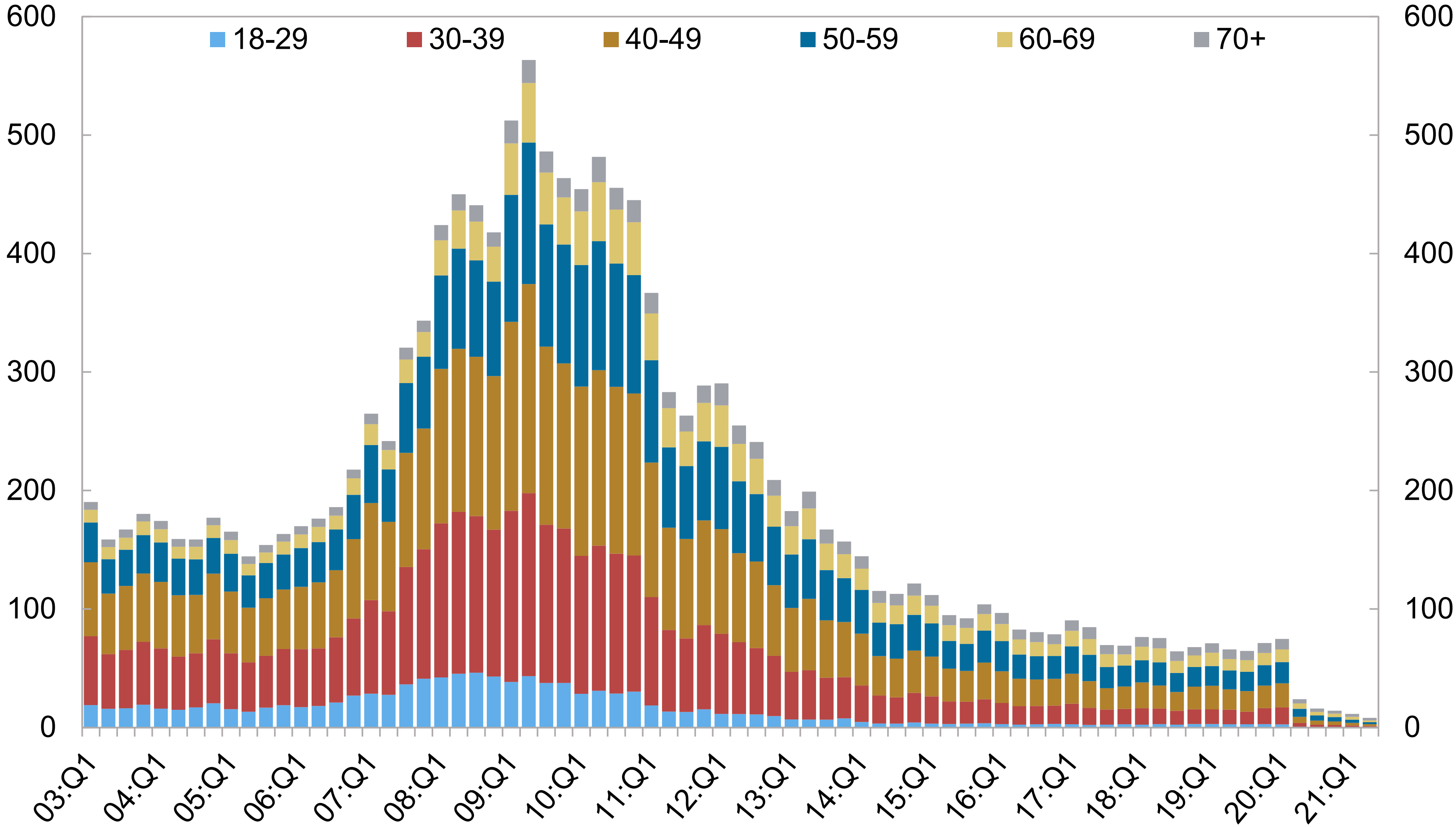
Transition into Serious Delinquency (90+) for Student Loans by Age



