

Technical Notes

The FRBNY Consumer Credit Panel consists of detailed Equifax credit-report data for a unique longitudinal quarterly panel of individuals and households from 1999 to 2011. The panel is a nationally representative 5% random sample of all individuals with a social security number and a credit report (usually aged 19 and over). We also sampled all other individuals living at the same address as the primary sample members, allowing us to track household-level credit and debt for a random sample of US households. The resulting database includes approximately 40 million individuals in each quarter. More details regarding the sample design can be found in Lee and van der Klaauw (2010).¹ A comprehensive overview of the specific content of consumer credit reports is provided in Avery, Calem, Canner and Bostic (2003).²

The credit report data in our panel primarily include information on accounts that have been reported by the creditor within 3 months of the date that the credit records were drawn each quarter. Thus, accounts that are not currently reported on are excluded. Such accounts may be closed accounts with zero balances, dormant or inactive accounts with no balance, or accounts that when last reported had a positive balance. The latter accounts include accounts that were either subsequently sold, transferred, or paid off as well as accounts, particularly derogatory accounts, that are still outstanding but on which the lender has ceased reporting. According to Avery et al (2003), the latter group of noncurrently reporting accounts, with positive balances when last reported, accounted for approximately 8% of all credit accounts in their sample. For the vast majority of these accounts, and particularly for mortgage and installment loans, additional analysis suggested they had been closed (with zero balance) or transferred.³ Our exclusion of the latter accounts is comparable to some ‘stale account rules’ used by credit reporting companies, which treat noncurrently reporting revolving and nonrevolving accounts with positive balances as closed and with zero balance.

All figures shown in the tables and graphs are based on the 5% random sample of individuals. To reduce processing costs, we drew a 2% random subsample of these individuals, meaning that the results presented here are for a 0.1% random sample of individuals with credit reports, or approximately 240,000

¹ Lee, D. and W. van der Klaauw, “An introduction to the FRBNY Consumer Credit Panel”, [2010].

² Avery, R.B., P.S. Calem, G.B. Canner and R.W. Bostic, “An Overview of Consumer Data and Credit Reporting”, Federal Reserve Bulletin, Feb. 2003, pp 47-73.

³ Avery et al (2003) found that for many nonreported mortgage accounts a new mortgage account appeared around the time the account stopped being reported, suggesting a refinance or that the servicing was sold. Most revolving and open non-revolving accounts with a positive balance require monthly payments if they remain open, suggesting the accounts had been closed. Noncurrently reporting derogatory accounts can remain unchanged without update for a long time when the borrower has stopped paying and the creditor may have stopped trying to collect on the account. Avery et al report that some of these accounts appeared to have been paid off.

individuals as of Q4 2009.⁴ In computing several of these statistics, account was taken of the joint or individual nature of various loan accounts. For example to minimize biases due to double counting, in computing individual-level total balances, 50% of the balance associated with each joint account was attributed to that individual. Per-capita figures are computed by dividing totals for our sample by the total number of people in our sample, so these figures apply to the population of individuals who have a credit report.

In comparing aggregate measures of household debt presented in this report to those included in the Board of Governor's Flow Of Funds (FoF) Accounts, there are several important considerations. First, among the different components included in the FoF household debt measure (which also includes debt of nonprofit organizations), our measures are directly comparable to two of its components: home mortgage debt and consumer credit. Total mortgage debt and non-mortgage debt in the third quarter of 2009 were respectively \$9.7 and \$2.4 trillion, while the comparable amounts in the FoF for the same quarter were \$10.3 and \$2.5 trillion, respectively.⁵ Second, a detailed accounting for the remaining differences between the debt measures from both data sources will require a more detailed breakdown and documentation of the computation of the FoF measures.⁶

⁴ Due to relatively low occurrence rates we used the full 5% sample for the computation of new foreclosure and bankruptcy rates. For all other graphs, we found the 0.1% sample to provide a very close representation of the 5% sample.

⁵ Flow of Funds Accounts of the United States, Flows and Outstandings, Third Quarter 2009, Board of Governors, Table L.100.

⁶ Our debt totals exclude debt held by individuals without social security numbers. Additional information suggests that total debt held by such individuals is relatively small and accounts for little of the difference.