

Explaining Aggregate Consumer Delinquency Behaviour over Time

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Abstract

In this paper we address the question: can we explain time series movements in aggregate default behaviour amongst US households? We use quarterly data on the aggregate volume of consumer debt outstanding to US commercial banks which is in accounts in default and model variation over time using the volume of debt, outstanding and various indicators of the state of the macro economy. We test for a co-integrating relationship, which represents a long term equilibrium relationship, and find that at least one such relationship exists. We then estimate short term changes in debt in default about this relationship using lagged values of various explanatory variables. The final equation allows us to explain aggregate default behaviour with a reasonable degree of accuracy and comparisons will be made with ongoing work by others who use UK data.