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

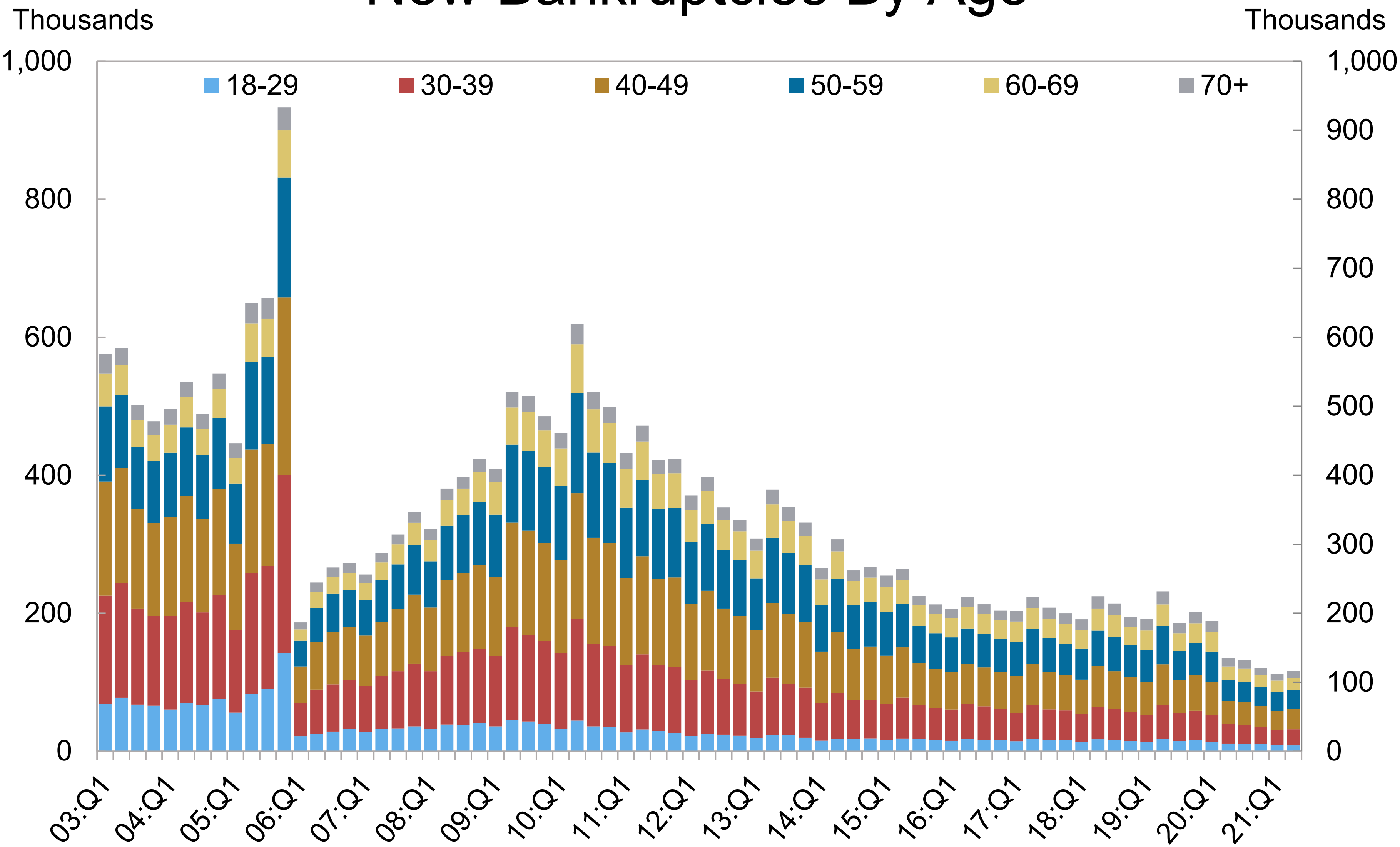
New Foreclosures By Age



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

New Bankruptcies By Age

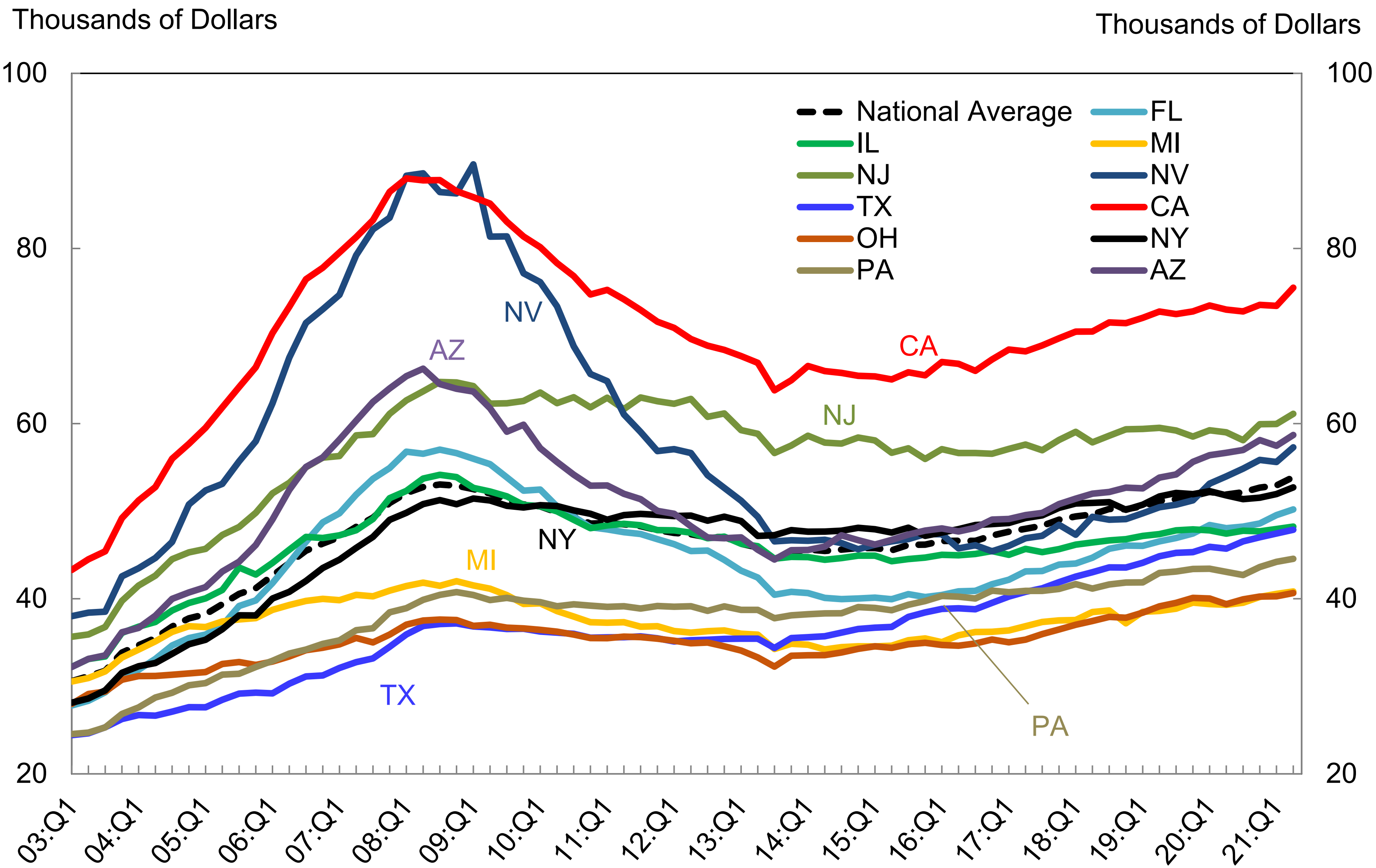


Note: 4 Quarter Moving Sum.
Age is defined as the current year minus the birthyear of the borrower.
Age groups are re-defined each year. Balances may not add up to totals due to a small number of individuals with unknown birthyears.

