Credit Card Debt in New York State

OFFICE OF THE NEW YORK STATE COMPTROLLER

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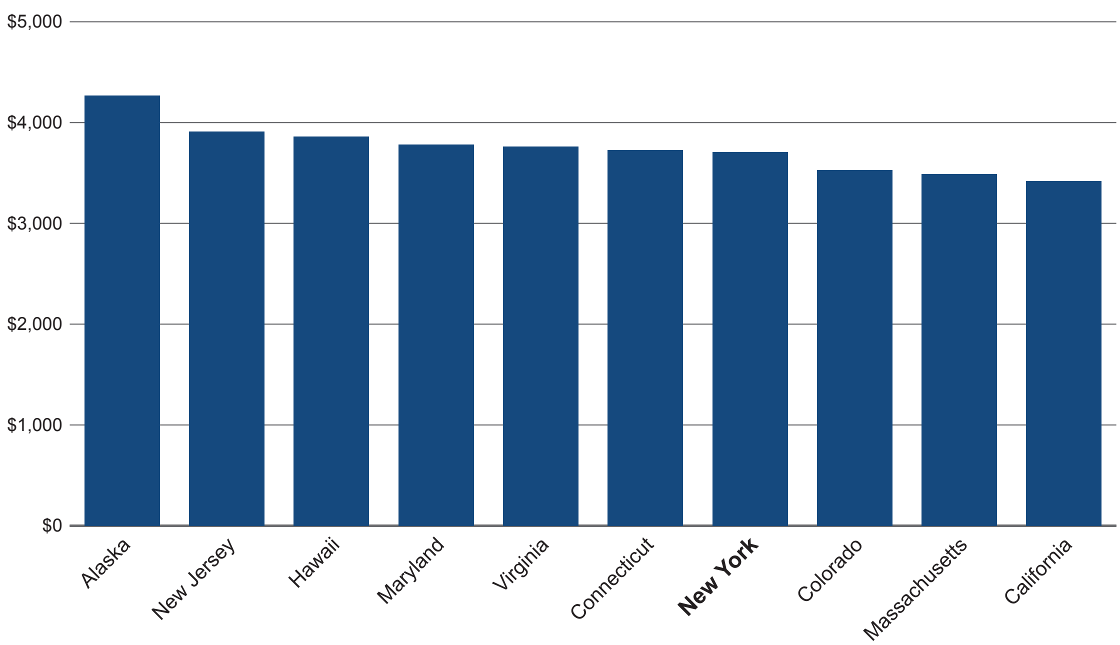
Introduction

Credit cards are the most commonly used vehicle for consumer borrowing, and thus play an important role in both the overall economy and individual households' finances.[1] Nationally, in 2017, there were nearly 470 million open credit card accounts.[2] Credit available through such accounts totaled $3.5 trillion while outstanding balances totaled $834 billion. This report provides basic data on credit card use in New York State to inform both consumers and policymakers.

Measures of Credit Card Debt

In 2017, credit card debt in New York totaled $58.2 billion, the fourth highest amount of all states. New York had the seventh highest per capita credit card balance of all states in 2017, at $3,710, almost 20 percent higher than the national average of approximately $3,100 per capita, as shown in Figure 1. The highest per capita credit card debt load in the country was in Alaska at $4,270.

FIGURE 1
Ten States with the Highest Per Capita Amounts of Credit Card Debt, 2017



