

# We owe more than we did in '08

Household debt tops milestone — but it's 'a good thing,' expert says

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U.S. household debt has topped the record level reached in 2008, a milestone for the recovery that shows consumers are borrowing again.

But while the debt doesn't pose the risks that toppled the financial system nine years ago, there are still some signs of potential trouble, notably high student loan debt and delinquencies.

Debt balances for American households increased \$149 billion, or 1.2%, in the first quarter to \$12.73 trillion, the Federal Reserve Bank of New York said Wednesday. That's modestly above the \$12.68 trillion peak in 2008 and 14.1% higher than the bottom in 2013.

But the makeup of that debt is starkly different from what it was at the brink of the 2008 financial crisis. While mortgages still comprise the majority of the obligations, they represent a far lower share, and the rebound has been led by student and auto debt.



MICHAEL DWYER, AP

**Mortgages make up a lower share of household debt than they did in 2008.**

"The debt and its borrowers look quite different today," said Donghoon Lee, the New York Fed's research officer.

Also, household debt represented nearly 100% of household income in 2008, compared with 80% today, presenting a far lower risk to individual solvency and the broader economy, said Mark Zandi, chief economist of Moody's Analytics.

The latest milestone is "a good thing," Zandi said. "People need credit to do the things they want to do — home improvement, start a business. You want credit to flow freely but consistent with people's ability to repay."

In the mid-2000s, lenders too easily doled out all types of loans, but particularly mortgages, fueling housing and credit bubbles that ultimately collapsed. Households shed more than \$1.5 trillion in debt, most of it housing-related and partly through foreclosures.

In the first quarter, outstanding mortgage debt increased \$147 billion as mortgage originations grew by \$491 billion. By comparison, quarterly mortgage originations were averaging about \$650 billion during the housing bubble before plunging to less than \$300 billion four years ago.

Student loan debt rose by \$34 billion to \$1.34 trillion and was up from about \$500 billion in 2007, trailing only mortgages.

Many Americans stayed in school longer or returned to college to beef up their skills when jobs were scarce in the recession.

Auto loan debt increased by \$10 billion to \$1.17 trillion and has climbed steadily since the downturn amid low interest rates and dealer incentives. And credit card debt fell by \$15 billion to \$764 billion.

Total delinquency was flat last quarter at 4.8%, the lowest level since before the recession.