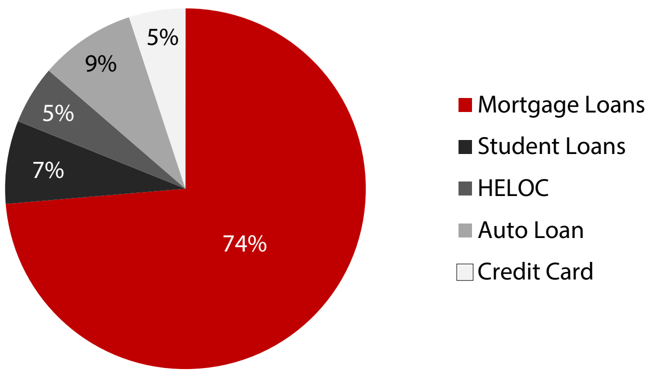
Snapshot
July 2016

Kem C. Gardner
POLICY INSTITUTE
THE UNIVERSITY OF UTAH

Utah Households Carry More Debt

According to estimates from the Federal Reserve Bank of New York, Utah households carry more debt than the typical American household. The Federal Reserve's estimates include mortgage loans, auto loans, credit card debt, student loans, and home equity lines of credit (HELOC). The combined total of this debt in Utah was $112 billion in 2015. Not surprisingly, mortgage loans led all types of debt by a wide margin at $83 billion followed by auto loans, a distance second at $9.7 billion (see Figure 1).When measured on a per capita basis, total household debt in Utah in 2015 was $52,150, well above the national average of $46,000. Utah currently ranks 13th nationally in per capita debt as measured by the Federal Reserve Bank of New York (see Table 1).[1]

Figure 1: Household Debt by Type



Source: State Level Household Debt Statistics 2003-2015, Federal Reserve Bank of New York, February, 2016.

Table 1: Per Capita Debt for Highest Ranked States (Fourth Quarter 2015)

State	Amount
1. District of Columbia	$79,700
2. Maryland	$67,020
3. Hawaii	$67,010
4. California	$65,740
5. Virginia	$62,520
6. Colorado	$62,200
7. Massachusetts	$59,820
8. Washington	$58,370
9. Connecticut	$57,300
10. Alaska	$56,050
11. New Jersey	$55,800
12. New Hampshire	$52,270
13. Utah	$55,150
US Total	$46,000

Source: State Level Household Debt Statistics 2003-2015, Federal Reserve Bank of New York, February, 2016.

Compared to other states per capita debt in Utah has been increasing. In 2003 Utah ranked sixteenth among all states in per capita debt and as mentioned the state is currently ranked thirteenth (see Table 2). The state's ranking in auto loans and credit card debt has also risen since 2003. Although Utah's per capita student debt ranking has remained stable the amount of per capita student debt has grown by a burdensome 285 percent in twelve years; from $1,005 to $3,870.

Table 2: Per Capita Debt by Type of Loan – Utah (2015 dollars)

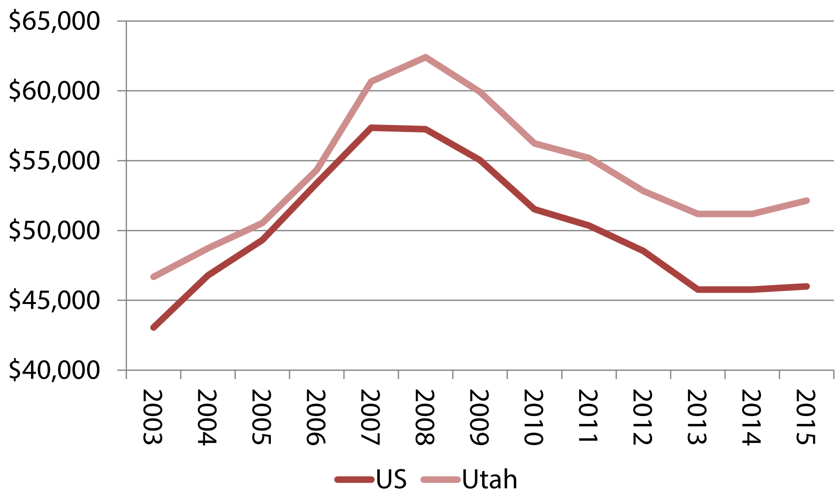
	2003*	Utah Ranking Among All States	2015	Utah Ranking Among All States	% Chg.	% Delinquent
	Fourth Qtr.	2003	Fourth Qtr.	2015	2003-2015	2015
Auto Loan	$3,851	18th	$4,490	13th	16.60%	1.99%
Credit Card	$3,336	43rd	$2,640	29th	-20.80%	6.03%
Mortgage Loan	$35,129	14th	$38,420	12th	8.80%	1.05%
Student Loan	$1,005	45th	$3,870	46th	285.10%	9.11%
Total	$46,679	16th	$52,150	13th	11.70%	---

Source: State Level Household Debt Statistics 2003-2015, Federal Reserve Bank of New York, February, 2016.

