PAYMENT CARDS Center

FEDERAL RESERVE BANK OF PHILADELPHIA

Statistic	Credit Card Charge-Off Rates
Source	Federal Financial Institutions Examination Council (FFIEC): Uniform Bank Performance Report: Credit Card Specialty Banks (http://www2.fdic.gov/ubpr/PeerGroup/Default.asp)
Time Series	2001-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 FFIEC 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). Year-to-date net charge-off is reported on schedule RI-B of the Call Reports, and average level of loans outstanding is reported on schedule RC-K of the Call Reports. FFIEC's charge-off rates are computed by taking net charge-offs (gross charge-off minus recoveries) year-to-date and dividing by the average level of loans outstanding over the quarter. The average level of loans outstanding over the quarter is computed by averaging the previous year's fourth quarter average on-balance-sheet credit card loans on schedule RC-K, the current quarter's average on-balance-sheet credit card loans, and any intervening quarter's average on-balance-sheet credit card loans. The percentage is multiplied by 4 in the first quarter, 2 in the second quarter, one-third in the third quarter, and 1 in the fourth quarter, to obtain an annualized rate.

[1] The FFIEC made revisions to the Call Reports that took effect 2Q2003. The revision requires reporting institutions to report the amount of "Uncollected Fees" and "Finance Charges" that the institution has included in the "Loans to Individuals: Credit Cards" line item. The "Loans to Individuals: Credit Cards" line item is used to compute the average loan number in the charge-off calculation.

	Not seasonally adjusted data for all commercial banks is available. The FFIEC also makes available a combined charge-off statistic for a group of banks in the "Credit Card Specialty Banks" peer group.[2],[3] Each series reflects the net charge-off rates of credit card portfolios that are retained on the institutions' balance sheets and does not reflect receivables removed from their balance sheets through securitzation. The on-balance-sheet credit card loans of the 33 banks included in "Credit Card Specialty Banks" peer group represent approximately $187 billion (4Q2002) in on-balance-sheet credit card receivables.[4]
Data Access	Data are publicly available.

[2] The FFIEC designates a bank as being in the "Credit Card Specialty Banks" peer group if the bank meets two criteria. First, the sum of the bank's on- and off-balance-sheet credit card loans divided by its total managed loans must exceed 50 percent. Second, the sum of the bank's total loans and off-balance-sheet credit card loans divided by the sum of its total assets and off-balance-sheet credit card loans must exceed 50 percent. The "Credit Card Specialty Banks" are also subdivided into three groups, based on total asset size. In 2002, total of 33 banks were included in the "Credit Card Specialty Banks" peer group, all of which are primarily credit card issuers

[3] To compute the average charge-off statistic by subgroup, charge-off rates for each of the banks within the group are summed, with the exception of the bank with the highest charge-off rate and the bank with the lowest charge-off rate. The result is then divided by the number of banks included in the summation.

[4] In 1Q2003 the Board of Governors reported that not seasonally adjusted consumer revolving credit stood at $713.6 billion. More than 80 percent of consumer revolving credit is on credit cards.