



# 2025 Q4 Credit Risk Review

Trends and Early Risk Indicators in Consumer Credit

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# Executive Summary

## **Credit Card delinquencies rose slightly this quarter, with concerning performance in early-2025 origination vintages**

- Credit Card 60+ delinquency rate increased marginally quarter-over-quarter
- 60+ DPD delinquencies for Q1 2025 originations are closely tracking 2022, the worst vintage in recent memory

## **Performance across other assets remained relatively stable**

- Personal Loan 60+ delinquency rate increased slightly quarter-over-quarter, but remained relatively low
- Auto and Student Loan 60+ delinquency rates declined quarter-over-quarter, with auto improvements driven by subprime and near-prime segments; student loans improved despite subprime delinquencies remaining elevated

## **Near-term visibility into growth and risk remains hazy**

- Federal student loan transitions and delayed involuntary collections clouded repayment visibility; the longest government shutdown in U.S. history impaired Q4 visibility into key economic indicators
- High-income spending remains resilient, despite decelerating income growth in the top quartile, suggesting rising concentration risk as gains from a narrow set of AI-related stocks continue to prop up consumption. These households are currently providing a disproportionate share of overall economic support

# Executive Summary: Overall Consumer Credit

## Credit Card



- 2025 credit card vintage delinquencies worsened, tracking in line with the elevated risk of the 2022 vintage
- Credit card delinquency rates in Q4 rose slightly above Q3 levels
- Origination activity saw subprime and super-prime segments continue to increase significantly year-over-year

## Personal Loans



- Q1 2025 vintage delinquency rates performed in line with recent years
- Overall delinquencies rose in Q4 2025 but remained down year-over-year
- Originations increased across all risk levels, most acutely in super-prime and prime-plus segments

## Auto Loans



- Auto loan delinquency rates declined in Q4, driven by improvements in subprime and near-prime segments
- Despite easing APRs in Q4, elevated vehicle prices kept monthly payments at record highs
- Recent originations continued to skew toward low-risk Vantage tiers

## Student Loans



- Federal delinquencies continued decreasing, though subprime delinquencies remained near all-time highs
- Policy uncertainty persists as RAP replaces the SAVE plan
- Cutbacks to Grad PLUS loans will create an opening for private funding of loans

## Mortgage & HELOC



- Mortgage originations stabilized at levels below 2022, amid continued elevated interest rates and home prices
- Homeowner equity leveled off after reaching near-record highs
- HELOC credit limits and utilization remained elevated and continued to trend upward

# Special Topic: Continued monitoring of regulatory/policy impacts on lending

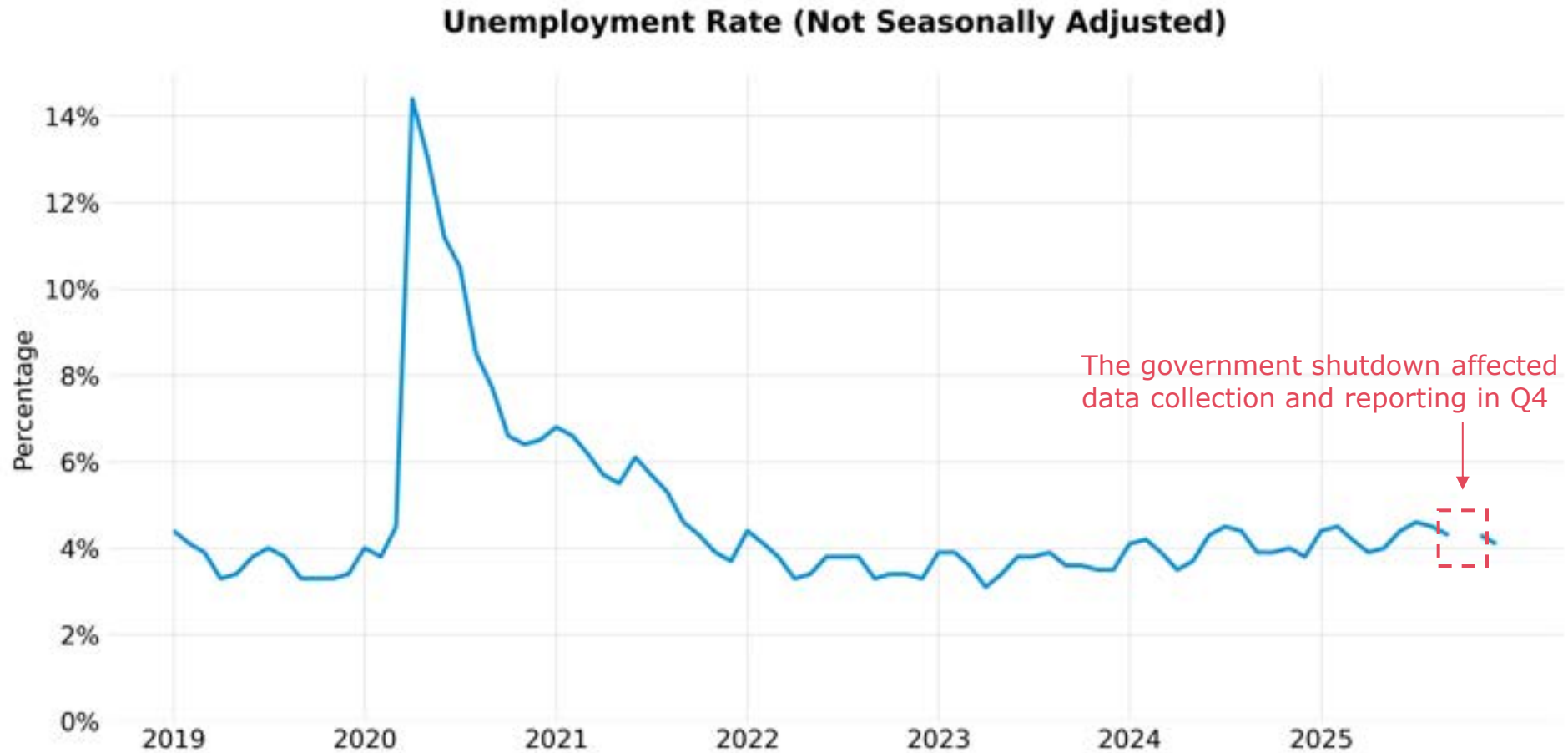
- **Proposed Federal 10% Cap on Credit Card APRs:** President Trump's proposal, which called for a one-year cap on credit-card interest rates at 10%, has generated significant uncertainty amid the absence of an enforcement mechanism. We have been discussing reactions and responses with many leading banks. ([Associated Press](#))
- **Credit Card Competition Act:** A legislation was reintroduced for Congressional discussion in early 2026 by bipartisan sponsors to reduce swipe-fee costs by requiring large card-issuing banks (>\$100B in assets) to enable at least two unaffiliated networks on their cards. ([American Banker](#))
- **Temporary Delay on Involuntary Collections on Federal Student Loans:** Following the May 2025 restart of federal student-loan collections, including wage garnishment and Treasury offsets, the U.S. Department of Education announced on January 16<sup>th</sup>, 2026, that it would temporarily delay all involuntary collections. ([U.S. Department of Education Press Release](#))
- **Broad Federal Overhaul of Income-Driven Repayment Programs:** The Income-Based Repayment (IBR) partial-hardship test is expected to change as federal repayment shifts to a streamlined architecture, with the Repayment Assistance Plan (RAP) replacing multiple legacy Income-Driven Repayment (IDR) programs beginning July 1, 2026, starting with a transitional period. ([OBBA Letter to Colleague](#) on Federal Student Aid programs, [ELFI](#) on student loan and financial aid changes in 2025)
- **Elimination of Grad PLUS Loans and Reduced Loan Limits for Part-time Students:** The OBBA removed Grad PLUS loans from the Direct Loan program, restructuring federal financing for graduate students and shifting some demand toward private-sector credit. The same legislation established federal student-loan borrowing caps, along with revised annual limits effective July 1<sup>st</sup>, 2026. ([OBBA Letter to Colleague](#) on Federal Student Aid Title IV programs, [ELFI](#) on student loan and financial aid changes in 2025)
- **CFPB Proposed Sweeping Rewrite of Reg B:** The Bureau issued a sweeping proposal to amend Regulation B by eliminating disparate-impact liability under ECOA, narrowing discouragement standards, and restricting Special Purpose Credit Programs. ([CFPB](#))
- **Bank Capital Requirement Revamp:** Regulators are expected to rework Basel III Endgame by early 2026, which could meaningfully alter capital levels for U.S. banks. ([Bloomberg](#))
- **Longest Government Shutdown in U.S. History:** The longest government shutdown in U.S. history, from October 1<sup>st</sup> to November 12<sup>th</sup>, 2025, disrupted economic data releases and led analysts to rely on alternative indicators instead of traditional federal data. ([Charles Schwab](#))

\*Note: This presentation is for informational purposes only and does not constitute financial, legal, or regulatory advice. The insights provided are based on current industry trends and should not be interpreted as definitive predictions about regulatory or macroeconomic developments.

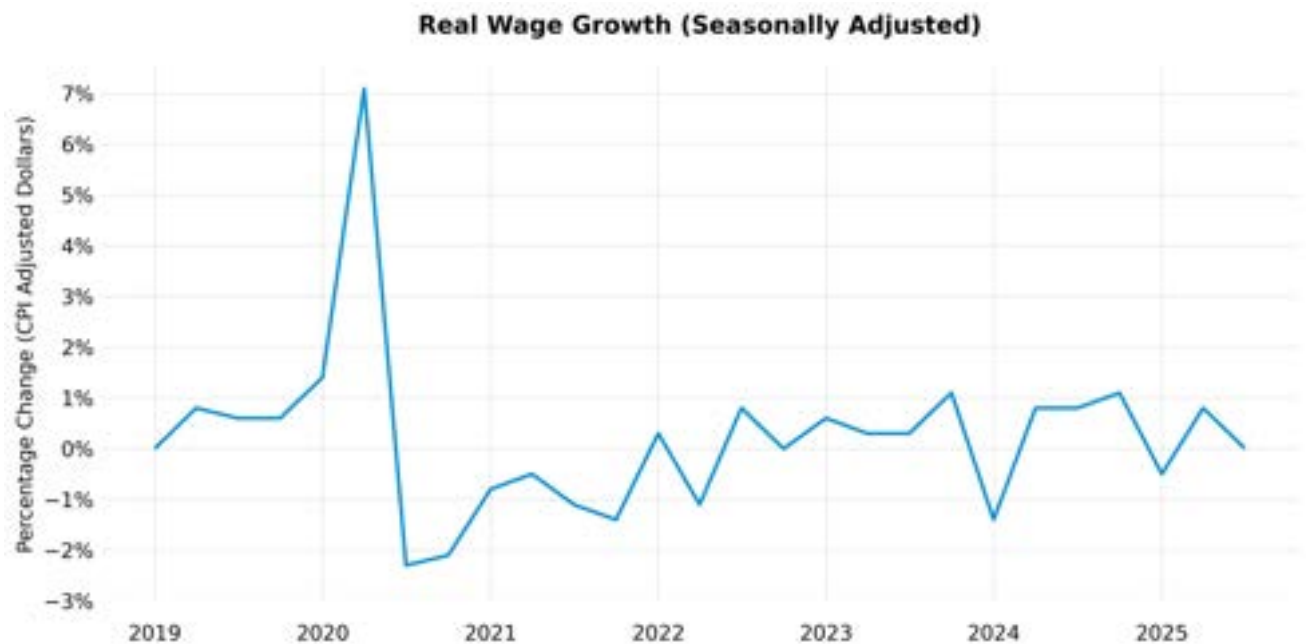
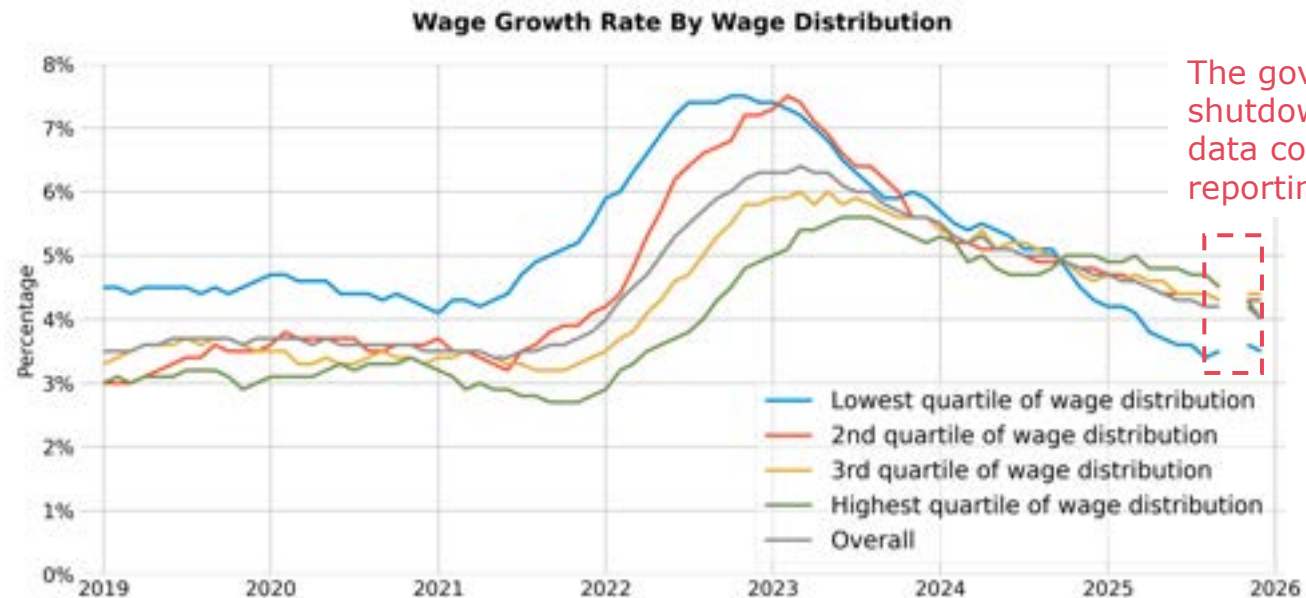
- State of the Consumer
- Credit Card
- Personal Loan
- Auto
- Student Loan
- Mortgage



