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II. EXTENT AND GROWTH OF CONSUMER CREDIT

Credit use by individuals is certainly not a twenty-first century phenomenon; it actually is as old as recorded human history and probably much older. Credit use is known from the Bible, ancient India and Babylon, the Greek city states, the Roman Republic, and medieval Europe. It may well have originated in Neolithic times when individuals down on their luck needed help with necessities. Biblical prohibitions on taking advantage of brothers in need by charging them for credit argued for centuries the influential religious view that the absence of charity in such situations was sinful.[1] Civil restrictions on credit use likewise are ancient.

Development of Modern Consumer Credit

But before the twentieth century, absence of what today are common consumer goods and services (like automobiles, appliances, recreational durable goods, commercial home-improvement services, and widespread higher education) precluded the need or desire on the part of consumers for much of today's phenomenon of consumer credit. In the more distant past, credit use by individuals for noncommercial purposes probably most often did reflect situations of personal and immediate need, where charity was another possible answer.

History shows, however, that use of credit by artisans and trades people also flourished in ancient times, and that it was subject to the same kinds of religious and civil regulatory prohibitions as personal credit in the middle ages. This thinking began to change in the later middle ages with the spread of trading economies. At the time, merchants often needed to acquire trade goods on credit for resale, but changes in religious views about credit use still took centuries. Even then, it took more centuries for evolving beliefs to move beyond business and trade-related credit to other credit for individuals.

Religious opposition in the west to lending at interest gradually faded with development of more robust commerce and trade during the renaissance/reformation/enlightenment centuries and later, but it seems like widespread cultural and governmental anxiety over personal lending and borrowing has never completely gone away, even as secularization of economic and commercial affairs has advanced. At least some of modern governmental concerns over consumer credit appear to arise from society's remaining basic ambivalence about whether credit use by individuals is good for them or not, perhaps a modern vestige of the ancient and medieval view that lending is questionable or even immoral. Modern economic analysis has shown that there are many situations where credit use is beneficial to consumers

[1]See *Exodus* 22:25, *Leviticus* 25:35-37, and *Deuteronomy* 23:19-20.

(see Chapter 3), but the issue is still not settled completely to the satisfaction of everyone. Nonetheless, it is obvious that there has been a strong, long-term trend toward greater acceptability of credit use by individuals as a feature of modern life.

Domestically in what became the United States, from colonial times through the 1850s there was credit use to be sure, but mostly as a substitute for circulating coin money that often was in short supply or for what we would today consider business purposes. Farmers as producers, for example, borrowed to acquire land for crops. As consumers, they also often purchased shop goods on credit while they waited for the harvest and the barter or sale of farm goods to repay the merchants. Artisans of various sorts also extended credit if they, like the shop keepers, were to sell their services and be paid at all. Promissory notes and similar documents often circulated like money. This kind of credit system lasted for many years in many places.[2]

But it was the coming of urbanization and expansion of town and city dwelling and the accompanying middle class after the Civil War, along with the invention of new consumer goods like automobiles and electrical appliances somewhat later, which led to the modern phenomenon of consumer credit that is so familiar today. Although there always have been necessitous loans in the absence of sufficient charity and other economic relief, there simply was little need before the 1920s for the auto loans, boat loans, durable goods credit, college tuition credit, and home modernization and repair loans that make up the bulk of consumer credit use today. The interwar years saw considerable growth of consumer credit, but most of the expansion came in the years after World War II. As indicated, the reasons for credit growth are explored further in Chapter 3.

Credit regulation expanded with the development of credit for individuals. From ancient times to the early twentieth century, credit regulation consisted mostly of interest-rate limits. Rate ceilings reflected the historical, religious, and social prohibitions against benefitting from the difficulties of others. But rate ceilings also made extensions of small amounts of credit to necessitous or other consumer-borrowers unprofitable for existing commercial-lending enterprises like banks as economic life secularized. Rate ceilings at the state level persisted in the United States as the economy began to modernize after the Civil War, preventing the lending of small amounts of credit for individuals. (At the time, virtually all credit regulation in the United States was at the state or local level.) This did not extinguish the need for emergency credit during these years, however. At the time, many individuals in the newly-urbanized segments of the population, now often disbursed from their extended families, obtained credit from lenders operating illegally, outside the state laws. The post-Civil War period in the United States up to about 1915 has subsequently become known as the "illegal lending" or "loan shark" period of consumer credit.[3]

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[2]For colorful examples and extended review of credit use (and other activities) in the early nineteenth century by frontiersman and politician David Crockett, land speculator James Bowie, and lawyer William B. Travis, all of whom lost their lives and their debts at the Alamo in 1836, see William C. Davis, *Three Roads to the Alamo: The Lives and Fortunes of David Crockett, James Bowie, and William Barret Travis* (New York: HarperCollins, 1998).

[3]See Louis N. Robinson and Rolf Nugent, *The Regulation of the Small Loan Business* (New York: Russell Sage Foundation, 1935), Irving S. Michelman, *Consumer Finance: A Case History in American Business* (New York: Augustus M. Kelley, 1970), Homer and Sylla, *A History of Interest Rates*, op. cit., Lendol C. Calder, *Financing the American Dream: A Cultural History of Consumer Credit* (Princeton, NJ: Princeton University Press, 1999), Gelpi and Julien-Labruere, *The History of Consumer Credit*, op. cit., and Anne Fleming, *City of Debtors* (Cambridge, MA: Harvard University Press, 2018).

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Beginning about 1910, reformers and commercial enterprises took aim both at the prevalence of loan-shark providers of necessitous credit and the developing opportunities to aid in the sale of new consumer goods and services profitably. Both sorts of effort led to the spread of new kinds of consumer-lending institutions.

Reform efforts of the Russell Sage Foundation beginning in October 1910 led first to supporting "semi-philanthropic" lenders also known as "remedial lenders" and "remedial pawn shops." These lenders would use philanthropic capital and lend using fair but business-like methods. By 1916, the reform-oriented Sage Foundation determined that this approach was insufficient to address the loan-shark problem due to inability of the semi-philanthropic lenders to attract sufficient lending capital. Consequently, the Foundation joined forces with willing commercial lenders to sponsor legislation in the states enabling formation of state-regulated cash lenders of small amounts. These lenders would operate under legislated exceptions to each state's overarching rate-ceiling requirement specifically permitting higher, but regulated, rates for this purpose.

At the time, lenders based upon the Sage Foundation reforms and related state-regulation efforts were known typically as small loan companies or licensed lenders. They still exist today in some states as the traditional installment-lending industry. An important event occurred in 1932 when New York Governor Franklin D. Roosevelt requested that the legislature of the most populous state pass the reform legislation, which it did unanimously in both houses. By the 1960s, laws based upon the Russell Sage Foundation's efforts existed in almost every state. Since then, changes in or inattention to updating legal requirements as inflation and other economic changes have ensued means these lenders have become archaic and attenuated or absent in many states, although they still exist in others.