Source: New York Fed Consumer Credit Panel/Equifax

CHARTS BY SELECT STATE

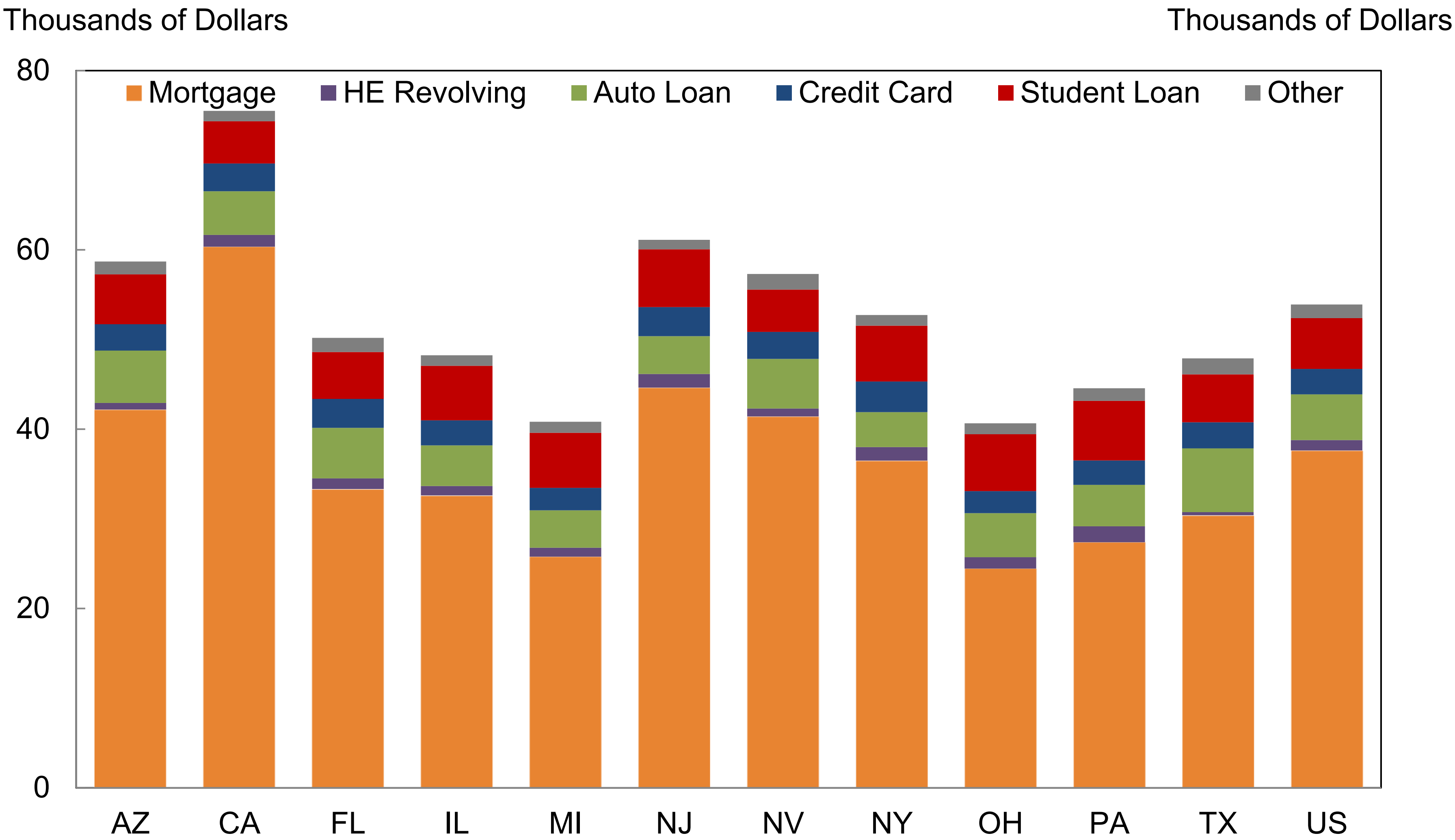
Total Debt Balance per Capita* by State



Source: New York Fed Consumer Credit Panel/Equifax

