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Red States Dominate Top 10 With Highest Debt Burdens

Southern states will take the longest to pay off their credit card debt

New York, NY– December 7, 2020– Many states which voted for President Trump in the 2020 presidential election happen to be the ones with the highest credit card debt burdens, according to a CreditCards.com report that compares credit card debts and household incomes. In fact, the only blue states in the top 10 are New Mexico, which fell from the top spot last year to number six, and Georgia at #10. And New Mexico is the only state in the top 10 which is not in the South (as defined by the Census). The states with the highest credit card debt burdens (relative to income) are:

2020 Rank	State	Total Credit Card Balance	Median Annual Household Income	Months to Pay Off	Total Interest Paid
1	Louisiana (R)	$7,940	$51,073	15	$1,013
2	Mississippi (R)	$7,367	$45,792	15	$977
3	Oklahoma (R)	$8,094	$54,449	14	$984
4	Alabama (R)	$7,803	$51,734	14	$964
5	Arkansas (R)	$7,571	$48,952	14	$960

(R) denotes Republican state in 2020 presidential election, (D) Democratic state.

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The average Louisiana household carries $7,940 in credit card debt (18th highest) and earns a median income of $51,073 (4th lowest). By following the recommended strategy of setting aside 15% of gross earnings to pay off debt ($638), it would take a Louisiana credit cardholder 15 months to absolve their debt, while paying $1,013 in interest along the way.

The larger the disparity between income and credit card debt, the less time it will take to pay off the borrowed amount. For example, Alaska has the highest credit card debt ($9,858), however, with a sizable median income ($75,463, 13th highest), it'll take the typical Alaska credit cardholder one year to pay off their balance with $1,046 paid in interest. Similarly, credit cardholders in MD, NJ, HI and DC carry high debt balances (all within the top 10 highest credit card balances), but due to high household incomes, their dollars stretch further.

And, when looking at the map from a political lens, 19 of the 25 highest debt burdens are in states that voted for Trump in 2020, including 8 of the top 10. Similarly, 19 of the 25 states with the lowest debt burdens (plus D.C.) voted for Biden, including 9 of the bottom 10.

A median Massachusetts household – the state with the lowest debt burden – earns $85,843 per year (3rd highest) and holds an average credit card balance of $7,506 (20th highest). With an expert-recommended payment strategy that sets aside 15% of gross income, cardholders there can get rid of their debt in eight months and pay just $534 in interest. This does not, however, consider Massachusetts' 9.6% unemployment rate (7th highest), which could prohibit some residents from eliminating their credit card debt in that timeframe.

The five states with the lowest credit card debt burdens (relative to income) are:

2020 Rank	State	Total Credit Card Balance	Median Annual Household Income	Months to Pay Off	Total Interest Paid
47	Utah (R)	$7,482	$75,780	9	$599
48	Minnesota (D)	$7,114	$74,593	9	$550
49	Wisconsin (D)	$6,504	$64,168	9	$534
50	Washington D.C. (D)	$8,227	$92,266	8	$596
51	Massachusetts (D)	$7,506	$85,843	8	$534

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"Two of the most popular debt payoff strategies – balance transfers and personal loans – have become much harder to obtain over the past year," explains CreditCards.com industry analyst Ted Rossman. "Right now, getting out of credit card debt is mostly on you. It's so important to pay a lot more the minimum if possible. If you make your state's median household income and can buckle down and put 15% of your income towards your credit card debt, your debt will be completely gone within 8-15 months. That's powerful motivation. Other strategies can include asking your card issuers for lower interest rates and seeking nonprofit credit counseling."

The national average credit card debt fell six percent and the median household income rose six percent over the past year, meaning it would take the median American household (earning $65,712) a little under a year (11 months) to pay down the average credit card balance of $7,941. They would pay $778 in interest. This, however, does not consider the rise in the national unemployment rate from 3.5% to 7.9%, which could make it even more difficult for millions to tackle their credit card debt burdens.

Methodology:

CreditCards.com calculated these payoff times and interest charges using the average credit card debt per bank and retail cardholder (according to Experian) and the median household income (courtesy of the U.S. Census) in each state. CreditCards.com assumed that 15% of gross monthly income would go towards credit card debt. For the average credit card interest rate, CreditCards.com used 19.67%, the average midpoint of the APR ranges the site measured on 100 popular cards in mid-October.

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