

How Credit Card Debt & Repayment Rates Change with Age
Research Executive Summary



The Ohio State University's
Consumer Finance Monthly Survey

Business Problem: You are noticing that the number of elderly people in the U.S. is expanding rapidly. How will this change in demographics impact long term trends in credit card default and charge off rates?

Answer: Results from this research, which use data from the Ohio State University's Consumer Finance Monthly Survey, show that the number of elderly customers who will die with a credit card balance is rapidly growing into a problem for the banking industry. Bankers should start thinking now about ways to reduce elderly borrowers' outstanding balances or provide targeted insurance programs which pay balances at borrower's death.

Research Details:

In the first section of this report, the average credit card debt for those carrying a balance is calculated for different birth cohorts, and there are significant differences by birth cohort. The total credit card debt of younger cohorts is on average larger than that of older cohorts. Within each cohort, the trend of average debt for revolvers is increasing over the observed years.

The second section calculates payoff rates. Payoff rates are the ratio of individual's most recent monthly payment to their total credit card statement balance. Cohort effects are also evident here: the payoff rates of younger cohorts tend to be lower on average than those of older cohorts. In addition, within each cohort the payoff rates show a declining trend over time.

The third part of the research combines the total debt figures with the payoff figures for each birth cohort. It asks if individuals persist in their current patterns, how much credit card debt will each cohort accumulate by age 80, which is roughly when the typical person in the U.S. will die? Surprisingly, not a single group will have paid off their credit card debt. The oldest group, born between 1915 and 1919, will owe over one thousand dollars, while the youngest, born between 1975 and 1979, will owe over six thousand five hundred.

Research Title: *Taking Credit Card Debt to the Grave*

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