DATA POINT

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CALIFORNIA POLICY LAB

Introducing the California Credit Dashboard

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California is the fifth largest economy in the world, and one of every eight US loans is originated by a consumer in California. What happens in California affects the world.

The California Credit Dashboard provides detailed information about household finances and debt, information that has not historically been available to the public at the state-level. The Dashboard, which we aim to update quarterly, will help measure the financial health of California households. What type of debt do Californians have? What is the current pace of originations? How many people are struggling to make payments? Are credit scores up or down? We also break out data by loan types, regions, and age groups, and hope to add more breakouts and functionality over time (tell us what you want to see!).

Our data come from the University of California Consumer Credit Panel, a dataset of credit-bureau data provided by Experian, one of the three nationwide credit reporting agencies. A technical appendix with methodology information is available on the dashboard website.

Want to receive an email announcing the quarterly updates? Add your email and name here.

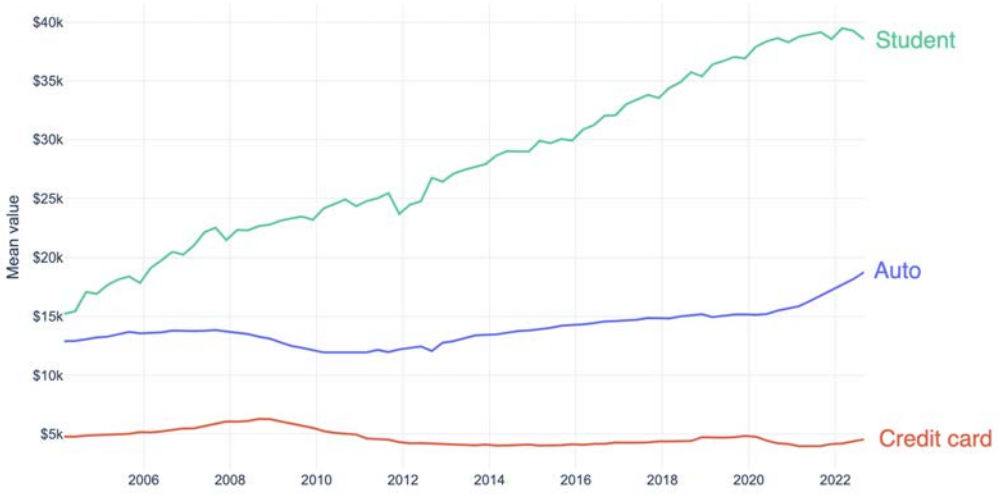
KEY CREDIT OUTCOMES

Credit trends are important economic indicators, and a good signal for overall financial health. They can also be a way to monitor the growth of different lending sectors and what that means for borrowers. After the financial crisis of 2008, federal banking regulators began tracking national credit outcomes more carefully, in the hopes of spotting troubling trends before they worsened. The California Credit Dashboard is the first effort to track household financial health at the state-level using credit data.

We are launching the Dashboard with **five key charts** to track debt in California. We hope to add more in the future (see "Future Additions" below). We describe each chart in turn, including a brief look at long-term trends. While the charts in this document are static, the charts on the actual dashboard are interactive and most data can be cut and sorted by various subgroups.

Figure 1 from the Dashboard looks at **average credit balances**. Perhaps the most troubling long-term trend is the substantial increase in student-loan debt over time, which more than doubled between 2004 and present (Q3 2022). The average individual with student debt in California now owes $38,500, up from $15,200 in 2004. We look forward to seeing the outcome of the student debt relief plan and how it may impact these numbers in the coming quarters.

FIGURE 1. Average student loan credit balances have increased more than other credit products



Notes: The denominator includes only consumers who have loans of the selected types. Credit card balances include both transactors, who pay off their balance each month, and revolvers, who carry a balance and pay interest.

