The U.S. States Most Impacted By Household Debt 2023

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In the rush to greener, or at least sunnier pastures, did Americans take on too much debt?

Households across the country are facing serious stress, especially in high-growth Sunbelt states. Household debt is defined as the combined liabilities of members of a household that require payments on interest or principal, including credit card debt, automotive loans, and mortgages.

NationalBusinessCapital.com's inaugural report: **The U.S. States Most Impacted By Household Debt 2023**, found that a one-two punch of inflation and high consumer/real estate demand in states that have seen considerable in-migration over the last decade is leaving households in Maryland, Florida, Colorado, Arizona, and Nevada in the red. While incomes have generally been rising in these states, they aren't keeping pace with housing and transportation costs. As a result, many households are leaning more heavily on their credit cards. This could have serious consequences in a high-interest environment, especially if a recession reduces household incomes in 2024.

By comparison, the quiet interior of the country is faring considerably better when it comes to household debt. States like Kentucky, Iowa, Wisconsin, Arkansas, and Michigan are living closer to their means, thanks to generally lower real estate prices and more stable costs of living. However, even these states are feeling the squeeze of our current inflationary environment, with 49 out of 50 states with household debt exceeding household income. Even New York, the only state where households are operating in the green at the moment, faces narrow margins for error.

Other debt hotspots include California, a Sunbelt state that hasn't seen as much growth recently but is burdened by particularly high living costs. The DC suburbs, which boomed in the 2000s, are also heavily indebted, with Maryland and Virginia both facing very high levels of credit card and mortgage debt.

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Key Findings

- **High Growth Sunbelt States Are Under Fiscal Stress:** With growth comes exuberant spending and speculation. States like Florida, Utah, Arizona, Colorado, and Nevada that are having–or have had in the last decade–explosive booms tend to be under significant mortgage and credit card burdens. Fast rises in asset prices in these states are likely to severely stress lower income households.

- **The Heartland Shows Fiscal Restraint:** From the Rust Belt and the interior South to the Plains states, households show dramatic restraint with regard to credit card spending. Household budgets within these states also benefitted from lower housing demand and prices.

- **Auto Loans Are Stressing Otherwise Low Cost States:** States like Texas, Georgia, and Florida, saw particularly high auto loan burdens. Car prices, including those for used cars, remain elevated in 2023.

- **Household Debt Exceeds Income In All But One State:** New York was the only state in the nation to currently have a debt-to-income ratio below 1%(0.97, 50th), buoyed by relatively high household incomes and lower rates of car and home ownership. This speaks to the high levels of stress household budgets across the country are currently feeling.

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The 10 States Most Impacted By Household Debt

1. Maryland
Score (out of 100): 81.7
Maryland may be the canary in the proverbial coal mine when it comes to household debt. Marylanders are struggling with debt across multiple categories, including the fourth highest per capita credit card debt ($4,190) and the second highest per capita student loan burden in the nation ($7,050). Throw in significant mortgage burdens (6th) in the DC suburbs, and your average Maryland family may have a hard time staying out of the red. With Maryland households creeping up on $2 of debt for every $1 of income (1.9 debt-to-income ratio, 3rd highest), there could be trouble ahead for the Old Line State.

2. Colorado
Score: 79.3
Colorado has been a long popular place to relocate to and has high rates of home ownership, a fact reflected in its highest-in-nation per capita mortgage debt of $59,400. While this may not be too worrisome on its own, Coloradans also carry substantial credit card debt ($3,940 per capita, 8th) and significant student debt ($6,280, 10th) per capita. While Colorado does enjoy generally high salaries, that may not be enough to keep up with debt servicing (1.77 debt-to-income ratio, 6th), especially if the economy enters recession anytime soon.

3. Nevada
Score: 78.1
While out-of-state visitors to Las Vegas may run up some debts at the casino tables, Nevadans themselves face high rates of automotive ($6,030 per capita, 8th) and medical debt ($449 per capita, 7th). While credit card debt (11th) and mortgage debt (11th) in the Silver State aren't quite as high, Nevada's incomes are struggling to keep up with the total household debt burden (1.76, 8th tied). One bright spot for Nevada households is a relatively low amount of student debt (43rd).

