Trends in household debt

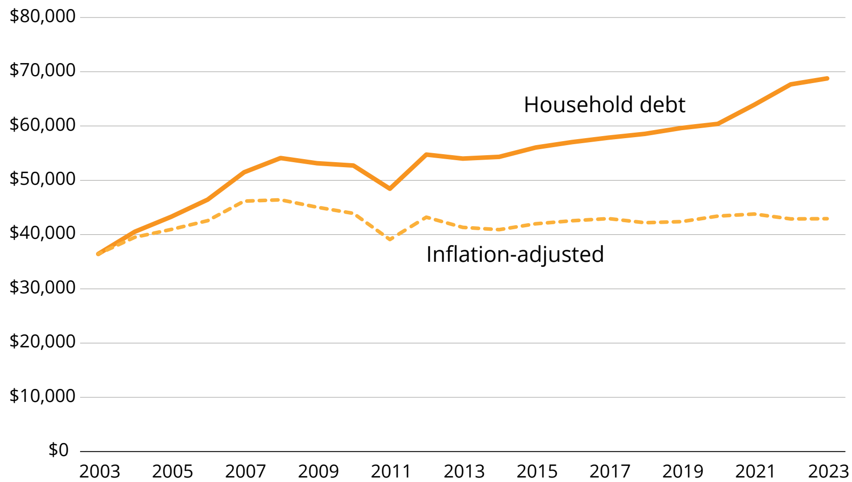
Types of debt, recent patterns, and what the data suggest

By ROB KREIGER

Household debt in Alaska has risen in recent years, hitting its highest point since at least 2003. Much of the recent increase came from rising mortgage payments in 2021 and 2022, when low interest rates, limited inventory, and higher incomes pushed prices to record levels. Auto loan and credit card debt have also gone up.

But the amount of debt and whether it's rising doesn't say anything about how effectively people are managing their debts.

Alaska's total per capita household debt, 2003-23



Source: New York Fed Consumer Credit Panel/Equifax: State Level Household Debt Statistics 2003-2023, Federal Reserve Bank of New York, February 2024

High isn't always bad and low isn't always good

Debt can rise for positive reasons; for example, people are more likely to take on additional debt if they are doing well financially and feel confident they can make payments in the future.

High debt levels can become a problem if payments slip and fall too far behind, which can have serious consequences such as losing a house.

Lower debt levels can be positive if households are paying on time and improving their balance sheets. Lower debt levels can also signal trouble, though. For example, debt levels can fall because borrowers can't secure loans because of poor credit history.

One way to gauge whether higher debt is straining households is to look at delinquency rates over time. Regardless of how much debt households carry, whenever delinquencies rise — especially if they rise sharply in a short time — that's a red flag.

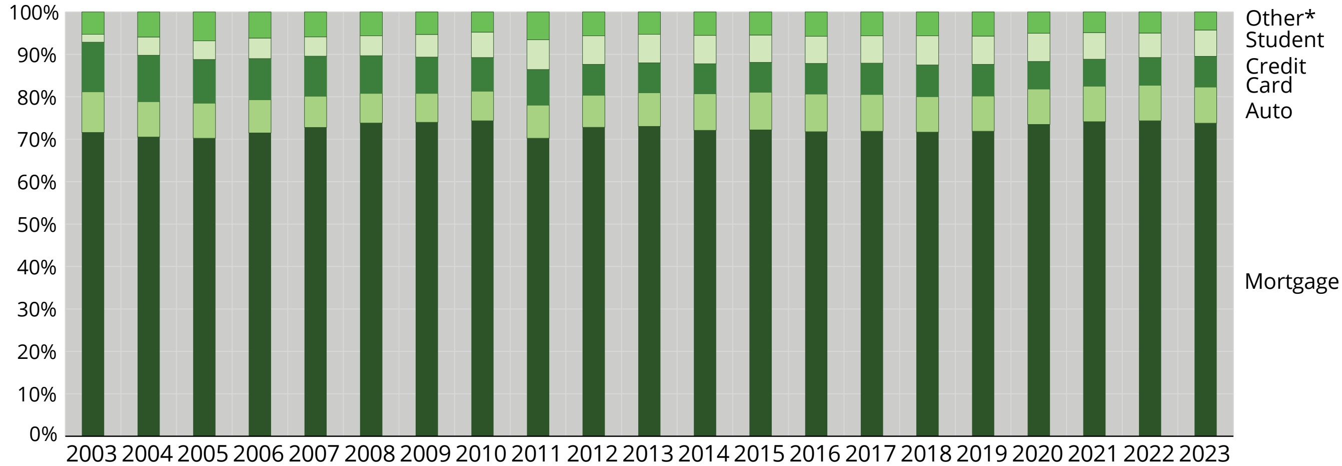
Alaska households appear to be managing debt effectively, as evidenced by low delinquency rates in the two largest categories: mortgage and auto loan payments. Some signs point toward more difficulty paying off credit cards than in the past, as credit card delinquency reached its highest point since at least 2003 last year.