Figure 2 looks at **total outstanding credit**, where we see diverging trends by loan type. Outstanding mortgage debt now exceeds the peak it reached just before the Great Recession. In contrast, over that same period, home-equity debt has steadily declined, now just one-quarter of its pre-Great-Recession peak. Another strong trend — this time upwards — is in the volume of outstanding auto loans, which has increased consistently since 2011, driven in part by more consumers taking out loans (up 47%) and increases in average loan amounts (up almost $7,000).

FIGURE 2. Total outstanding home-equity debt has fallen while auto outstandings have risen

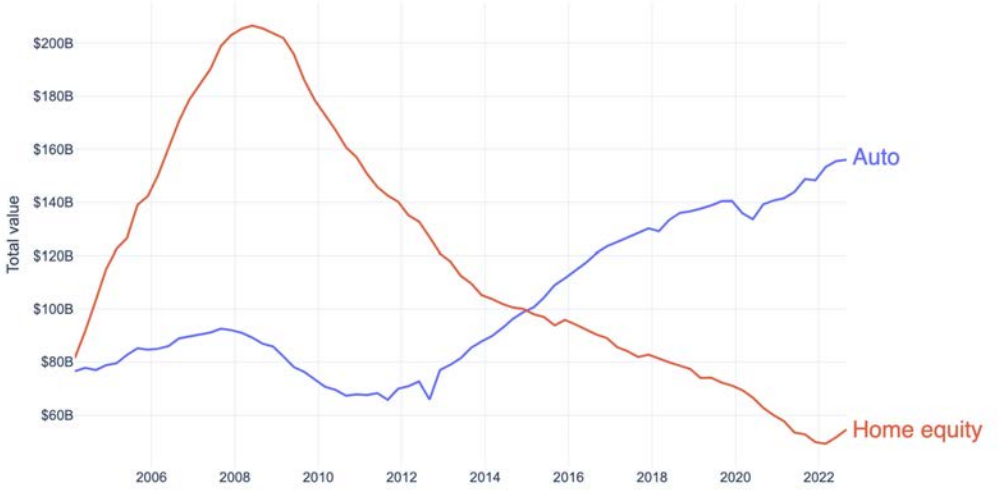
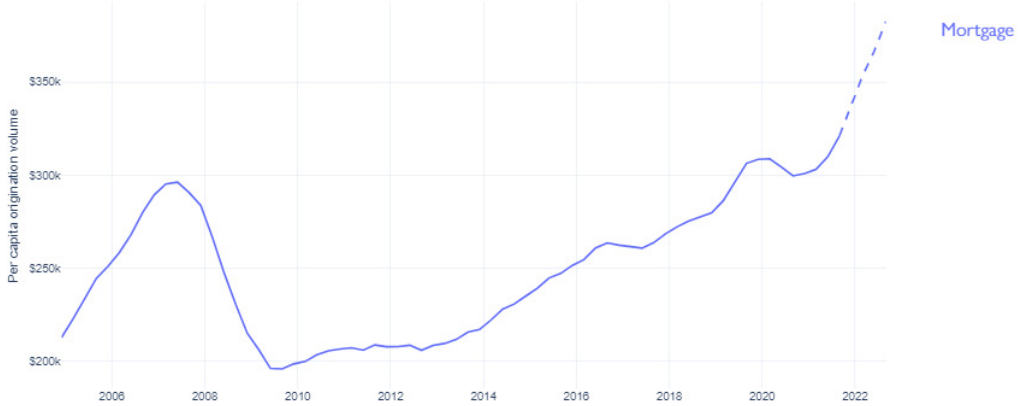


Figure 3 looks at **average origination amounts** in a given quarter. Originations help us understand the flow of new consumer debts, giving us a more real-time measure of debt trends. Over the last ten years, the mortgage market stands out with average origination amounts rising 85%, from $206,000 to $382,000 (projected). Auto loans were also up over that period (by 64%), whereas other loan types were mostly level.