Source: Federal Reserve Bank of New York

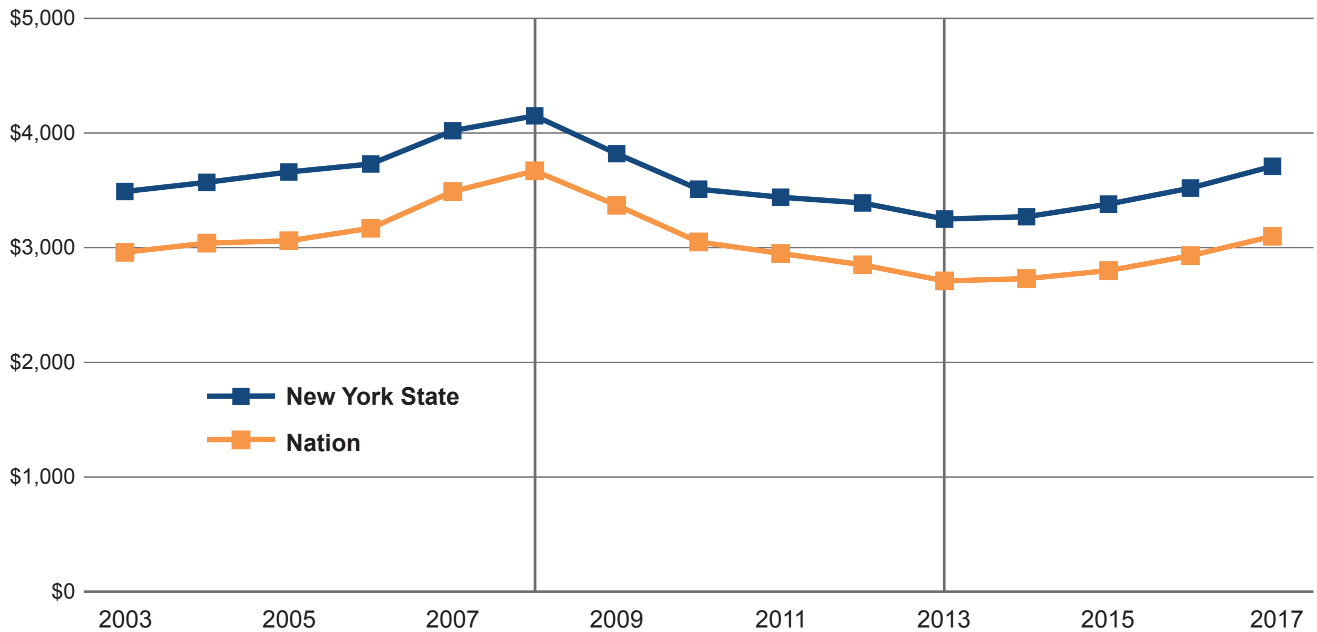
1 The Federal Reserve defines credit card accounts as "revolving accounts for banks, bankcard companies, national credit card companies, credit unions and savings & loan associations." This does not include retail credit or loans for clothing, grocery, department stores, home furnishings, gas, etc., which are included in the "other" category. See the Federal Reserve Bank of New York, Center for Microeconomic Data, Quarterly Report on Household Debt and Credit, Data Dictionary, February 2018, p. 27 here: https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/data_dictionary_HHDC.pdf.

2 Unless otherwise noted, data used in this report is derived from the Federal Reserve Bank of New York, Center for Microeconomic Data, Quarterly Report on Household Debt and Credit, February 2018, and can be found here: https://www.newyorkfed.org/microeconomics/hhdc.html. Figures for each year are for the fourth quarter of the year. Per capita figures are based on the total number of individuals aged 18 and older who have a credit report.

From 2008 through 2013, over the course of the Great Recession and the initial recovery, New Yorkers' credit card debt per capita declined significantly, by 21.7 percent, as shown in Figure 2. This decline reflected a nationwide trend for most forms of household debt. However, the trend reversed starting in 2014, with per capita credit card debt increasing through 2017. From 2014 to 2017, credit card debt per capita increased by more than 14 percent both in New York and nationally.

FIGURE 2

Credit Card Debt Per Capita, New York State and the Nation, 2003–2017



Source: Federal Reserve Bank of New York

Consumers should be aware of the costs of interest and fees, particularly if their credit card debt is rising and they carry balances over a period of time. Nationally, the average total cost of credit for general purpose credit cards in 2016 was 14 percent on an annualized basis, with two percentage points of this attributable to fees, according to the Consumer Financial Protection Bureau. (Such costs reflect interest and fees actually paid, and differ from the more commonly cited annual percentage rates for credit card interest that may range to well above 20 percent.) Total credit costs for private-label cards (those that can only be used with one merchant or a small group of related merchants) are even higher, at 21 percent, with six percentage points attributable to fees.[3] According to the Bureau, consumers with non-prime credit scores now hold more of their outstanding balances on such higher-cost private label cards than they did before the recession.[4]

3 Consumer Financial Protection Bureau, The Consumer Credit Card Market, December 2017, p. 75; available at https://files.consumerfinance.gov/f/documents/cfpb_consumer-credit-card-market-report_2017.pdf. Data related to private-label credit cards is not included in this report.

