

Tenth District Consumer Credit Report



3rd QUARTER 2011

FEDERAL RESERVE BANK of KANSAS CITY

Summary

In the last two years consumers have made efforts to pare down large debts that had accumulated over the past decade and during the severe recession. Third quarter consumer credit data from the Tenth District bears that out. Average consumer debt, which in this report consists of all personal debts except for first mortgages, stood at about \$15,500, which is significantly less than its peak of \$17,400 in the first quarter of 2009. Revolving debt, which features open lines of credit for which the balances can vary over time, was about \$5,900, compared to its peak of about \$6,700 in the second quarter of 2009. Tenth District consumers also carried less debt on average than consumers in the nation as a whole, where the comparable U.S. consumer debt figure was \$17,300.

Nebraska had the lowest average consumer debt at \$13,600, while Colorado consumers held the most debt, at \$19,000. Much of the differences among states can be attributed to income and housing values, which are relatively high in Colorado and relatively low in Oklahoma. Relative

economic performance may be a factor as well, although the direction in which a better economy would push debt levels is not clear.

Tenth District bank card delinquencies differed little from those in the nation as a whole. Mortgage delinquencies were substantially lower in the Tenth District, however, reflecting more resilient housing markets. Auto delinquencies were lower in the District, while student loan delinquencies were moderately higher. Oklahoma and New Mexico suffered student loan delinquency rates above 15 percent, compared to the U.S. rate of 11.6 percent. The fourth quarter report will delve more deeply into student loan issues in the Tenth District.

THEME: DEBT SERVICE BURDEN

Debt levels are important indicators of consumer credit conditions in the Tenth District, but the capacity of consumers to pay back the debt is perhaps more critical. On a short-term basis, this capacity is best measured by minimum

monthly payments due as a share of disposable personal income.

In the Tenth District, 12.5 percent of monthly household income is required to cover the minimum payments due on debt, such as mortgages, credit cards, and auto loans. For the U.S. as a whole, the number is 13.2 percent. District debt service burden in the second quarter was lower than the burden in 2006, which was 13.3 percent. Although the total amount of debt (including mortgages) held by the average District consumer increased by almost ten percent over that period (from \$58,100 to about \$63,000), interest rates fell. For example, the average interest rate on a 30-year fixed rate, conventional mortgage in the third quarter of 2006 was 6.4 percent, compared to 4.0 percent in the third quarter of 2011. Although Tenth District consumers have paid down debt in the last two and one-half years, should interest rates rise appreciably from their current historically low rates, debt service will likely become a much greater burden for Tenth District households.

