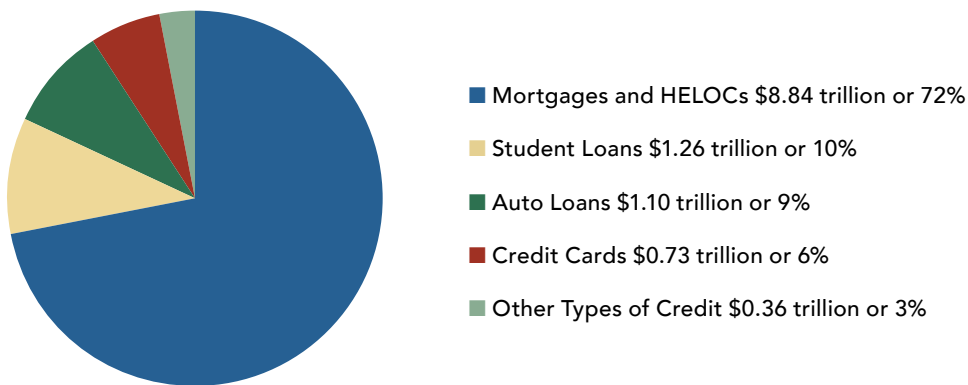# Credit Grade

The vast majority of adults in the United States use credit when they shop or travel, purchase autos and homes, and even pay for college. Credit is a giant topic that covers the many types of debt held by individuals and households. In fact, nearly two-thirds of the data points included in this report relate to an individual's or household's use of credit.

According to the Federal Reserve Bank of New York, debt held by all households in America totaled $12.29 trillion as of June 30, 2016. Credit topics covered in this report card include mortgages; home equity lines of credit (HELOC); student loans; credit cards; auto loans; and other types of credit, such as sales financing, personal loans and retail loans. The following chart shows the size of household debt by these categories as of June 30, 2016:
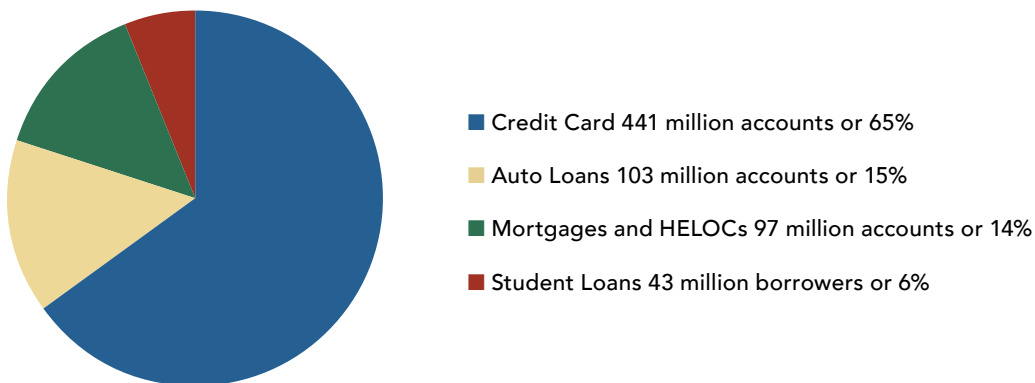
Household Debt Balances: $12.29 Trillion

- Mortgages and HELOCs $8.84 trillion or 72%
- Student Loans $1.26 trillion or 10%
- Auto Loans $1.10 trillion or 9%
- Credit Cards $0.73 trillion or 6%
- Other Types of Credit $0.36 trillion or 3%

Source: Federal Reserve Bank of New York, Quarterly Report of Household Debt and Credit, August 2016

As you can see in the chart below, there are millions of accounts held by adult borrowers. Most adults have multiple credit cards, loans and other forms of debt.

684 Million Household Accounts and Student Loan Borrowers

- Credit Card 441 million accounts or 65%
- Auto Loans 103 million accounts or 15%
- Mortgages and HELOCs 97 million accounts or 14%
- Student Loans 43 million borrowers or 6%

Sources: Federal Reserve Bank of New York, Quarterly Report of Household Debt and Credit, August 2016; and Federal Reserve Bank of New York, "Student Loan Borrowing and Repayment Trends, 2015," April 16, 2016 presentation

According to a national survey of adults by the FINRA Investor Education Foundation, 77 percent have credit cards, 57 percent have mortgages, 30 percent have automobile loans and 26 percent have student loans. Ominously, the survey also indicates that 26 percent of adults have used non-bank borrowing in the past five years (auto title loans, short-term payday loans, pawnshops and rent-to-own). And adults purchase medical care on credit—21 percent have unpaid medical bills. Finally, in the last year, 13 percent of adults borrowed from their retirement plan.