1. The per capita calculation by the Federal Reserve Bank of New York is limited to the number of individuals 18 years and over.

As was the case with most states, Utah experienced a dramatic run-up in household debt prior to the Great Recession. From 2003 to 2008, per capita debt in Utah increased by 34 percent in inflation adjusted dollars; an extraordinary increase in such a short time. Nationally per capita debt was rising just as fast with a 33 percent jump in five years (see Figure 2 and Table 3). The magnitude of the increase in household debt was a sure sign of economic trouble for both Utah and the nation. Only one other period in the last century matched the 2003-2008 debt run-up and that was the ten years (1920-1929) prior to the Great Depression.

Figure 2: Per Capita Debt in Utah and US (2015 dollars)



Source: State Level Household Debt Statistics 2003-2015, Federal Reserve Bank of New York, February, 2016.

Table 3: Per Capita Debt in Utah and US (2015 dollars)

	Utah	US
2003	$46,679	$43,059
2004	$48,730	$46,785
2005	$50,531	$49,329
2006	$54,348	$53,384
2007	$60,673	$57,358
2008	$62,415	$57,252
2009	$59,918	$55,046
2010	$56,245	$51,518
2011	$55,198	$50,361
2012	$52,830	$48,535
2013	$51,194	$46,088
2014	$51,185	$45,768
2015	$52,150	$46,000

Source: State Level Household Debt Statistics 2003-2015, Federal Reserve Bank of New York, February, 2016.

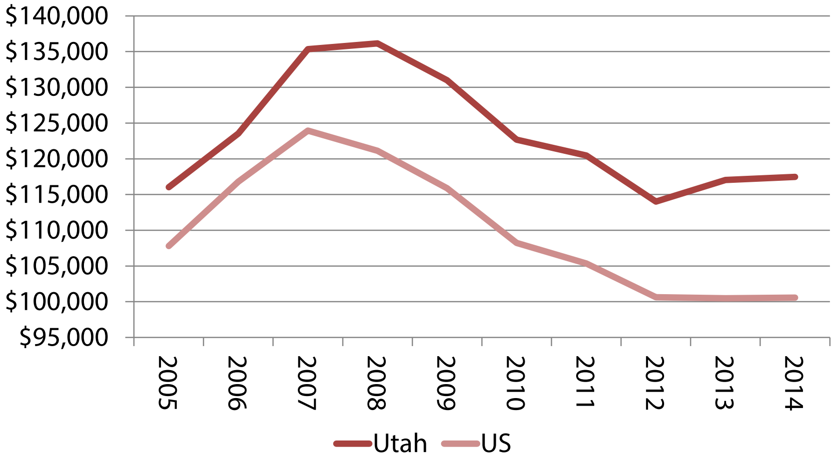
Once the recession set-in, Utah households reduced their debt, but not always voluntarily; foreclosures and bankruptcy played a role in the deleveraging of household debt. After 2008 per capita debt declined for six consecutive years, an indication that consumers were more prudent in the recovery; but this prudence was not always voluntary either, as requirements for consumer credit tightened preventing some households from taking on more debt. But there's plenty of evidence that consumers did become more debt averse, which was certainly a factor in the slow recovery in retail sales. By 2015, Utah's per capita household debt did turned up but just slightly—an increase of two percent to $52,150, far below the peak of $62,415 in 2008.

It is important to note that the Federal Reserve's methodology does disadvantage Utah a bit in the state to state comparison. The methodology used by the Federal Reserve Bank of New York excludes individuals under eighteen years of age in the per capita calculation.[2] This introduces an upward bias in the per capita estimates for states with a large share of young people. Young people under eighteen years of age account for 30.5 percent of the Utah population, the highest share of any state. Nationally the share is 22.9 percent. Caring for a large, young family puts additional stress on a household budget and may lead to a greater need for debt. This additional debt is included in the Federal Reserve's methodology, but the young children are not included. When the total population is included in the calculations Utah's ranking drops from 13th to 17th. Utah's per capita household debt in 2015 using total population was $37,583 compared to $37,405 nationally.

A third measure uses total debt per household. By this measure Utah ranks 12th with total household debt of $117,483 in 2015 (see Table 4). Debt peak in Utah at $136,155 in 2008. Debt per household has increased more rapidly in Utah than at the national level from 2005 to 2014. In 2005 debt in Utah was eight percent above the national average; by 2014 it had risen to seventeen percent above. This widening gap in debt per household is shown in Figure 3.