4. Virginia
Score: 76.1
Joining Maryland in our top 10 list is its neighbor, Virginia, which faces many of the same problems as Maryland, just to a lesser degree. Virginians are leaning heavily on their credit cards ($3,960 per capita, 7th) while paying off significant mortgage debt ($55,310, 8th). Student debt (12th), while not as severe as its neighbor to the north, is still a significant weight on Virginia households that have it. All of this amounts to households that are struggling to keep up with debts (1.76 debt-to-income ratio, 8th tied).

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5. Arizona
Score: 74.3
Getting around the desert is an expensive prospect these days. Arizona has the 6th highest rate of automotive debt ($6,040). While Arizona's high rate of homebuilding has helped keep houses relatively affordable, Arizonans do carry high amounts of mortgage debt ($47,820 per capita, 13th). While the Grand Canyon State's other debt metrics aren't particularly high, its frequently low incomes are struggling to service the debt it has (1.8 debt-to-income ratio, 4th).

6. Florida
Score: 73.7
Few states have boomed like the Sunshine State in recent years, and it has the consumer spending to show for it. Floridians have some of the highest rates of auto debt in the nation ($6,370 per capita, 3rd) and are charging a lot of purchases to their credit cards ($3,940, 8th). While incomes in Florida have started to rise, households in the state carry a significant debt-to-income ratio of 1.67 (12th). Some brighter spots for the state: Florida's high levels of homebuilding have managed to moderate mortgage burden somewhat, despite home values shooting through the roof ($37,710 per capita, 22nd), and residents have relatively low rates of student debt (32nd).

7. Utah
Score: 73.3
The Beehive State is experiencing some growing pains. Property values in and around Salt Lake City have increased dramatically in recent years, leading to some of the highest mortgage rates per capita in the nation ($61,120, 5th). Auto debt is not far behind, with Utahns having the 6th highest rate at $6,040. Despite a low student debt burden (46th), Utah households may be struggling to stay solvent (1.77 debt-to-income ratio, 6th).

8. Alaska
Score: 73.2
Alaska proves to be a bit of an outlier in our top 10, far away from the Sunbelt and Mid-Atlantic hotspots on our list. Much of that has to do with just how heavily Alaskans lean on their credit cards ($4,430 per capita, 1st), which, given historically high interest rates, could cause problems for households carrying a month-to-month balance. Additionally, Alaskans face significant mortgage ($50,310, 10th) and medical debt burdens ($433, 9th). Thankfully households in the Last Frontier don't seem to be struggling quite as much as some of the other states in the top 10 (1.46 debt-to-income ratio, 22nd), at least so far.

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9. California
Score: 69.2
The Golden State hasn't seen the same levels of recent growth as most of the other Sunbelt states on this list, but it has its own particular issues. When you think of expensive real estate and a high cost of living, there's a pretty good chance that California will come to mind. In fact, Californians face the second highest rates of mortgage debt ($67,980 per capita) and 10th highest rates of credit card debt ($3,870). These burdens have started to outrun the Golden State's famously high salaries (1.69 debt-to-income ratio, 11th), despite relatively low rates of student (41st) and medical debt (33rd).

10. Delaware
Score: 68.2
Delaware's reputation for being a stronghold for credit card companies translates to only moderately high rates of credit card debt (17th). It is, however, a hot spot for student loan debt ($6,440 per capita, 4th), which is likely to start straining household budgets now that the federal payment freeze is expiring. Mortgage (18th), auto (21st), and medical (16th) debt also fall on the high side of the median, collectively adding up to relatively burdened household budgets (1.58 debt-to-income ratio, 16th).