The decade of the 1910s also witnessed formation of other kinds of consumer lenders. They included credit unions, similar in basic intent to those still operating as cooperatives today, although more primitive and smaller than the modern ones.[4] "Industrial workers' banks" that operated under a complicated lending plan to get around rate ceilings and offer installment credit to industrial workers known as the Morris Plan were another new kind of institution. A Virginian named Arthur Morris opened the first Morris Plan Bank in Norfolk in 1910.[5]

As a practical matter, the Morris Plan banks amounted to finance companies that took deposits. Their lending plan became the forerunner of consumer lending by the commercial banking industry, but commercial banks did not enter the field until the late 1920s and then only tentatively. Most of the growth in bank consumer lending occurred after World War II. In 1951, the Franklin National Bank of New York became the first bank to issue bank credit cards. Morris Plan banks and commercial banks making consumer loans eventually became subject to their own sets of state regulations, including further exceptions to state-based rate ceilings specifically put in place for them. Many of the old Morris-Plan banks and loan companies later evolved into commercial banks.

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[4]The first US credit union was established in New Hampshire in 1909, but credit unions did not spread beyond a few eastern states until the 1920s.

[5]The Morris plan allowed banks to make small loans profitably under existing laws. The Morris plan loan charged a legal rate of interest but collected interest at origination out of the loan principal. The bank obtained additional funding by requiring the borrower to purchase non-interest-bearing certificates. The borrower's payments were credited to purchase of the certificates, not to reducing the loan principal. When the required certificate purchases were completed, the certificate was cancelled, with the proceeds from the cancellation being used to repay the loan.

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The 1910-20 period also saw early finance companies formed specifically to facilitate the sales of the merchandise of related manufacturers. The manufacturers came to believe they could sell a lot more output if they also financed the sale. For example, the General Motors Company formed the General Motors Acceptance Corporation (GMAC) in 1919 to aid the sales of the parent. Many consumers took advantage of the chance to acquire this new consumer durable good and use it immediately.[6] Over time, GMAC became the largest finance company in the world. (Today, a remnant survives as Ally Bank, no longer a subsidiary of General Motors.) Other manufacturers also formed sales-finance subsidiaries, often known then and now as "captives." Today there also are independent companies that finance sales, including new and used cars, motorcycles, recreational vehicles, mobile homes, boats, and aircraft. There also are business-lending finance companies.

Regulation of these sales-finance firms was different from small-loan finance companies. Courts decided that financing a specific sale was not a loan for regulatory purposes. Rather, these were sales of goods "on time" and not loans of money that triggered lending laws. Under this conception, the difference between the price of a sale for cash today and the total price over time (called the "time-price differential") was not interest and not subject to state interest-rate ceilings.[7] The same thinking applied to consumer financing by retail stores and dealers. Eventually, most states also regulated time-price differentials.

Consequently, all these institutions came under a range of different state laws and regulations. Small-loan companies were regulated under versions of the Uniform Small Loan Law sponsored by the reform-minded Russel Sage Foundation and in some states also by other laws specifically legislated for larger loans. Morris Plan lenders, many of which later became banks, were regulated under laws specifically for such lenders and banks. Credit unions had their own laws. So did the sales finance companies and retail outlets regulated by sales finance codes often known as "all goods" acts. In 1972, the National Commission on Consumer Finance (NCCF) complained about the range and sometimes Byzantine interaction of all these laws regulating types of credit, loan sizes, and institutions differently as barriers to effective competition in markets for consumer credit.

Referring to Barbara A. Curran's 1965 compilation of state laws, the Commission wrote in its *Report* in 1972 (p. 94):

> A compilation of consumer credit legislation reveals the present hodgepodge of legislation characteristic of most states. As one example, New York has separate statutes regulating instalment loans by commercial banks, loans by industrial banks, bank check-credit plans, revolving charge accounts, motor vehicle instalment sales financing, instalment financing of other goods and services, insurance premium financing, loans by consumer finance companies, and loans by credit unions. The general usury rate is 6 percent (currently 7.5 percent under special rule of the Banking Board), and criminal penalties apply if interest is over 25 percent [footnote omitted]. But the decreed maximum rates to obtain $500 of credit, repayable monthly over 12 months, range widely: bank personal and improvement loans, 11.6 percent; industrial banks, 14.5 percent; used cars up to 2 years old, 17.7 percent; used cars over 2 years old, 23.2

[6]The early development of automobile financing and its important role in spurring competition in car manufacturing and making automobiles accessible to ordinary Americans is discussed in Chapter 9.

[7]See Hogg v. Ruffner, 66 U.S 116 (1861).

percent; small loan companies, 24.8 percent; other goods, 18.0 percent; retail revolving credit 1 1/2 percent on monthly balances up to $500 and 1 percent monthly on balances in excess of $500.

The variety of rate ceilings that has developed on an *ad hoc* basis creates barriers to competition among segments of the consumer credit industry. Given a maximum rate of 11.6 percent in New York, commercial banks will not enter the $500-loan market served by consumer finance companies at 24.8 percent. [Note: Bank credit cards were a lot less common at that time than more recently, but they also had rate ceilings.]

The regulatory trend since the NCCF's time has generally been in the direction of homogenization of laws and regulatory regimes affecting consumer credit. On balance, states have tended to adjust their credit laws in the direction of greater consistency of regulation across the classes of lenders and lending within their boundaries. There is still diversity within states and considerable diversity among states, however.

Eventual Federal legislation is a bit more focused within its spheres of activity: Beginning with the Truth in Lending Act in 1968, the Fair Credit Reporting Act in 1970, and the Equal Credit Opportunity Act in 1974 and 1976, Federal rules for the most part apply to all consumer creditors in the same way. Later, in 2010, the Dodd-Frank Act established the Consumer Financial Protection Bureau to be a consistent Federal voice in consumer credit with ongoing responsibilities.

Despite partial homogenization and Federal regulatory entry, regulatory overlaps and difficulties remain, however. There still are differences in regulation among states and sometimes within them. Now there is also an ongoing Federal presence that raises further questions of overlapping jurisdictions, including questions of the desirability, or not, of Federal preemptions of state laws. These jurisdiction issues are discussed further later in this report, especially in Chapters 6 and 13.

Consumer Credit Growth

Consumer credit certainly *seems* important today. As indicated in Chapter 1, domestic consumer credit outstanding rose from about $6.8 billion at the end of 1945 and wartime restrictions (about $99 billion in 2019 dollars) to $4.2 trillion at the end of 2019. This section of this chapter outlines the types of consumer credit in widespread use today and briefly reviews aspects of their growth over the decades. Chapter 3 then discusses further the meaning of "types of credit" and why certain types of credit account for much of the consumer credit extended.

In 1972, the National Commission on Consumer Finance provided an examination of consumer credit outstanding at the time and its growth since World War II in its Chapter 2. The Commission was able to employ statistics on consumer credit continuously collected by the Federal Reserve since 1943, the same ongoing statistical series used here. The Federal Reserve's data collection effort began when Federal wartime restrictions on both consumer goods production and consumer credit use on account of inflationary concerns made consumer credit a Federal policy matter for the first time (Regulation W, see footnote in Chapter 1 of this report).