Percentage of Adults Using the Following Types of Credit

Credit Cards 77%	Mortgages 57%	Auto Loans 30%	Student Loans 26%	Non-Bank Borrowing 26%
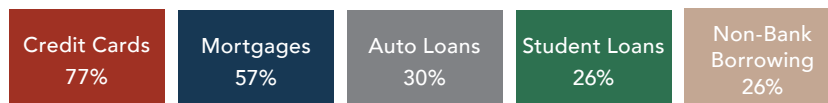
Weighting System Used for Credit Grade. Taking into account the total amount of outstanding credit by category, the number of outstanding accounts by credit category, and the percentage of adults using these types of credit, we determined that the Credit category grade weightings should be as follows:

- **General Credit 15 percent.** This includes topics such as participating in the credit economy, credit scores and using credit responsibly.

- **Mortgage Credit 30 percent.** Given how subprime mortgages blasted our economy during the Great Recession, we gave this category of debt the largest weighting.

- **Student Loans, Credit Cards and Auto Loans 15 percent each.** These three categories had very similar amounts of credit outstanding and were treated equally for weighting purposes.

- **Other Credit 10 percent.** Other credit, which includes unsecured personal loans, non-bank borrowing, unpaid medical bills and retirement plan loans, was given the smallest weighting for purposes of determining the overall credit topic grade, because the debt balances of this category tend to be smaller for households than the other types of credit described above.

The states with the best and worst Credit grades are listed below:

Top 10 States*	Bottom 10 States
Minnesota	Delaware
North Dakota*	Oklahoma
Hawaii	Nevada
Wyoming	Alabama
Utah	Florida
Massachusetts	South Carolina
South Dakota*	Arkansas
Iowa	Louisiana
Vermont	Georgia
Wisconsin	Mississippi
New Hampshire	
Alaska	

*Two states lack certain data points that were used to calculate the Credit category area grade. North Dakota is missing two Student Loan subcategory data points and South Dakota is missing three Housing Credit subcategory data points. Their grades have been calculated in this Report Card despite missing these data points. The chart above ranks the states that have all 38 Credit category data points. Based on incomplete data, North Dakota would rank second overall and South Dakota would rank seventh in the Credit category area. Both states are listed in the above chart based on the order of their rank with this incomplete data.

