

DAILY GLOBAL
COMMENTARY**Household Borrowing Gathered Steam in 2005***March 13, 2006*

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Households went on a borrowing spree in 2005 after a taking a slower sprint in 2004. Net borrowing of households was \$1204.7 billion in 2005, up from \$1023.4 billion in 2004. The 2005 reading is the highest on record (see chart below)

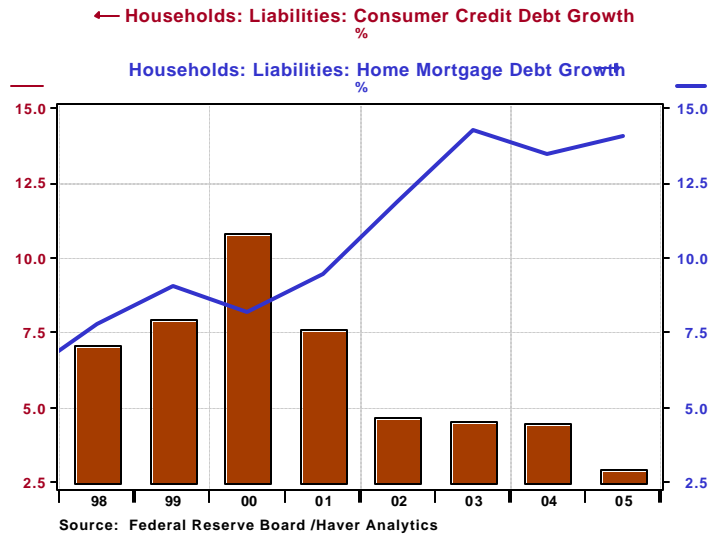
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Chart 1



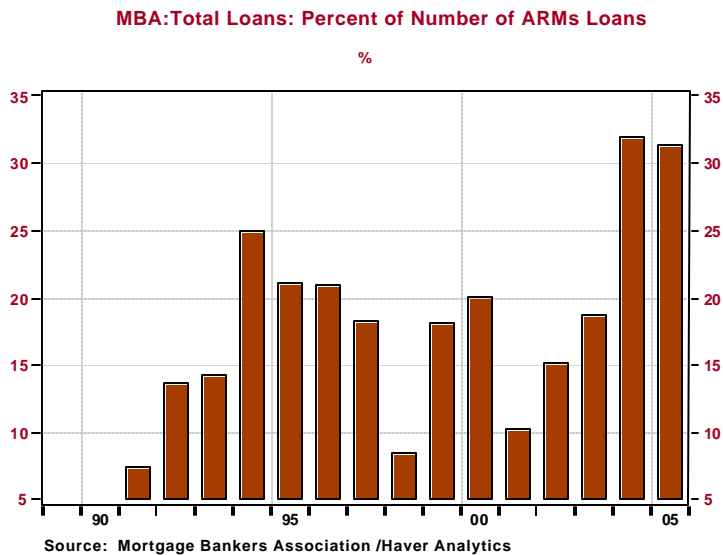
Not surprisingly, a large part of the borrowing is coming from mortgages. As shown in chart 2, growth in home mortgage debt has surpassed other avenues of borrowing. Mortgage debt grew 14.1% in 2005, the largest annual increase since 1985 with the exception of the 14.3% increase seen in 2003.

Chart 2



This sharp increase in home mortgages has occurred in a low interest environment. When adjustable rate mortgages are repriced, the debt servicing burden will shoot up sharply. For the record, close to a third of all mortgage applications in 2004 and 2005 were for adjustable rate mortgages.

Chart 3



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