Credit Card Metrics Normalize, While Mortgage Originations Continue to Decline

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Among FR Y-14M filers, credit card balances reached historic highs in the fourth quarter of 2022. Card utilization — the ratio of balances to outstanding credit lines — is approaching prepandemic levels after utilization fell dramatically during the pandemic when consumers had limited spending options. Card performance is normalizing. The 30+ days past due rate is up nearly 90 basis points from a historic low in mid-2021.

During the initial months of the pandemic, lenders issued fewer new card accounts with smaller credit lines on average and raised credit limits on fewer existing accounts. During a brief time in 2020, more card accounts experienced a credit line decrease than an increase. By mid-2021, the proportion of existing accounts with credit line increases returned to prepandemic levels.

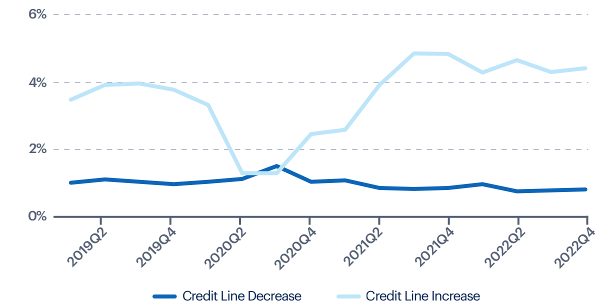
The mortgage market saw an increase in lending activity for nearly two years during the pandemic. That trend has reversed, and new originations are well below prepandemic fourth quarter 2019 levels, with a pronounced decline in the second half of 2022. This trend directly correlates to an increase in interest rates following low rates during the pandemic. As compared with fourth quarter 2019, the 30-year mortgage rate rose 2.7 percentage points, while new accounts fell more than 65 percent.

For additional questions or feedback about this data and report, please email *Phil.LargeBankData@phil.frb.org.*

Lenders Initially Responded to the Pandemic by Limiting Credit Card Lines

In the first months of the pandemic, lenders granted fewer credit line increases while holding decreases steady on existing accounts. Overall, the share of existing accounts receiving a credit line increase dropped 2 percentage points in 2020 compared with 2019. In the third quarter of 2020, more existing accounts saw a credit line decrease than an increase. Similar trends occurred during the Great Recession, though on a much larger scale. During the Great Recession, lenders closed more card accounts than they opened; they also reduced credit lines on more existing accounts than they increased.

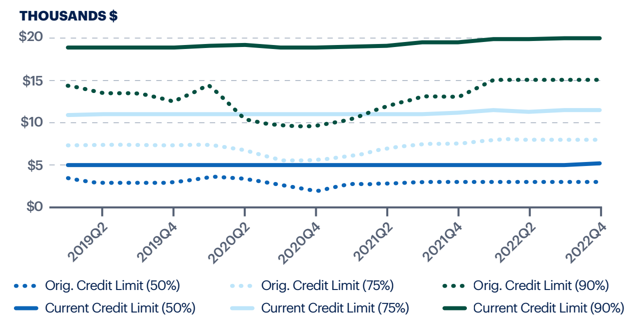
Percent of Credit Card Accounts with an Increase/Decrease



Banks Reined in Card Origination Credit Limits During the Pandemic

Lenders have more discretion in managing the size of credit lines on new cards versus existing cards. During periods of higher default risk, new credit line limits change much more than existing credit line limits. This, in turn, implies that differences between the average size of credit lines on new and existing accounts increases during those periods. We see both patterns in the figure at right as the gap between new and existing lines widened. Origination credit limits fell during 2020 before returning to historic levels in 2022. Conversely, existing credit limits increased slightly over the past three years.

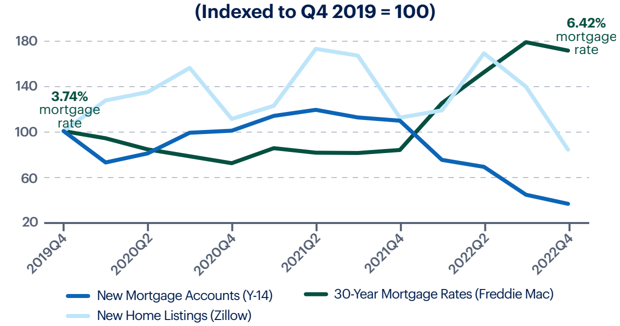
Percentiles of Credit Limit at Origination vs. Current Credit Limit (Active Accounts)



First Mortgage Originations Decline as Mortgage Rates Rise

First mortgage originations have declined since a peak in 2021. New mortgage accounts were down 65 percent in the fourth quarter of 2022 compared with 2019. Higher interest rates reduce mortgage demand and the supply of homes for sale by disincentivizing refinancing/moving for borrowers with existing, low-rate mortgages. According to Zillow, new home listings are down 16.5 percent in the fourth quarter of 2022 compared to fourth quarter 2019. The 30-year mortgage rate, as tracked by the Freddie Mac Primary Mortgage Market Survey, bottomed in January 2021 at 2.7 percent but ended 2022 at 6.4 percent.

New Mortgage Accounts, New Home Listings, and Mortgage Rates
(Indexed to Q4 2019 = 100)



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.