**Unemployment remained low and generally flat after seasonal adjustment**

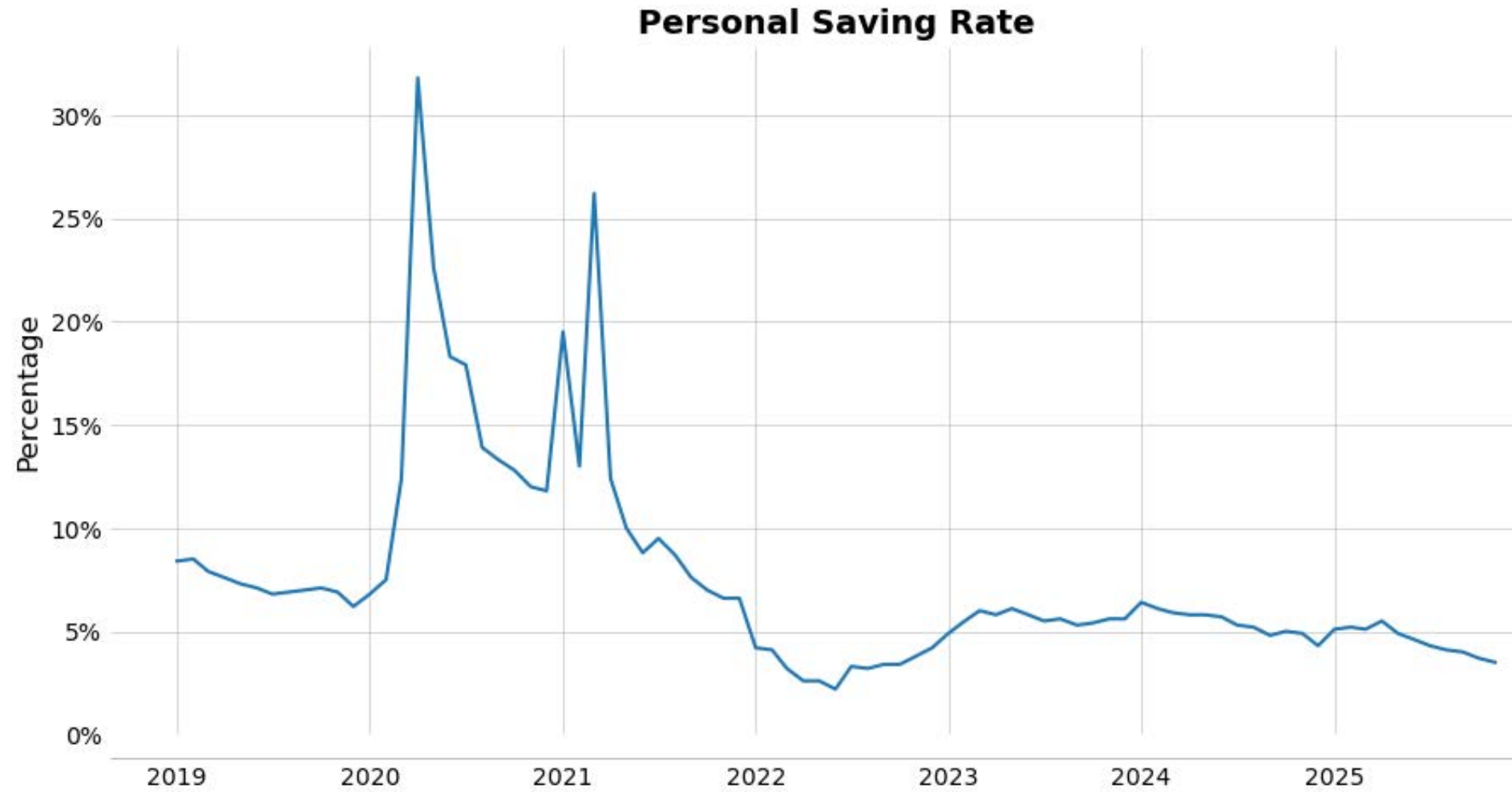


**Wage growth remained historically low for the lowest income quartile**



Source: 20S, [Atlanta Fed](#) (Data updated Jan 15, 2026), [FRED](#) (Data as of Dec 4th, 2025)

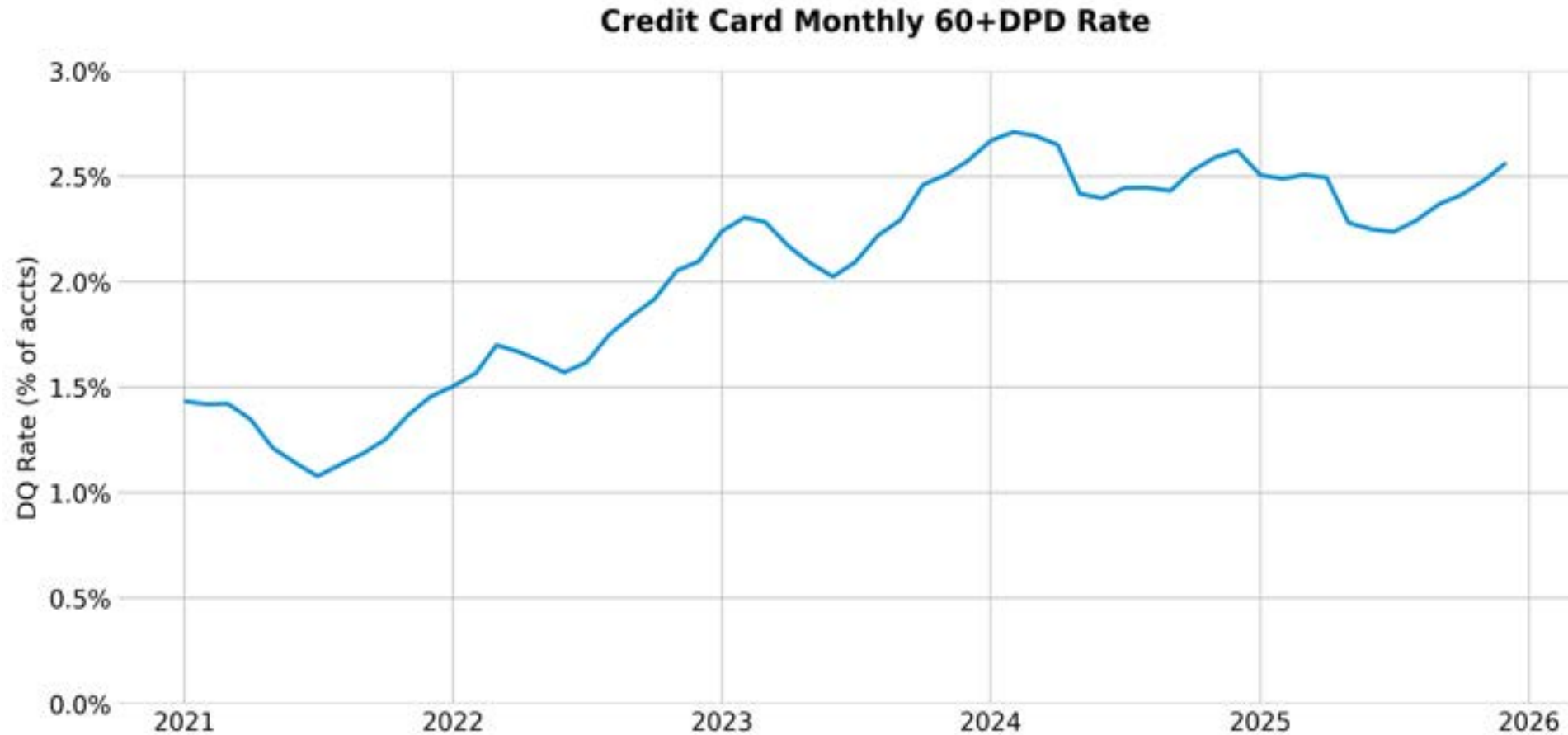
**The personal saving rate decreased slightly in Q4**



- State of the Consumer
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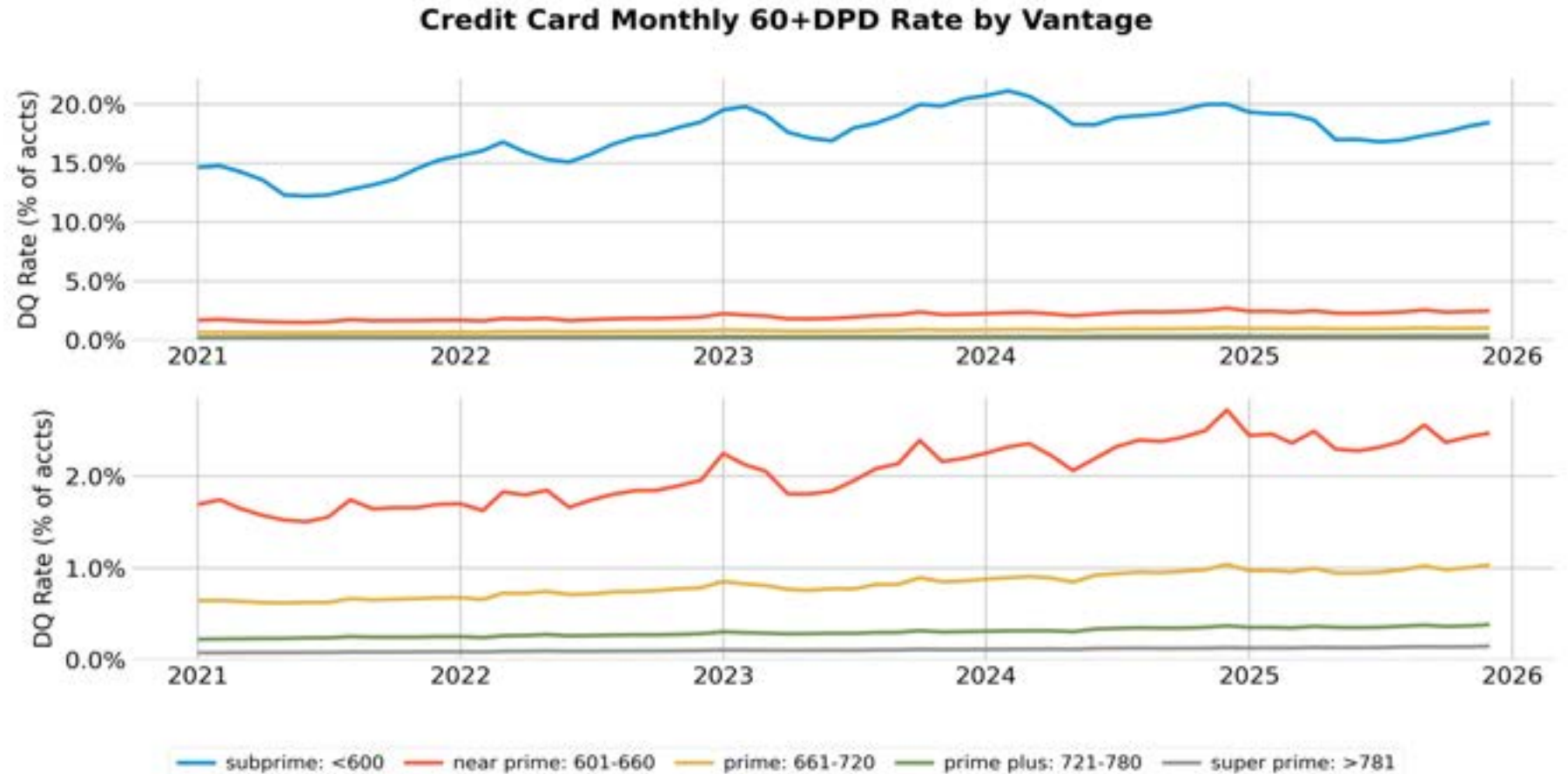