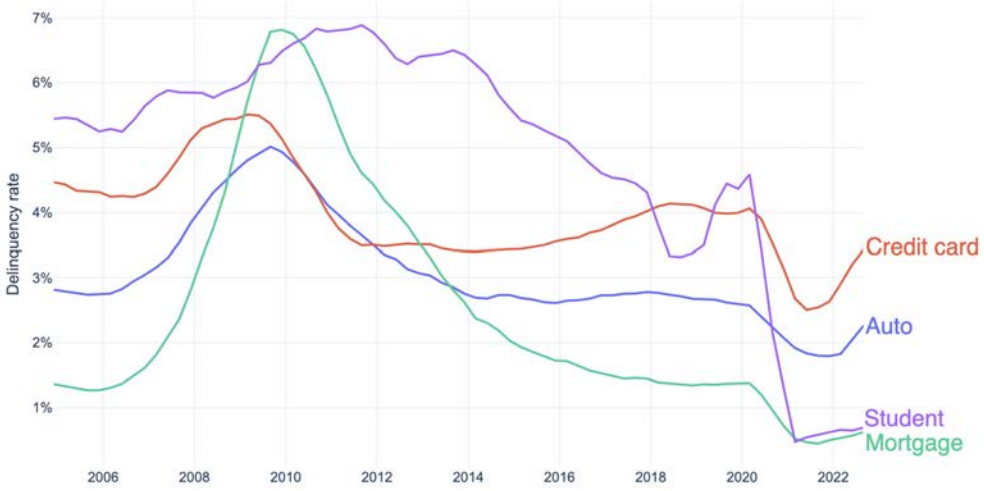
FIGURE 3. The average mortgage has risen considerably in the last decade (seasonally adjusted)



Notes: The denominator includes only consumers who originated mortgages. Originations are often reported to the credit bureaus several months after their date of origination. We count all originations that are reported within 12 months of their origination date. For that reason, data from the last 4 quarters are projected and not final. We do not count originations with a missing open date, or accounts that appear to be duplicate originations (same consumer identifier, open date, loan type, origination balance, and ECOA code).

Figure 4 covers **delinquency rates** — specifically the proportion of consumers that are 30 or more days late. Delinquency rates for most loan types declined since the Great Recession, though credit-card delinquencies increased slightly in the five years before the pandemic, and student-loan delinquencies showed some volatility. After the pandemic hit in early 2020, delinquencies declined sharply across the board — especially in student loans, which experienced the federal payment pause. Declines in delinquencies for non-student-loans may have been due to federal stimulus, the federal student-loan pause freeing up money for other debts, reduced consumer spending, or other factors. In more recent quarters, delinquencies have started to rise again.

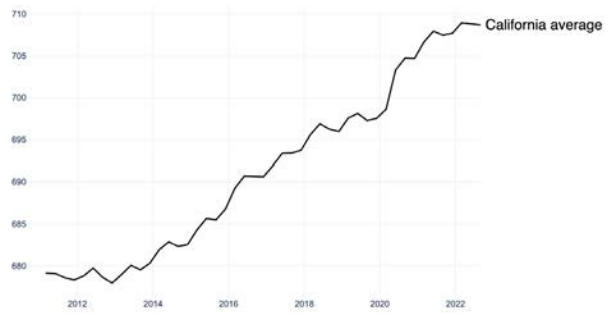
FIGURE 4. Pandemic-era policies caused dramatic shifts in delinquency rates (seasonally adjusted)



Notes: Numerator is the number of consumers with one or more of the selected loans that are open but delinquent by 30 days or more. The denominator is the number of consumers with one or more of the selected loan types that are in an open status. Foreclosures, repossessions, charge-offs, and other closed loans are not included in either numerator or denominator.

Figure 5 shows changes in **credit scores** since 2011, and shows a generally rosy picture. Creditworthiness has improved statewide over the past several years, especially during the pandemic. Though as we cover below, these gains were not shared equally among all subgroups.

