PAYMENT CARDS Center

FEDERAL RESERVE BANK OF PHILADELPHIA

Statistic	Credit Card Charge-Off Rates
Source	FDIC (Federal Deposit Insurance Corporation): Quarterly Banking Profile Graph Book (http://www2.fdic.gov/qbp/qbpSelect.asp?menuItem=GRPH)
Time Series	1984-current, Quarterly
Description	Charge-offs are loans written off as uncollectible by the credit card issuer. FFIEC guidelines require issuers to charge off accounts after 180 days of delinquency or 60 days after receiving notification of bankruptcy from the court.[1] The FDIC computes net charge-off rates by using data from the "Consolidated Reports of Condition and Income," or "Call Reports," from the FFIEC (Federal Financial Institutions Examination Council) and "Thrift Financial Reports" from the OTS (Office of Thrift Supervision). Year-to-date net charge-off is reported on schedule RI-B of the Call Reports and schedule VA on the Thrift Financial Reports. Level of loans outstanding is reported on schedule RC-C of the Call Reports and schedule SC of the Thrift Financial Reports. The FDIC's charge-off rates are computed by taking net charge-offs (gross charge-off minus recoveries) for a quarter and dividing by the average level of loans outstanding over the quarter.[2] The percentage is multiplied by 4 to obtain an annualized rate. Since charge-offs are reported year-to-date, the FDIC computes charge-off for a given quarter by taking the difference between the year-to-date charge-off reported for a quarter and that of the previous quarter.[3] The average level of loans outstanding over a quarter is computed by take the average of the previous quarter's and the current quarter's ending level of domestic and foreign loans outstanding.

[1] The FFIEC, as of March 31, 2003, requires reporting institutions to include uncollectible accrued fees and finance charges in their charged-off amounts. Previously many institutions practiced "purifying" charge-offs by reversing accrued fees and finance charges against earnings. This practice made it difficult to compare charge-off ratios across credit card lending institutions.

[2] This description applies to the calculation used for the historical quarterly charge-off series (1984 to present) reported in the Quarterly Banking Profile Graph Book. The FDIC often uses a year-to-date technique to calculate charge-offs for other parts of the Quarterly Banking Profile.

[3] The subtraction of the previous quarter's year-to-date charge-off to obtain a quarterly net charge-off number is necessary only for the 2nd, 3rd, and 4th quarters.

	Not seasonally adjusted data for all FDIC-insured commercial banks[4] and FDIC-insured savings institutions[5] are available. Each series reflects the net charge-off rates of credit card portfolios retained on the institutions' balance sheets and do not reflect receivables removed from balance sheets through securitzation**.** These loans represent approximately $445 billion (4Q2008) in on-balance-sheet credit card receivables.[6]
Data Access	Data are publicly available.

[4] Commercial banks are institutions insured by the FDIC either through the Bank Insurance Fund (BIF) or through the Savings Association Insurance Fund (SAIF). These institutions are regulated by and submit financial reports to one of the three federal commercial bank regulators (the Board of Governors of the Federal Reserve System, the FDIC or the Office of the Comptroller of the Currency).

[5] Savings institutions are institutions insured by either BIF or SAIF that operate under state or federal banking codes applicable to thrift institutions. Savings institutions in conservatorships are excluded from these tables while in conservatorship, where applicable. The institutions covered in this section are regulated by and submit financial reports to one of two Federal regulators the FDIC or the Office of Thrift Supervision (OTS).

[6] In 4Q2008 the Board of Governors reported that not seasonally adjusted consumer revolving credit stood at $992.3 billion. More than 80% of consumer revolving credit is on credit cards.