Credit

A	B	C	D	F
26%	26%	28%	18%	2%

General Credit

Housing Credit

Auto Credit

Credit Card

Student Loans
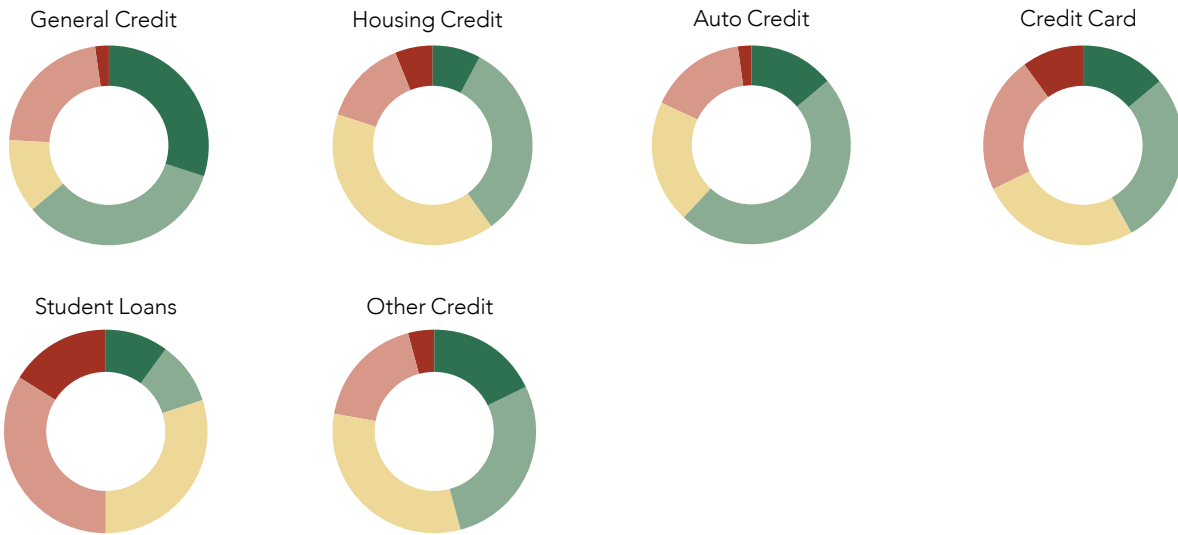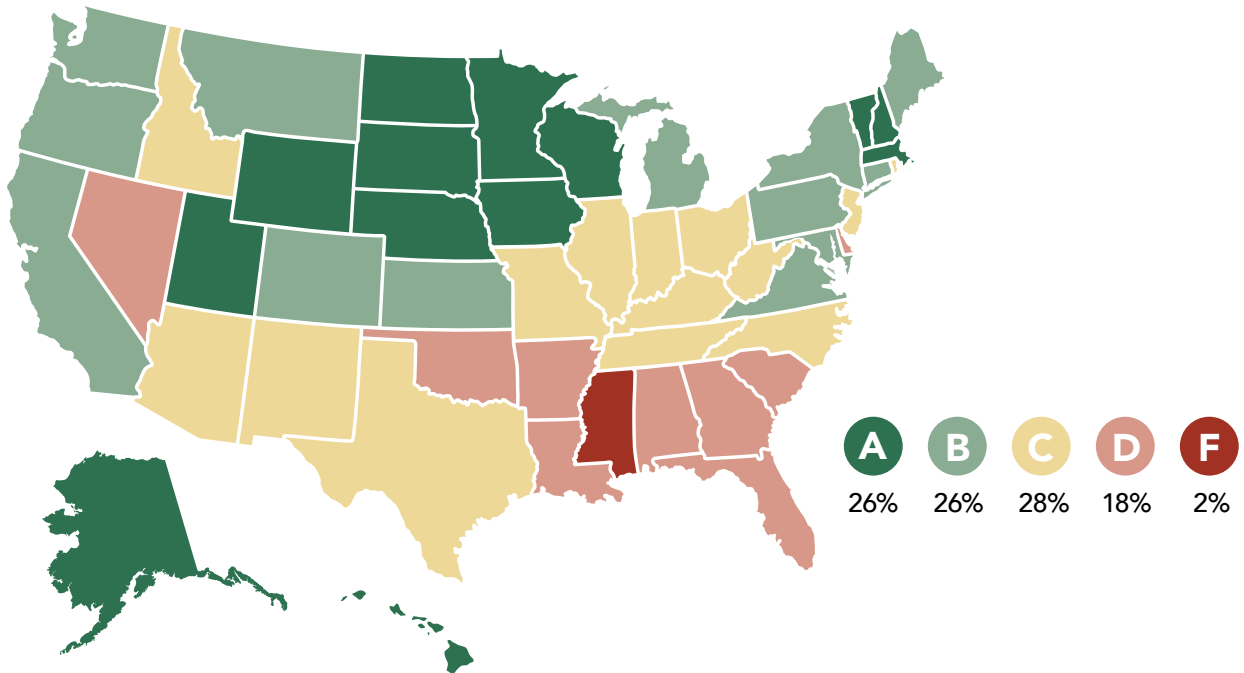
Other Credit