FIGURE 5. The average California credit score has steadily increased over the last decade



Notes: There are many different types of credit scores. We use one version provided by the credit bureau that ranges from 300-850 (the same as FICO® scores), with five scoring buckets roughly defined as follows: deep subprime (300-580), subprime (580-619), near-prime (620-659), prime (660-719), and super-prime (720-850). We present data March 2011 onward, because we could not confirm the reliability of data before that date.

FIGURE 6. California Economic Strategy Panel Regions

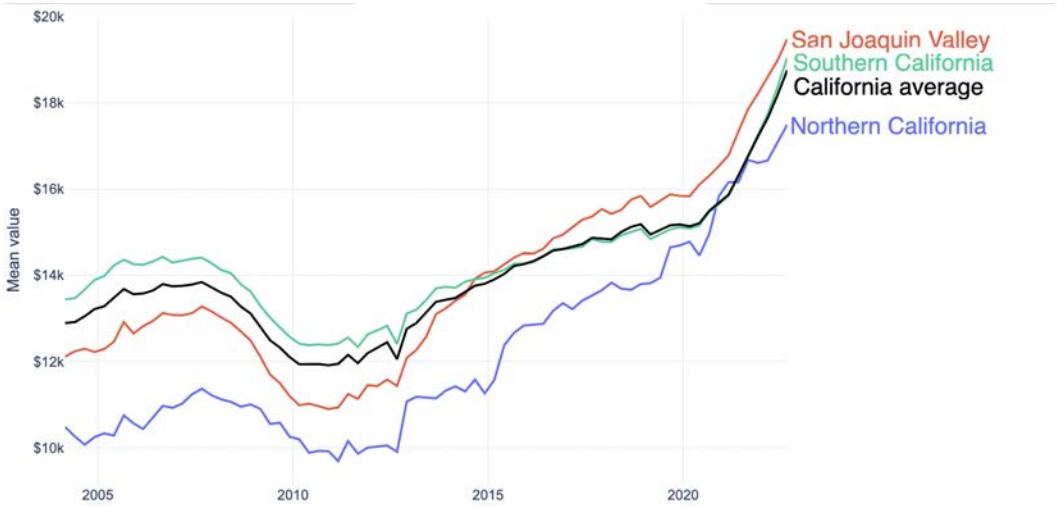
Source: California Economic Strategy Panel

SOME REGIONS ARE FARING BETTER THAN OTHERS

The Dashboard allows users to break out credit trends by geography, comparing nine regions of the state, based on the California Economic Strategy Panel Regions (Figure 6).

Subgroup analysis can yield surprising insights. For example, for several years in the early 2000s the San Joaquin Valley region had lower than average auto loan balances, but over the last decade, loan amounts there have increased such that it now has the highest average auto balances among all California regions — about $700 more than California's average (Figure 7).

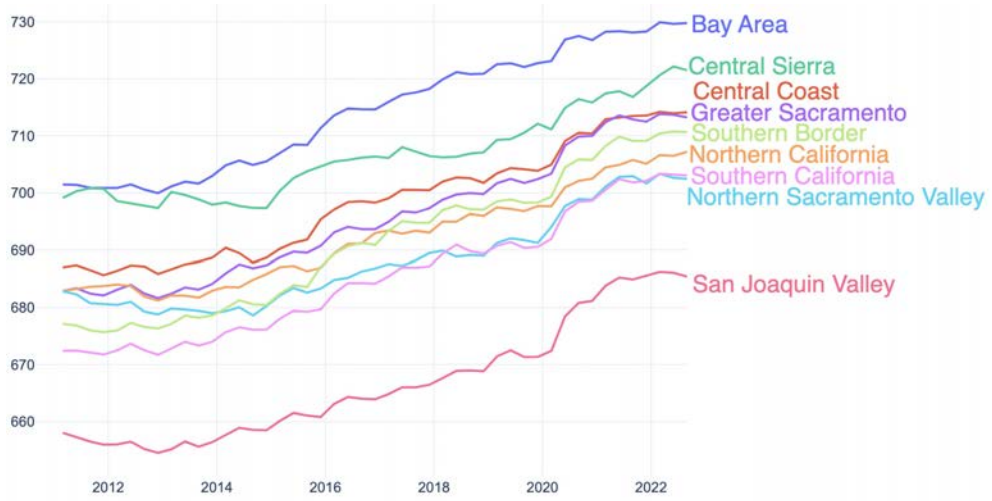
FIGURE 7. Average auto credit balances among selected California regions



Notes: The denominator includes only consumers who have auto loans.

