

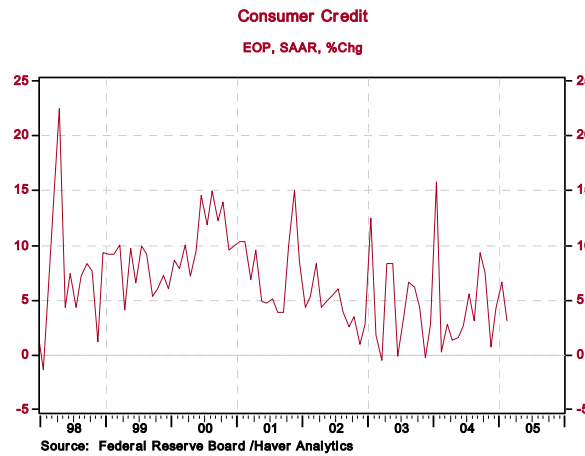


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Growth in Household Debt Is Concentrated in Mortgage Debt

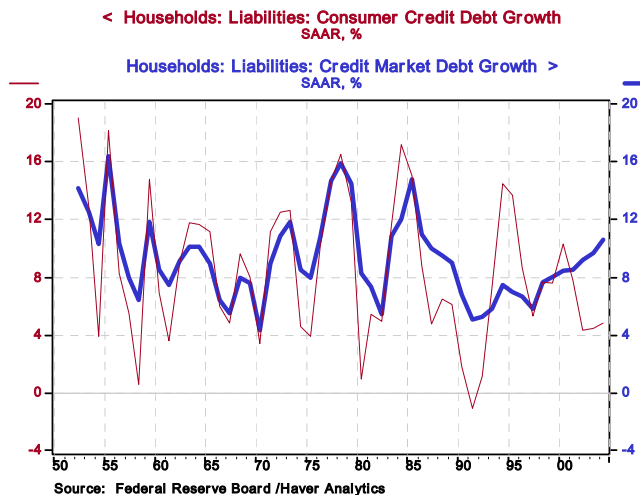
The February consumer credit report shows that consumer credit grew at an annual rate of 3.1%, down from a 6.6% increase in January. Overall, the trend in consumer borrowing (see chart 1) presents an innocuous picture, implying that households are in decent financial shape.

Chart 1



However, the Fed's numbers of household liabilities presents a different picture. Total debt of households grew 10.6% in 2004, up from a 8.4% gain in 2000. As chart 2 indicates, the contribution was not from consumer credit (credit cards and other loans such as auto loans, boat loans) but some other source was responsible.

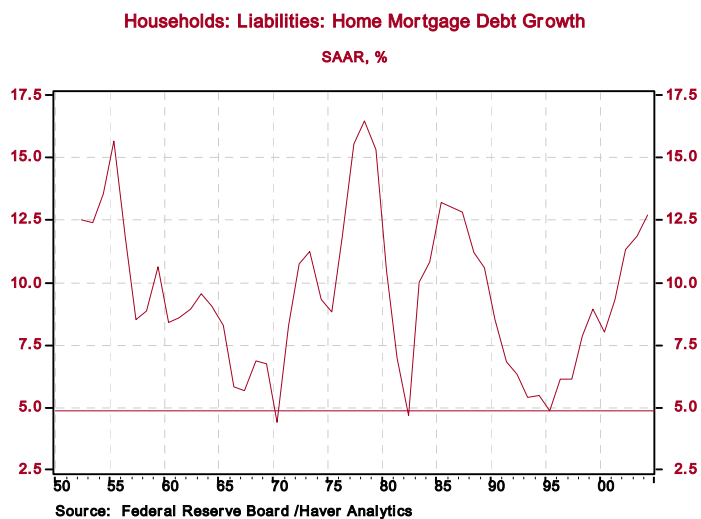
Chart 2



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The culprit is mortgage debt (see chart 3). Mortgage debt of households has grown rapidly from a small advance of 4.9% in 1995 to a 12.7% increase in 2004.

Chart 3



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