Note: *Based on the population with a credit report

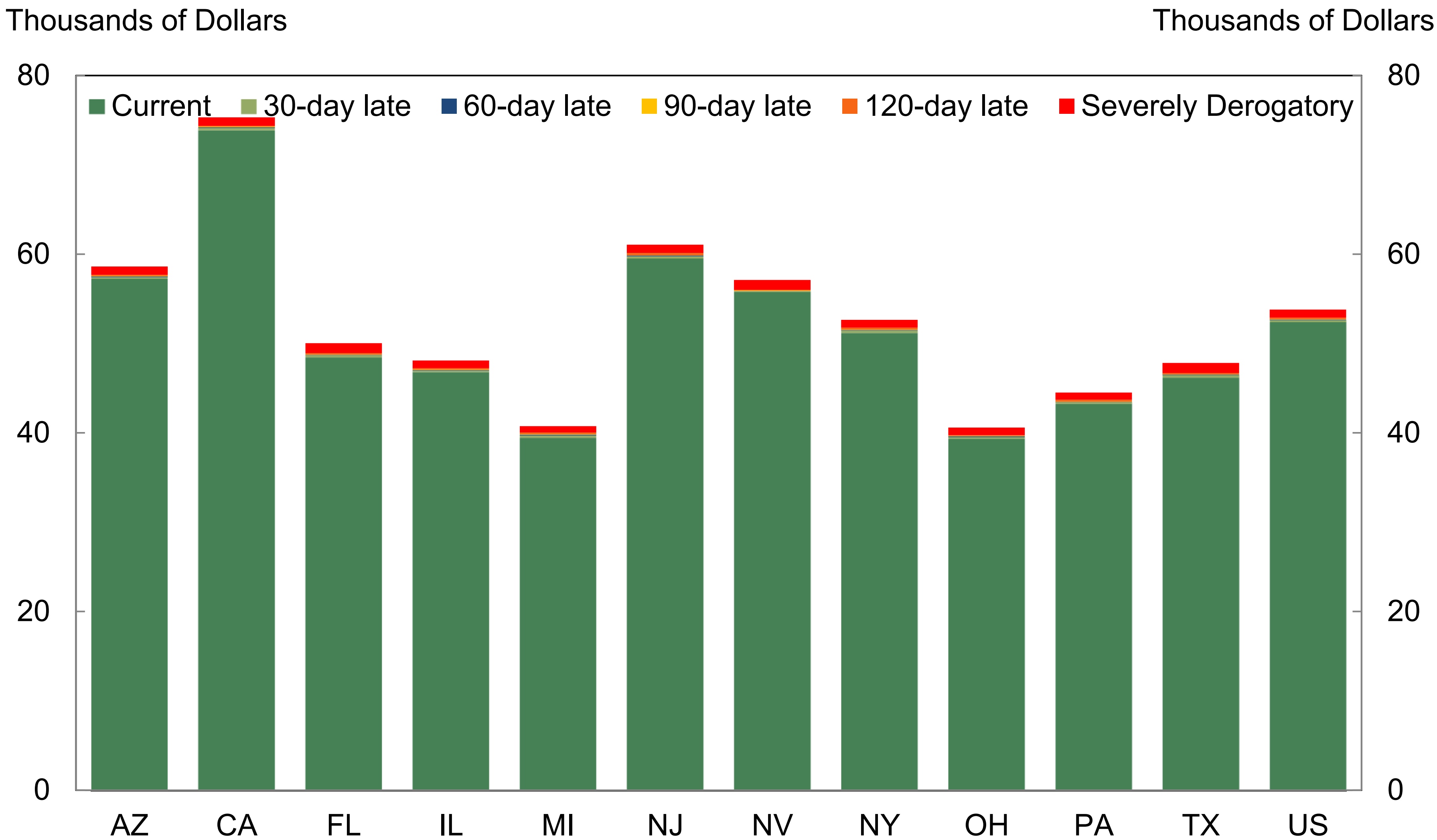
Composition of Debt Balance per Capita*



Source: New York Fed Consumer Credit Panel/Equifax

Note: * Based on the population with a credit report