Credit

STATES ALPHABETICALLY									
	General Credit	Housing Credit	Auto Credit	Credit Card	Student Loans	Other Credit	Average Grade	Adjusted Linear Curve Grade	Summary Grade
weight	0.15	0.30	0.15	0.15	0.15	0.10			
Alabama	D-	C	D+	D	D+	D+	69.01	64.45	D
Alaska	B	B	B+	D+	B+	B	84.00	92.13	A-
Arizona	C	C-	C	D	B	D	73.28	72.34	C-
Arkansas	D+	C+	D+	F	D+	F	68.46	63.44	D
California	B	D+	A	B+	B	C+	81.28	87.11	B+
Colorado	B+	B-	B-	C-	C	C	80.20	85.12	B
Connecticut	A-	D+	A	B+	D	A-	81.19	86.95	B
Delaware	B-	C-	C	D+	F	B-	71.36	68.79	D+
Florida	C-	F	B-	C	C	D-	68.97	64.38	D
Georgia	D	D+	D+	D	C-	D-	67.81	62.24	D-
Hawaii	A-	C-	A+	A-	A	A+	88.23	99.94	A+
Idaho	B	B-	B	D+	F	B-	77.06	79.32	C+
Illinois	B	D	B	B	D	C+	75.20	75.88	C
Indiana	C	C+	B-	C	D+	C-	75.37	76.20	C
Iowa	A	B+	B+	A	F	B+	86.53	96.81	A
Kansas	B	B	B	C+	C-	C+	81.39	87.31	B+
Kentucky	D+	C+	C-	C	D	D+	72.97	71.77	C-
Louisiana	D-	C-	D-	F	B	C-	68.29	63.12	D
Maine	B+	B	B	C+	D-	A	81.14	86.85	B
Maryland	B	D	B	C+	B-	B+	77.93	80.93	B-
Massachusetts	A	C+	A+	B+	C-	A+	87.24	98.12	A+
Michigan	B	B-	C	B	C	B	80.32	85.34	B
Minnesota	A+	B+	B+	A+	D-	A	88.26	100.00	A+
Mississippi	F	C+	F	F	D	F	63.89	55.00	F
Missouri	C	C+	C	D+	C+	D+	75.00	75.51	C
Montana	A-	B+	B-	B-	D-	C-	81.69	87.87	B+
Nebraska	A	B+	B	B	D	B	83.99	92.12	A-
Nevada	D	F	C+	C-	A	C	70.39	67.00	D+
New Hampshire	A	B	B+	A-	F	A	84.57	93.19	A
New Jersey	A-	F	B+	A-	D	A-	77.21	79.60	C+
New Mexico	D+	C	D+	F	A+	D	73.58	72.89	C-
New York	B+	D+	A-	B-	D+	C+	77.49	80.11	B-
North Carolina	C+	C	C+	D+	C-	C-	73.60	72.93	C-
North Dakota*	A+	A+	B	A	C-	B+	91.06	100.00	A+
Ohio	B-	C	B-	B	F	B-	75.81	77.01	C+
Oklahoma	D+	C+	D	D-	C+	D-	70.67	68.79	D+
Oregon	B+	C	B	C-	C	C	78.33	81.66	B-
Pennsylvania	B+	B-	B	C	F	B	78.13	81.29	B-
Rhode Island	B	D+	A-	C-	D+	B	76.51	78.30	C+
South Carolina	D	C	D+	D-	D	C-	68.50	63.51	D
South Dakota*	A	A+	B-	A	F	C+	87.14	97.93	A+
Tennessee	D+	C+	C-	C-	C+	C-	74.36	74.33	C
Texas	D+	B	C-	D+	D+	D+	73.57	72.87	C-
Utah	A-	B-	B	B	A+	A-	87.89	99.32	A+
Vermont	A	B	B+	B	D	A-	85.23	94.41	A
Virginia	B+	C+	B-	C	C	C	78.70	82.35	B-
Washington	A	C+	A-	B-	C-	B-	81.89	88.24	B+
West Virginia	C-	A-	D+	F	F	C	72.71	71.29	C-
Wisconsin	A	B-	B	B+	C	B+	84.64	93.32	A
Wyoming	B+	A	C	B	A-	B	87.97	99.46	A+
United States	**C+**	**C**	**B-**	**C**	**D-**	**C+**	**74.75**	**75.05**	**C**

Credit (continued)

STATES BY GRADE			
	Average Grade	Adjusted Linear Curve Grade	Summary Grade
Minnesota	88.26	100.00	A+
North Dakota*	91.06	100.00	A+
Hawaii	88.23	99.94	A+
Wyoming	87.97	99.46	A+
Utah	87.89	99.32	A+
Massachusetts	87.24	98.12	A+
South Dakota*	87.14	97.93	A+
Iowa	86.53	96.81	A
Vermont	85.23	94.41	A
Wisconsin	84.64	93.32	A
New Hampshire	84.57	93.19	A
Alaska	84.00	92.13	A-
Nebraska	83.99	92.12	A-
Washington	81.89	88.24	B+
Montana	81.69	87.87	B+
Kansas	81.39	87.31	B+
California	81.28	87.11	B+
Connecticut	81.19	86.95	B
Maine	81.14	86.85	B
Michigan	80.32	85.34	B
Colorado	80.20	85.12	B
Virginia	78.70	82.35	B-
Oregon	78.33	81.66	B-
Pennsylvania	78.13	81.29	B-
Maryland	77.93	80.93	B-
New York	77.49	80.11	B-
New Jersey	77.21	79.60	C+
Idaho	77.06	79.32	C+
Rhode Island	76.51	78.30	C+
Ohio	75.81	77.01	C+
Indiana	75.37	76.20	C
Illinois	75.20	75.88	C
Missouri	75.00	75.51	C
United States	**74.75**	**75.05**	**C**
Tennessee	74.36	74.33	C
North Carolina	73.60	72.93	C-
New Mexico	73.58	72.89	C-
Texas	73.57	72.87	C-
Arizona	73.28	72.34	C-
Kentucky	72.97	71.77	C-
West Virginia	72.71	71.29	C-
Delaware	71.36	68.79	D+
Oklahoma	70.67	68.79	D+
Nevada	70.39	67.00	D+
Alabama	69.01	64.45	D
Florida	68.97	64.38	D
South Carolina	68.50	63.51	D
Arkansas	68.46	63.44	D
Louisiana	68.29	63.12	D
Georgia	67.81	62.24	D-
Mississippi	63.89	55.00	F

* Please note that both South Dakota and North Dakota were missing data points in some credit categories. Based on our methodology, the top or bottom of any linear curve (a 100% or 55% grade) cannot be set by a state that is missing any data. Based on this rule, Minnesota was used to set the top of the linear curve. Based on this methodology, both Minnesota and North Dakota are deemed to be tied at 100% for the Credit adjusted linear curve grade.