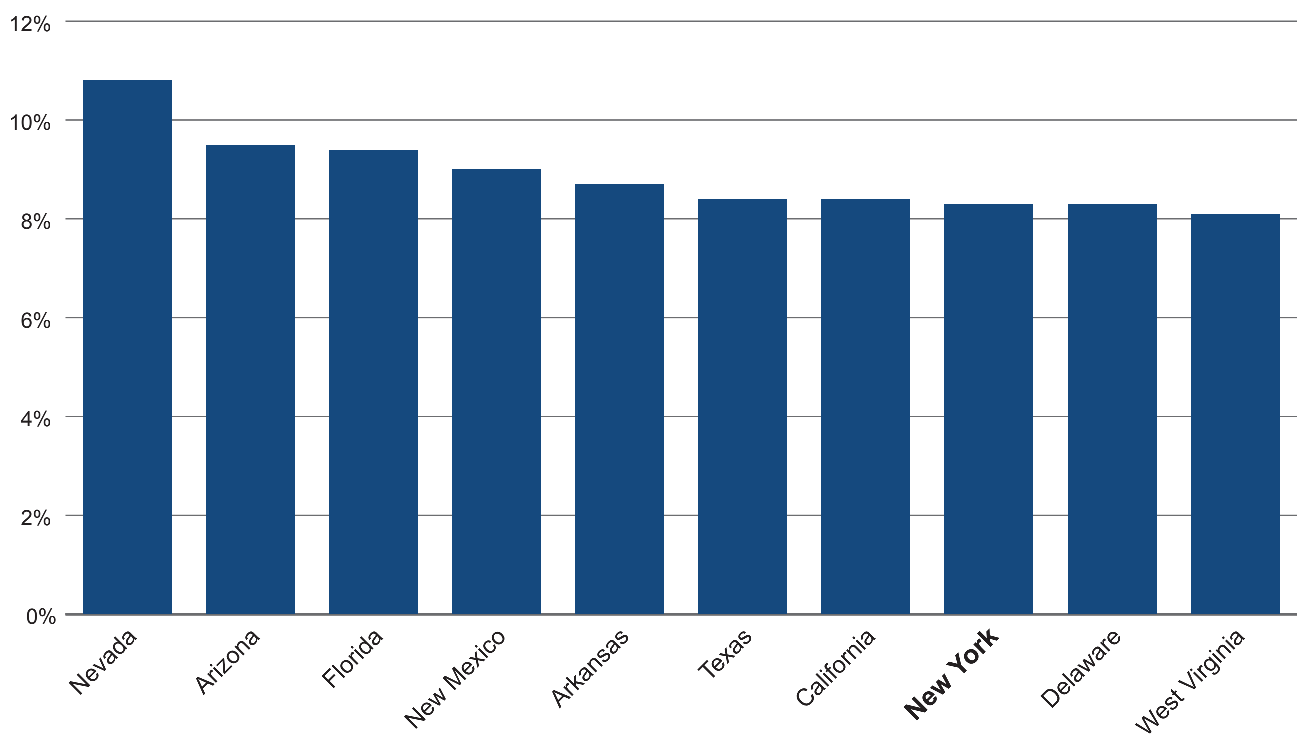
4 Ibid., p. 8.

Credit card interest rates are influenced by rates in the broader financial markets, including the federal funds rate established by the Federal Reserve. The target range for the federal funds rate has been increased several times over the past two years, and the Federal Reserve has indicated that additional increases are expected. In this context, consumers should continually monitor their credit card interest rates to avoid unexpected impacts on their credit costs.