As consumer credit grew in the postwar years, the Federal Reserve Board has maintained this data collection, updating and revising it as credit types and markets changed over time (see Federal Reserve monthly statistical release "Consumer Credit - G19" and the historical series

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underlying it). After the war, the Federal Reserve also began its program of collecting information about the distributions of assets and debt among the public through the Surveys of Consumer Finances program that also extends to the present. The Surveys of Consumer Finances were begun by the Survey Research Center of the University of Michigan in 1946 with the support of the Federal Reserve and others in later years. Since 1992, the National Opinion Research Corporation of the University of Chicago has undertaken the survey field work.

Modern consumer credit is diverse enough that it can be classified in many ways. In recent years, the Federal Reserve has divided the totals in three ways: The first is by the means that credit is generated and repaid (nonrevolving versus revolving credit). The second is by institutional source of the funds (eight kinds of institutions in recent years, reduced to seven through a combination of certain statistics after mid 2020). Since 2013, the Federal Reserve has also released statistics a third way, according to two *uses* of consumer loans: automobile credit (including consumer trucks and motorcycles but not consumer leases) and student loans. The separate figures by purpose extend back to 1943 for auto credit and to 2006 for student loans. The following paragraphs highlight some of the Federal Reserve's statistical information on consumer credit.[8]

The first grouping of consumer credit amounts outstanding is by method of credit advance and repayment (upper part of Table 2-1 for current dollars and middle part of the table for 2019 dollars). There are two methods of advance and repayment that are widespread today. The first is nonrevolving credit where the amount of the credit advance and the size and timing of repayments are determined in advance by contract (for instance, automobile credit). In terminology used by Truth in Lending, this kind of credit is also known as "other than open-end" consumer credit, or more familiarly as "closed end" consumer credit.

[Table 2-1 goes here.]

The second method of advance and repayment is revolving credit where both the amount and timing of the advance and the amount of monthly repayment are decided upon by the consumer, subject to a maximum credit size and some minimum monthly payment amount (for example, credit card credit which is the bulk of this kind of credit). This kind of credit is also widely called "open-end" consumer credit. Before 1968, the Federal Reserve did not make the distinction in the statistical series between nonrevolving and revolving credit (closed and open-end credit), but the growing innovation of the three-party credit card at around that time (consumer, merchant, and financial institution) and passage of Truth in Lending that year that made this distinction argued for this new classification.[9] Revolving or open-end forms of consumer credit today account for about a quarter of the total. Nonrevolving or closed-end forms of consumer credit account for about three quarters of consumer credit today, about $3 trillion at present.

[8]In their 2014 book, Durkin, Elliehausen, Staten, and Zywicki examine the background and changing kinds of statistics and components of consumer credit in the postwar period in considerably more detail than attempted here. They also examine credit growth itself in much more detail. See Thomas A. Durkin, Gregory Elliehausen, Michael E. Staten, and Todd J. Zywicki, *Consumer Credit and the American Economy* (New York: Oxford University *Press*, 2014), Chapters 1 and 2.

[9]The term "three-party credit card" (consumer, merchant, and financial institution that issues the card to the consumer), a term in use since the originator known as the Diners Club in the early 1950s, refers to the consumer side of this transaction. It should not be confused with the three or four-party processing networks that manage the electronic processing of the transaction among merchants, banks, and their electronic settlement networks.

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An alternative way of grouping consumer credit is according to institutional source of the credit (lower portion of the top and middle panels of Table 2-1). The listed institutions are the ultimate lenders of the amounts (for instance, depository institutions and finance companies). They are not necessarily the same institution with whom the consumer actually originates the transaction and takes on the obligation (such as finance offices of automobile dealers or colleges). Frequently, originating lenders sell the promissory notes to the ultimate lenders shortly after closing of the originating transaction, a procedure called "indirect credit."

The largest suppliers of consumer credit are depository institutions, mostly commercial banks. Much of commercial bank consumer credit in recent years is through credit-card operations. Credit unions comprise their own group, although they also are depository institutions. The reason for making this particular distinction among depositories is to provide a bit more information about kinds of depositories but without also requiring separate groupings today for remaining other sorts of depositories that are now small in number. These others include savings banks and savings and loan associations, today lumped with commercial banks and referred to as "depository institutions." Within the quarter of consumer credit that is revolving credit, depositories hold the lion's share, mostly through their credit-card programs using the American Express, Discover, MasterCard, and Visa network brand names.

The fastest growing provider of consumer credit in recent years is the Federal Government. The growth in the Federal Government category reflects the recent expansion of a variety of Federal student loan programs that have come to dominate educational lending. The Federal Government is now the second largest institutional source of consumer credit (Table 2-1). Some student loans are still made and held by other lending institutions like the former Federal lending affiliate Sallie Mae (now a private depository institution). These other student loans are counted within the commercial banking and finance company sectors, but the bulk of student lending today is held by the Federal government.

After depository institutions and the Federal Government, finance companies and credit unions are the remaining large institutional suppliers of consumer credit. The decline in the finance company category in recent years reflects the reclassification of Federal loans formerly held by Federal affiliate Sallie Mae that became a private company some years ago from the finance company group then to the newer Federal Government category now.

Residual suppliers include nonprofit educational institutions (mostly colleges), nonfinancial businesses (like retail stores and auto dealers), and pools of securitized assets. The latter are consumer credit assets like auto and credit card receivables (loans) that lenders form into pools supporting securities sold in worldwide financial markets. This method of obtaining the funding for consumer credit once was much larger than at present, until changes in legal and accounting requirements about a decade ago required moving the assets back onto the books of the lender and making this method of obtaining funds for lending much less attractive (see table). Recently, the amounts in this category have become small enough that the Federal Reserve eliminated this category beginning in the second half of 2020; it is included in Table 2-1 because this lending source was very large only a few years ago and there is still some interest in what these amounts were.

The third panel of the Table 2-1 shows that within the components of nonrevolving consumer credit, motor-vehicle credit has remained around one quarter to one third of total consumer credit since the early years of the post-World War II period. In contrast, the innovation of revolving credit associated with three-party credit cards grew rapidly beginning in the 1960s, rising to 7 percent of consumer credit by 1975 and 40 percent by 1995.

Looking further at the third panel of the table also shows that the three-party credit card was mostly a technological change that brought about replacement for much of "other" consumer credit in the form of credit for household durable goods, appliance, and repair credit. Formerly, individuals desiring to purchase televisions, carpeting, refrigerators and other household items using credit needed to visit the "credit department" of the store or dealer to arrange the financing. Much of this credit was provided by finance companies that purchased the loans from the retailers. Using this new form of revolving credit obviated this need in many cases and was much more convenient for consumers. This change is clear even in the aggregate statistics in the third panel of Table 2-1. The portion of "other" nonrevolving consumer credit (final line in the table before the total) dropped sharply 1965-1995 as revolving credit use grew.

