FORWARD ANALYTICS
SPOTLIGHT

June 2025

Badgers on a Budget

Kevin Dospoy, Deputy Director

Wisconsinites, similar to Midwesterners, are sometimes viewed as frugal and budget conscious. Is this true? One way to explore this question is to look at personal or household finance patterns in Wisconsin and neighboring states and compare them to the rest of the country. An important part of household finance is the use of debt: in particular how much is taken on and the ability to repay it.

The Federal Reserve publishes a debt-to-income (DTI) ratio each year to measure the financial stress of the "typical" household. A ratio of 1.0 means that debt is equal to income, while 1.5 indicates that debt is 50% higher than income. The DTI ratio includes household income and nearly every type of consumer debt, including credit cards, automobile loans, and mortgages. The one major debt not included is student loans due to the lack of quality data for the entire time period measured by the Federal Reserve.

It is instructive to measure debt and income at the same time because they are often closely related. Debt can increase with total income as households with higher incomes can afford a higher monthly mortgage payment or car payment.

In 2024, two states had debt-to-income ratios less than 1.0 while two had ratios higher than 2.0 (see Figure 1 on the following page). At 1.198, Wisconsin's ratio was 11th lowest in the nation and 3rd lowest in the region. These ratios may seem low considering households can have hundreds of thousands of dollars in mortgage debt, but there are many households included in the calculation without an outstanding mortgage.

A closer look at recent changes in the DTI ratio can provide insight into how Wisconsin households manage their finances compared to other states in the region and country. This report considers changes in the DTU ratio between 2019, just prior to the financial disruption due to the pandemic, and 2024, the latest year for which data is available.

Prior to the pandemic, Wisconsin households were, relative to other states, responsibly managing their debt. In 2019, Wisconsin had a DTI ratio of 1.202 – 12th lowest in the country. By 2024, this ratio declined slightly to 1.198, which was near the average decline. Among neighboring states, the ratio dropped more in Illinois and Iowa, and slightly less in Minnesota. Michigan's ratio rose, meaning households in that state were taking on more debt relative to median income. Despite the financial impacts of the pandemic, Wisconsin households seem to have continued being financially responsible.

A closer look at individual sources of debt highlight the state's strengths and show some cautionary signs.

BORROWING BY TYPE

Not all debt is equal. Some types of debt can be necessary but rarely beneficial. Auto and credit card debt provide few long-term benefits and must be managed carefully to avoid financial pitfalls. Yet some debt can provide long-term benefits if managed responsibly. A mortgage secured at a low interest rate, common for most of the 2010s, can help individuals and families build equity and wealth. Student loans can be a net positive if they lead to an otherwise unaffordable college degree and a high-paying job.

