Credit Usage Heading Higher - Consumer Credit

As pandemic assistance funds vanish, consumers are turning to savings and credit to pay for essentials. With many consumers having exhausted their cash reserves, credit becomes an option. Consumers have been tapping into savings accumulated from pandemic stimulus funds in order to keep up with inflation.

Even though overall wages have risen roughly 6% over the past year according to Labor Department data, the increases are still not enough to keep up with inflation running at over 8%. As households start to experience shortfalls, many resort to credit in order to meet month to month expenses.

Auto loans and credit card debt have seen the largest usage increases as tracked by the Federal Reserve over the past few months. Mortgage debt has also risen, but mostly at the upper end of the credit score scale. Credit scores on newly originated mortgages remain relatively high, reflecting continuing high lending standards by lenders. The median credit score of newly originated mortgages was 776 during the first quarter of 2022. Analysts also believe that median credit scores may possibly begin to fall as consumers tap credit cards and exhaust their cash savings.

Sources: Labor Department, Federal Reserve Bank of New York; Household Debt and Credit Report (Q1 2022)