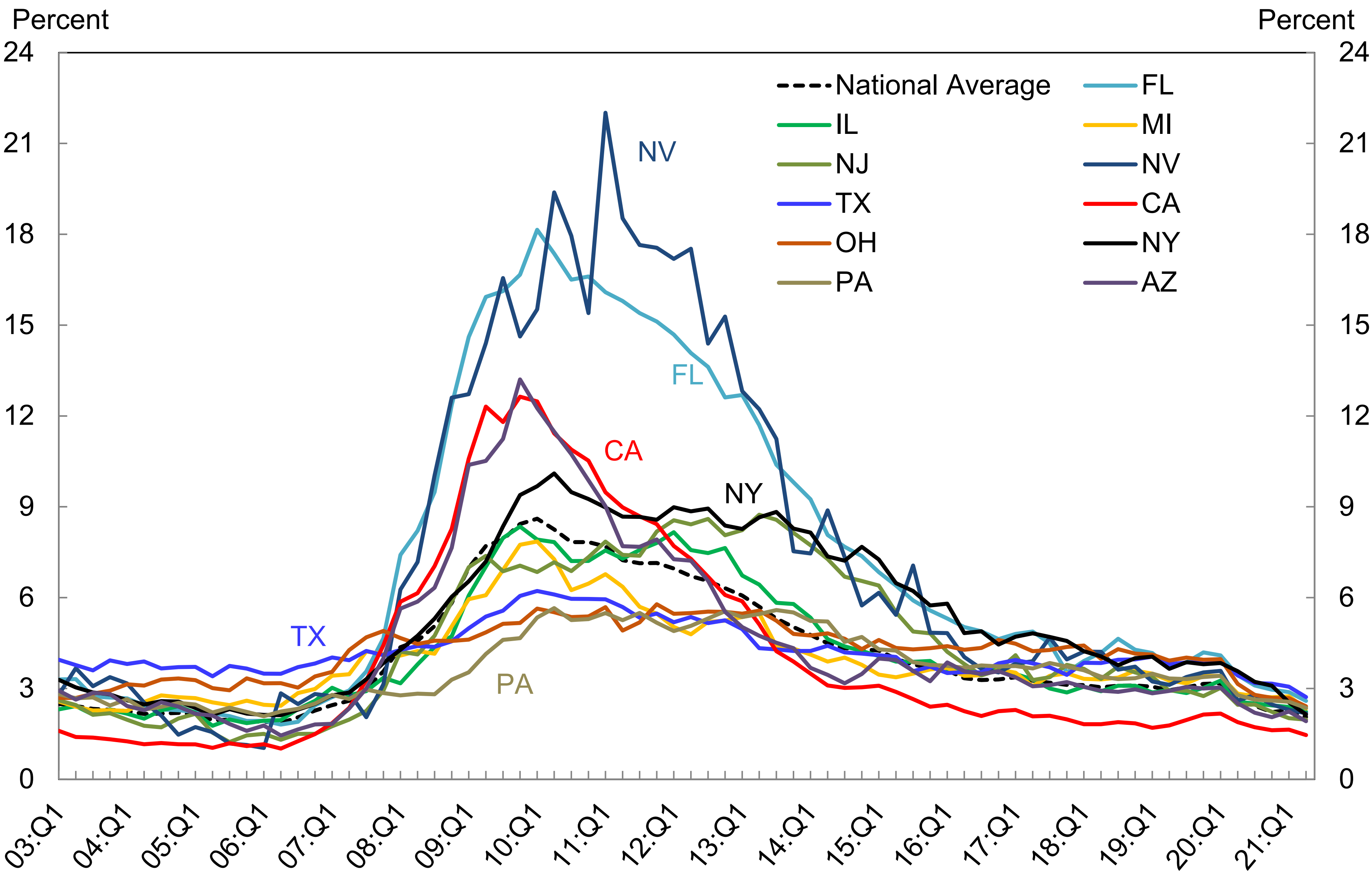
Delinquency Status of Debt Balance per Capita*



Source: New York Fed Consumer Credit Panel/Equifax

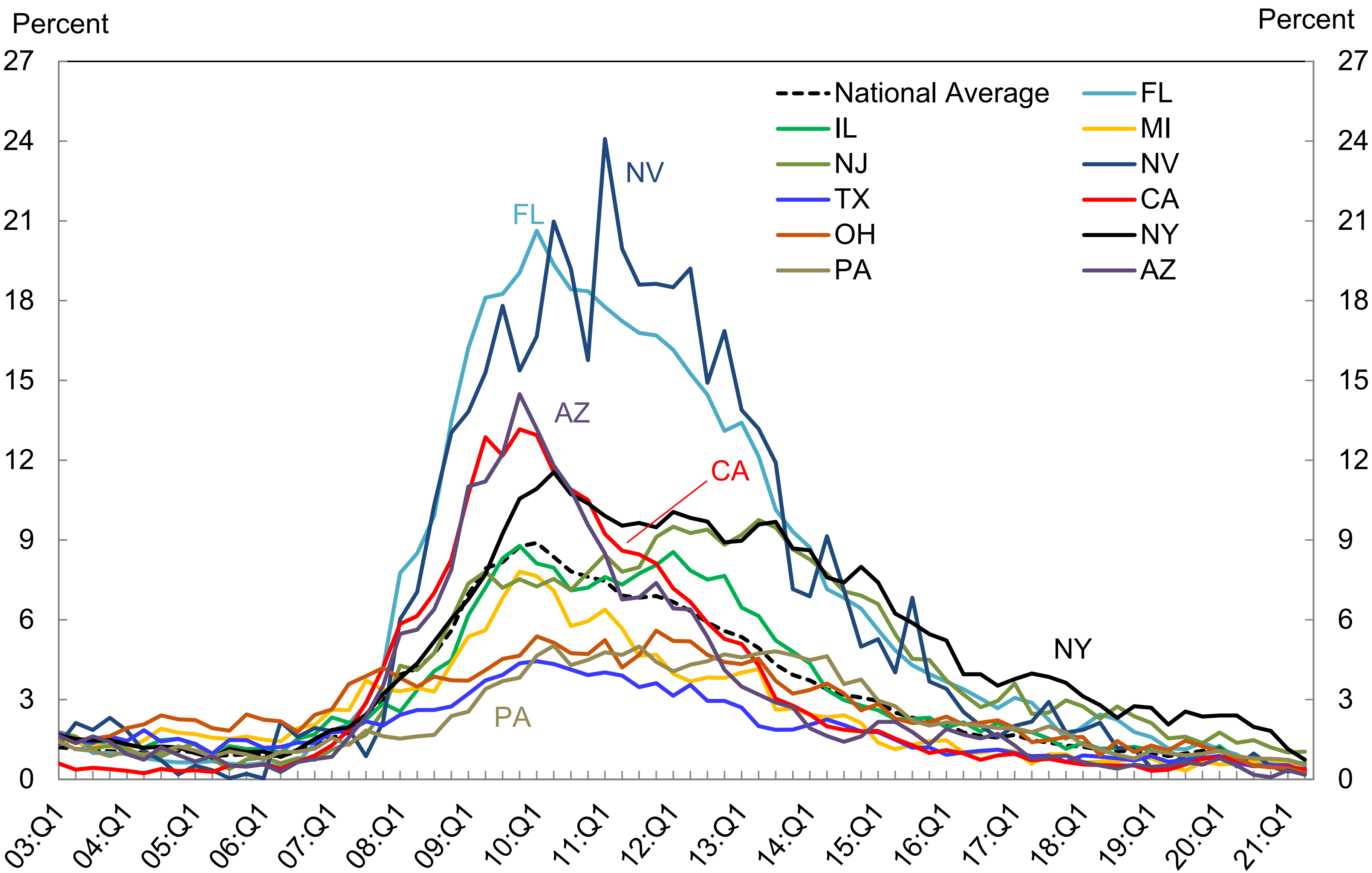
Note: * Based on the population with a credit report