Another important trend in the figures reflects the recent growing importance of Federal student loans. The volume of these student loans has become great enough in recent years that the proportions of all the other kinds of consumer credit (revolving, vehicle, and "other") have declined. More will be said about student loans in Chapter 12.

One of the questions that sometimes arise from the statistics on amounts of consumer credit in use is whether these totals have risen "too fast" or are now "too high." This is an old area of economic inquiry and review that sometimes produces the responses "compared to what" and "what is too high." There are several ways at looking at these questions.

Durkin, Elliehausen, Staten, and Zywicki examined them at considerable length in 2014 and also looked at past reviews by others of what had been known earlier as the "debt-burden" issue.[10] They also reviewed many studies undertaken in this area over the decades since World War II. They concluded that recent consumer credit growth trends after taking into account inflation and the growth of other economic variables such as income and assets were much like those in earlier periods, after rapid early postwar growth in the 1950s. Updating their tables and charts to the end of 2019 provides a largely similar assessment today.

As the National Commission on Consumer Finance suggested in 1972, one way of looking at consumer credit trends is to compare it to itself, in other words, examining its growth rate over time. Does the growth rate of consumer credit exhibit a recent trend that looks out of the ordinary or has growth changed recently in some substantial or significant way? Another is to compare consumer credit to the other important economic quantities mentioned: general inflation, income, and assets.

It turns out the consumer credit growth rate has always been cyclical, rising for some time after a recession before leveling out and then declining before the next recession approaches and occurs. The recent rapid decline in the consumer-credit growth rate associated with the COVID-19 recession in 2020 is consistent with previous recessionary declines typical in consumer-credit growth.

Growth experience in recent decades has been much like past experience on this measure (see Figure 2-1). The highest growth rates were in the late 1940s and early 1950s. The aggregate *amounts* of credit have become larger as the economy has experienced population and income growth (plus inflation) over the postwar period, but recent growth rates of consumer credit have been well within experience of the past six decades. If not for student lending,

[10]See Durkin, et al., *Consumer Credit and the American Economy*, op. cit. Chapter 2.

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consumer credit growth over the recent decade would actually be lower recently than often typical in the past.

[Figure 2-1 (Consumer credit growth rates) goes here.]

Consumer Credit Growth and Means of Repayment

But consumer credit is not the only economic quantity to grow in the postwar period; employment, income, savings, and assets of the household sector also have grown. Perhaps more interesting than credit growth in isolation is to look at long-term consumer credit growth relative to the means of repayment: income and assets.

Consumer credit relative to household income rose rapidly in the years following World War II, the period that encompassed the greatest percentage rises in consumer credit historically. The increases at the time reflected a variety of important factors such as renewed availability of consumer durable goods like autos and appliances after the end of wartime production restrictions, but the growth rates then seem to have established a view that consumer credit always grows relative to income.[11] Other factors included rising and more stable post-war income and prospects, as the Great Depression faded farther into the past. Higher and more-stable income allowed consumers to devote more discretionary resources to durable goods and their financing. Beginning of the sustained move to the suburbs was also important. With migration to the newly developing postwar subdivisions, demand increased for transportation assets, appliances, and furniture for the new suburban homes.

Figure 2-2 illustrates the long-term trend of total consumer credit relative to household disposable personal income (after-tax income) since World War II. The chart shows that after postwar growth from a low level, the trend in this ratio largely leveled out by 1963 followed by a slow upward trend afterward.

[Figure 2-2 (Consumer credit/DPI) goes here.]

Although Figure 2-2 does not really show much growth in consumer credit relative to income very recently, there is, of course, no reason why this ratio of consumer credit relative to income should not continue to rise slowly. As income rises and necessities become a smaller proportion of income for many families, the goods and services like autos, home modernization, and higher education that stimulate credit use can become a larger segment of overall budgets. This change undoubtedly has been true for many families, contributing to the slow rise in this ratio (witness, for example, the increase in multiple-car families since the 1950s, along with more appliances and recreational durable goods and more higher education). Increases in two-earner families over time also suggest the availability of more income to devote to the kinds of goods and services often purchased using credit. The important message here is that this ratio

[11]A number of economic analysts studied these trends in the early postwar period and concluded otherwise. See especially Alain Enthoven, "The Growth of Installment Credit and the Future of Prosperity," *American Economic Review*, December, 1957, Helen Manning Hunter, "A Behavioral Model of the Long-Run Growth of Aggregate Consumer Credit in the United States," *Review of Economics and Statistics*, May, 1966, Michael J. Prell, "The Long-Run Growth of Consumer Installment Credit – Some Observations," *Federal Reserve Bank of Kansas City Monthly Review*," September, 1973, and Charles A. Luckett and James D. August, "The Growth of Consumer Debt," *Federal Reserve Bulletin*, May 1985. For extended discussion of these and other studies on this question, see Durkin, et al., *Consumer Credit and the American Economy*, op. cit. Chapter 2.

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has risen over time since the end of World War II, but it does not indicate some dramatic increase recently, despite what sometimes seems like widespread belief to the contrary.

Significantly, lengthening maturities of consumer credit contracts also increase the amount of credit outstanding as repayments slow, but they have the opposite effect on the actual burden on users by reducing the amount of current repayments relative to income. Beginning in 1980, the Federal Reserve has provided a statistical series of consumer-credit *repayments* compared to household income, the actual burden of debt on household finances (see Figure 2-3).[12] This series shows no trend over the years 1980-2019 and was actually lower at the end of 2019 than in 1980.

[Figure 2-3 (Repayment Burden DSR) goes here.]

Assets and particularly liquid assets represent other means of repayment. There has been considerable concern in recent years that a portion of the population remains very illiquid and often unable to deal easily with financial emergencies that might arise.[13] This potentially could make them candidates for small amounts of necessitous credit, sometimes argued as abusive kinds of credit due to high interest rates. But the bulk of the population holds substantial amounts of financial assets of various kinds that also are part of the household-sector financial structure and can serve as needed as means of credit repayments.

Figure 2-4 shows overall consumer credit outstanding relative to household sector financial assets measured by the Federal Reserve's Financial Accounts of the United States series (formerly known as the Flow-of-Funds accounting system, see Federal Reserve quarterly Statistical Release Z1). Financial assets include liquid assets like deposits and close substitutes, plus bonds, stocks, and mutual funds shares.

[Figure 2-4 (Consumer credit/FA) goes here.]

The chart shows that aggregate consumer credit has remained consistently at 4 to 5 percent of aggregate household sector financial assets since the 1950s. Consumer credit outstanding has remained consistently about one fifth to one quarter of household-sector *liquid* assets (deposits and close substitutes) since the early 1960s (not shown in the figure). Most recently (2019), this measure is about at the middle of its range over this time, at 22 percent.