Delinquencies

Delinquencies occur with credit cards, as with other forms of credit. Nationally, in 2017, about 7.5 percent of credit card debt was considered delinquent by 90 days or more. New York, at 8.3 percent, had the eighth highest rate of credit card debt delinquencies among the 50 states in 2017, as shown in Figure 3.

FIGURE 3
Ten States with the Highest Credit Card Debt Delinquency Rates, 2017



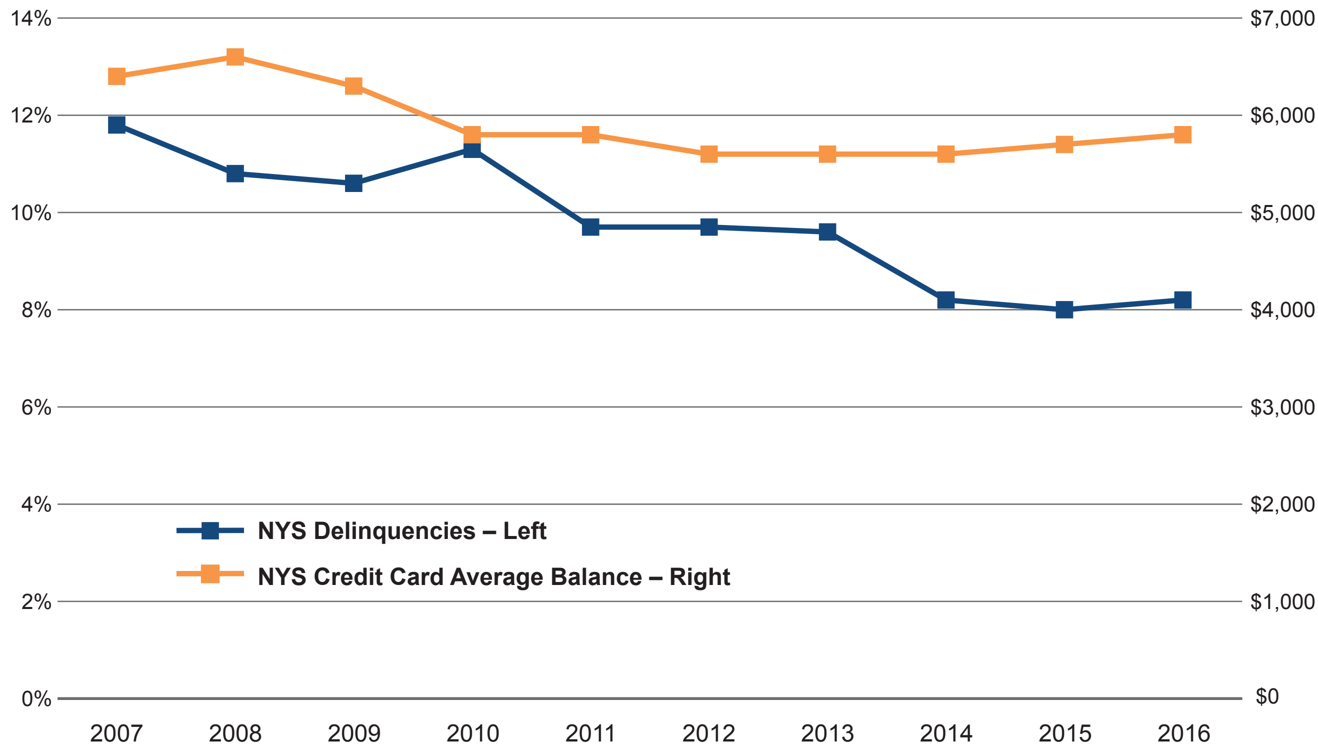
Source: Federal Reserve Bank of New York

Note: Table reflects percentage of credit card debt with delinquencies of 90 days or more.