Percent of Balance 90+ Days Late by State



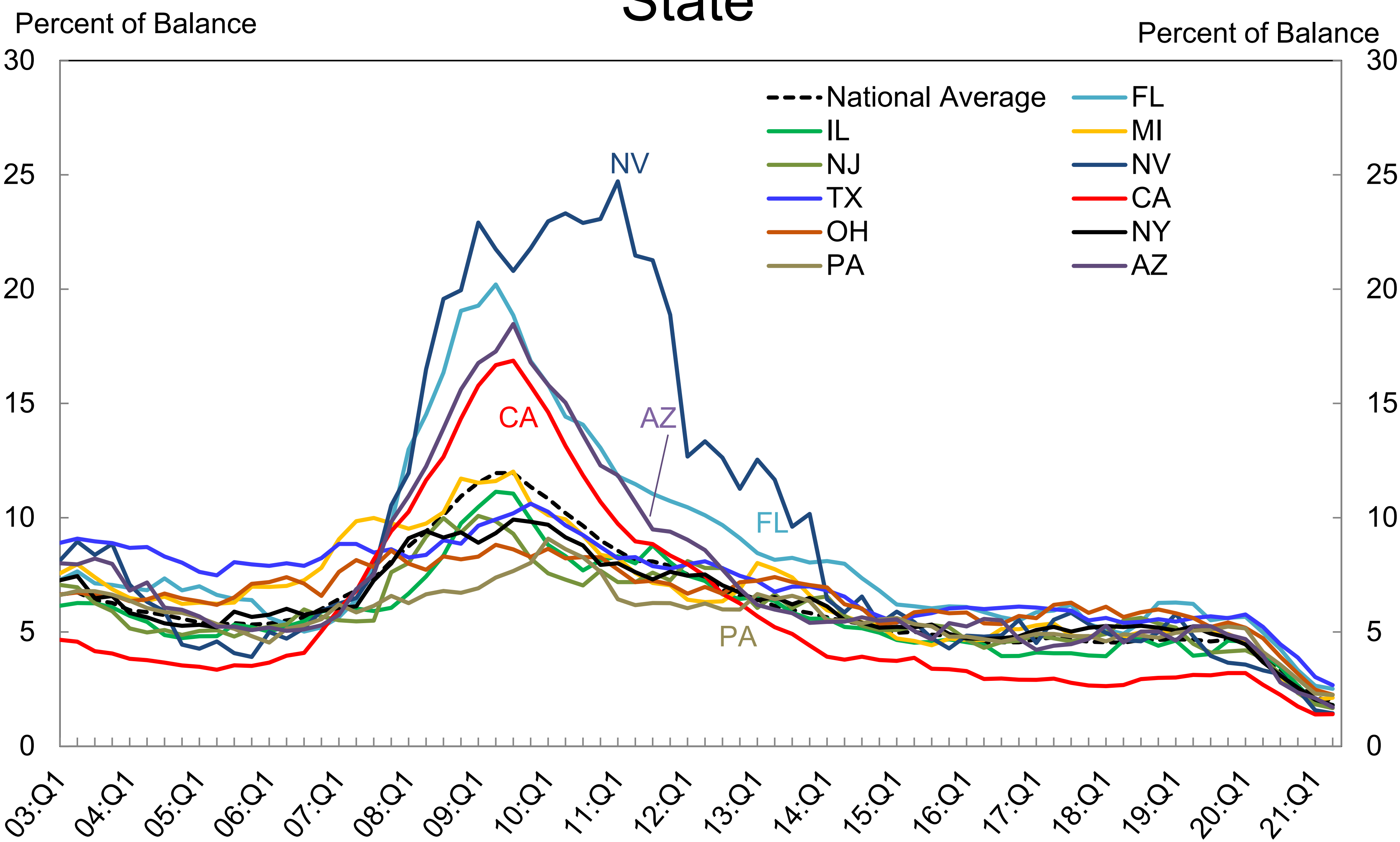
Source: New York Fed Consumer Credit Panel/Equifax