Credit scores also show diverging regional trends (Figure 8). All regions have seen improvements in creditworthiness since the Great Recession, but scores for consumers living in the Southern Border region have risen by 34 points, while scores for consumers living in the Central Sierra region have risen only 23 points.

FIGURE 8. Credit scores by California region



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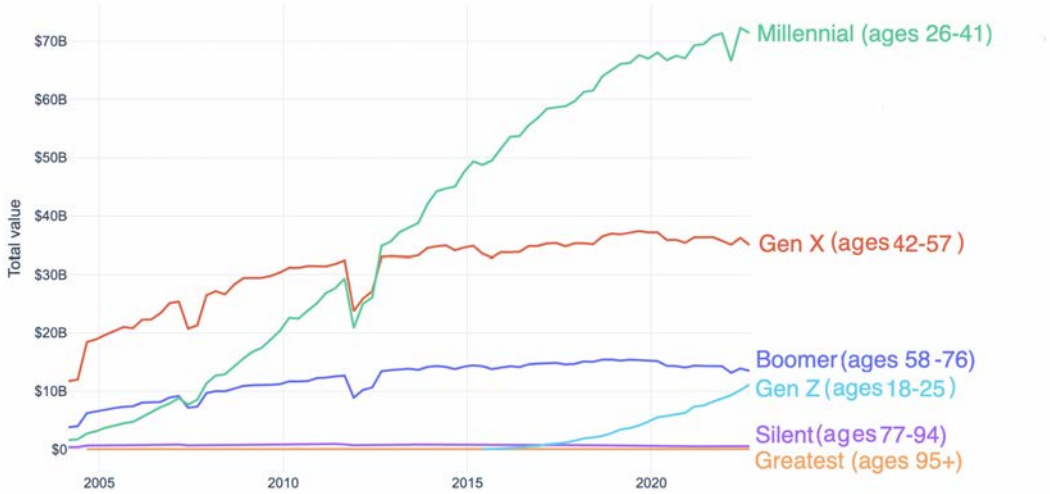
THE GENERATIONAL DIVIDE

The Dashboard also allows users to drill down into different age groups. For example, how much student debt is held by older Californians (ages 58+)? Nearly $14 billion. And how many Zoomers (ages 18–25) took out mortgages in the last four quarters? Around 27,000 (projected).

FIGURE 9. Outstanding student debt by generation



The Dashboard can also mix and match various subgroups, making it possible to compare across regions, age groups, and loan types. For example, the average Baby Boomer generally has a much better credit score (27 points higher) than a Californian from Gen X. However, this pattern is up-ended when comparing Gen Xers in the Bay Area, who have average credits scores of 735, to Boomers in the San Joaquin Valley, with average credit scores of 720.

FUTURE ADDITIONS

Credit-bureau data provide a unique and near-real-time perspective on the financial health of Californians. Pending funding availability, we plan to update the California Credit Dashboard on a quarterly basis, as well as provide more in-depth analyses on specific credit issues. We also hope to build new features into the Dashboard, such as tracking new outcomes (e.g., foreclosures) and expanding the ability to break out the data into smaller geographies and new demographic groupings.

Want to support this effort? The California Policy Lab is seeking philanthropic support to maintain and improve this Dashboard as a tool to inform policymakers and the general public about the financial health of Californians and our state's economy. Please reach out for more information.

ACKNOWLEDGMENTS

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