**Credit card delinquencies ticked up slightly in the second half of 2025**

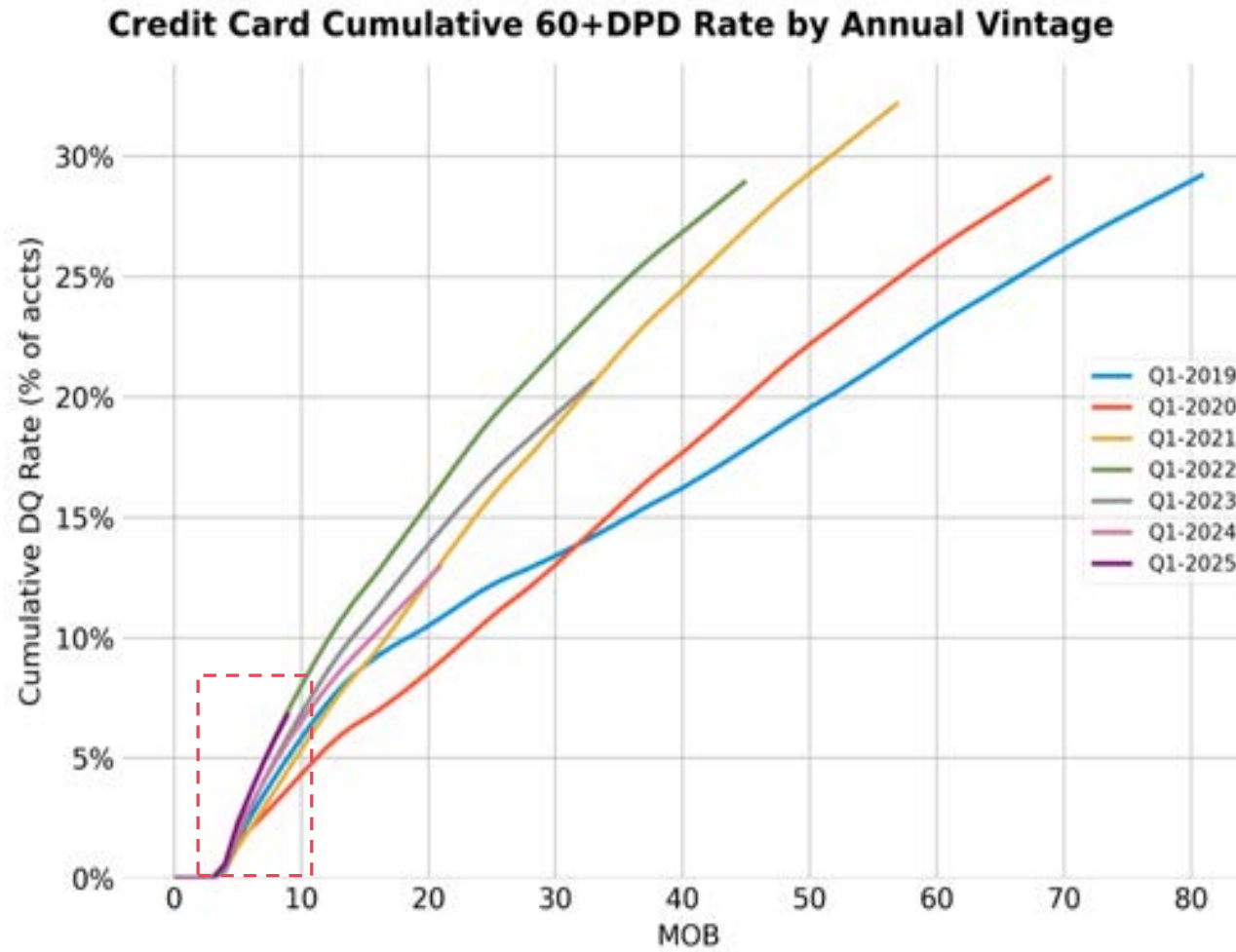


Source: 2OS, Equifax Ignite. Data as of Dec 20, 2025

**Delinquencies  
edged up in  
subprime, near-  
prime, and  
prime tiers**



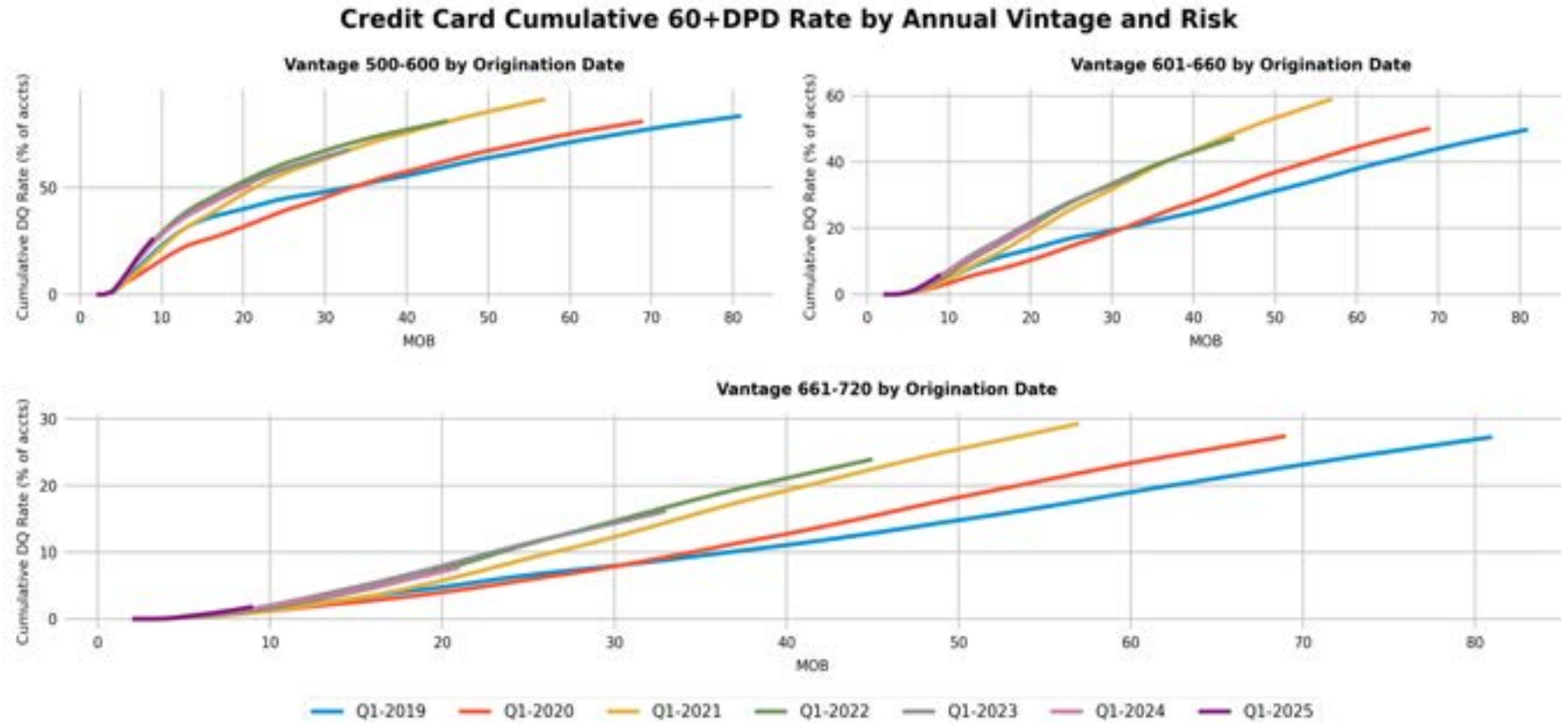
Recent vintages show elevated cumulative delinquencies with 2025 tracking 2022, the weakest cohort in recent lending history



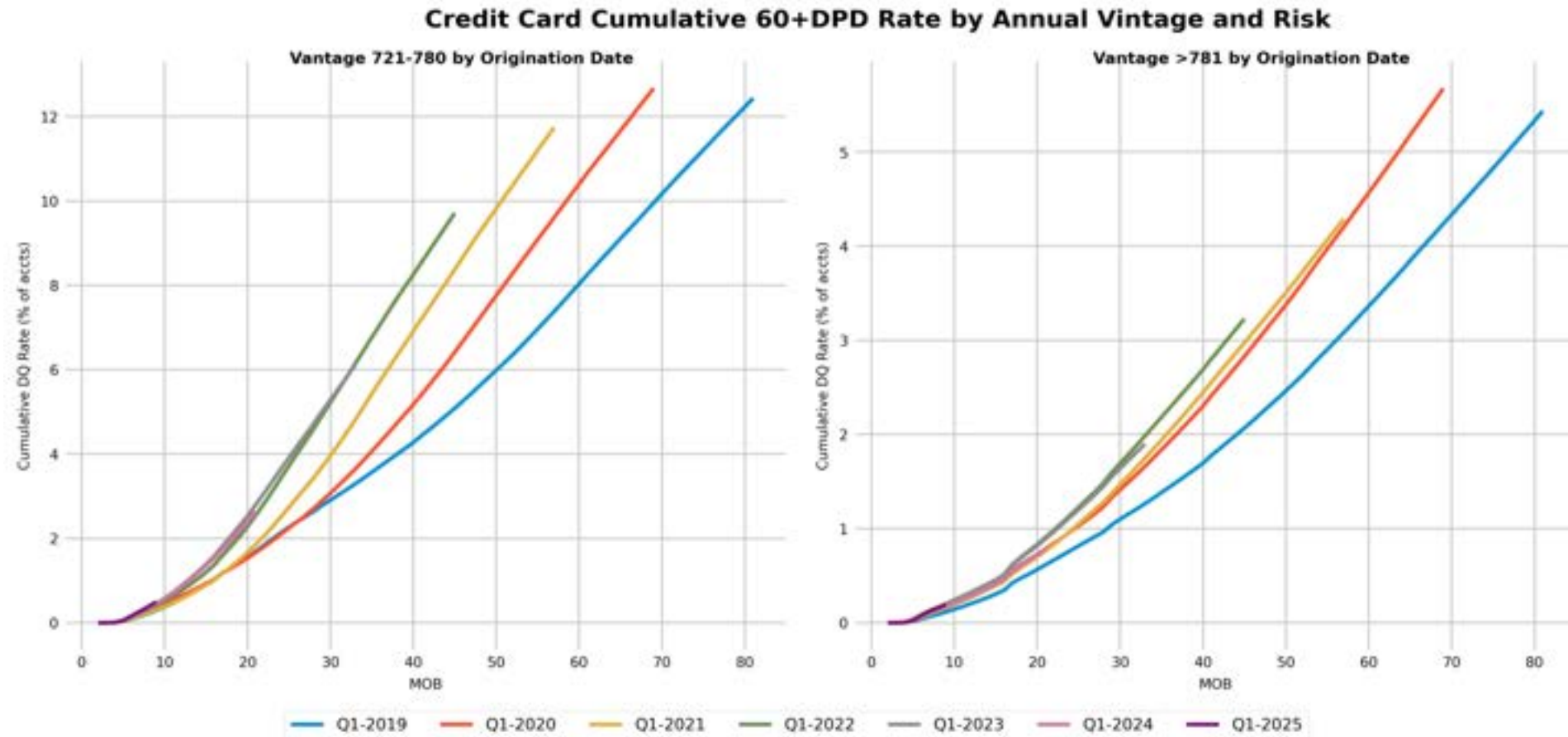
Vintage	Cumulative 60+ DPD at MOB 9
Q1 2025	6.9%
Q1 2024	5.7%
Q1 2023	5.9%
Q1 2022	7.0%
Q1 2021	4.5%
Q1 2020	3.7%

Source: 2OS, Equifax Ignite. Data as of Dec 20, 2025

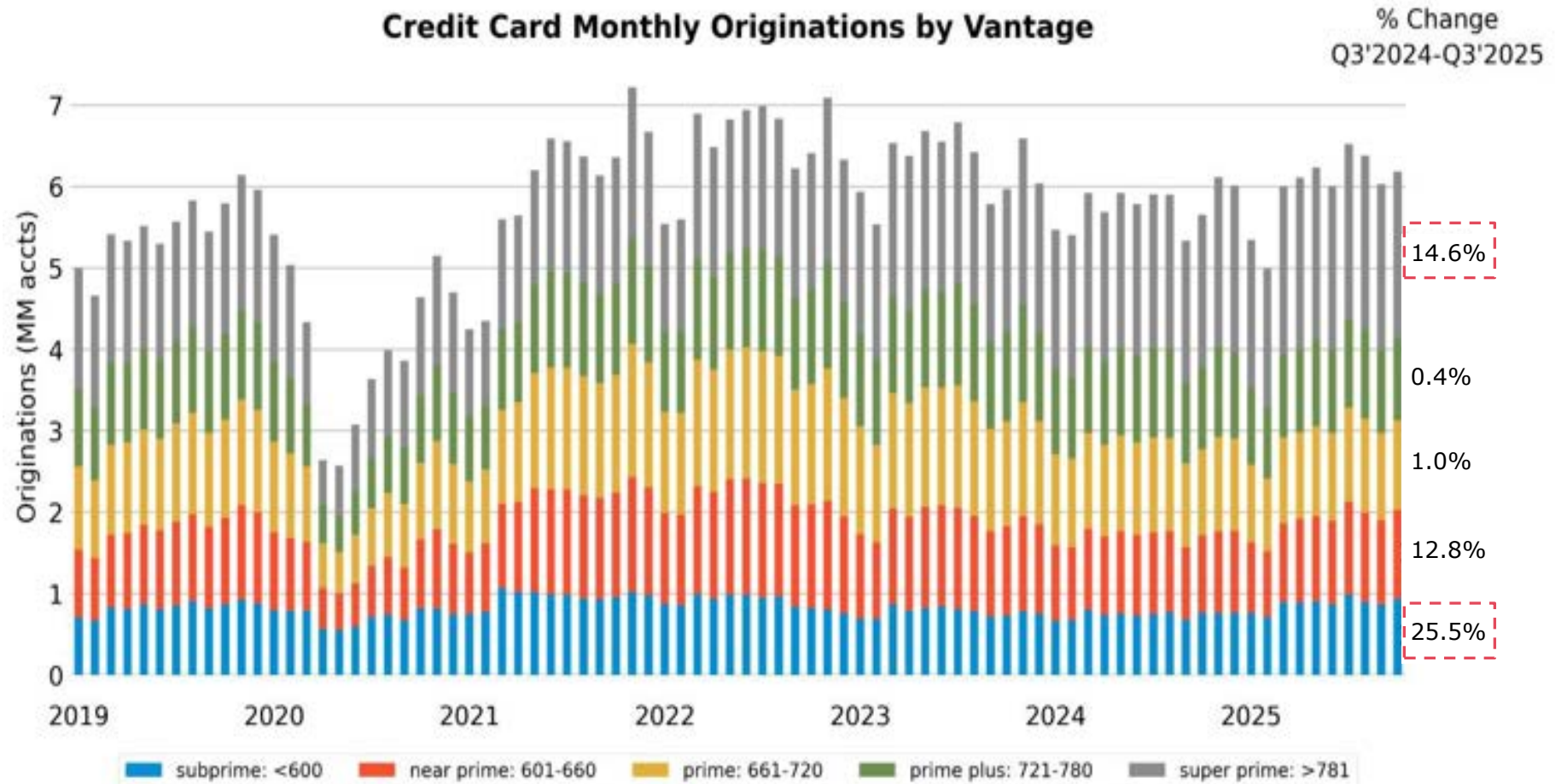
**Across risk bands, Q1 2025 is performing slightly worse than prior vintages (Slide 1 of 2)**



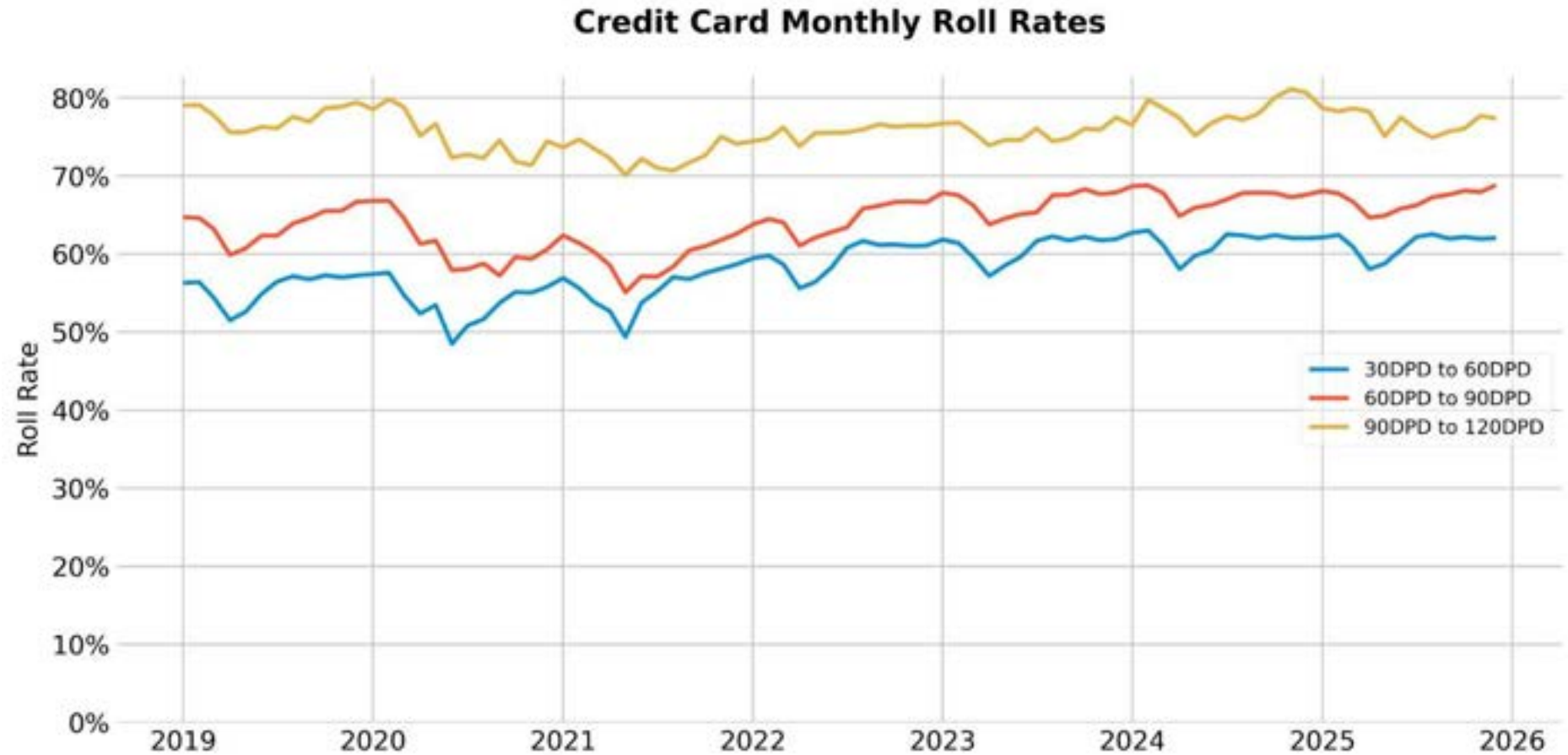
**Across risk bands, Q1 2025 is performing in line with or slightly worse than prior vintages (Slide 2 of 2)**