Delinquency for student loan debt, which typically has the highest rate because of flexible payment options, dropped to historical lows between 2020 and 2023 as most payments were suspended during the pandemic. Student loan repayment resumed in the fall of 2023, so it's not clear how that will affect households.

Per capita household debt reaches $68,780 in Alaska

Alaska households had $68,780 in debt per capita in 2023, putting us ninth-highest among states. Per capita debt is calculated by dividing total debt by the number of people in the state with a credit report,

Mortgages make up the largest chunk of Alaska household debt, 2003 to 2023



*"Other" includes retail cards and other consumer loans such as sales financing and personal loans.
Source: New York Fed Consumer Credit Panel/Equifax: State Level Household Debt Statistics 2003-2023, Federal Reserve Bank of New York, February 2024

including those without debt. In nominal terms, this is the highest amount since at least 2003 and has increased every year since 2013.

Of the four main categories of household debt — mortgage payments, auto loans, credit cards, and student loans — mortgage payments are the largest by far, representing nearly 74 percent of total household debt last year. Auto loans are second at 8.5 percent, credit cards are 7.2 percent, and student loans represent 6.2 percent. This distribution, shown above, has been fairly consistent over time.

Mortgage debt was $50,750 per capita in 2023. (See the data box on this page for why this number might seem low.) Auto loans averaged $5,860 per capita, followed by credit cards at $4,980 and student loans at $4,250.

While current debt levels give a sense of what households are carrying now, putting the numbers into historical perspective after adjusting for inflation shows debt has been higher at other times in the past 20 years.

When adjusted for inflation, debt was highest in 2007-2010

Adjusting 2023's peak per capita debt level for inflation shows it isn't the highest in terms of value, and households have carried more debt at other times.

Debt levels in Alaska were 8 percent higher in 2008, at the peak of the national housing bubble and subsequent Great Recession. In the U.S., debt levels peaked a

Per capita data limitations

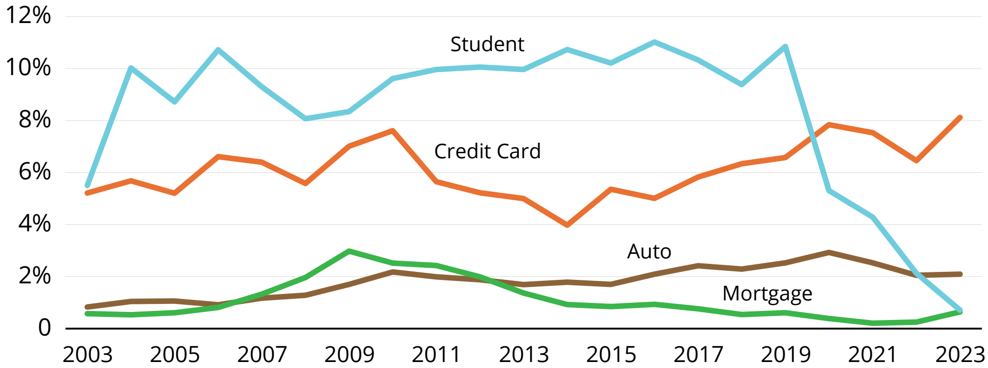
Because per capita data is a measure of total household debt divided by the number of people in the state who have a credit report, readers should be careful not to draw faulty conclusions about how their own level of mortgage, student loan, or other debt compare to the data in this article. That's because per capita data include almost everyone, not just holders of that type of debt.

