CMF presents and in-depth look at the indebtedness of individuals in Chile

The 11th version of the Commission's Indebtedness Report reveals a further decline in the (median) debt of individuals, which reached CLP 1.9 million as of June 2024. Meanwhile, over-indebted individuals fall to their lowest level since 2021, standing at 16.5 percent.

CMF Chairwoman Solange Berstein noted that implementation of the Consolidated Debt Registry will allow progress towards closing information gaps in the stock of debtors.

January 16, 2025 – The Financial Market Commission (CMF) released today its 2024 Indebtedness Report. The 11th version of the study aims to provide an in-depth look at individual indebtedness in Chile. It considers data periodically submitted by institutions supervised by the Commission corresponding to individuals with consumer and housing obligations.

The Report's analysis **focuses on bank and non-bank debtors and includes an indebtedness review of individuals** who have obligations with non-banking card issuers, savings and credit cooperatives, and mutual companies supervised by the CMF. Its methodology examines three dimensions of indebtedness:

- **Debt Level:** Money loans granted by financial institutions to natural persons.
- **Financial Burden:** Percentage of monthly income allocated to pay financial obligations.
- **Leverage:** Number of monthly incomes debtors would need to allocate to fully settle their financial obligations.

Each variable's median distribution is used as a representative indicator of results.

Key Results

The 2024 Indebtedness Report has an estimated coverage equivalent to 85 percent of household obligations in Chile and shows that the representative debt level of bank debtors defined by a median distribution is CLP 1.9 million as of June 2023. Meanwhile, the financial burden and leverage indicators were 13.6 percent and 2.3 times income, respectively.

Representative Debt

	2020	2021	2022	2023	2024
Debt in CLP	2,867,261	2,312,478	2,363,337	2,321,525	1,935,715
Financial Burden	17.4	15.6	16.9	16.1	13.6
Leverage Index	3.7	3	3	2.8	2.3

Source: CMF.

Regarding the evolution of indebtedness indicators, the decrease is linked to the observed decrease in the Monetary Policy Rate; an increase in the real income of individuals; less loan dynamism (especially consumer financing in the banking sector); and changes in debtor composition.

High Financial Leverage

As of June 2024, the proportion of debtors with high financial burden or over-indebtedness (i.e., financial burden greater than 50 percent of their monthly income) fell from 19.1 percent to 16.5 percent. The number of debtors with a high financial burden is 950,000, 83,000 less than in June 2023.

When compared to 2023, the improvement in the over-indebtedness indicator is in the 25-30 and 30-35 age brackets, with a 3.6-percent decrease in both. High financial burden decreased in the income brackets between CLP 500,000 and 600,000 (6.1 percent); CLP 400,000 and 500,000 (5.4 percent); and CLP 600,000 and 750,000 (5.3 percent). Over-indebtedness increased only in the income bracket above CLP 2.6 million.

There were 411,000 debtors in arrears of at least one day as of June 2024 versus 381,000 in June 2023. They represent 7.1 percent of total debtors (7.07 percent in June 2023). Meanwhile, the amount of median unpaid debt decreased by 3.5 percent in real terms.

Debt Composition

Debt indices associated with **consumer loans** (representing 25 percent of total debt) decreased significantly over the past 12 months, while those associated with **mortgage loans** (75 percent of total debt) showed a slight increase. Specifically, the median debt for consumer loans decreased by 13 percent compared to June 2023, while that of housing loans increased by 2.7 percent.

In turn, **women** exhibit lower debt, financial burden, and leverage indices than men. Likewise, only 16.3 percent of women are over-indebted compared to 18.1 percent of men.

There are important differences in indebtedness indicators at the **regional level**. The Tarapacá, Antofagasta and Coquimbo Regions show significantly higher debt, financial burden, and leverage indices than the rest of the country.

Challenges

Monitoring individual indebtedness is especially relevant for financial regulators and supervisors. While more and better access to loans allows individuals to absorb temporary mismatches between income and expenses and increase their well-being, high debt levels can affect their capacity to meet financial commitments. This increases their vulnerability to shocks, negatively impacting both individuals and the stability of the financial system.

The CMF highlights that the implementation of the **Consolidated Debt Registry**, approved in July 2024, will narrow the information gap for the study of national indebtedness through an 8-percent increase in reported household debt information. Currently available data comprises 85 percent of the total consumer and housing loans stock in the Chilean financial system.

"While we see an improvement in over-indebtedness figures, there is a portion of debtors whom we are not reaching through our measurements," stated CMF Chairwoman Solange Berstein. "Implementing the Consolidated Debt Registry will allow us to close information gaps, expanding the number of reporting entities while strengthening the protection of debt data," she added.

Of note: The number of **fraud alerts** issued by the CMF regarding unregulated loan offerors and investment platforms grew significantly over the past few years. 92 entities were placed in the Commission's Alert List only in 2024, with the increase of fraud alerts about mobile apps offering loans being significantly relevant.

Check the 2024 Indebtedness Report here.

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