

Tenth District Consumer Credit Report



2ND QUARTER 2012

FEDERAL RESERVE BANK OF KANSAS CITY

Summary

Average consumer debt in the Tenth District, which for this report consists of all personal debt except first mortgages, increased modestly in the second quarter to \$15,480 per consumer including joint debt (Chart 1). Consumer debt levels have changed little over the last 2 quarters, following a period of steady decline over the previous two years. Average consumer debt was about \$1,900 lower in the second quarter of 2012 than it was at its peak three years earlier. U.S. consumer debt increased negligibly to \$17,130 and has shown a similar trend. Revolving debt declined modestly in the District compared with the first quarter, to about \$5,760.

Oklahoma consumers held the lowest average debt in the second quarter with \$13,840, followed closely by Nebraska at \$13,920 (Chart 2). Colorado (\$18,650) and Wyoming (\$17,690) continued to lead the District. Average consumer debt in Wyoming has climbed \$900 over the past year, largely from installment debt. Average consumer debt has been relatively flat in other District states.

District and U.S. delinquencies on credit accounts were generally lower in the second quarter. In the Tenth District, 4.1 percent of all credit accounts (including mortgages) were overdue, down slightly from 4.2 percent in the first quarter (Chart 3). U.S. delinquencies were significantly higher than in the District, due

primarily to higher mortgage delinquency rates. Tenth District and U.S. mortgage delinquencies both increased since the first quarter. Serious delinquencies, representing mortgages that are 90 or more days past due or in foreclosure, were flat at 4.3 percent in the District (7.2 percent in the U.S.; Chart 4).

Student loan delinquencies continued to be much higher in the District, while auto and bank card delinquencies were moderately lower.

In This Issue: A Look at Bankruptcy

Each quarter the Consumer Credit Reports delve deeper into one consumer credit issue. The second quarter theme is bankruptcy. Personal bankruptcy filing rates in the Tenth District and the nation as a whole rose steadily over several decades prior to 2004. That general trend was interrupted by bankruptcy reform, which was designed to steer petitioners away from Chapter 7 (liquidation) toward Chapter 13 (adjustment) and to limit opportunities for abuse of the system (Chart 5). Immediately prior to the 2005 law's implementation, personal bankruptcy filings spiked as petitioners sought to file before new restrictions were put into place. Following implementation, bankruptcy filings dropped sharply to less than 50 percent of where they were in the early part of the decade. A significant part of the drop can be explained by

a large number of petitions having been pushed forward in anticipation of new restrictions. From the 2006 low point, bankruptcy filings renewed their upward trend until peaking during the recession of 2007-2009. The post-reform pattern in bankruptcy filing rates in the Tenth District and U.S. closely resembles patterns in consumer debt and delinquency rates. High debt burdens and delinquencies typically are precursors to bankruptcy filings.

Bankruptcy filing rates varied considerably across the Tenth District in the second quarter, from a low of 51 filings per 10,000 households in Wyoming to a high of 135 filings per 10,000 households in Colorado (Chart 6). Colorado has had a relatively high bankruptcy rate for decades. Prior to bankruptcy reform, Oklahoma consistently had the highest rate in the District, but now is below the Tenth District average.

One of several potential explanations for the variation in bankruptcy rates across the District is bankruptcy law. The amount of home equity exempt from liquidation can affect bankruptcy filings. High homestead exemptions tend to increase bankruptcy rates. Colorado has a relatively generous homestead exemption, while Wyoming's is much less generous. Another factor is that the Colorado economy has been relatively weak in the last few years, while Wyoming has fared relatively well.