The delinquency rate for credit card holders in New York declined by almost one-third in the 10-year period ending in 2016 from 11.8 percent to 8.2 percent, while the average credit card balance declined by 9.4 percent to $5,800, as shown in Figure 4.[5]

FIGURE 4

Credit Card Holder Delinquency Rates and
Credit Card Average Balances in New York State, 2007–2016



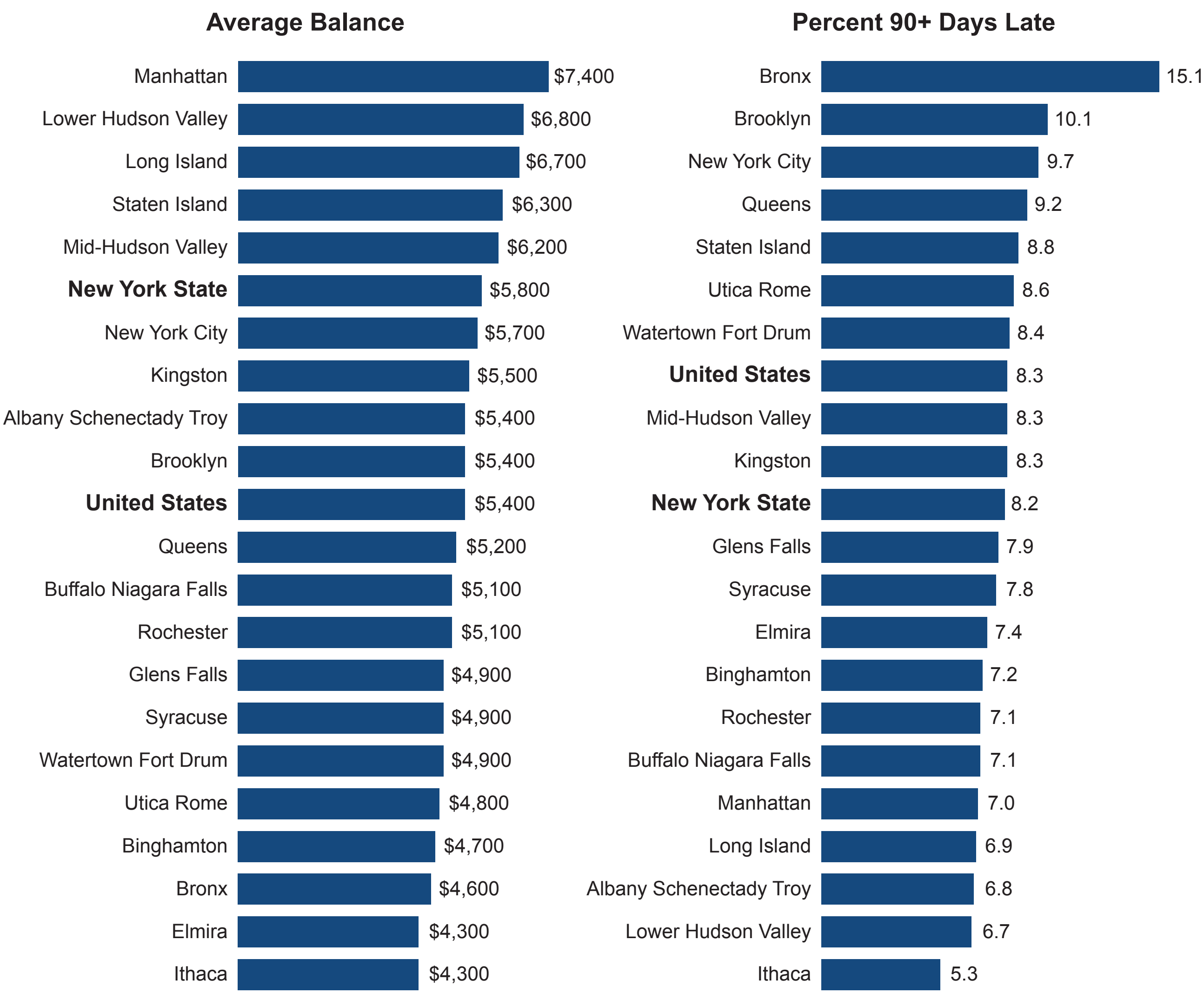
Source: Federal Reserve Bank of New York

5 The data for Figures 4 and 5 and related text is derived from the Federal Reserve Bank of New York, Regional Household Debt and Credit Snapshots, Updated May 2017 with Q4 2016 data and can be found here: https://www.newyorkfed.org/outreach-and-education/regional-household-credit.html. The delinquency rate in this instance indicates the percentage of primary credit card holders with a positive balance where some of the balance is at least 90 days past due. The term average balance used in this report reflects the average balance of all outstanding credit cards with positive balances for each borrower.