**Year-over-year growth in subprime and super-prime originations outpaced other Vantage bands**

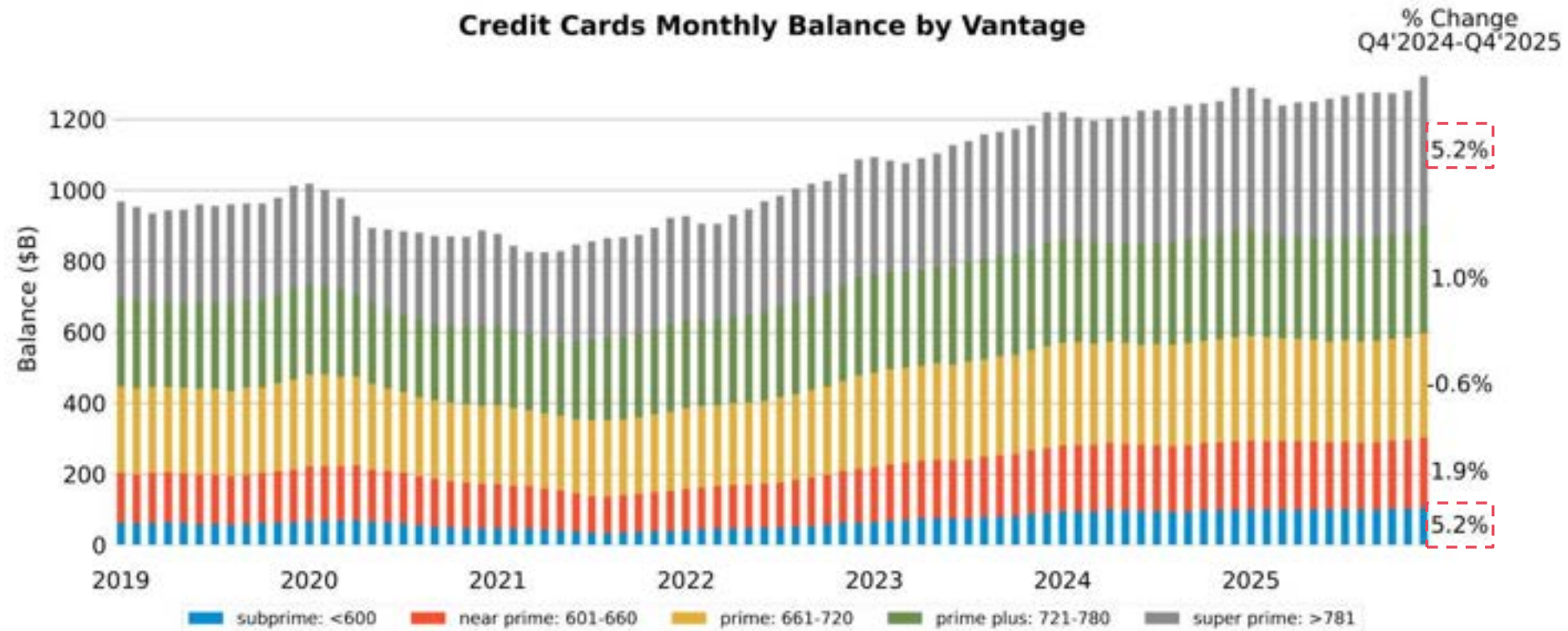


**Roll rates  
remained  
relatively stable**

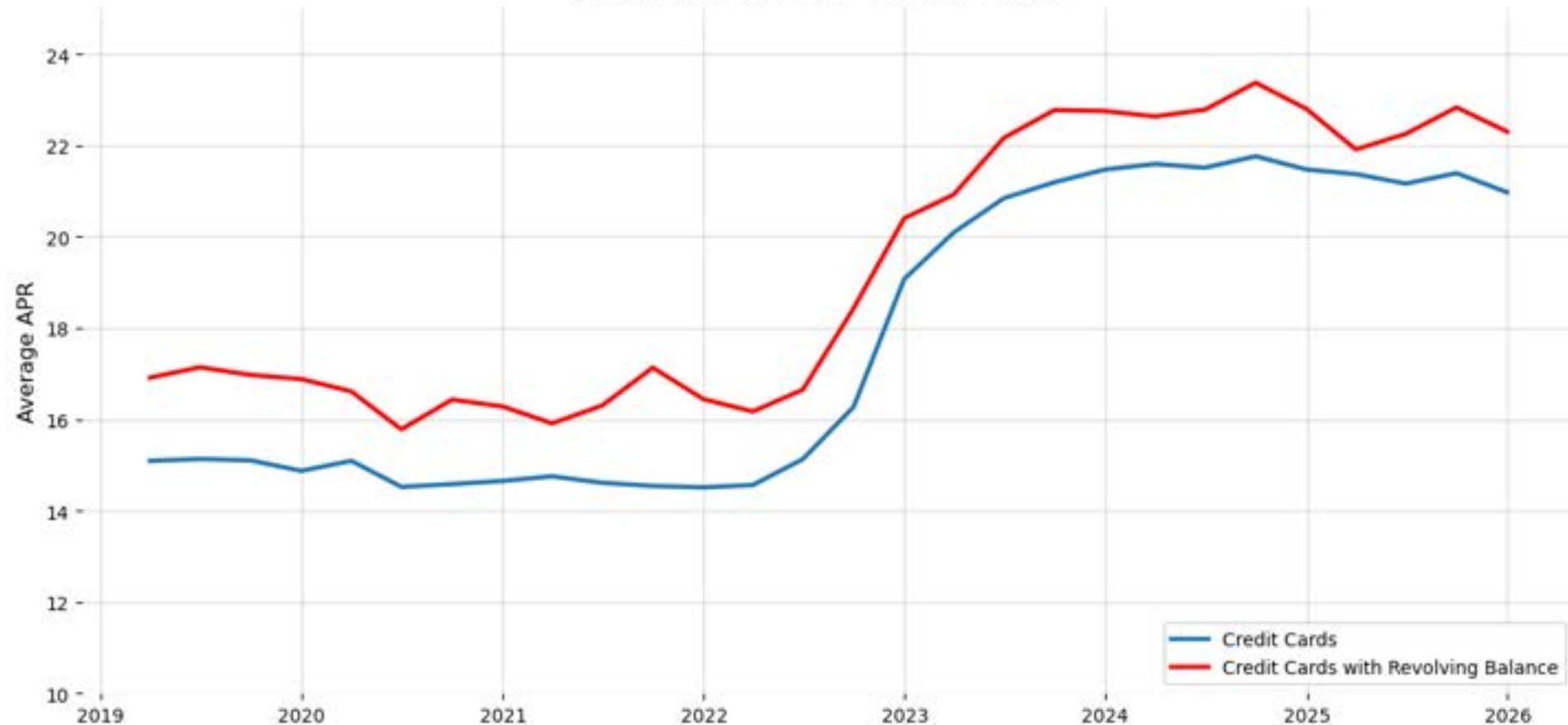


Source: 2OS, Equifax Ignite. Data as of Dec 20, 2025

**Credit card debt was stable across most tiers, rising in subprime and super-prime segments**

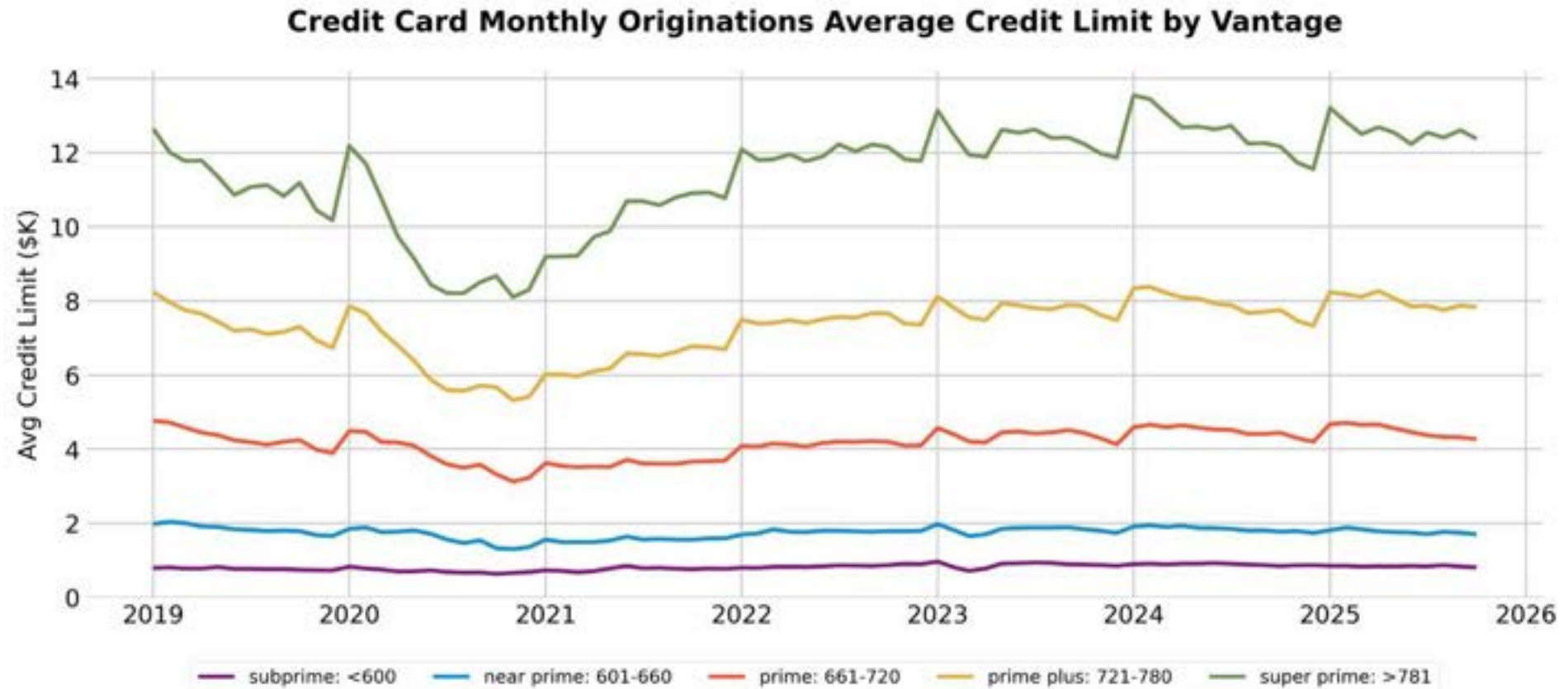


Average APR for Credit Cards



**Credit card APRs fell in Q4 2025 after a midyear uptick**

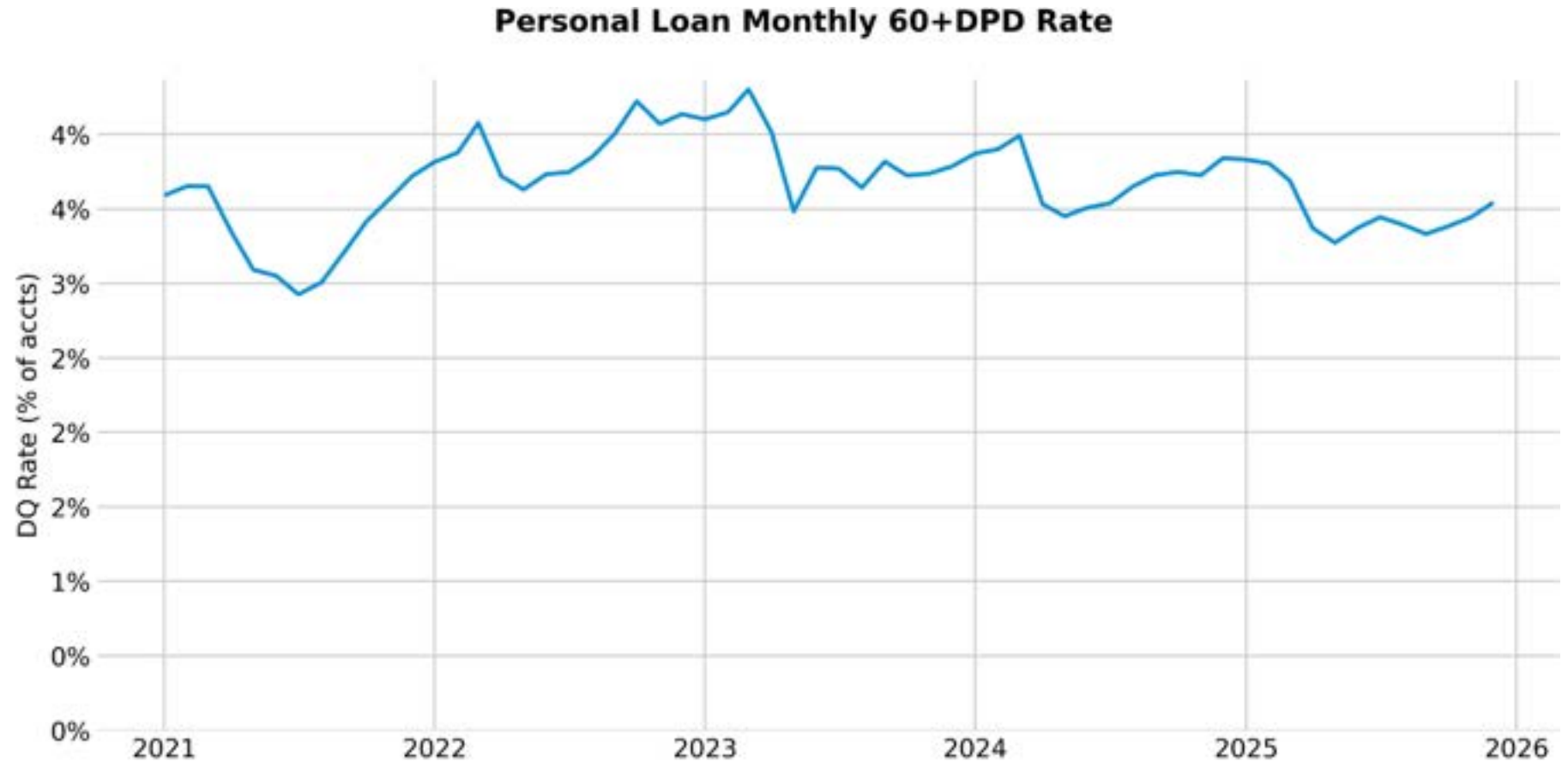
**Average credit limits declined from early 2025, in line with seasonal patterns**