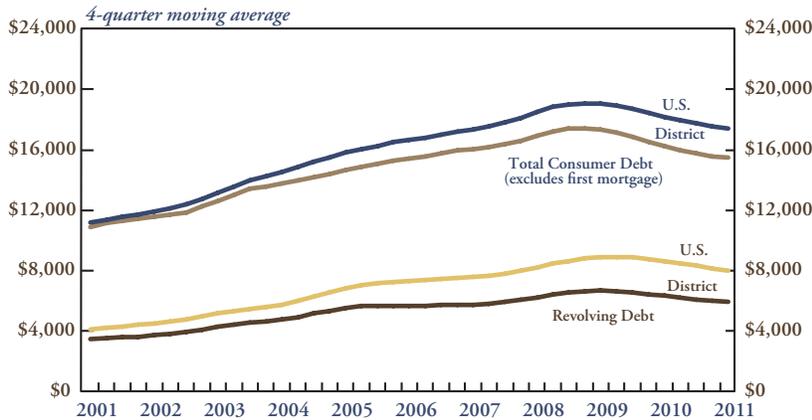
Tenth District CONSUMER CREDIT REPORT



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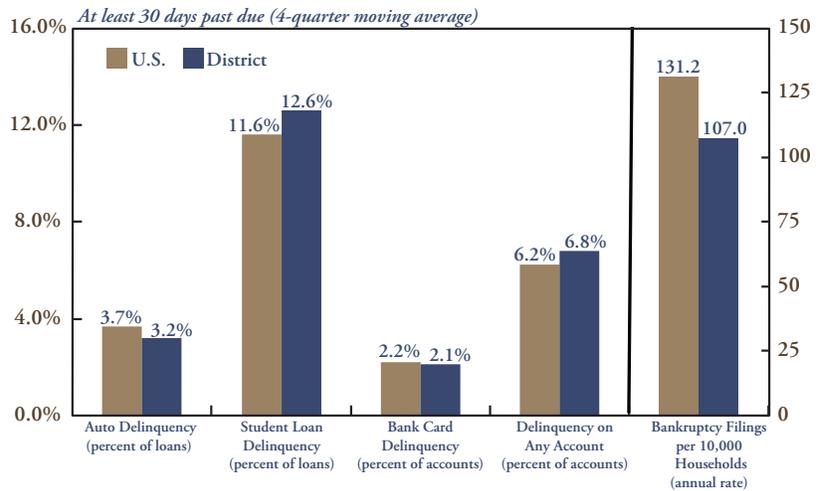
FEDERAL RESERVE BANK of KANSAS CITY - TENTH DISTRICT

Chart 1: Average Debt per Consumer



Source: Federal Reserve Bank of New York Consumer Credit Panel/Equifax
 Note: A first mortgage represents the primary note on the home and typically is not used to purchase consumer goods.

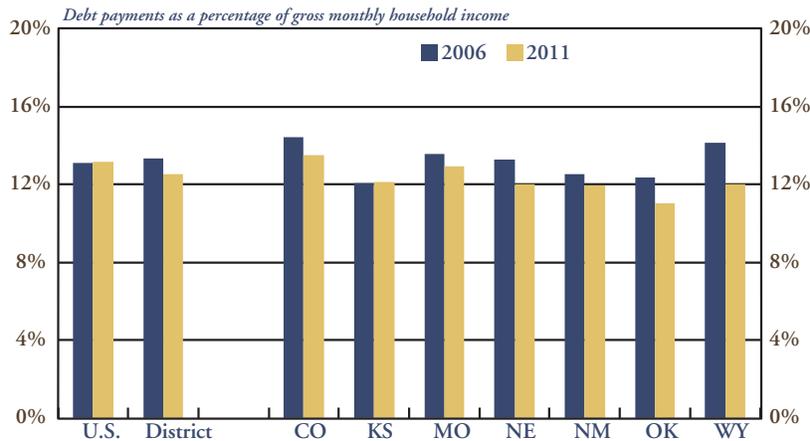
Chart 2: Average Consumer Delinquency Rates



Source: Federal Reserve Bank of New York Consumer Credit Panel / Equifax and the Administrative Office of the U.S. Courts
 Notes: "Any Account" includes accounts not otherwise reported in the chart. Due to changes in the way variables were reported and a larger sample, delinquency figures are not comparable to those from the second quarter.

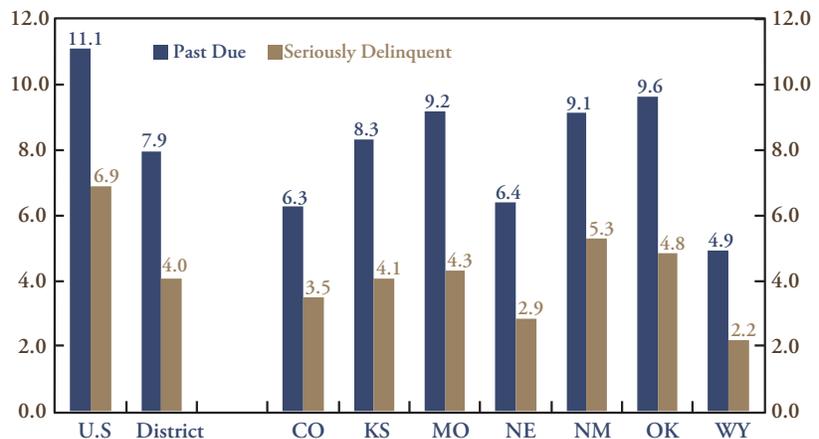


Chart 3: Debt Burden



Source: Federal Reserve Bank of New York Consumer Credit Panel/Equifax

Chart 4: Mortgage Delinquencies



Source: Lender Processing Services, Inc.

Notes: The figures represent the share of outstanding mortgages. Past due represents mortgages that are 30 or more days delinquent, including those in foreclosure. Serious delinquencies represent mortgages that are 90 or more days past due or in some stage of the foreclosure process.