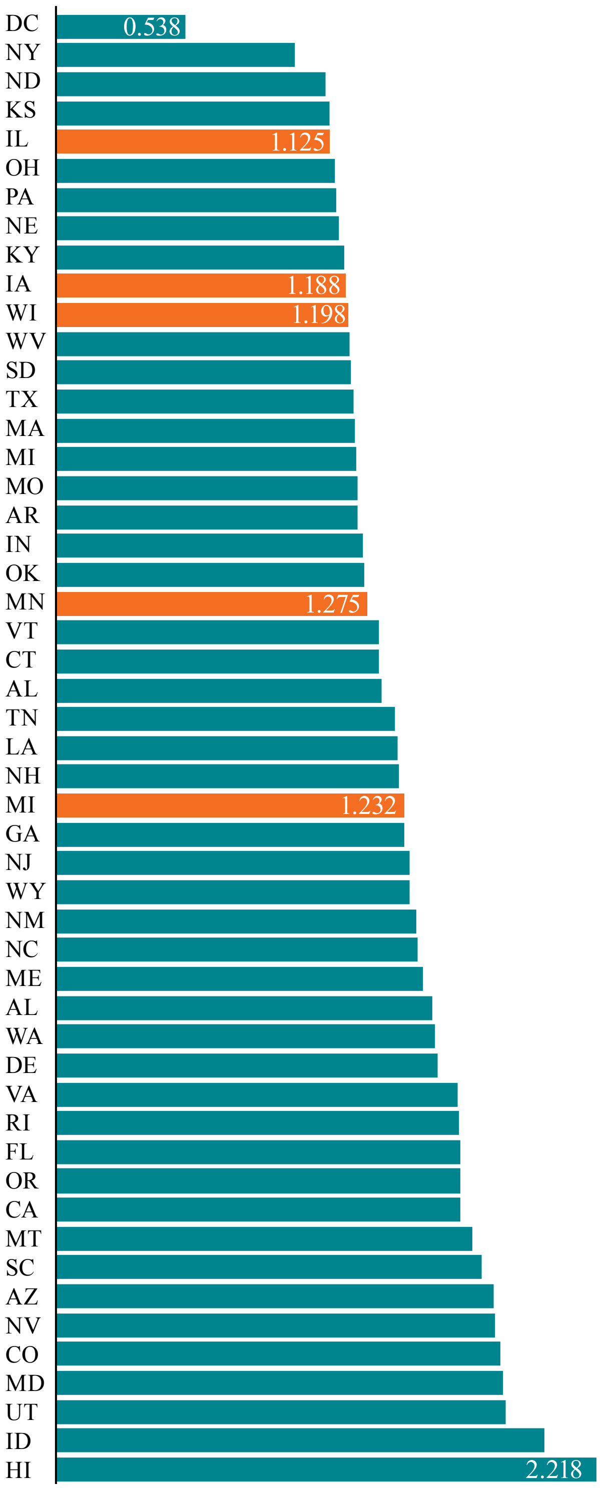
Auto Loans

In 2024, the national average cost of a new car was just under $48,000, while the average used car sold for over $27,000, which means many buyers needed to finance their automobile purchases.

Since 2019, per capita auto loan debt in Wisconsin grew 14.3%, from $4,000 to $4,570 according to the Federal Reserve Bank of New York. This increase was lower than the national average, but higher than any bordering state except Michigan, whose households saw the highest increase in the country (25%). Because of Wisconsin's relatively small increase, the state's per capita debt in 2024 was the 7th lowest

Figure 1: Debt-to-Income Ratio, 2024

Consumer Debt (Less Student Loans) Relative to Income



in the country, and lower than all bordering states. Low per capita debt can mean that fewer people are financing new and used cars, or that those who are financing vehicles are purchasing less expensive cars or borrowing less of the total purchase price.

Just as important as total automobile debt is the way in which households manage it. Typically, if not paid for at least 90 days, a loan is considered delinquent, and a lender may proceed with repossession. In 2024, 3.5% of all auto loan debt was delinquent in Wisconsin, which was a significant increase from the 2.7% in 2019. Wisconsin saw the second highest increase in delinquent auto debt in the country. Iowa, Illinois, Michigan, and Minnesota were also among the highest.

Credit Cards

Credit cards can be beneficial when used to earn cardholder perks (miles, cash back rewards, etc). Yet for many, they are also an integral part of household budgets. The average credit card interest rate in the U.S. is just over 20%, which means carrying a balance can "snowball" and increase the principal balance relatively quickly.

From 2019 through 2024, per capita credit card debt in Wisconsin increased 18.1%, from $2,770 to $3,270. While the level of debt rose, households in Wisconsin improved their balances relative to other states during this period. Wisconsinites improved from the 11th lowest per capita credit card balance in 2019 to 7th lowest in 2024.

Managing credit card debt requires keeping low balances, but paying monthly bills on time is just as important. In 2024, just over 7.6% of all credit card debt in Wisconsin was delinquent by 90 or more days, which was the lowest rate in the country, below the national average of 11.2%, and much lower than any bordering state.