Distribution of Consumer Credit within the Population

Of course, statistics of aggregate amounts of consumer credit outstanding gathered from lenders and reported in these charts do not say anything about the distribution of the credit among the population, which is only available from surveys of consumers. To meet this need, the Survey Research Center of the University of Michigan began its Surveys of Consumer Finances in 1946, sponsored over the decades mostly by the Federal Reserve. The surveys were annual until 1970, periodic until 1989, and more recently have settled into a three-year

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[12]The Federal Reserve calls this the Household Debt Service Ratio or DSR, released quarterly in an unnumbered statistical release.

[13]See, for instance, Board of Governors of the Federal Reserve System, *Report on the Well-Being of US Households in 2018* (Washington: Board of Governors of the Federal Reserve System, 2019) and similar reports annually in the previous five years.

frequency (as indicated earlier, since 1992 the National Opinion Research Center of the University of Chicago has taken over the data collection). After each survey, the Federal Reserve staff undertakes substantial efforts to prepare the dataset involving data editing, studying and eliminating discrepancies, estimating missing information statistically, and producing the final dataset for analytical use. The agency staff then makes it publically available electronically. All of this means that the final dataset is not available for analysis for a year or more after the survey, unlike the lender surveys that produce the familiar monthly statistical reports by provider groups widely reported in the financial press.

The Surveys of Consumer Finances show that credit use is widespread through the domestic population. The surveys also show that the portion of users has grown over time. Evidence over seven decades of the surveys demonstrates how the slow long-term rise in the debt-to-income ratio noted earlier is associated with greater inclusion within the credit system. As income and wealth has increased over time and as lenders have grown in experience with credit granting (and creditors have employed new technologies for credit evaluation), the portion of the public using credit has increased. Since passage in 1974 and amendment in 1976, the Equal Credit Opportunity Act has made illegal any creditor unwillingness to deny inclusion on a list of prohibited bases.

Most observers agree that greater credit access and inclusion within the system is a good thing. Credit access provides many benefits to individuals (discussed further in Chapter 3 below), which leads to demand for credit. Evidence of widespread inclusion shows that credit supply to them is extensive as well. It is important to note that benefits of credit use, and therefore advantages of inclusion, extend even to younger and lower-income consumers and to older borrowers. It follows that if many individuals benefit from access and inclusion, then so does society as a whole.

It also appears that there has also been greater cultural acceptance of credit use over time. No longer is credit use for household purposes as generally frowned upon as in the Victorian period. There are some advocates who still argue against using consumer credit, but this view is much less widespread than in the past. There also still is controversy and issues of blame that arise when some individuals take on too much debt relative to ability to repay comfortably or if something in their lives goes wrong (like unemployment) after taking on the debt. Nonetheless, consumer credit use today also is generally regarded as culturally acceptable and recognized as useful, and sometimes even critical, much more than in the past. More significantly, today its importance for wealth building is also much better understood. As indicated, underlying reasons for credit use are discussed further in the following chapter.[14]

The surveys illustrate that growing inclusion within the system (sometimes also referred to as "debt widening") actually is not new in recent decades; much of it took place in the years immediately after World War II until about 1963 (see Table 2-2). Comparison of survey results show that in 1951 about 32 percent of American households (including single-person households as the term is used hereinafter) were using consumer installment credit, a credit definition which included in those days only nonrevolving consumer credit and not revolving consumer credit that came later (first line of Table 2-2). This was up from a very low, but unrecorded, proportion in 1945, reflecting wartime restrictions on both production and financing. The

[14]For discussion of changing cultural acceptance of consumer credit over time see Lendol C. Calder, *Financing the American Dream: A Cultural History of Consumer Credit*, op. cit.

proportion of households using closed-end consumer installment credit rose to about 50 percent by 1963 and has remained within the range of 41-50 percent since then (first line of Table 2-2).[15]

[Table 2-2 goes here]

Beginning in 1970, survey changes made it possible to provide more detail on use of credit cards. Most credit cards in 1970 were issued by retail stores and gasoline companies for use only at their own outlets. Many of these issuers originally provided only charge cards where payment of the bill in full was due shortly after receipt, and the amounts of credit outstanding were counted within noninstallment credit at the time. But attaching a revolving credit feature to these cards was rapidly becoming more popular by 1970.

Even more important for consumer credit markets in the long run, three-party cards like MasterCard and Visa (then known as Master Charge and BankAmericard) began to become widely available from banks in the late 1960s and eventually could be used almost anywhere. Originally issued only by commercial banking organizations, these cards are sometimes still called bank-type credit cards, although other financial institutions including savings institutions, credit unions, and others now also issue them. (The first three-party card – consumer, merchant, and financial institution – was the Diners Club Card in the early 1950s. For many years it remained a charge card although it eventually also added a revolving-credit feature.)

Bank-type cards were in the pockets and purses of only 16 percent of households in 1970. The proportion grew to 73 percent in 2001 before falling off slightly afterward and then rising again (fourth line of Table 2-2). As indicated earlier, over these decades credit cards have taken over much of the work of routine extension of consumer credit for many household purposes. Much of previous consumer credit for appliances and home repairs that in past decades that would have involved the credit department of the retailer and sale of the credit contract to a finance company is now handled much more conveniently through the prearranged credit line of a revolving credit-card account. Thus, much of the growth in credit-card credit since the 1960s is really a substitution due to technological change rather than a whole new area of credit use.[16]

Including household who have remaining revolving balances on credit-card accounts after making their monthly payment (line 2 of the table) within the definition of consumer-

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[15]Rather than using any data tables from other sources, the tables here using data from the Surveys of Consumer Finances were recalculated from the original source data by Durkin, Elliehausen, Staten, and Zywicki and updated to 2019 by the Taskforce in order to ensure, as far as possible, comparability of conception and definition of variables over time. For this reason, the data tables here may show some small differences from otherwise apparently comparable tables in other analyses using the same survey data. For example, the tables here always define credit for mobile homes as consumer credit and not mortgage credit (since mobile homes are not real property and credit to purchase them is consumer credit in the Federal Reserve Board's statistical series). But such credit may not always be considered consumer credit instead of mortgage credit by other analysts (since it is housing related) and other analysts may prefer to keep mobile home credit with the rest of housing-related debt. There also may be other slight definitional differences between these and tables in other sources, although all such statistical differences are small. The definitions of consumer credit employed here follow Federal Reserve usage, as noted in Chapter 1.

[16]A research paper by Elliehausen and Hannon showed that this substitution can also go the other way when new constraints arise in the extension of credit on card accounts. Following the sharp recession of 2008-9 and implementation of new Federal restrictions on credit-card management and pricing around the same time, card holding in the lowest-income quintile declined and finance company lending increased. See Gregory Elliehausen and Simona M. Hannon, "The Credit Card Act and Consumer Finance Company Lending," *Journal of Financial Intermediation*, July, 2016.

credit users raises the total proportion of consumer credit-using households. The proportion increased from 46 percent in 1951 and 53 percent in 1956 in the early postwar period when consumer credit use grew most rapidly to around 60 percent or a bit more in the half century 1963-2013 (fifth line of Table 2-2). Consumer-credit using households reached about two thirds in the 2007, 2016, and 2019 measurements.