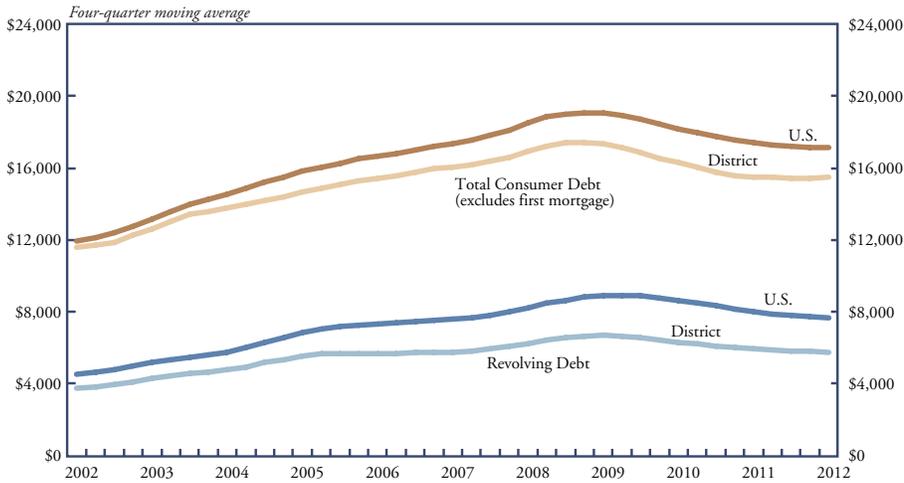
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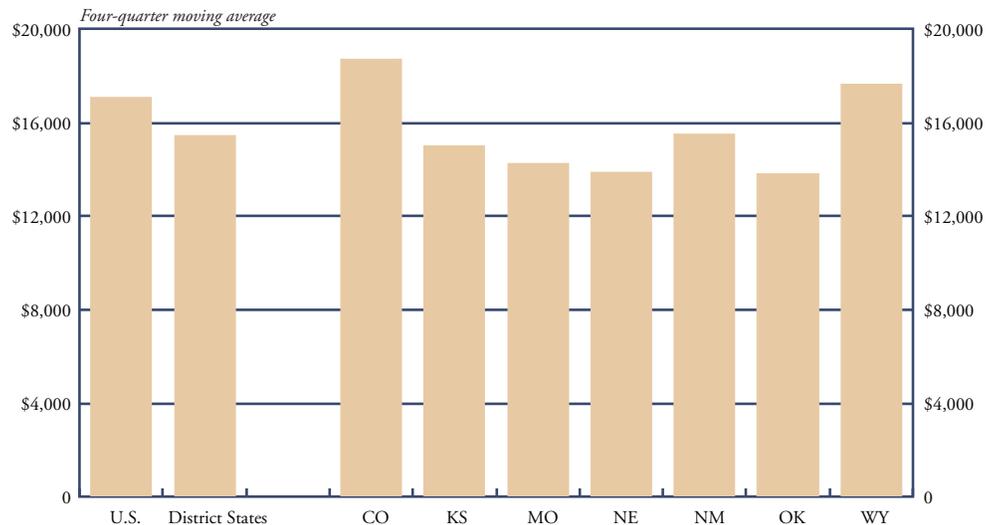
Chart 1: Average Debt* Per Consumer



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

*Excludes first mortgage. A first mortgage represents the primary note on the home and typically is not used to purchase consumer goods.

Chart 2: Average Debt* Per Consumer



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

*Excludes first mortgage. A first mortgage represents the primary note on the home and typically is not used to purchase consumer goods.

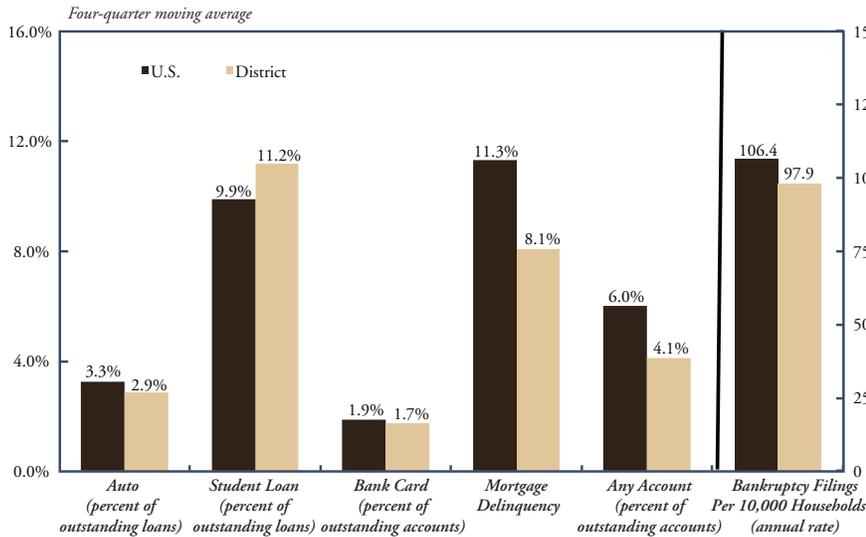
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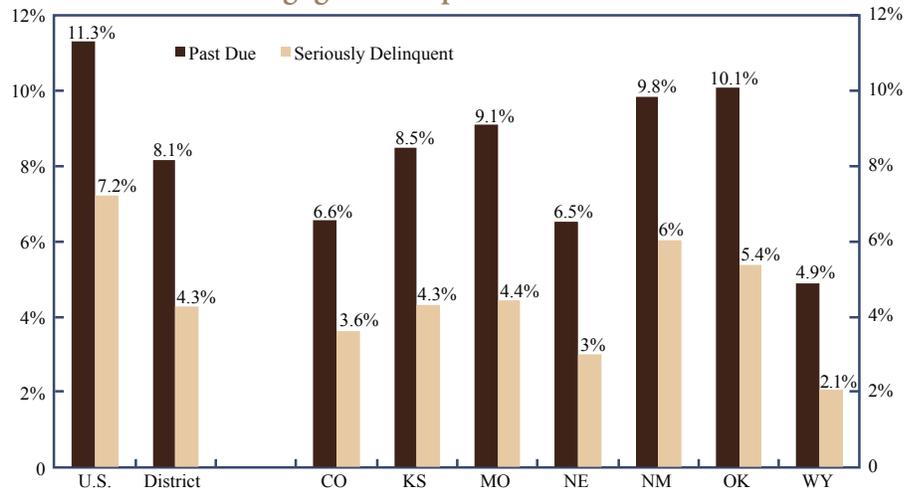
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Chart 3: Average Consumer Delinquency Rates*



