

Tenth District Consumer Credit Report



4th QUARTER 2012

FEDERAL RESERVE BANK of KANSAS CITY

Summary

Average consumer debt in the Tenth District, which for this report includes all debt other than first mortgages, continued to climb at a moderate pace in the fourth quarter to \$15,680 (measured as a four-quarter moving average), up from \$15,450 in fourth quarter of 2011 (Chart 1). Consumer debt had fallen steadily from the first quarter of 2009 through the first quarter of 2011, and had maintained a stable value throughout 2011, before its recent climb. Still, average consumer debt remained well below its fourth-quarter 2008 peak of \$17,420 and well below average consumer debt for the nation as a whole, which was \$17,180 in the most recent quarter. U.S. consumer debt largely held steady throughout 2012.

Revolving debt in the Tenth District, which includes open lines of credit like credit cards and home equity lines of credit, has fallen in every quarter since the second quarter of 2009, and that trend continued in the most recent quarter. District revolving debt was at \$5,610 in the fourth quarter, down about \$80 from the previous quarter and about \$1,070 from its second quarter 2009 peak.

Average revolving debt in the District is substantially below that of the nation as a whole, which was \$7,400 in the fourth quarter.

Average consumer debt increased in all District states except for New Mexico and Colorado in 2012, but debt patterns varied substantially (Chart 2). For example, consumer debt in Colorado declined significantly in the first quarter of 2012 and has increased only modestly since, while consumer debt in Oklahoma and Wyoming increased steadily throughout the year (by 5.6 percent and 4.8 percent, respectively). New Mexico consumer debt declined 3.7 percent in 2012, which may be due in large part to a relatively poor economy compared to other states in the District. Levels of debt are highest in Colorado and Wyoming—above national levels—due in large part to higher incomes. Debt levels tend to correlate with incomes.

Overall, consumer delinquencies were down modestly from the third quarter, falling from 4.0 percent for “any account” in the third quarter to 3.9 percent in the fourth quarter (Chart 3). Delinquencies on any account also remained well below the national

rate of 5.7 percent. District consumer delinquencies remained below national levels in all categories but student loans, but the delinquency rate on student loans in the District fell moderately from 10.5 percent to 10.3 percent. The relatively high delinquency rate on student loans in the District is driven by higher rates in only three states: Kansas, Missouri, and in particular, Oklahoma. But the student loan delinquency rate in Oklahoma, although still very high, has dropped rather dramatically in the last several quarters. Mortgage delinquencies (30 or more days past due or in foreclosure) are especially low in the District relative to the nation.

Mortgage delinquencies are below national averages in all District states, as are serious delinquencies, which represent mortgages 90 or more days past due or in foreclosure (Chart 4). Mortgage delinquencies are especially low in Kansas, Nebraska, and in particular, Wyoming, while highest in New Mexico and Oklahoma. This pattern has been consistent over several quarters. But in all cases, as detailed in this quarter’s special theme, mortgage delinquencies have been falling in District states and in the U.S. as a whole.

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In This Issue: A Look at Mortgage Delinquency Dynamics

The Consumer Credit Reports typically give a static view of mortgage delinquencies; that is, they present the most recent data only. This issue takes a look at the trend in District mortgage delinquencies over the last several years. Although mortgage delinquencies remain very high by historical standards, the overall trends are favorable as mortgage delinquency rates have improved substantially.

In March 2006, at the peak of the recent housing boom, past due mortgages stood at 3.8 percent in the District (Chart 5). By their peak in the midst of the housing bust in early 2010, the mortgage delinquency