Consumer Credit Use According to Income and Age

Considering inclusion further, the surveys also permit examination of trends in debt use within population segments. Sometimes the view is heard that that consumer credit use is a low income or lower middle income phenomenon, particularly among younger consumers. Actually, the surveys show that low, middle income, and younger consumers have always been users of consumer credit, but that credit use over time has also expanded in all income and age groups.

To look at the use of consumer credit by income level, household respondents to each of the Surveys of Consumer Finances illustrated in Table 2-2 were arrayed according to income and then placed into one of five groups of equal size (quintiles) from lowest to highest income (see Table 2-3). Looking at income quintiles this way frees the discussion from the issue how the definition of "low income" or "high income" might change over time due either to inflation or economic growth. In each year the lowest income quintile, for example, includes the fifth of the surveyed population with the lowest incomes and the other income quintiles consists of the respective other fifths of the income distribution.

[Table 2-3 goes here.]

Table 2-3 shows the proportion of each income quintile with some kind of consumer credit outstanding at the time of the survey (including closed or open end installment credit in later years and noninstallment credit in earlier times) for each of the survey years illustrated in the previous table. The following table (Table 2-4) then measures the proportion of households with these kinds of credit outstanding among population age groups arrayed from the youngest respondents to the oldest.

[Table 2-4 goes here.]

These tables show growing inclusion in all income and age segments over time. Among income groups, the greatest relative growth in frequency of credit use occurred in the lowest income quintiles 1951-1963; since then, growth in the credit using population has been moderate in all income groups (both panels of Table 2-3).[17] Each of the three highest income groupings registered half or more of their members as *consumer credit* users in as long ago as 1951 (lines 3-5 of the upper panel of Table 2-3), and the proportion in the third and fourth quintiles reached two-thirds by 1963 (lines 3-4). By 2007, half or more of all income groups were included in credit users for this kind of credit (with a bit of a dropoff among the lowest income quintile in 2019). By 2016, about three quarters of households in the in the third and fourth income quintiles were consumer-credit users.

[17]There is a dropoff in credit use recorded by the 1970 survey among the lowest income segments. This may reflect that 1970 was the only recession year among the survey years in the table. The 2010 survey followed the end of a sharp recession by about six months, and it also shows a general drop in credit use although not in the lowest income quintile (not in table, see Durkin, Elliehausen, Staten, and Zywicki, *Consumer Credit and the American Economy*, op. cit., p. 72).

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Looking at age groups, over the decades the Surveys of Consumer Finances have shown consumer-credit use shows a life-cycle effect. The NCCF noted this in 1972 (P. 12):

> The frequency of installment credit use in relation to age of the family head is, of course, intimately related to the level of income and stage in the life cycle characteristic of that age. Those in the younger age groups ... used installment credit most frequently. A significant decline in the frequency of use did not occur until after age 55.
>
> The profile that emerges is that the consumer most likely to acquire goods and services is young, married, with children at home and with family income between $7500 and $15000 [Note: these were middle-class amounts in 1972.] The stage in life cycle of the family appears to be the most influential in determining frequency of use, while the level of income probably has the greatest influence on the quantity of debt and the quality of the goods and services acquired.

Within age groups, consumer credit use has always been most prevalent among younger consumers. It has long been understood that use of credit is strongly influenced by stage of life cycle and in the next chapter we will discuss this further. Households headed by younger individuals, for example, are more likely below their long term average lifetime income level. They also are bearing the costs of acquiring housing and household durable goods, rearing and educating children, etc. and so they are willing to use credit knowing their ability to repay debts that finance these activities likely will rise. Consequently, it is not especially surprising that more than three-fifths of households with heads younger than 45 were consumer credit users in the mid-1950s, and this proportion rose to three-quarters in 1977 and has remained around that level since then (lines 1-2 of the upper panel of Table 2-4).

In contrast, households near or past retirement may not have as many such needs and they may also have accumulated more liquid savings and not need to use credit as often. This life cycle effect is also visible in Table 2-4, although the greatest growth of credit users in percentage terms occurred among older consumers. The proportion of those using consumer credit in the 55-64 age bracket rose substantially over these years, to about three-fifths by 1995 and about two thirds in 2019 (line 4 of the upper panel). Furthermore, only about one fifth of households with heads over 65 were consumer credit users in the mid-1950s, but this proportion has risen over time (lines 5-6). Thus, along with population growth, it seems that an aging population, combined with a higher proportion of older consumers who still use consumer credit, accounts for at least some of the increase in consumer credit outstanding in recent decades. Extremely low interest rates on such things as new car loans in recent years probably had something to do with this trend. For creditworthy older consumers, why use reserves or assets that can be made tax-deferred through IRAs rather than inexpensive credit? Growth of consumer credit use among older consumers is an area for further research.

<u>Shares of Credit Outstanding</u>

Cross section surveys also permit calculation of the share of total debt held by various groups of consumers. The next two tables contain calculated shares of selected kinds of debt outstanding owed by consumers segmented first by income (Table 2-5) and then by age (Table 2-6). Results of this effort turn out to be revealing, and maybe a bit surprising.

[Table 2-5 goes here.]

[Table 2-6 goes here.]

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The central message from the distribution of debt shares measured by the cross section surveys is stability over time rather than dramatic change; there have been inclusion and outstanding consumer and other credit increases in all income and age groups leaving the shares quite similar over time. Focusing on consumer credit, the third panel of Table 2-5 shows that the upper two income quintiles owed 58 percent of consumer credit outstanding in 1951, exactly the same proportion as in 2016 and almost the same as in 2019. It must be kept in mind, of course, that some of this pattern is produced by keeping the sizes of the income groups the same (quintiles). If the group sizes were allowed to change over time to, say, groups representing "low income" versus "middle class" or "comfortable," the amount of debt owed by the latter would undoubtedly rise as the group becomes larger due to increasing income and wealth among the population as a whole over time.

By age, where the size of the groupings is not static, the story is a bit different. Younger families have always been larger users of credit, but there has been a gradual shift of the share owed toward older users over the decades. Households classified as headed by individuals under age 45 have been and remain the largest users of consumer credit, but these households have lost share since 1951 (lines 1-2 of the third panel of Table 2-5). Households with heads over age 45 have increased their shares of installment credit owed, presumably in part because the population has aged and there are more individuals in the upper age groups now. Some of them may also consider debt less expensive and more acceptable now than their counterparts did years ago. As the share of older consumers has increased, the share of others necessarily decreases.

Balances owed specifically on credit cards definitely show an aging effect (second panel of Table 2-1). In 1970 when credit cards with a revolving credit feature were relatively new, the youngest households owed 44 percent of the card debt (line 1). This probably represents the ages-old phenomenon where the young are more willing to try new things. By 2019 when the older cohort surveyed that year had literally grown up using credit cards, the share of card debt owed by households in the youngest age grouping had fallen by more than two thirds to 13 percent. This decline may also result from some difficulties that younger consumers may have had in acquiring credit cards in recent years. The bulk of the offsetting increases in share were among households with heads over the age of 55.