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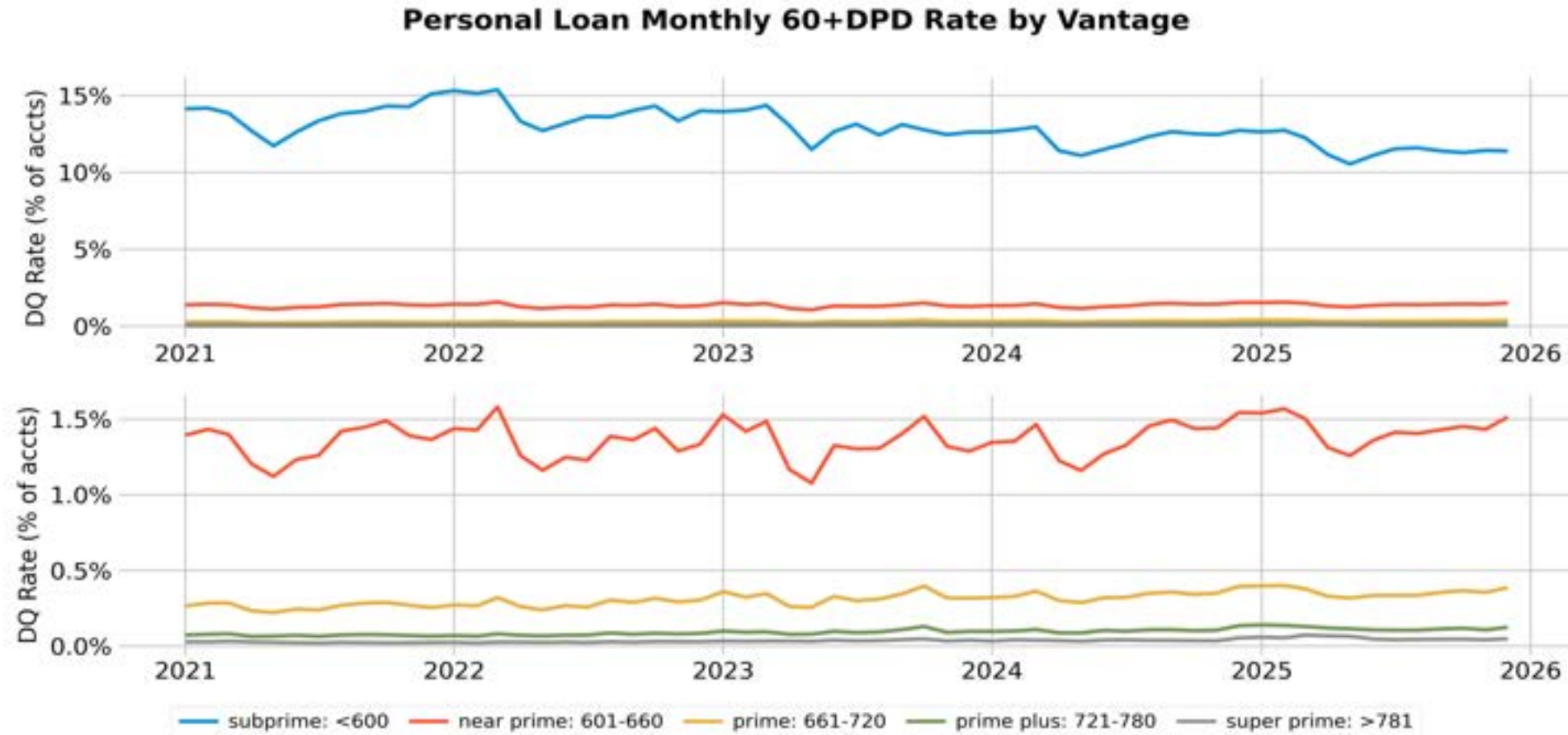


**60+ DPD slightly rose in Q4 2025 in line with seasonal trends, but remained down year-over-year**



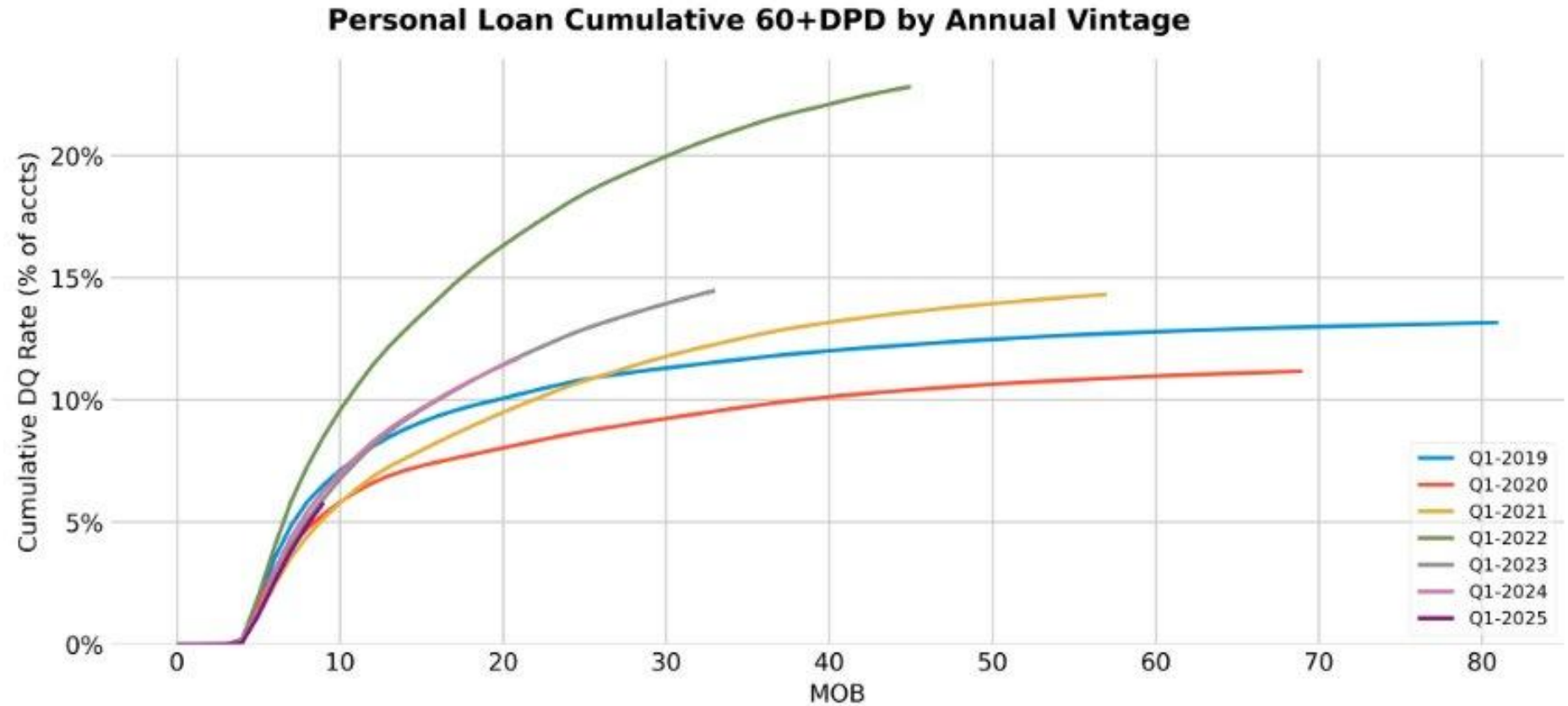
Source: 2OS, Equifax Ignite. Data as of Dec 20, 2025

**Prime and near-prime delinquency rates rose in late 2025**



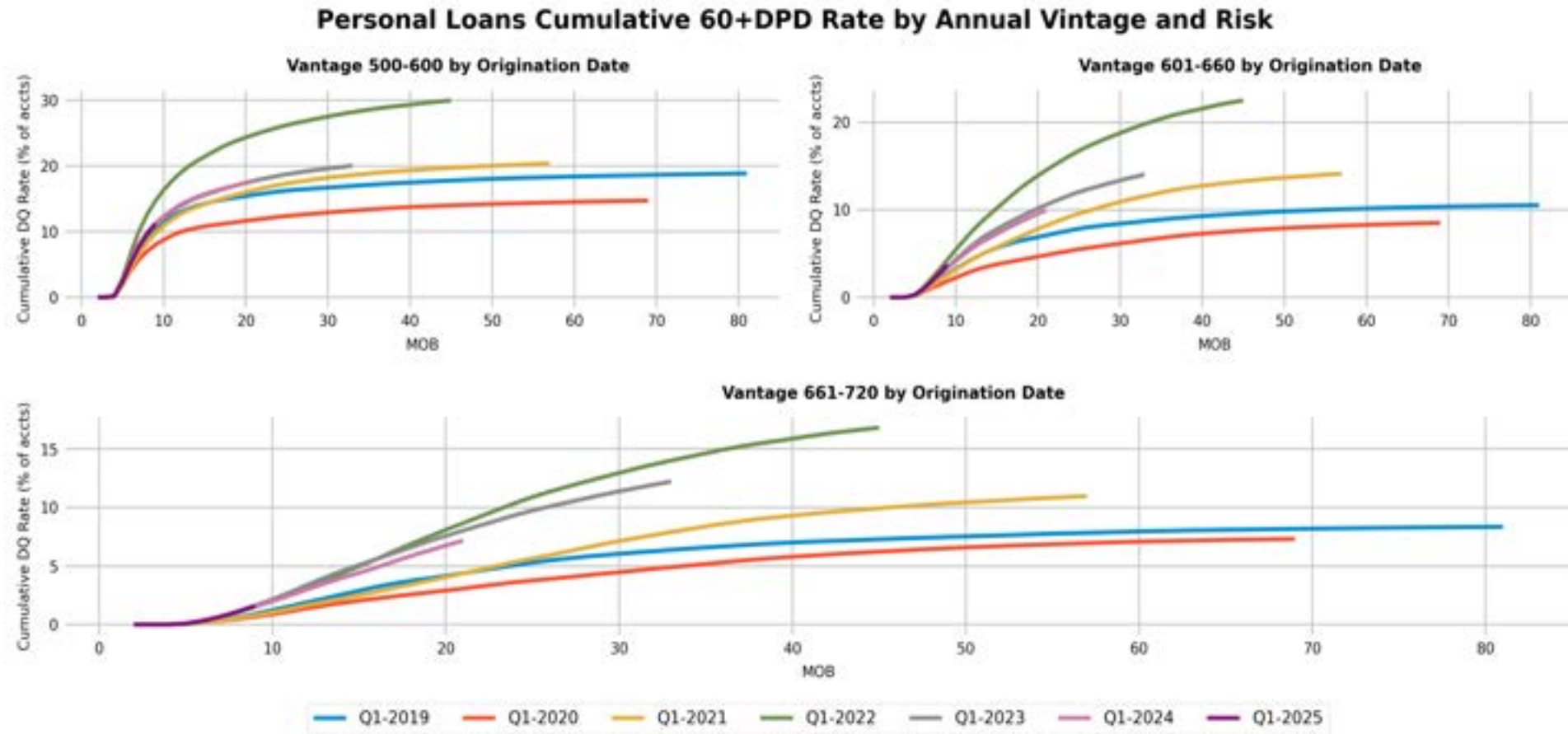
Source: 2OS, Equifax Ignite. Data as of Dec 20, 2025

The 2025  
vintage  
performed in  
line with the  
prior two years

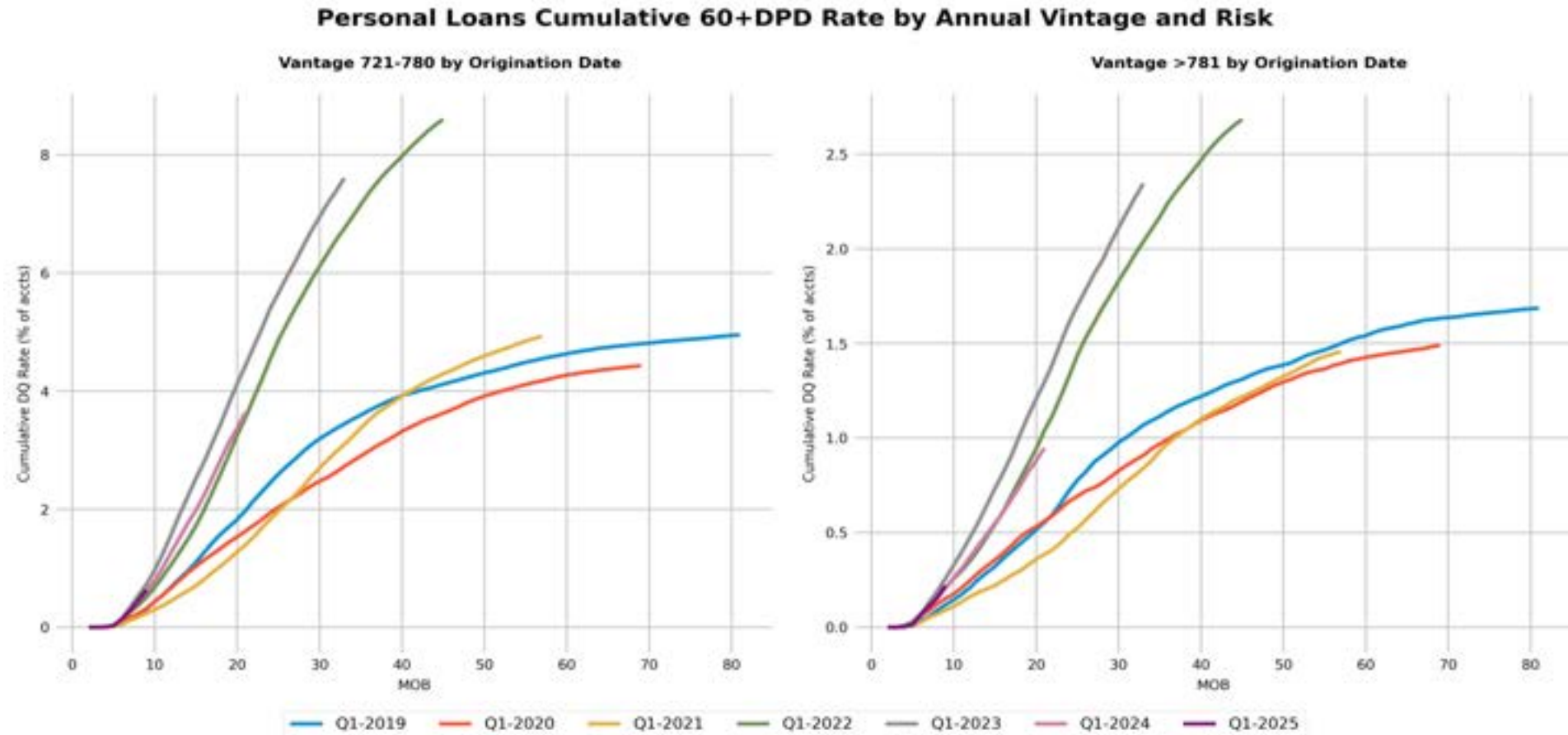


Source: 2OS, Equifax Ignite. Data as of Dec 20, 2025

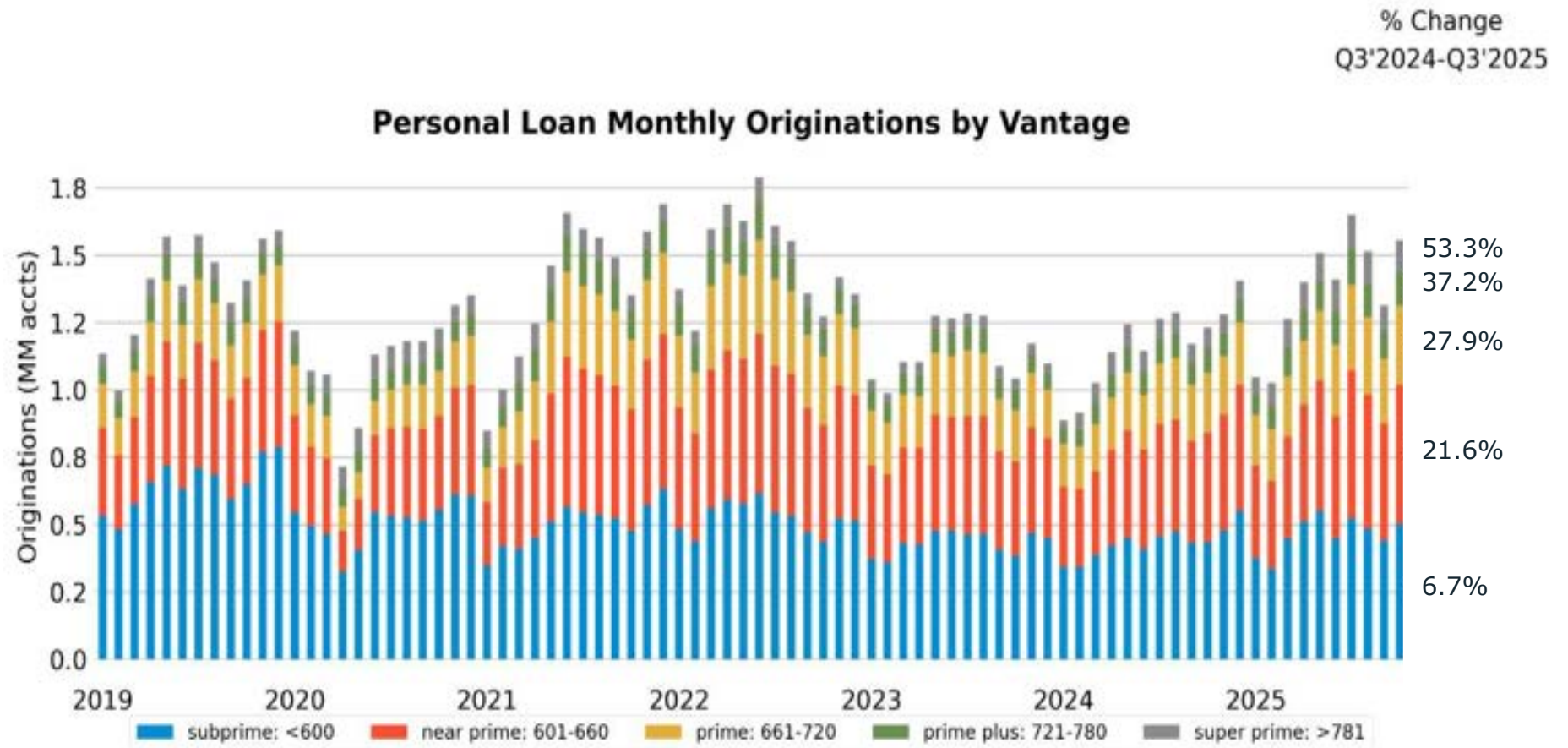
**2025  
performance  
aligns with  
recent years in  
lower Vantage  
bands  
(Slide 1 of 2)**