The average Alaskan mortgage holder will owe significantly more than the average unadjusted $50,750 mentioned in this article because many Alaskans don't hold mortgage debt, including renters and people who have paid off their mortgages.

Similarly, the unadjusted $4,250 in student loan debt per capita for Alaska is much less than the average owed by people with student loan debt.

While other data sets show how a person's student loan debt compares with other student loan borrowers and the average level of mortgage debt among mortgage borrowers, the numbers in this article are not for that purpose. Here, the per capita data allow large-scale comparisons over time for Alaska.

Debt delinquency rates by type in Alaska, 2003-2023



Source: New York Fed Consumer Credit Panel/Equifax: State Level Household Debt Statistics 2003-2023, Federal Reserve Bank of New York, February 2024

year earlier and were 21 percent higher than in 2023 when adjusted for inflation.

But as mentioned earlier, whether debt levels are rising, falling, or inflation-adjusted doesn't shed much light on how households are managing their debts. When households fall behind on payments, it generally signals financial strain, so delinquency rates are one way to assess debt management. If debt levels are high and delinquency rates are low, households can probably keep up with payments despite having more debt overall. When delinquency rates rise significantly above historical levels, it's often a bad sign regardless of debt levels.

Debt delinquency data are available for most major types of household debt. Delinquency rates represent the percentage of loan balances that are 90 days late or more.

Mortgage debt delinquency stayed very low in 2023

Although mortgages are the largest debt category, they have the lowest delinquency rates. (See the graph above.) In 2023, mortgage delinquency was 0.6 percent, up from the record lows of the two prior years of 0.2 percent. While low mortgage delinquency in 2021 and 2022 was probably linked to pandemic homeowner protections and more affordable housing due to low interest rates, mortgage delinquency had already been declining for many years since peaking in 2009.

While Alaska was largely shielded from the housing bubble that burst in the Lower 48, some households here were overextended and began to slip on mortgage payments. Alaska's delinquency rates hit their highest level in 2009, at 3.0 percent. For comparison, mortgages also hit their highest national delinquency in 2009, but at 8.7 percent.

Auto debt delinquency dipped after long, steady rise

Auto debt delinquency, which tends to be higher than for mortgages but lower than for credit cards and student loans, followed a different path than mortgage delinquency after the Great Recession.

Unlike mortgage delinquency, which fell significantly in the years after the Great Recession and has remained low in recent years, auto delinquency dipped slightly

States' per capita debt

State	2023 debt per capita
CO	$90,760
CA	$85,050
HI	$82,860
WA	$82,130
MD	$80,660
UT	$80,240
VA	$75,140
MA	$74,780
AK	**$68,780**
NV	$68,040
NJ	$67,700
AZ	$67,270
OR	$66,430
ID	$65,480
CT	$64,950
NH	$64,640
DE	$62,870
MN	$62,680
US	**$60,690**
RI	$59,750
GA	$59,370
FL	$58,390
NY	$57,730
NC	$57,650
MT	$57,070
TX	$56,560
SC	$55,610
WY	$53,400
TN	$53,270
IL	$52,780
VT	$51,200
ND	$51,190
ME	$51,010
SD	$49,610
PA	$48,760
NE	$47,980
WI	$47,480
NM	$47,140
MO	$47,000
IN	$46,870
LA	$46,660
MI	$46,500
IA	$46,130
AL	$46,110
OH	$44,870
KS	$44,280
KY	$41,170
OK	$40,990
AR	$40,580
MS	$39,510
WV	$35,430