Table 2-1. Consumer Credit Outstanding, End of Selected Years, 1945-2019

	1945	1955	1965	1975	1985	1995	2005	2010	2015	2019
					Billions of Current Dollars					
By Type of Credit										
Nonrevolving	7	43	97	192	479	703	1464	1808	2504	3097
Revolving				15	132	465	857	839	907	1094
Total	7	43	97	207	611	1168	2321	2647	3411	4191
By Type of Institution										
Depository Institutions	3	19	49	116	355	542	816	1186	1428	1771
Finance companies	1	12	24	33	112	152	517	705	561	537
Credit unions	*	1	6	26	74	132	229	226	342	482
Nonfinancial business	3	11	18	33	63	85	60	44	38	40
Pools of securitized assets						213	610	50	46	14
Federal government[1]					7	44	90	364	950	1319
Nonprofit and educational inst.[2]								71	45	28
Total	7	43	97	207	611	1168	2321	2647	3411	4191

	1945	1955	1965	1975	1985	1995	2005	2010	2015	2019
					Billions of 2019 Dollars					
By Type of Credit										
Nonrevolving	99	410	787	912	1138	1179	1916	2120	2700	3097
Revolving				71	314	780	1122	984	978	1094
Total	99	410	787	983	1452	1959	3039	3103	3679	4191
By Type of Institution										
Depository Institutions	43	181	398	551	843	909	1068	1391	1540	1771
Finance companies	14	114	195	154	266	255	676	827	605	537
Credit unions	*	10	49	124	176	221	300	265	369	482
Nonfinancial business	43	105	146	153	150	143	78	52	41	40
Pools of securitized assets						357	799	59	50	14

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Federal government[1]					17	74	118	427	1025	1319
Nonprofit and educational inst.[2]								83	49	28
Total	99	410	787	983	1452	1959	3039	3103	3679	4191

Table 2-1 Continued

	1945	1955	1965	1975	1985	1995	2005	2010	2015	2019
	Percent of Total Consumer Credit (Current and Constant Dollars)									
By Type of Credit										
Revolving				7	22	40	37	32	27	26
Nonrevolving	100	100	100	93	78	60	63	68	73	74
Total	100	100	100	100	100	100	100	100	100	100
By Use of Credit										
Motor vehicles	7	31	30	28	35	31	35	27	29	28
Federal student loans[1 2]					1	4	4	16	29	32
"Other"	93	69	70	72	43	25	24	25	15	13
Total	100	100	100	100	100	100	100	100	100	100

Source: Federal Reserve Statistical Release G19, "Consumer Credit," Historical Data. Figures shown are for December, not seasonally adjusted. Columns may not add exactly to totals because of rounding.

* Greater than zero but less than one half billion.

[1]Includes student loans originated by the Department of Education under the Federal Direct Loan Program and the Perkins Loan Program, as well as Federal Family Education Program loans that the government purchases under the Ensuring Continued Access to Student Loans Act.

[2]Includes student loans originated under the Federal Family Education Loan Program and held by educational institutions and nonprofit organizations. Federal student loans in this panel of the table do not include student loans made by private sources and included within totals for depository institutions and finance companies that are in "other" loans.

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Table 2-2. Proportions of Households Using Credit, 1951-2019, in Percent

Type of Credit	1951	1956	1963	1970	1977	1983	1989	1995	2001	2007	2013	2016	2019
Closed-end Installment Credit	32	45	50	49	49	41	44	45	44	41	47	50	49
Credit Card With Revolving Balance[a]				22	34	37	40	47	44	46	39	44	55
Notes: Have Any Credit Card[a]				51	63	65	70	74	76	73	68	71	79
Have Bank-type Credit Card				16	38	43	56	66	73	70	64	71	75
Any Consumer Credit[b]	46	53	59	54	61	61	62	64	63	66	62	66	67
Mortgage Credit[c]	20	24	32	35	40	39	38	39	42	46	41	40	40
Consumer Credit or Mortgage Credit	53	62	67	64	70	69	70	72	73	75	73	75	75

Source: Data from the Surveys of Consumer Finances. Columns may not add exactly to totals because of rounding.

[a]Cardholders with a balance remaining after the most recent payment. In 1995-2001, includes a few respondents with open-end retail revolving credit accounts not necessarily evidenced by a plastic credit card.

[b]Closed-end installment credit, open-end installment credit (including credit card accounts and unsecured lines of credit), and noninstallment credit (excluding credit for business or investment purposes).

[c]Includes home equity credit and home equity lines of credit with a balance outstanding.

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Table 2-3. Proportions of Households Using Consumer-Related Credit by Income Group, 1951-2019, in Percent

	1951	1956	1963	1970	1977	1983	1989	1995	2001	2007	2013	2016	2019
Consumer Credit[a]													
Income quintile													
Lowest	24	37	45	26	38	38	43	44	44	45	45	51	47
Second lowest	41	57	58	49	57	53	52	60	62	59	59	63	66
Middle	56	59	67	65	68	69	69	70	71	76	71	73	75
Second highest	55	61	69	70	73	75	78	78	73	80	72	76	79
Highest	52	52	59	57	71	72	68	70	62	68	65	66	66
All	46	53	59	54	61	61	62	64	63	66	62	66	67
Any Credit (Consumer Credit or Mortgage Credit)													
Income quintile													
Lowest	29	40	46	30	44	42	45	47	47	50	50	56	51
Second lowest	46	61	64	56	62	58	58	66	68	66	65	68	72
Middle	63	67	74	75	76	76	76	77	81	83	79	82	81
Second highest	64	70	78	81	84	84	85	86	84	90	86	87	88
Highest	63	71	75	79	85	87	86	86	86	87	84	83	85
All	53	62	67	64	70	69	70	72	73	75	73	75	75

Source: Data from the Surveys of Consumer Finances. Columns may not add exactly to totals because of rounding.

[a]Closed-end installment credit, open-end installment credit (including credit card accounts), and noninstallment credit (excluding credit for business or financial investment purposes).

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Table 2-4. Proportions of Households Using Consumer-Related Credit by Age Group of Family Head, 1951-2019, in Percent

	1951	1956	1963	1970	1977	1983	1989	1995	2001	2007	2013	2016	2019
Consumer Credit[a]													
Age group													
Under 35	54	71	76	70	77	74	74	78	76	76	72	76	74
35-44	61	60	72	67	78	78	78	78	74	72	73	77	76
45-54	45	54	62	60	69	70	71	72	68	72	68	74	76
55-64	34	42	45	42	54	55	53	59	58	66	62	61	66
65-74[b]	16	19	26	16	26	29	38	41	42	51	50	57	56
75 and over				9	13	13	17	22	23	23	31	36	40
All	46	53	59	54	61	61	62	64	63	66	62	66	67
Any Credit (Consumer Credit or Mortgage Credit)													
Age group													
Under 35	59	76	81	76	82	79	78	82	81	82	76	80	78
35-44	69	74	82	83	90	87	88	85	87	85	84	86	86
45-54	54	63	72	74	82	81	83	83	83	85	82	84	84
55-64	42	52	53	51	65	66	65	73	73	80	75	75	76
65-74[b]	23	25	33	27	34	36	47	51	54	63	64	68	68
75 and over				14	13	17	20	26	28	30	35	47	50
All	53	62	67	64	70	69	70	72	73	75	73	75	75

Source: Data from the Surveys of Consumer Finances. Columns may not add exactly to totals because of rounding.