Regional Comparisons

While the average balance and delinquency rate for credit cards in New York State were close to nationwide figures in 2016, these amounts can vary significantly for local areas within New York State, as shown in Figure 5.[6] These variances may reflect differing incomes and other economic factors throughout the State.[7]

FIGURE 5
Average Credit Card Balance and Credit Card Holder Delinquency Rate
Local Areas in New York, 2016



6 The delinquency rate in this instance indicates the percentage of primary credit card holders with a positive balance where some of the balance is at least 90 days past due.
7 See https://www.newyorkfed.org/outreach-and-education/regional-household-credit.html for information on these regions and others.

Manhattan, the Lower Hudson Valley and Long Island had the three highest average balances of the local areas within New York in 2016, while also having among the lowest delinquency rates for credit card holders. The Bronx, Utica-Rome, Watertown-Fort Drum, and Queens each had average balances that were lower than the State and national averages in 2016, while their delinquency rates all exceeded these averages.

Credit CARD Act of 2009

The federal Credit Card Accountability Responsibility and Disclosure (CARD) Act of 2009 was signed into law by President Obama on May 22, 2009. The Act mandated new disclosures and underwriting standards, curbed certain fees, and restricted interest rate increases on existing balances.

The Act requires longer notice of interest rate hikes and prohibits certain retroactive rate increases. It also limits “over limit” fees and restricts marketing and issuance to students under 21 years old. In addition, it provides more time to make payments and ends certain practices such as charging interest on debt that was paid in the previous cycle. It also provides additional gift card protections.[8]

Helpful Tools

Good credit is often considered an integral part of strong financial health. On the other hand, bad credit can have devastating, long-term financial consequences. For example, a low credit rating may make it more difficult or impossible to rent an apartment or obtain a mortgage, car loan, or cell phone plan. In addition, those who are able to obtain credit despite their low credit score are typically charged higher interest rates. In some cases, credit card debt may be among the factors leading to personal bankruptcy.

8 Op. cit., Consumer Financial Protection Bureau. Additional information about the CARD Act is available from the Bureau, among other sources.

The federal Consumer Financial Protection Bureau provides detailed advice and resources to help consumers deal with issues related to credit cards and other personal finance concerns. For information about credit cards, see https://www.consumerfinance.gov/ask-cfpb/category-credit-cards/.

Other federal and State agencies also provide helpful hints for holding and using a credit card. These include the Federal Trade Commission (https://www.consumer.ftc.gov/topics/credit-and-loans), the Federal Reserve Bank of New York (https://www.newyorkfed.org/banking/protection.html) and the New York State Division of Consumer Protection (https://www.dos.ny.gov/consumerprotection/pdf/Choosing%20and%20Using%20Credit%20Cards.pdf).

Steps outlined by these agencies to help you manage your credit include:

- Know your credit score and what your credit file says. You can get a credit report from each of the three nationwide consumer credit reporting companies — Equifax, Experian and TransUnion — annually, without cost, from AnnualCreditReport.com. Fact-check your credit report every year and follow up with any disputes.
- Understand the interest rate you are paying. Check monthly statements carefully for accuracy and to make sure you are aware of how much you owe.
- If you are applying for a credit card, compare the annual fees and other costs. For example, if you have or are considering a "rewards" credit card (one that offers points or miles), these costs may offset your rewards depending on usage and other factors.
- As much as possible, pay your loans and credit card bills on time, every time. If you have an outstanding balance, make a plan to pay it off.
- If you want to dispute a charge on your credit card bill, be aware your time to do so may be limited. For more specific information, check the CFPB website at https://www.consumerfinance.gov/ask-cfpb/category-credit-cards/.
- Avoid exceeding your credit limit, which may trigger additional fees, make it harder to pay down debt and damage your overall credit rating.

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