Percent of Mortgage Debt 90+ Days Late by State



Source: New York Fed Consumer Credit Panel/Equifax

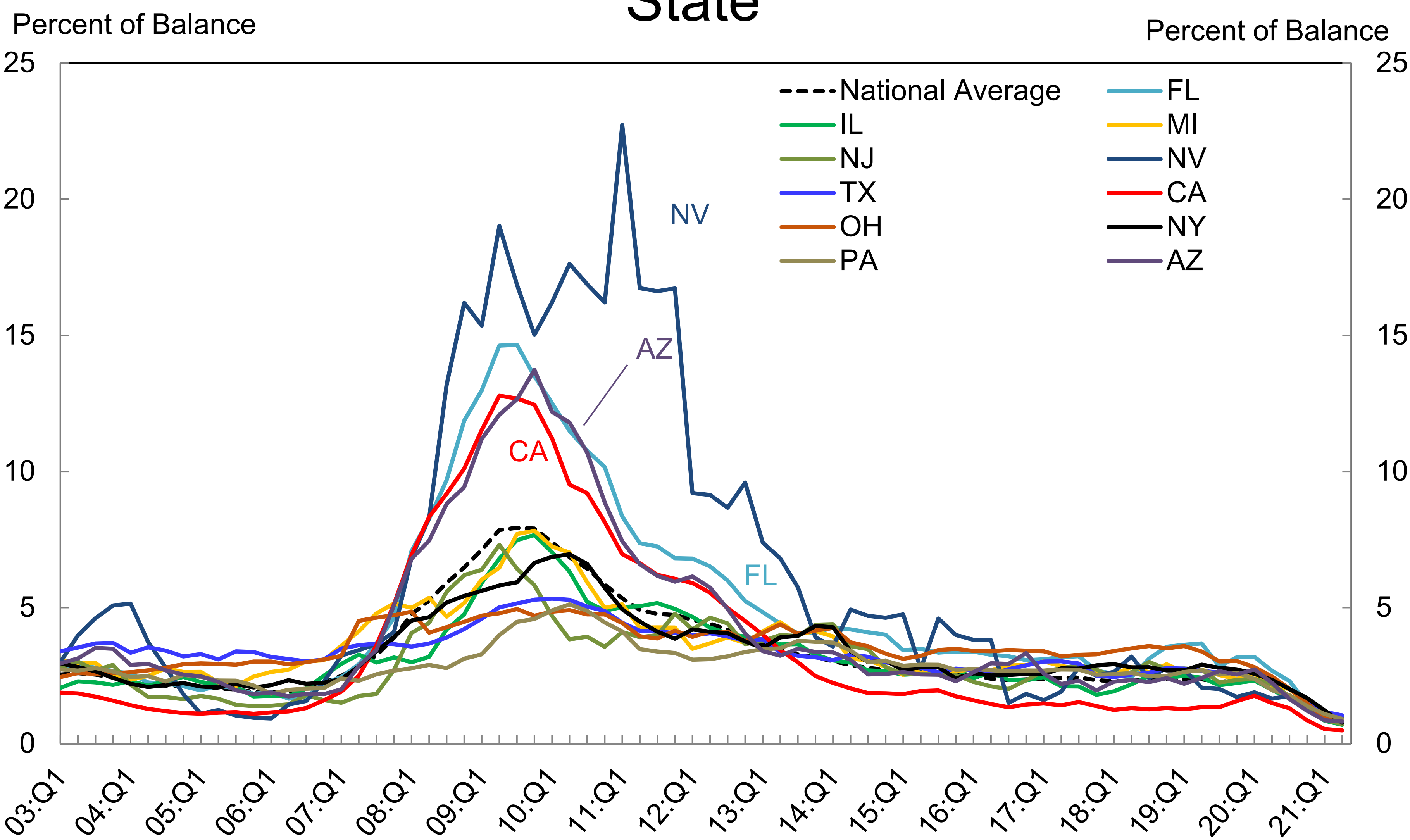
Quarterly Transition Rates into 30+ Days Late by State*



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.

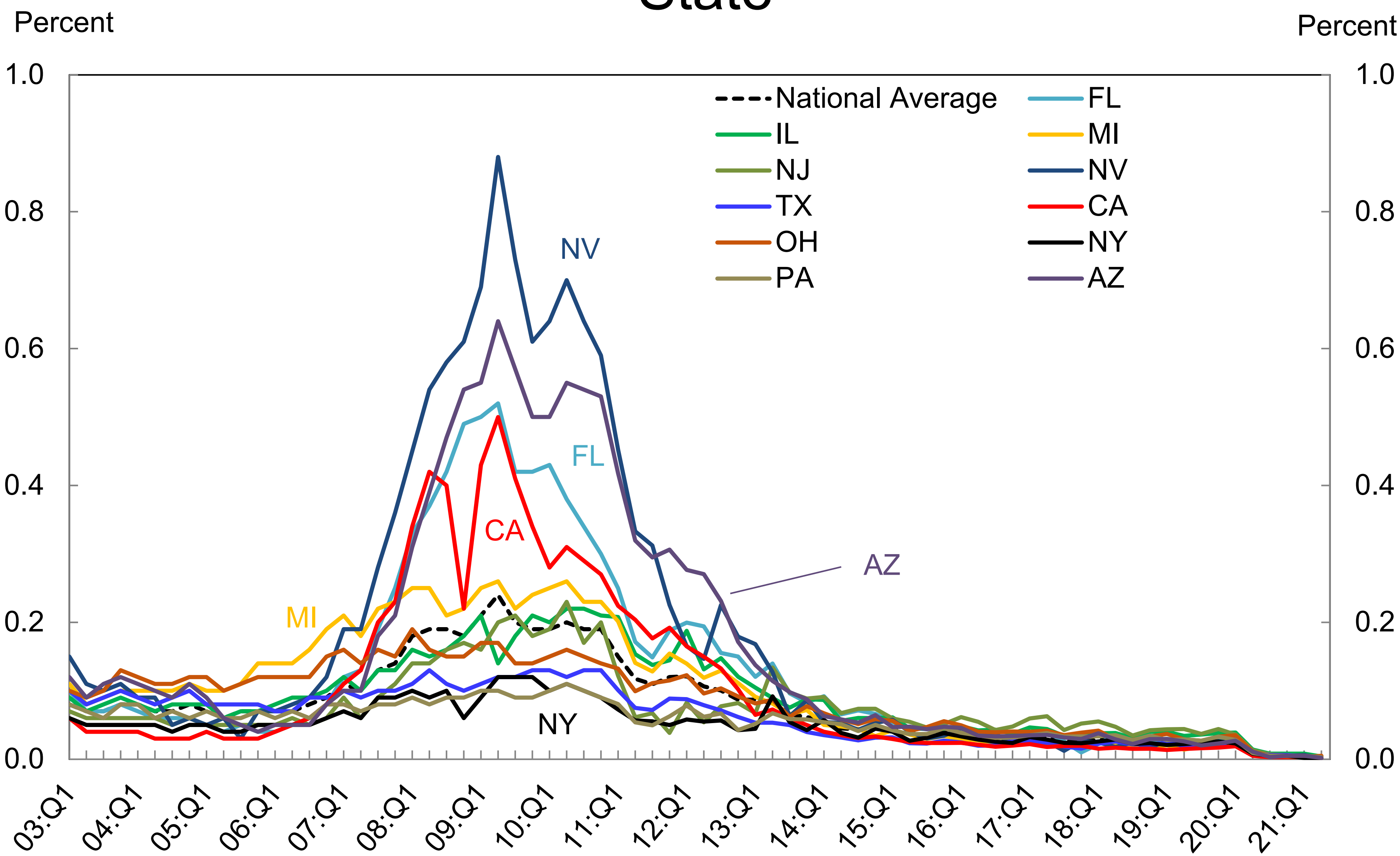
Quarterly Transition Rates into 90+ Days Late by State*