Mortgages

Mortgage debt can be a useful tool when used to build equity in a home, which typically, though not always, increases in value. From 2012 through 2022, while home prices increased, as discussed in Forward Analytic's previous *Spotlight*, the average mortgage rate reached near-historic lows – dropping to 2.88% in 2021. Such low rates helped many purchase homes with lower monthly payments than would usually be available. The median mortgage payment in Wisconsin at the end of 2024 was $1,245.[1] This was the 10th lowest in the country and

1 Data is from the U.S. Federal Housing Finance Agency, 2024 Q4. Median payments include median principal, interest, and escrow (where applicable).

3rd lowest among bordering states. Median payments were slightly lower in Iowa and Michigan, at $1,219 and $1,214 per month, respectively. As mentioned above, mortgage payments are partly a function of income – higher income households will typically buy more expensive homes and have higher monthly mortgage payments. Thus, comparing median mortgage payments as a share of median income can give another perspective.

In 2024, the typical mortgage payment in Wisconsin was about 19.8% of median household income.[2] This was the second lowest share in the country above Vermont (18.9%) and slightly below Michigan (21.2%) and Iowa (20.8%). From 2019 through 2024, mortgage payments as a share of household income increased in most states. Wisconsin's 1.4 percentage point increase (18.4% to 19.8%) was the 9th lowest increase in the country, and lowest among its bordering states.

Continuing to make on-time payments can be challenging for some who find themselves in economic circumstances different from when they first purchased a home. In Wisconsin, less than 0.4% of mortgage debt was 90 days or more delinquent in 2024. This rate is the lowest in the country, and less than half the national average.

Student Loans

Student loan debt is not included with the overall debt-to-income ratio discussed above, but it is a significant portion of consumer debt. With the rapid increase in college tuition over the last two decades, a rising number of students have accessed student loans. While the hope is that these loans will lead to higher paying jobs, those with outstanding balances may still struggle to make payments.

As of the end of 2024, 723,500 Wisconsin borrowers had around $23.6 billion in outstanding student loans – about $32,620 per borrower.[3] While high, this figure ranks 8th lowest in the country. Among neighboring states, only Iowa ranks lower (3rd lowest nationally at $30,700). By comparison, the highest debt load is held by those in the District of Columbia ($54,561 per borrower) and Maryland ($43,781).

While student loans and college are meant to increase future earnings, these loans must still be responsibly managed and paid on time. Beginning in March 2020, student loan repayments were paused, giving many borrowers some much needed breathing room. At that time, less than 5% of loan balances in Wisconsin were 90 days delinquent and in default, which was the 7th lowest rate in the country, and significantly lower than the rate in any bordering state. Most loan payments were returned to repayment status, yet federal policy is still in flux regarding whether or not unpaid loans are considered delinquent.

WHAT NEXT?

Wisconsin families face some financial headwinds, mostly due to the cost of housing and essential services such as childcare. In this regard, Wisconsin is not unique; these challenges are faced by residents of every other state as well. In many ways, these issues cannot be controlled by, nor are they only the result of actions taken by the individual consumer. In terms of financial impacts that can be controlled by individual households, such as the amount of personal debt, Wisconsinites fare quite well, especially relative to neighboring states. As the cost of housing and most goods and services remain high, residents of the Badger state will likely continue to exercise their frugality and financial caution.

Table 1: Student Loan Debt Per Borrower, 2024
National Rankings Per Borrower

	Debt Per Borrower	National Rank
North Dakota	$29,115	1
Wyoming	30,631	2
Iowa	30,698	3
Wisconsin	32,343	7
Minnesota	34,163	17
Michigan	36,973	32
Illinois	39,042	46
Maryland	43,781	50
District of Columbia	54,561	51

2 2024 median household income was estimated for 2024 using previous annual changes as published by the U.S. Census Bureau.

3 "Borrower" in most cases is defined as the recipient, but in parent PLUS loans, the borrower is the parent and their child is the recipient. If a loan applicant has both a traditional federal loan and a PLUS loan, the borrower count may be slightly inflated.