Mortgage Originations Slowed in Q1; Card Balances Still Sluggish

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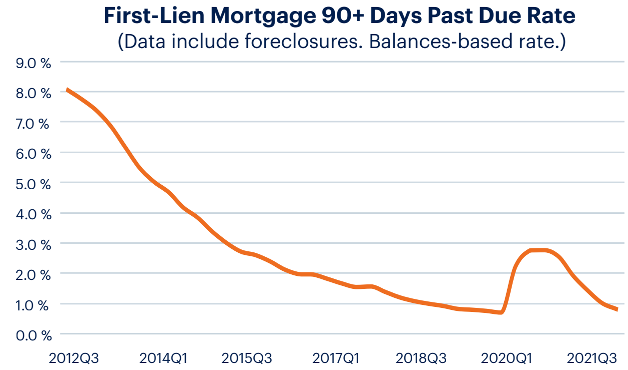
Large bank mortgage origination volume dropped 28 percent in the first quarter of 2022 as mortgage rates rose. For broader context, however, mortgage originations had been extremely strong in 2021, reaching the highest annual level since the FR Y-14M data collection began in 2012, due to strong home price appreciation and a surge in refinancing. That prior surge in new loans has boosted total large bank mortgage balances near pre-pandemic levels. Mortgage credit performance has been strong with delinquency rates returning to pre-pandemic values.

Large bank credit card originations have normalized to historic levels, after falling by nearly 60 percent early in the pandemic. However, overall card balances remain below pre-pandemic levels, due in part to customers revolving card balances less frequently; the share of credit card customers paying the full balance is near a record level. Fewer credit card customers are also behind on their payments, with delinquencies below historic trends.

This is the Federal Reserve Bank of Philadelphia's inaugural report using large bank consumer credit data provided by the largest financial institutions in the United States. For additional questions or feedback about this data and report, please email Phil.LargeBankData@phil.frb.org.

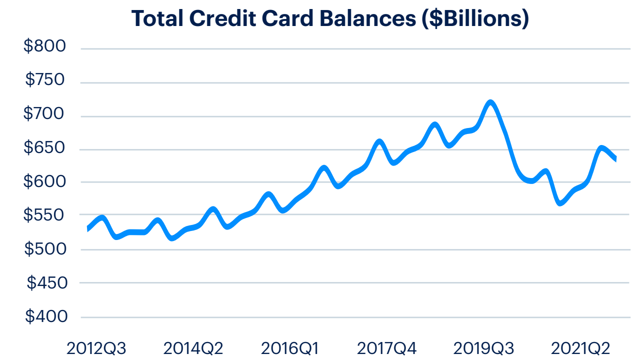
Severe Mortgage Delinquency Stabilizing

Severe mortgage delinquencies, defined as loans 90 days or more past due, rose considerably in 2020 as many borrowers qualified for forbearance that allowed them to skip mortgage payments. According to the Federal Reserve Bank of Philadelphia's forbearance analysis, an estimated 8.78 million mortgages entered forbearance since the start of the pandemic. In recent quarters, though, severe delinquency on bank portfolio loans has dropped to near-record lows as mortgages roll off forbearance. The strong housing market and loss mitigation activities have helped borrowers with expiring forbearances to resume payments.



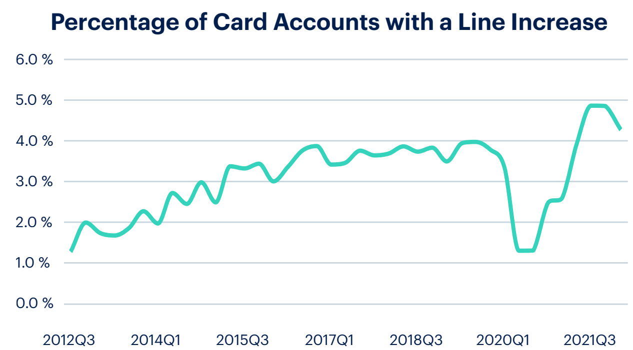
Card Balances Still Below Pre-Pandemic Levels

Large bank credit card balances fell precipitously in the first year of the pandemic as homebound customers found fewer opportunities to spend. Consumer spending has since rebounded, but nominal card balances remain 11 percent below their peak in the fourth quarter of 2019. Customers are utilizing less of their available credit lines, with credit card utilization rates still below pre-pandemic levels.



Card Line Increases at Historic Highs

Pre-pandemic, more than 3 percent of large bank credit card accounts received credit line increases each quarter, which includes both bank-initiated line increases and customer-requested line increases. However, credit line increases temporarily plunged, and credit line decreases rose in the early months of the pandemic. Those trends have more than reversed in recent quarters, with credit line increases at record highs. Averaging out this dip and spike, credit line increases in the 2020–2021 period are now in line with historical trends.



Endnote

Note that historical data will be revised periodically for firms that have started or stopped reporting FR Y-14M data and the panel of published FR Y-14M reporters is adjusted. Therefore, historical values may change over time. Please see our data methodology for further details.