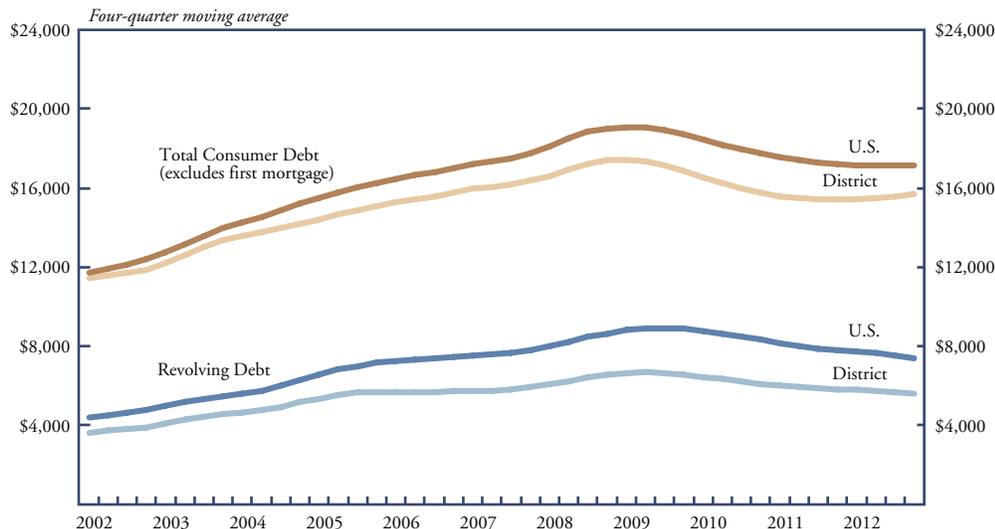
rate had climbed dramatically to 9.5 percent. Although housing advocates and policy makers continue to lament high mortgage delinquency rates, which is very reasonable considering historical norms, in reality the rates have fallen fairly consistently since their peak, down to 7.6 percent in the most recent quarter. Mortgage delinquencies remain high, but they are getting better.

A very similar pattern is evident in seriously delinquent mortgages, which, as described above, represent mortgages 90 or more days past due or in foreclosure. Some of these mortgages will clear, meaning that they will be modified or resolved in some other way short of foreclosure (such as through short sale,) but many of them will

result in a foreclosure. In May 2006, 1.3 percent of District mortgages were seriously delinquent. That number quickly increased during the housing bust to 5.1 percent in early 2010. By the most recent quarter, serious delinquencies had fallen to 4.0 percent—still unacceptably high, but on a favorable trajectory.

Foreclosures peaked much later at 2.1 percent in April 2012 but declined at a relatively robust pace to 1.7 percent by the end of the year. Certainly the mortgage market has far to go to return to historical levels, but the dynamic trends suggest a much improving situation that is not likely recognized by many.

Chart 1: Average Debt Per Consumer



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

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

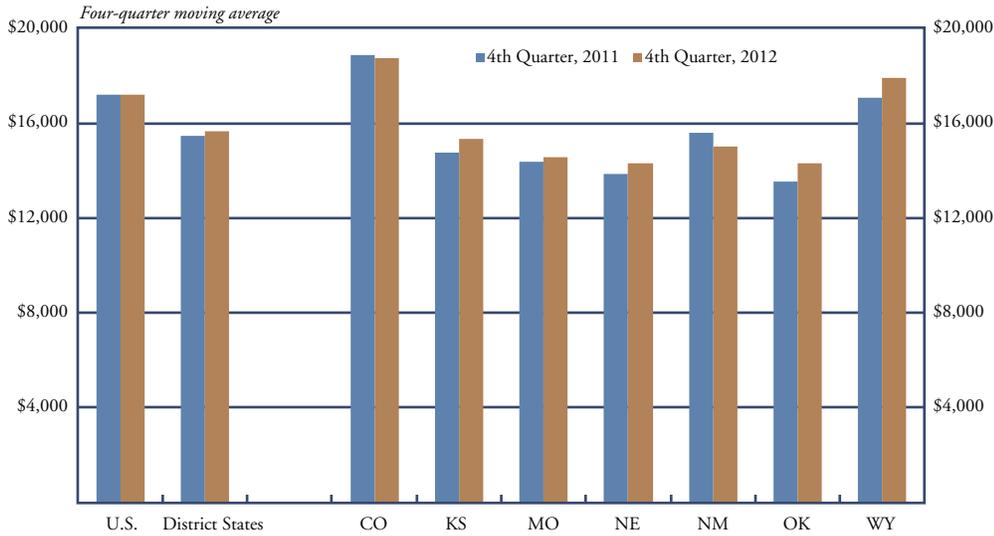
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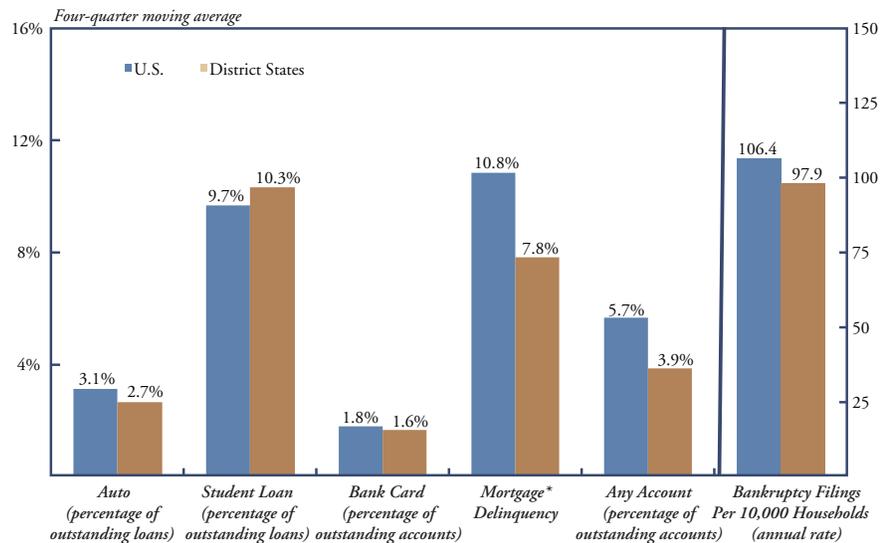
Chart 2: Average Debt Per Consumer