**For higher Vantage tiers, Q1 2025 is in line with or slightly better than recent performance (Slide 2 of 2)**

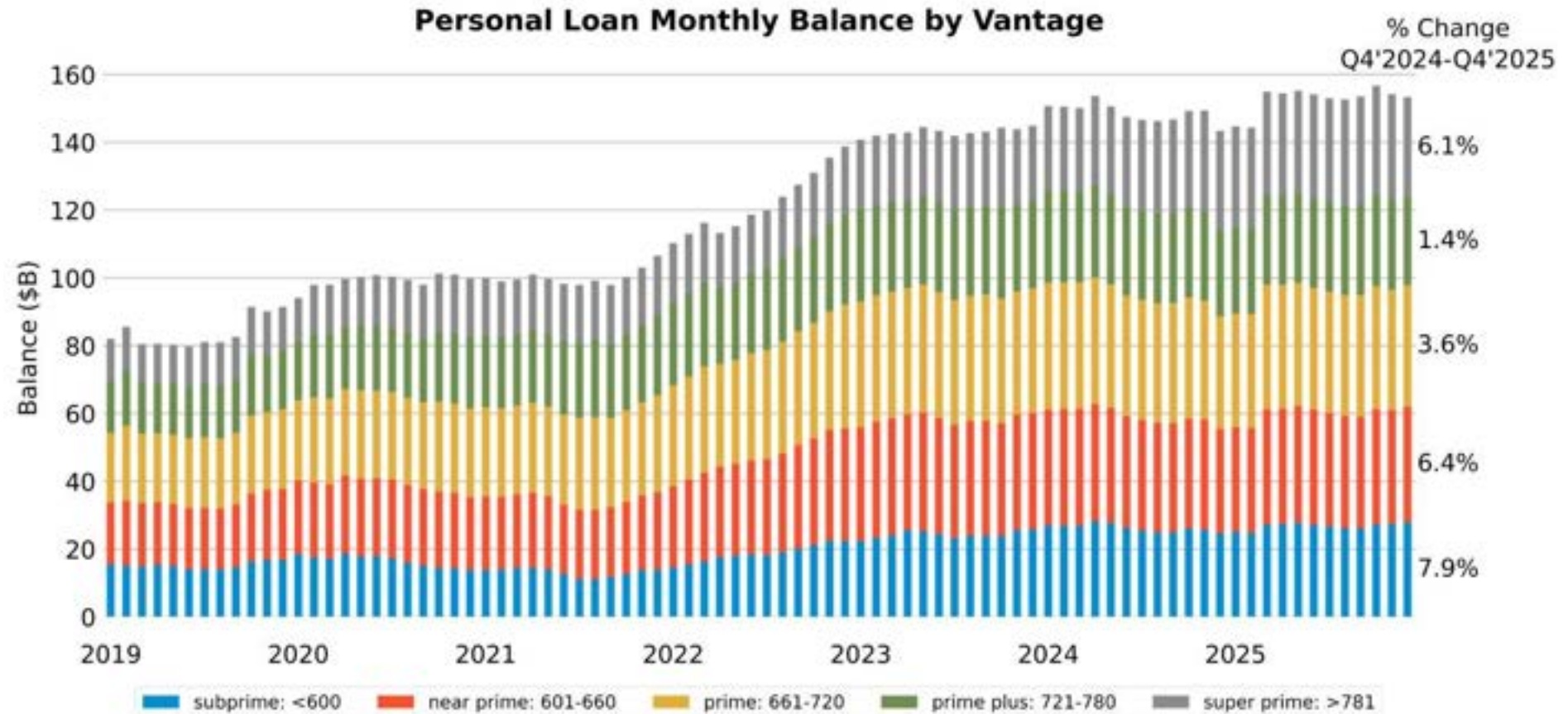


**Year-over-year  
PL originations  
rose more than  
20% for all but  
the highest risk  
band**

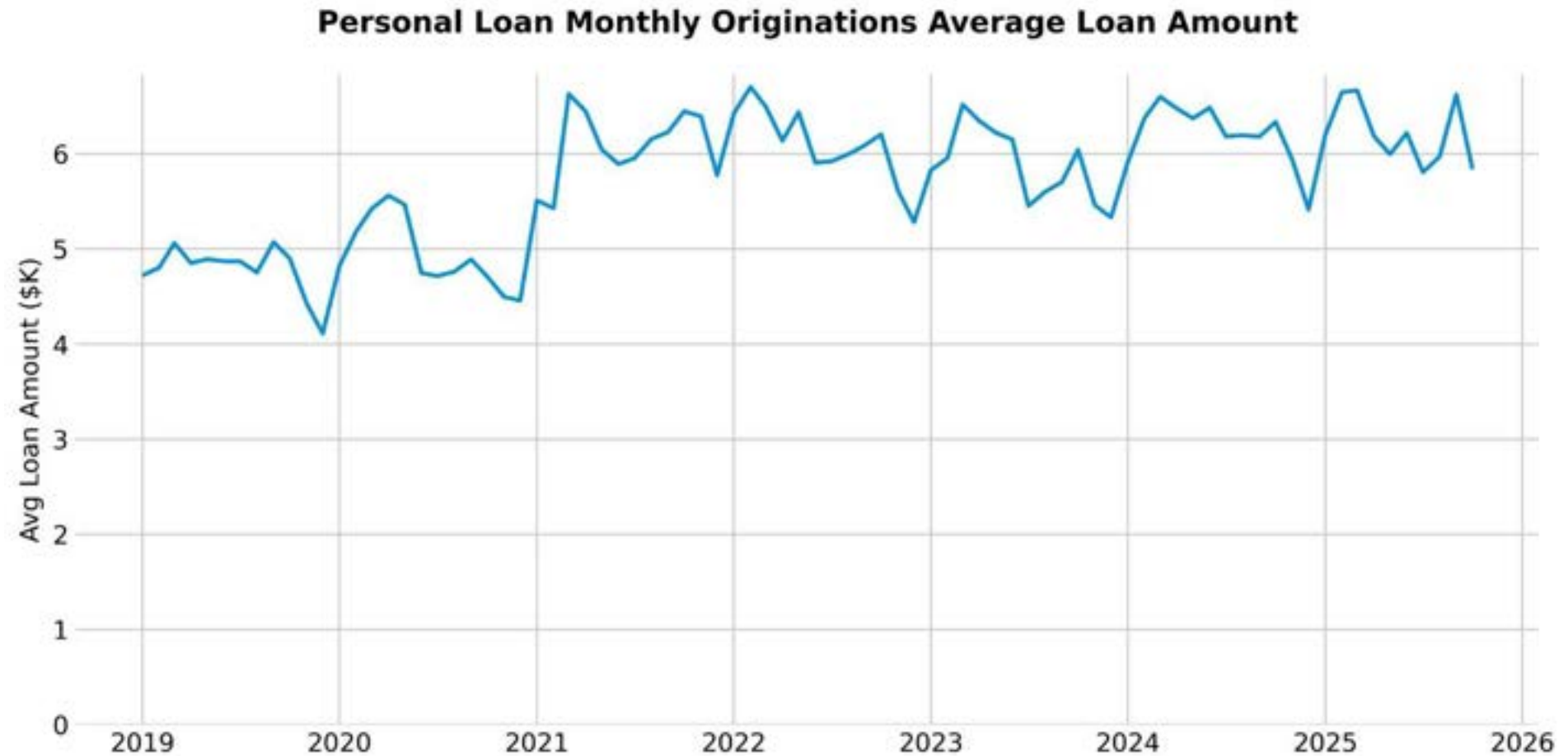


Source: 2OS, Equifax Ignite. Data as of Dec 20, 2025

Increased origination volume drove increased balances across risk tiers



**Average loan amounts remain relatively stable**

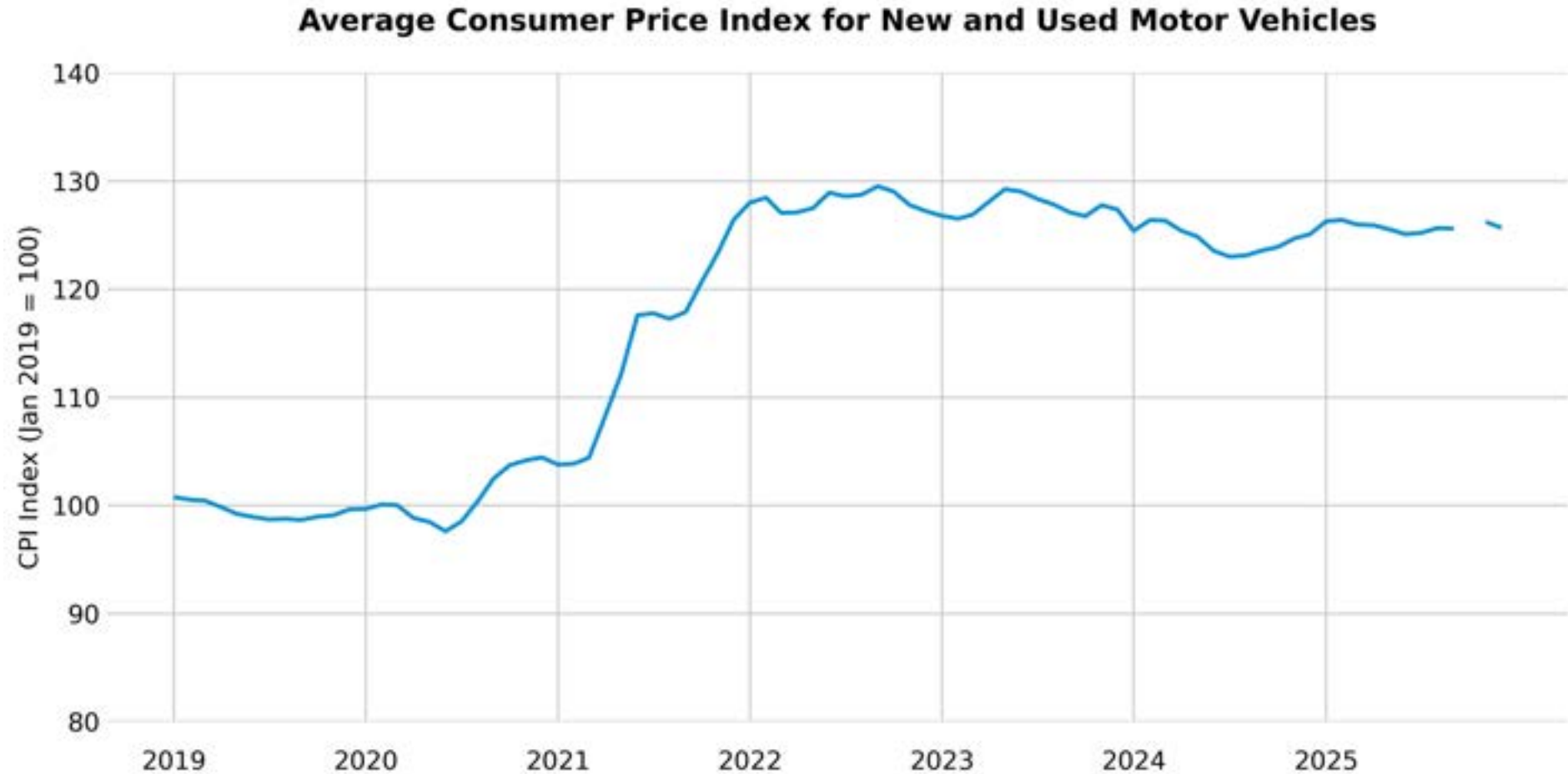


Source: 2OS, Equifax Ignite. Data as of Dec 20, 2025

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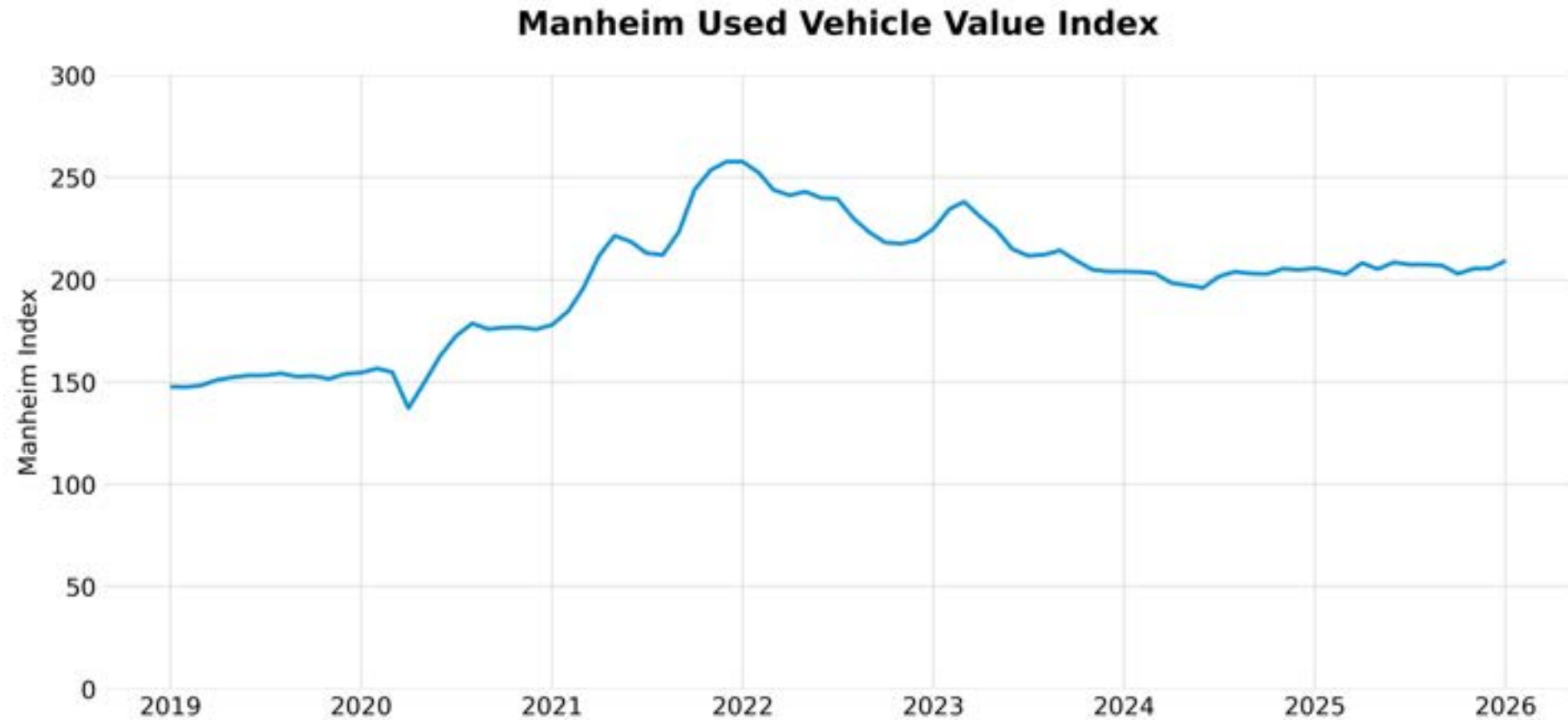