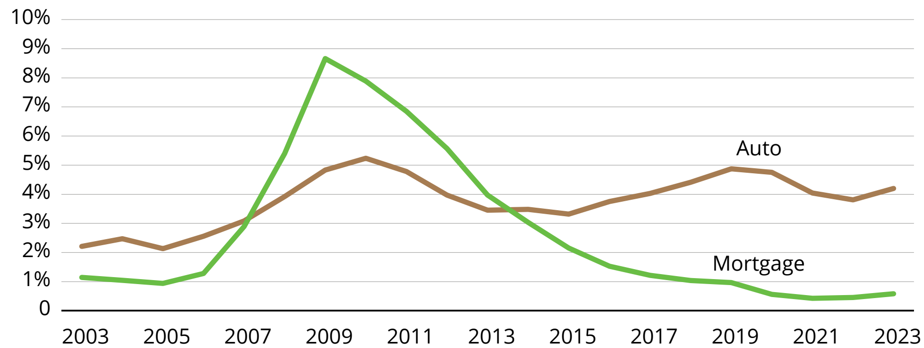
Source: New York Fed Consumer Credit Panel/Equifax: State Level Household Debt Statistics 2003-2023, Federal Reserve Bank of New York, February 2024 and then resumed rising, hitting a peak of 2.9 percent in 2020. Auto delinquency rates have pulled back some in the past few years but remain relatively high.

One possible explanation for the difference is that mortgage lending practices became more restrictive for buyers with lower credit scores but auto loans were still available for those borrowers.

National data from the Federal Reserve Bank of New York suggest the dollar volume of mortgage originations for borrowers with credit scores below 620 (below average) fell significantly after 2007. At the same time, the dollar volume of auto loans for borrowers with credit scores below 620 dipped to their lowest level in 2009, but unlike mortgages, rose steadily in the years after.

While these data are for the U.S., it is reasonable to assume this was the case in Alaska too, as auto loan and mortgage delinquencies followed similar trajectories even though U.S. rates were higher. (See the graph on this page.)

U.S. mortgage and auto delinquency rate trends



Source: New York Fed Consumer Credit Panel/Equifax: State Level Household Debt Statistics 2003-2023, Federal Reserve Bank of New York, February 2024

Credit card debt may be a concern

Credit cards represent a smaller percentage of household debt than mortgages and autos, but they have higher delinquency rates.

After hitting a low point in 2014, credit card delinquency rose steadily until 2020, then dipped briefly in 2021 and 2022. In 2023, credit card delinquency jumped to 8.1 percent, the highest level since at least 2003.

Credit card debt in Alaska swinging upward so fast doesn't necessarily signal a problem, but it might indicate how households prioritize their debt. For example, mortgage and auto loan delinquency rates haven't recorded that same sudden jump, meaning households prioritize debts with higher consequences, such as mortgage and car payments, over debts easier to put aside such as credit cards.

The rise in credit card delinquency could also be a sign that households are having a harder time making ends meet even though mortgage and auto loan debt seem to be under control, at least for now.

Student loan debt an unknown

Student loan delinquencies have largely been missing from the equation over the past few years. Since student loan payments resumed less than a year ago, it's too early to know whether those repayments will cause delinquency in other categories to rise. We also don't yet know how it will affect households' ability to manage their total debt levels.

Student loans are the smallest category of household debt but have historically had the highest delinquency rates. Lack of sufficient income or difficulty finding employment after graduation may contribute to higher rates.

Student loan delinquency dropped significantly as the federal government unveiled various measures to provide payment relief during the pandemic. Delinquency fell from a peak of 10.9 percent in 2019 to 5.3 percent in 2020, ultimately falling below 1 percent in 2023.

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