PAYMENT CARDS Center

FEDERAL RESERVE BANK OF PHILADELPHIA

Statistic	Credit Card Charge-Off Rates
Source	Federal Reserve Bank: Board of Governors Releases (http://www.federalreserve.gov/releases/chargeoff/)
Time Series	1985-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 Board of Governors 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-offs are reported on schedule RI-B; level of loans outstanding are reported on schedule RC-C; and the average level of loans outstanding is reported on schedule RC-K. Prior to June 13, 2001, net charge-off rates were calculated with charge-offs from schedule RI-B as the numerator and the average consecutive quarter-end loans from schedule RC-C as the denominator. Board of Governors’ 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. The percentage is multiplied by 4 to obtain an annualized rate. Since charge-offs are reported year-to-date, the Board of Governors 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.[2] Since the charge-off values reported by banks include both domestic and foreign loans

[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] 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.

	charged off, the average level of loans outstanding is multiplied by "consolidated bank factor."[3] This ensures that charge-off values are comparable for banks that have foreign loans and those that do not. Aggregated, not seasonally adjusted data for the 100 largest commercial banks and all commercial banks[4] are available. Each series reflects the net charge-off rates of credit card portfolios carried on the institutions' balance sheets and does not reflect receivables removed from balance sheets through securitization. These loans, from all commercial banks, represent approximately $401 billion (4Q2008), in on-balance-sheet credit card receivables.[5]
Data Access	Data are publicly available.

[3] The "Consolidated Bank Factor" is the ratio of domestic and foreign loans to domestic loans for a given bank. This would mean that banks that do not have foreign loans would have their average level of loans multiplied by 1, while banks with foreign loans would have the average level of loans multiplied by a number larger than 1.

[4] Commercial banks are U.S.-chartered commercial banks and does not include finance companies, credit unions, savings institutions, and non-financial businesses.

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