**New and used  
vehicle prices  
remained  
stable through  
Q4 2025**



Source: 20S, [FRED](#). Data as of Jan 13th, 2026

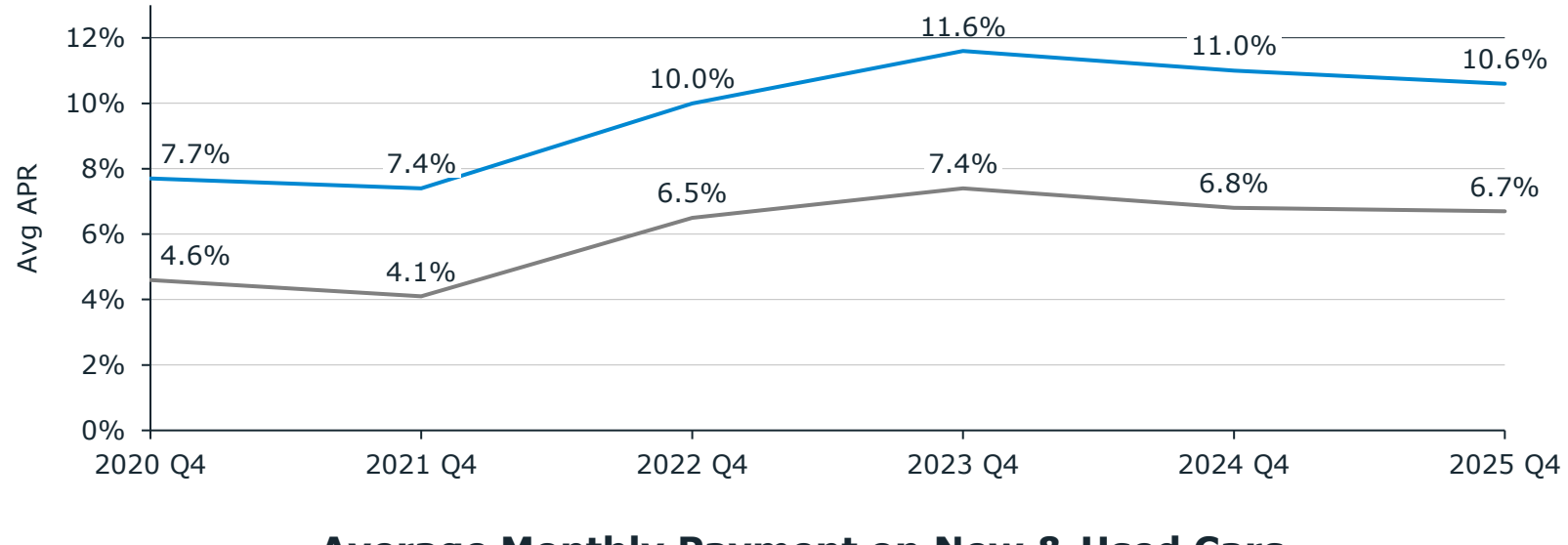
**Used vehicle  
prices saw a  
slight uptick in  
Q4 2025**



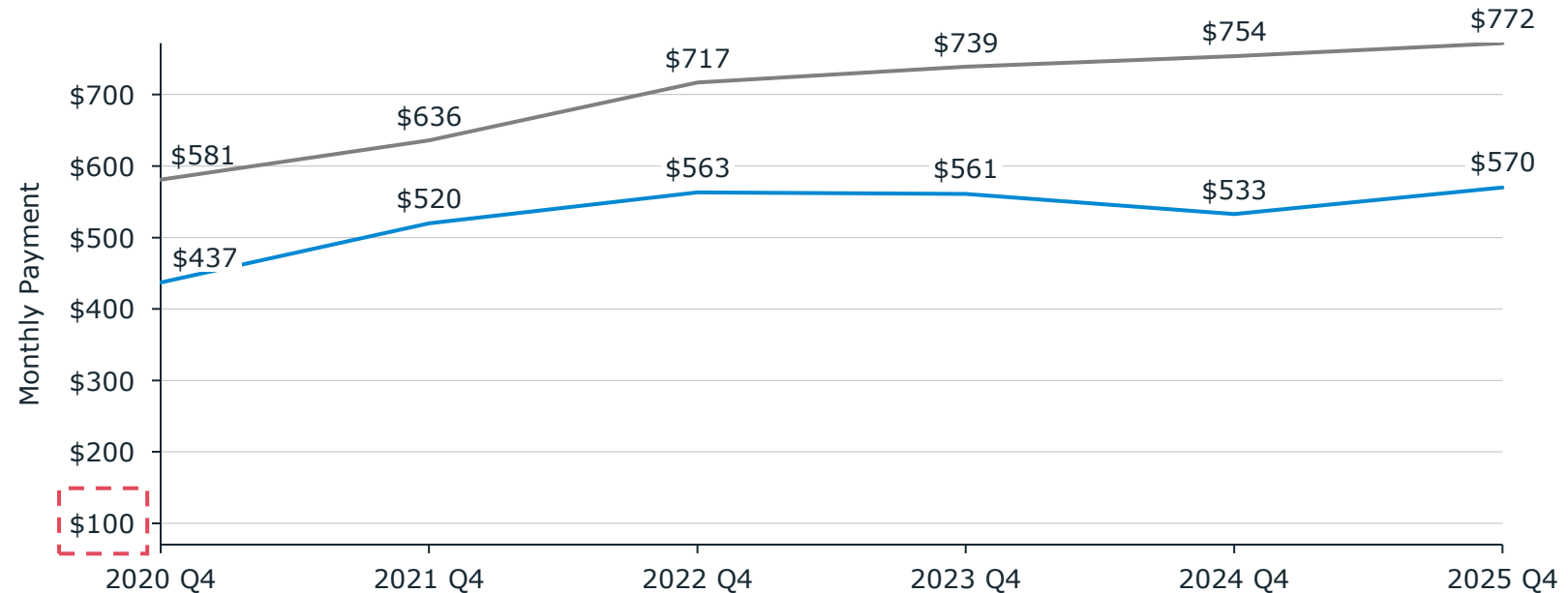
Source: 2OS, [Manheim](#). Data as of Oct 17th, 2025

While auto loan APRs eased in Q4, elevated car prices kept monthly payment averages at record highs

### Average APR on New & Used Cars

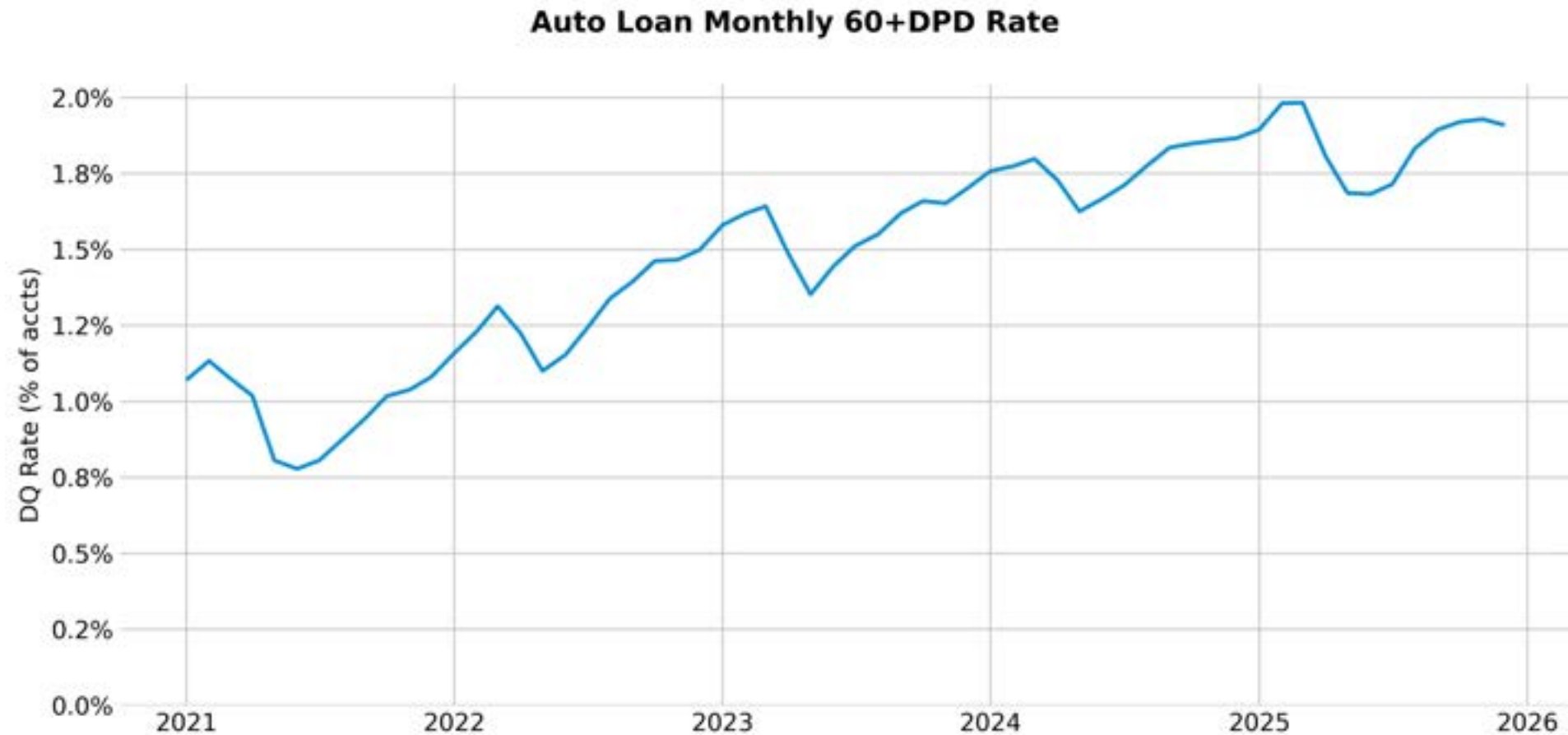


### Average Monthly Payment on New & Used Cars



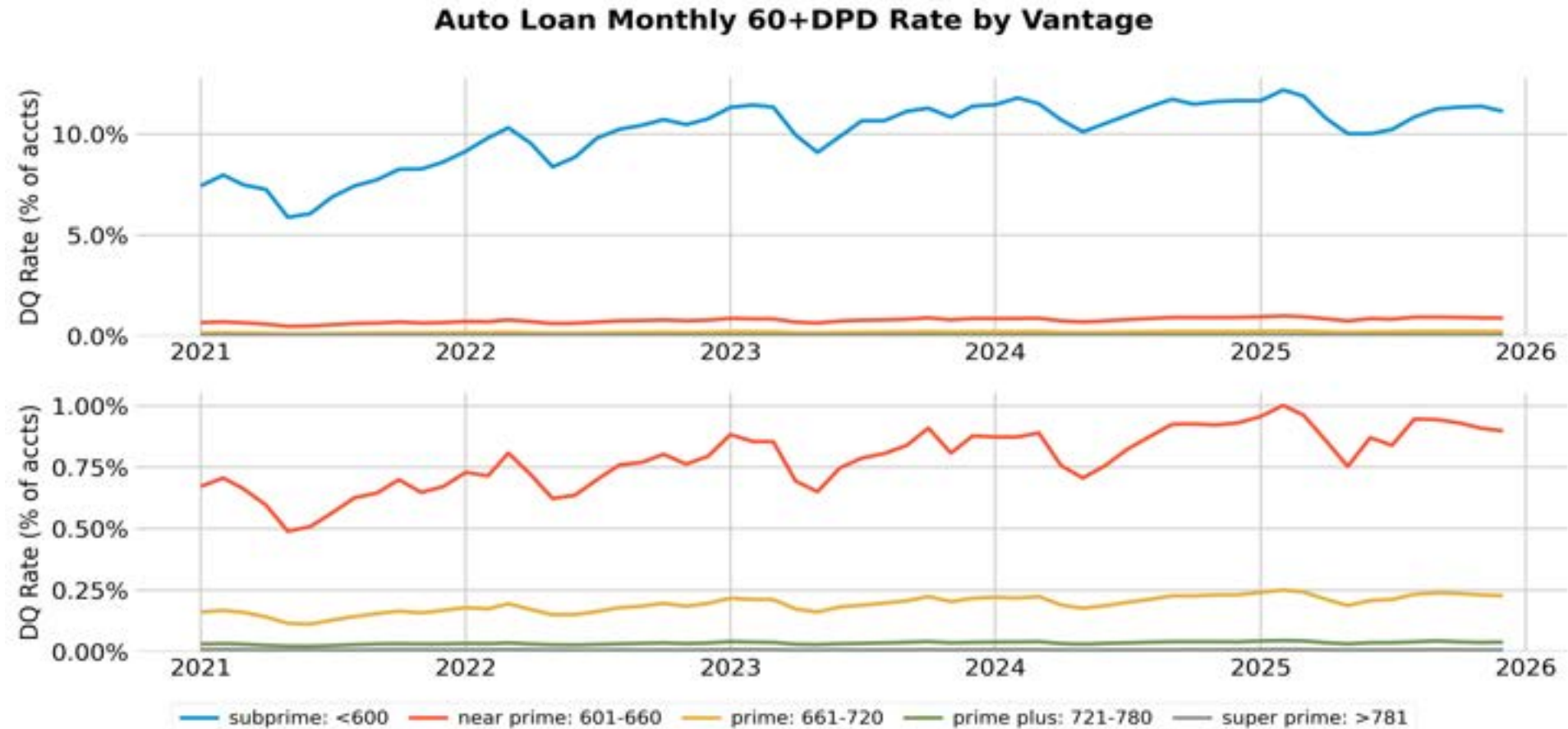
Source: [Edmunds](#) reports 2020-2025. Data as of Dec 31st, 2025

