Debt Burden

The capacity to pay back debt is a critical gauge of consumer credit conditions. On a short-term basis, this capacity is best measured by the minimum monthly payments due on debt, such as mortgages, credit cards, and auto loans. This burden is slightly higher than the comparable U.S. figure of 13.2 percent. Only 12.5 percent of income is required to meet minimum debt payments in the Tenth District as a whole. Colorado debt service burden in the third quarter was lower than the burden in 2006, which was 14.4 percent. Although the total amount of debt (including mortgages) held by the average Colorado consumer changed little over that period (at about $98,000), debt burdens were reduced by lower interest rates. Any future rise in interest rates above these historically low rates would likely raise debt burdens, putting additional financial pressure on Colorado households. For more information, see the Tenth District Consumer Credit Report.
The Consumer Credit Report series is published quarterly by the Federal Reserve Bank of Kansas City to provide a summary view of consumer credit standing in each Tenth District state. For questions or comments, contact Kelly Edmiston, senior economist, at kelly.edmiston@kc.frb.org.