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

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

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.

Notes: At least 30 days past due. "Any Account" includes accounts not otherwise reported in the chart, such as first mortgages. Estimates of households are updated in the second quarter.

*Mortgage delinquency is the current rate and not a moving average.

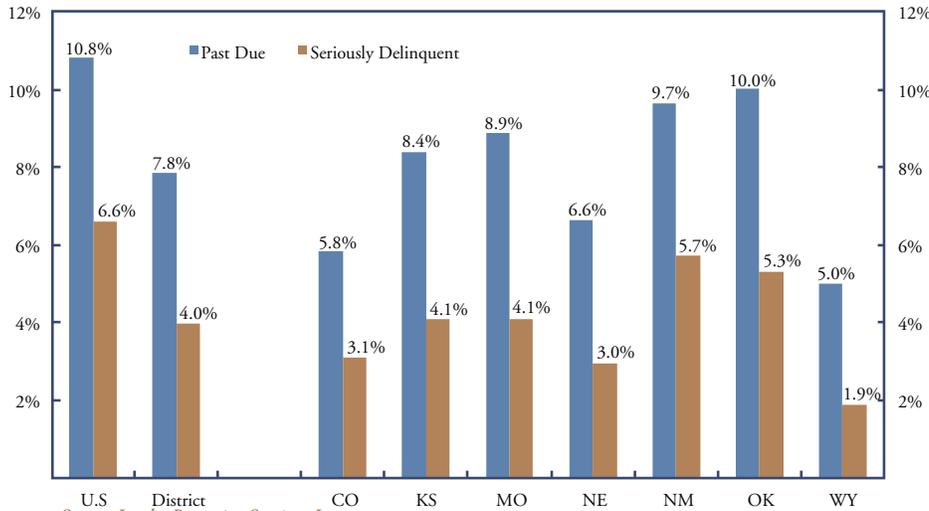
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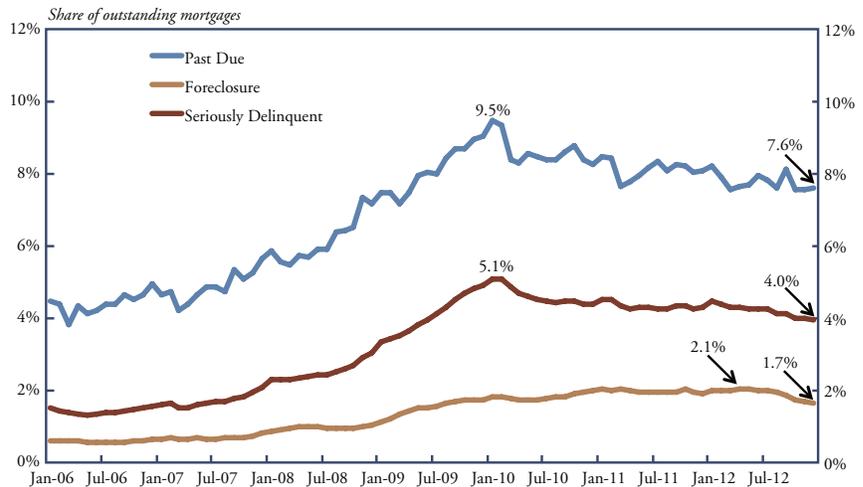
Chart 4: Mortgage Delinquencies



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: Mortgage Delinquency Trends in the Tenth District



Source: Lender Processing Services, Inc.

Notes: 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.

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.