2. The Federal Reserve Bank of New York does not include individuals under 18 years of age because these young individuals generally do not have credit hence that are not in the Equifax credit-report database which is a quarterly panel of individuals and households from 1999 to 2015 use by the FRBNY. "The panel is a nationally representative five percent random sample of all individuals with a social security number and a credit report."

Figure 3: Debt Per Household in Utah and the US* (2014 dollars)



*Household data are only available for 2005 to 2014.
Source: State Level Household Debt Statistics 2003-2015, Federal Reserve Bank of New York, February, 2016.

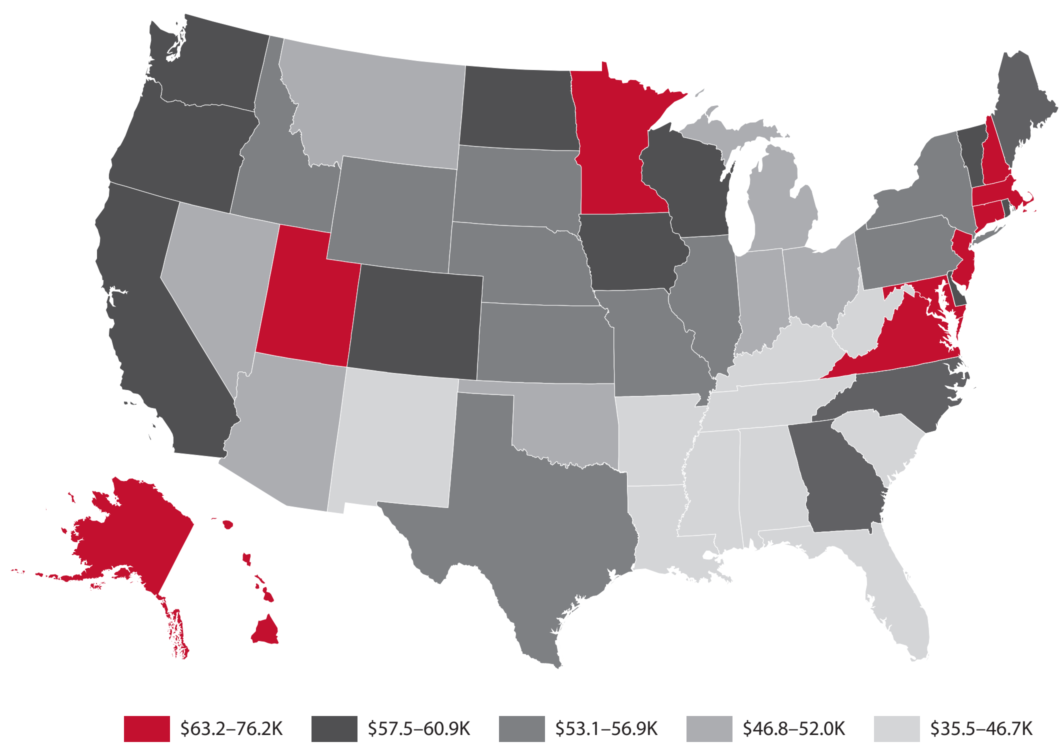
Table 4: Ranking of States by Debt Per Household

State	Debt
Hawaii	$156,443
California	$154,249
Maryland	$153,044
District of Columbia	$152,283
Virginia	$137,584
New Jersey	$132,141
Connecticut	$128,336
Massachusetts	$127,510
Washington	$126,086
Colorado	$125,905
Alaska	$119,450
Utah	$117,483
National Average	$100,562

Source: State Level Household Debt Statistics 2003-2015, Federal Reserve Bank of New York, February 2016.

Why do Utah households have higher levels of debt? Because Utah household carry more mortgage debt, which accounts for nearly three-quarters of household debt in Utah compared to 68 percent nationally. And Utah households have more mortgage debt because: (1) Utah has relatively high housing prices with the median sales price of a home in the Salt Lake Metropolitan area in the first quarter of 2016 was $261,300, which ranks 29th among 180 metropolitan areas; (2) Utah homeowners are younger and have had less time to build equity and pay down mortgage debt; and (3) Utah has the third highest homeownership rate of any state, 73.9 percent of Utah households are homeowners. Only Minnesota and New Hampshire have higher homeownership rates. States with a higher share of renters have less mortgage debt and lower per capita household debt levels. And finally it must be said that Utah households have relatively high incomes to service the higher debt load. Utah ranks 14th among all states in median household income in 2014 with a median household income of $63,383.

Map 1: Median Household Income by State



Source: dshort.com