

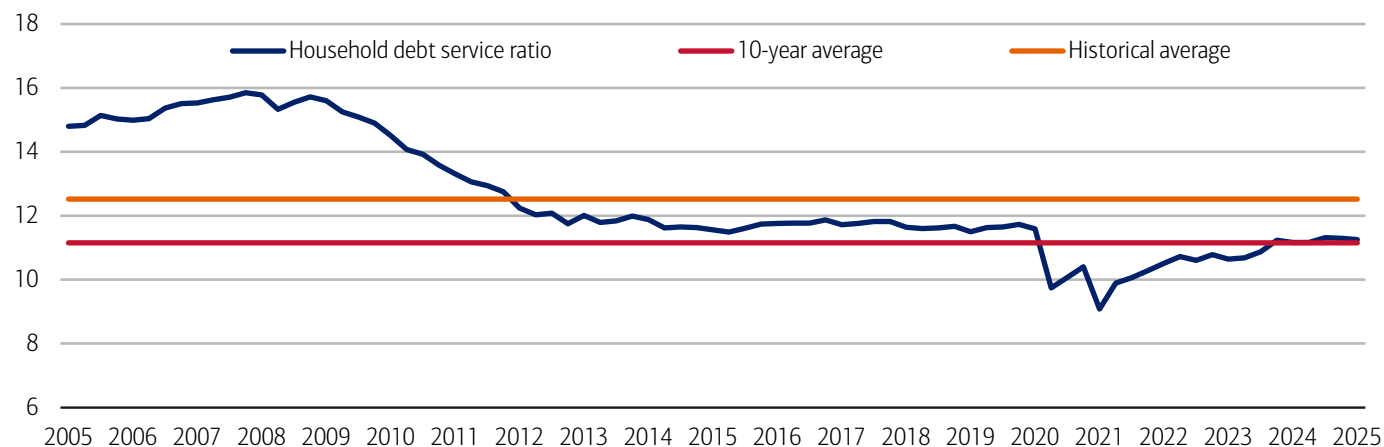
Institute Daily Insights

Consumers still have capacity to borrow

21 August 2025

Debt payments as a percentage of disposable personal income remained well below the historical average in Q1 2025

Household debt service ratio (quarterly, seasonally adjusted)



Source: Haver Analytics, New York Fed Consumer Credit Panel/Equifax and the Bureau of Economic Analytics

Note: The household debt service ratio is an estimate of the ratio of debt payments to disposable income and includes estimated debt payments on outstanding mortgage & consumer debt.

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The latest household debt service ratio, which measures the ratio of debt payments to disposable income, inched above the 10-year average in Q1 2025. However, it remains well below the historical norm, suggesting that consumers still have borrowing capacity – as long as the labor market holds up.

Plus, in our latest [Consumer Checkpoint: Gains and gaps](#) report, monthly credit card balances remain modest relative to after-tax wages and salaries compared to 2019 levels, too. This is thanks, in part, to strong wage growth across income cohorts in recent years.

For more, read our [Where is debt growing?](#) report.

Methodology

Selected Bank of America transaction data is used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used is not comprehensive; it is based on **aggregated and anonymized** selections of Bank of America data and may reflect a degree of selection bias and limitations on the data available.

Any payments data represents aggregated spend from US Retail, Preferred, Small Business and Wealth Management clients with a deposit account or credit card. Aggregated spend include total credit card, debit card, ACH, wires, bill pay, business/peer-to-peer, cash, and checks.

Any data on household debt and/or delinquency composition is representative of anonymized third-party credit bureau data from customers of industry lenders and creditors including BAC. Third-party credit bureau data includes data in connection with numerous lending products, including but not limited to mortgages, credit cards, auto, home equity, personal, and student loans.

To the extent these materials reference Bank of America data, such materials are not intended to be reflective or indicative of, and should not be relied upon as, the results of operations, financial conditions or performance of Bank of America.

Unless otherwise stated, data is not adjusted for seasonality, processing days or portfolio changes, and may be subject to periodic revisions.

Generations, if discussed, are defined as follows: Gen Z, born after 1996; Younger Millennials: born between 1989-1995; Older Millennials: born between 1978-1988; Gen Xers: born between 1965-1977; Baby Boomers: 1946-1964; Traditionalists: pre-1946.

Additional information about the methodology used to aggregate the data is available upon request.

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Disclosures

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