[a]Closed-end installment credit, open-end installment credit (including credit card accounts), and noninstallment credit (excluding credit for business or investment purposes).

[b]In 1951, 1956, and 1963, 65 and over.

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Table 2-5. Shares of Kinds of Consumer-Related Debt Outstanding by Income Groups, 1951-2019, in Percent

	1951	1956	1963	1970	1977	1983	1989	1995	2001	2007	2013	2016	2019
Closed-end Consumer Installment Credit													
Income quintile													
Lowest	7	6	6	3	5	4	4	7	8	8	10	9	8
Second lowest	14	12	15	16	13	12	9	13	15	12	13	13	14
Middle	22	23	25	24	23	19	22	22	21	22	18	20	22
Second highest	27	30	26	31	27	27	34	28	28	30	26	28	29
Highest	31	29	27	27	31	37	31	30	29	29	32	30	27
All	100	100	100	100	100	100	100	100	100	100	100	100	100
Revolving Balances on Any Credit Card													
Income quintile													
Lowest				2	4	4	2	7	7	6	5	6	8
Second lowest				10	12	10	9	15	13	9	12	13	16
Middle				24	19	20	21	20	22	18	21	17	18
Second highest				35	35	30	30	24	26	32	27	28	29
Highest				30	31	36	38	34	32	34	34	35	29
All				100	100	100	100	100	100	100	100	100	100
Consumer Credit[a]													
Income quintile													
Lowest	6	10	8	3	5	7	5	7	8	9	10	9	8
Second lowest	14	14	14	15	13	12	10	13	15	11	14	14	14
Middle	23	22	25	24	22	18	22	21	21	20	19	19	21
Second highest	27	25	25	31	28	25	32	27	27	30	26	28	28
Highest	31	29	28	27	32	38	31	31	29	29	32	30	28
All	100	100	100	100	100	100	100	100	100	100	100	100	100
Mortgage Credit													
Income quintile													
Lowest	3	2	2	2	3	3	1	2	2	3	3	3	3
Second lowest	8	5	7	7	7	6	5	7	5	5	6	6	6
Middle	17	16	15	17	17	12	12	12	14	15	12	12	12
Second highest	28	26	31	31	28	25	26	26	24	26	24	24	24
Highest	44	51	45	43	44	54	56	53	54	51	55	55	55
All	100	100	100	100	100	100	100	100	100	100	100	100	100
Any Credit (Consumer or Mortgage)													
Income quintile													
Lowest	4	4	3	2	4	4	2	3	3	4	4	4	4
Second lowest	9	7	8	8	8	7	6	8	7	6	8	8	8
Middle	18	17	17	18	18	13	14	14	15	15	13	14	14
Second highest	28	26	30	31	28	25	27	26	25	27	24	25	25

Highest	42	46	42	40	42	51	51	49	50	48	51	49	49
All	100	100	100	100	100	100	100	100	100	100	100	100	100

Source: Data from the Surveys of Consumer Finances. Columns may not add exactly to totals because of rounding.

[a]Closed-end installment credit, open-end installment credit (including credit card accounts), and noninstallment credit (excluding credit for business or investment purposes).

Columns may not add to totals because of rounding.

Table 2-6. Shares of Kinds of Consumer-Related Debt Outstanding by Age Groups of Family Head, 1951-2019, in Percent

	1951	1956	1963	1970	1977	1983	1989	1995	2001	2007	2013	2016	2019
Closed-end Consumer Installment Credit													
Age group													
Under 35	33	42	38	46	41	37	31	35	32	35	32	30	30
35-44	33	31	28	21	23	27	31	28	32	22	25	25	25
45-54	21	18	22	22	20	21	22	24	21	23	20	21	21
55-64	9	8	9	10	13	12	10	8	10	14	15	15	14
65-74[a]	4	2	5	1	2	3	4	3	3	4	5	6	7
75 and over				0	1	0	1	1	1	1	2	3	3
All	100	100	100	100	100	100	100	100	100	100	100	100	100
Revolving Balances on Any Credit Card													
Age group													
Under 35				44	35	29	32	27	25	16	12	14	13
35-44				25	23	30	29	29	28	23	20	19	18
45-54				21	27	20	21	26	24	27	23	27	24
55-64				9	11	16	11	11	12	22	25	21	21
65-74[a]				1	3	4	6	5	9	10	13	13	16
75 and over				0	0	1	1	1	2	2	7	6	9
All				100	100	100	100	100	100	100	100	100	100
Consumer Credit[b]													
Age group													
Under 35	34	36	37	45	40	35	32	33	30	30	29	28	27
35-44	32	28	27	21	24	26	31	28	31	22	24	24	25
45-54	21	20	22	22	20	20	21	25	22	24	21	22	21
55-64	10	10	9	10	12	14	10	9	11	17	17	15	15
65-74[a]	3	5	5	1	2	3	4	4	5	6	7	7	8
75 and over				0	1	1	2	1	1	1	3	3	4
All	100	100	100	100	100	100	100	100	100	100	100	100	100
Mortgage Credit													
Age group													
Under 35	30	31	27	29	38	29	29	20	18	19	13	12	14
35-44	33	39	36	36	30	34	38	34	32	27	26	25	27
45-54	23	18	25	24	20	20	19	29	30	28	27	28	25
55-64	10	8	8	7	9	12	11	12	13	18	21	21	19
65-74[a]	3	3	3	3	2	3	3	4	6	7	10	10	10
75 and over				0	0	0	1	1	1	1	3	4	4
All	100	100	100	100	100	100	100	100	100	100	100	100	100
Any Credit (Consumer or Mortgage)													
Age group													

Under 35	31	33	29	32	38	30	30	23	20	21	16	16	17
35-44	33	37	35	34	29	33	36	33	32	26	26	25	26
45-54	23	19	25	23	20	20	19	28	29	27	26	26	24
55-64	10	8	8	8	10	13	11	12	12	18	20	20	18
65-74[a]	3	4	3	3	2	3	3	4	6	7	10	9	18
75 and over				0	0	0	1	1	1	1	3	4	4
All	100	100	100	100	100	100	100	100	100	100	100	100	100

Source: Data from the Surveys of Consumer Finances. Columns may not add exactly to totals because of rounding.

[a]In 1956 and 1963, 65 and over.

[b]Closed-end installment credit, open-end installment credit (including credit card accounts), and noninstallment credit (excluding credit for business or investment purposes).