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.

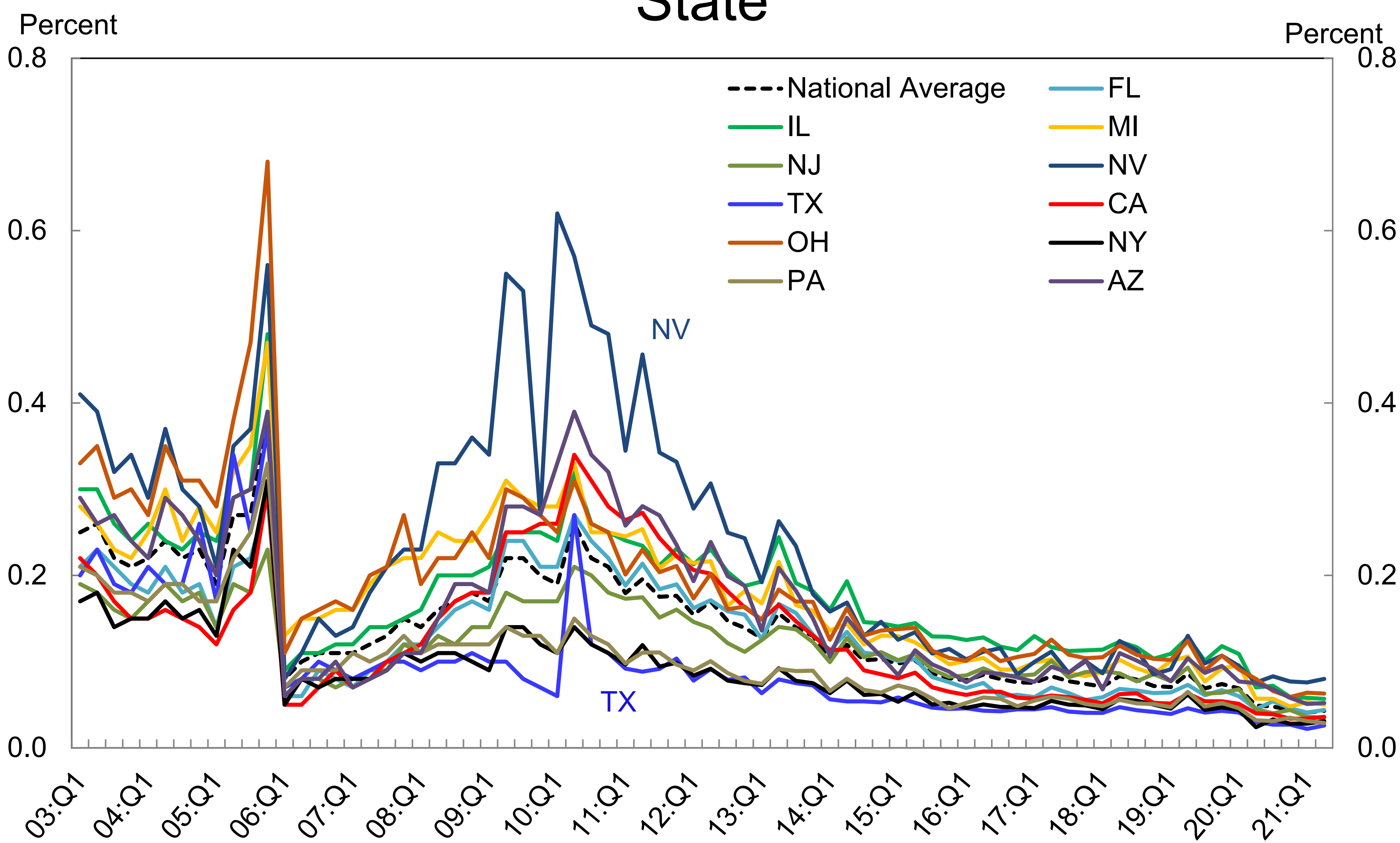
Percent of Consumers* with New Foreclosures by State



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 2021[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.