Sources: Federal Reserve Bank of New York Consumer Credit Panel/Equifax, the Administrative Office of the U.S. Courts; and Lender Processing Services Inc.
 *At least 30 days past due. "Any Account" includes accounts not otherwise reported in the chart, such as first mortgages. The second quarter bankruptcy filing rate utilizes an updated estimate of households

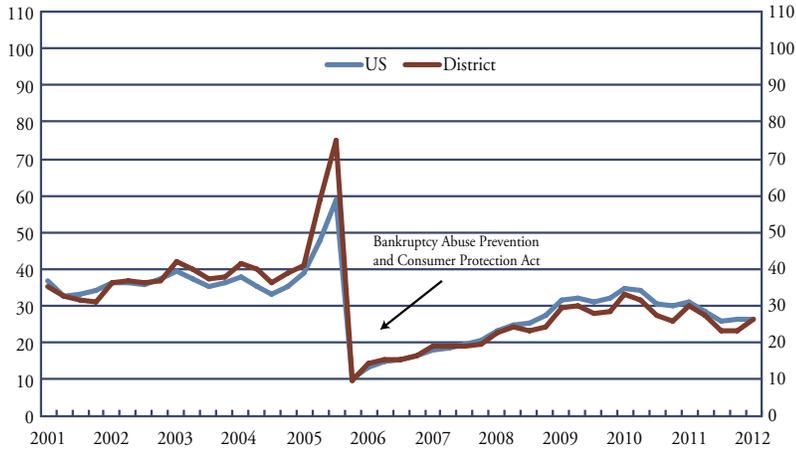
Chart 4: Mortgage Delinquencies



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.

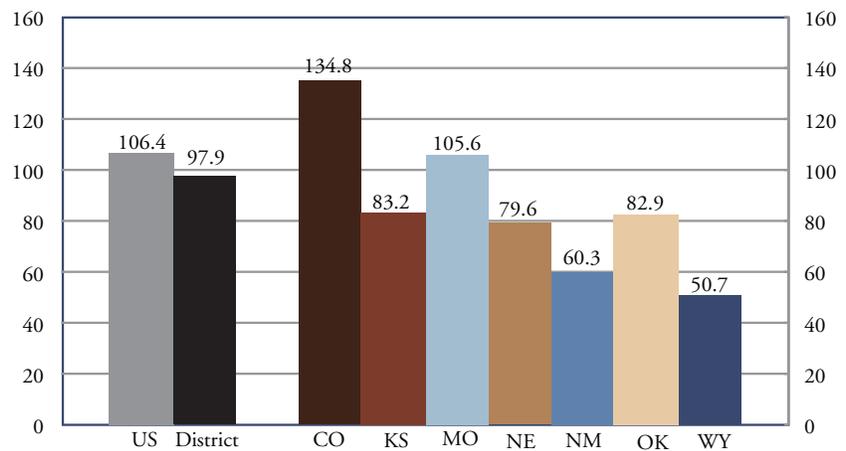


Chart 5: Nonbusiness Bankruptcy Filings Per 10,000 Households (Quarterly)



Source: Administrative Office of the U.S. Courts.

Chart 6: Nonbusiness Bankruptcy Filings Per 10,000 Households (Latest Four Quarters)



Source: Administrative Office of the U.S. Courts.

The Consumer Credit Report series is published quarterly by the Federal Reserve Bank of Kansas City to provide a summary of consumer credit standing in each state of the Tenth District, which comprises Colorado, Kansas, western Missouri, Nebraska, northern New Mexico, Oklahoma and Wyoming. For questions or comments, contact Kelly Edmiston, senior economist, at kelly.edmiston@kc.frb.org.