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The Least Household Debt-Burdened States

40. Michigan
Score: 30.9 out of 100
Michiganders face some challenges with student loans (16th), but low levels of debt in each of our other metrics add up to a relatively low amount of household budget stress (1.25 debt-to-income, 34th)

40. South Dakota
Score: 30.9
South Dakota ranks in the bottom half in each of our debt metrics and has a relatively low amount of household budget stress (1.23 debt-to-income, 37th).

42. Ohio
Score: 30.1
Like much of the Rust Belt, Ohio isn't under much mortgage stress (45th) and has relatively low household debt-to-income ratios (1.15, 44th) despite high student debt (8th).

42. Nebraska
Score: 30.1
Fiscally prudent Nebraska didn't rank above 32nd for any of our debt metrics and has one of the lower debt-to-income ratios in the nation (1.19, 43rd)

44. Kansas
Score: 28.9
While uninsured patients may face some medical debt (8th) issues in Kansas, very low rates of auto (42nd) and mortgage debt (42nd) add up to the second best debt-to-income ratio in the nation at 1.08.

45. Indiana
Score: 28.5
Hoosiers are prudent with their credit cards (44th) and had no debt metric placed above 30th. Budget stress is relatively low at 1.24 debt-to-income (35th)

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46. West Virginia
Score: 27.3
Real estate is cheap in West Virginia, which translates to the lowest mortgage debt per capita in the nation at $18,640 (50th). That, along with low credit card balances (49th), offsets relatively high auto (16th) and medical debt (15th) rates.

47. Arkansas
Score: 27.0
High rates of auto debt (11th) in Arkansas are balanced by low credit card (47th) and mortgage (48th) debt. Households face a comparatively low debt-to-income burden of 1.22 (38th, tied).

48. Wisconsin
Score: 23.0
Wisconsin doesn't face particularly high debt burdens in any category and has some of the lowest auto debt rates in the nation (46th). Household budgets face similar stress to Arkansas (1.22, 38th, tied).

49. Iowa
Score: 23.0
Iowa is showing characteristic restraint with its credit cards (45th) and has no debt metric above 32nd. Household budgets are in comparatively good shape at 1.14 debt-to-income ratios (46th).

50. Kentucky
Score: 15.3
Household debt-to-income may not be the absolute lowest in the Bluegrass State at 1.15 (44th), but land is still reasonably cheap (46th, mortgage debt), and credit card restraint is high (48th), leaving Kentucky as our state least burdened by household debt.

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Methodology

To create our rankings, we selected six metrics to understand each state's household debt burden. Within each metric, the state with the least debt was given a rank of 0, while the state with the most debt was given a rank of 100. Each metric was multiplied by a selected weight, and then added together to create an overall score for each state.

Here are the six metrics we chose, along with the percentage used to calculate the weight of each metric. Weights for debt metrics were selected based on the prevalence of the type of debt.

- **Credit Card Debt (24%):** This metric represents the amount of credit card debt households in the state have per capita. Data is for Q4 2022, the most recent available from the Federal Reserve Bank of New York.
- **Auto Debt (15%):** This metric represents per capita auto loan debt within the state. Data is for Q4 2022, the most recent available from the Federal Reserve Bank of New York.
- **Mortgage Debt (22%):** This metric represents per capita mortgage loan debt within the state. Data is for Q4 2022, the most recent available from the Federal Reserve Bank of New York.
- **Student Loan Debt (7%):** This metric represents per capita student loan debt burden of the state's residents. Data is for Q4 2022, the most recent available from the Federal Reserve Bank of New York.
- **Medical Debt (12%):** This metric represents per capita student loan debt burden of the state's residents. Data is sourced from the February 2022 Consumer Financial Protection Bureau report Medical Debt Burden in the United States. Population data was drawn from Census.gov.
- **Debt-to-income ratio (20%):** This metric represents the ratio of household debt within the state relative to the median household income of that state. This represents how burdensome the debt loads in the state are to the average household under current economic conditions. Data is from Q1 2023 and drawn from the Federal Reserve Bank of New York.

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1. Federal Reserve Bank of New York
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