**Auto loan  
delinquency  
rates decreased  
in Q4, diverging  
from recent  
seasonal trends**



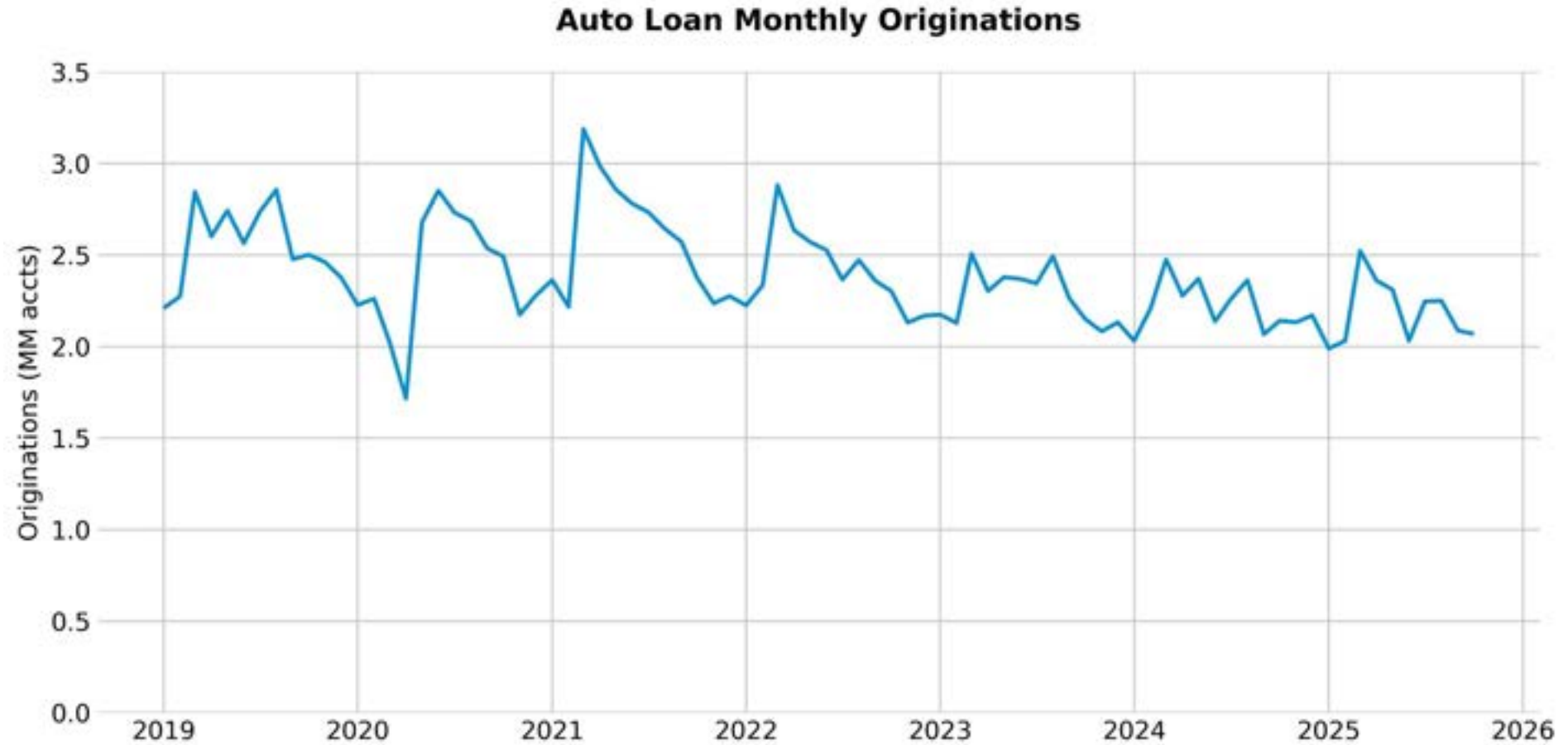
Source: 2OS, Equifax Ignite. Data as of Dec 20, 2025

**Decreased  
delinquency  
rates were  
mainly driven  
by subprime  
and near-prime  
bands**



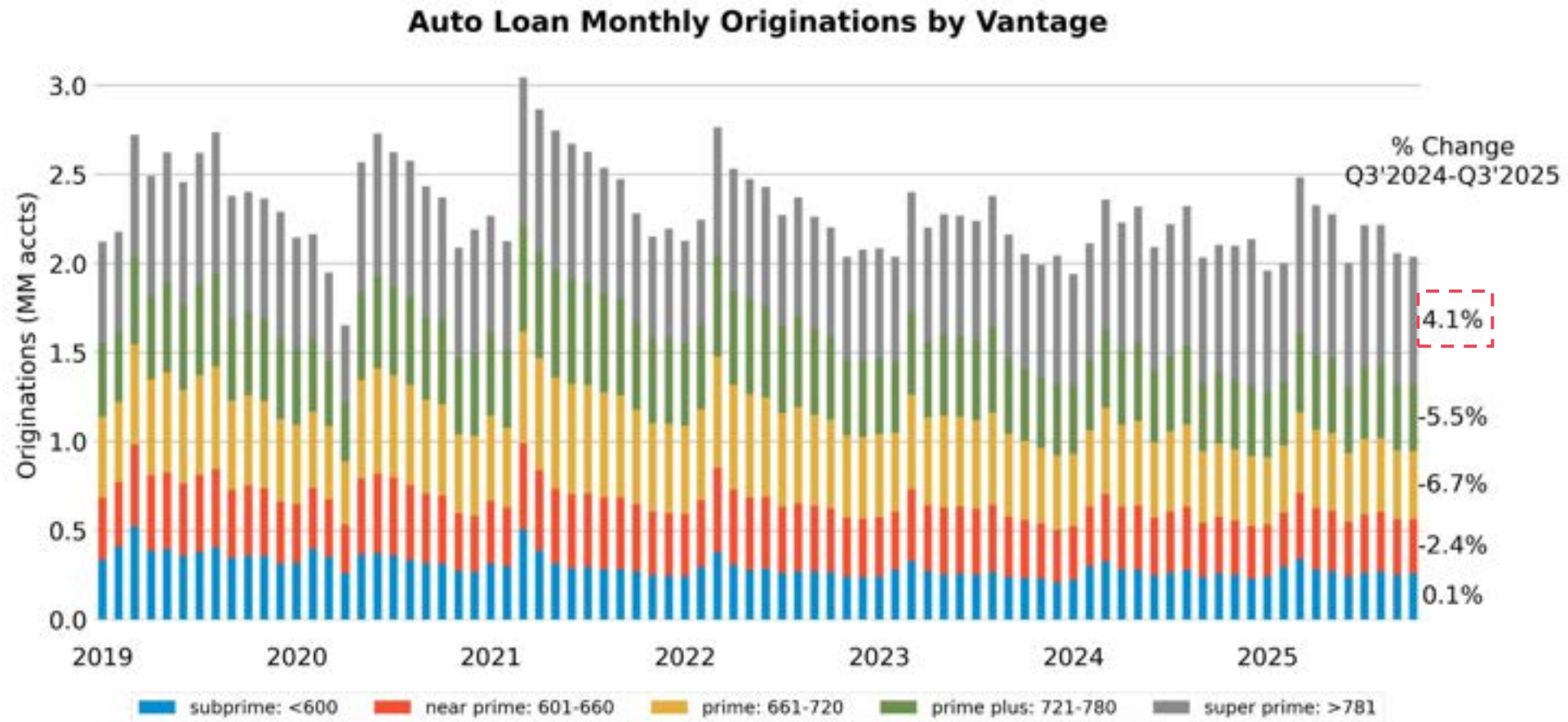
Source: 2OS, Equifax Ignite. Data as of Dec 20, 2025

**Auto loan  
originations  
dipped in Q4,  
consistent with  
seasonal trends**



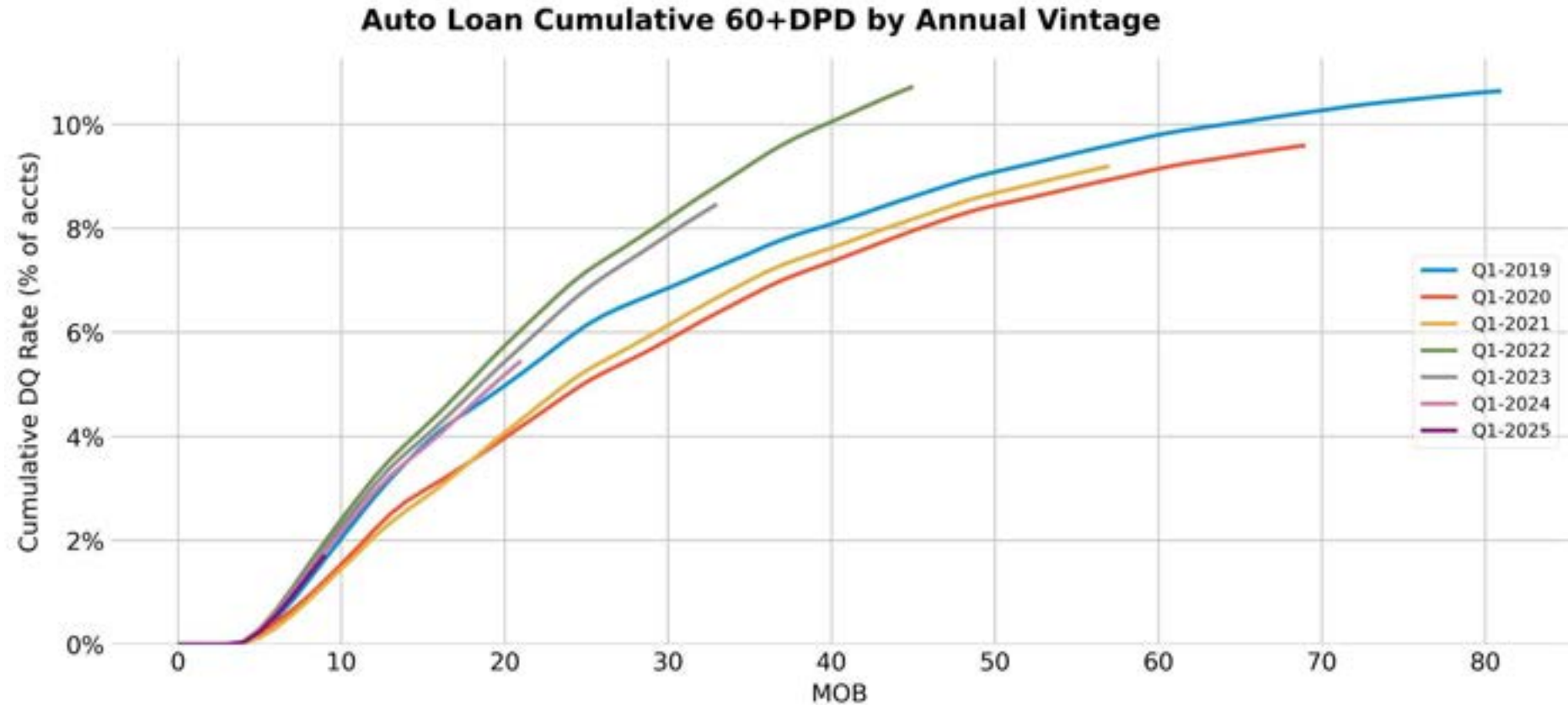
Source: 20S, Equifax Ignite. Data as of Dec 20, 2025

**Year-over-year  
originations  
shifted towards  
super-prime,  
while other risk  
tiers declined or  
remained flat**



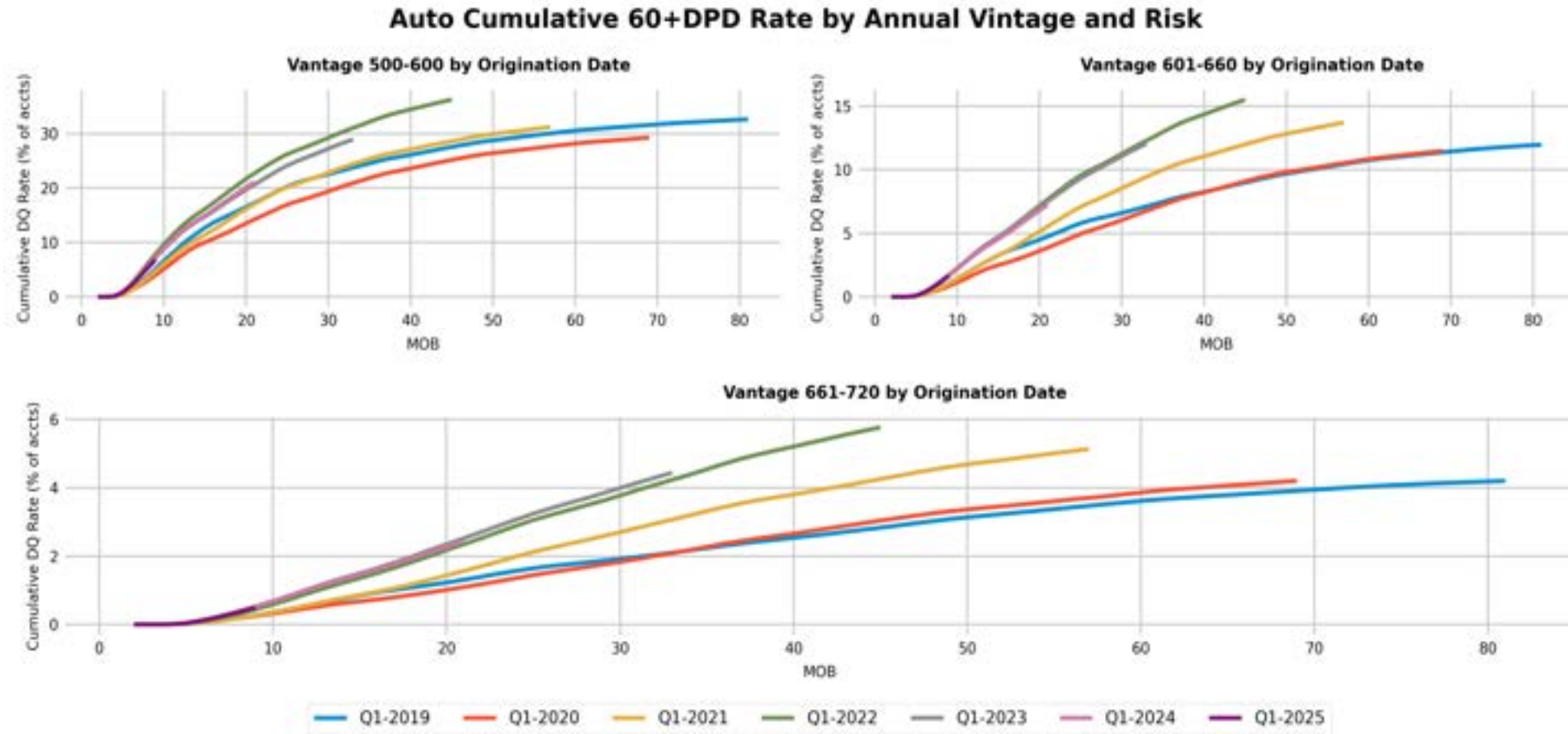
Source: 20S, Equifax Ignite. Data as of Dec 20, 2025

**Delinquency  
rates for Q1  
2025  
originations  
continued  
improving from  
the prior three  
years**

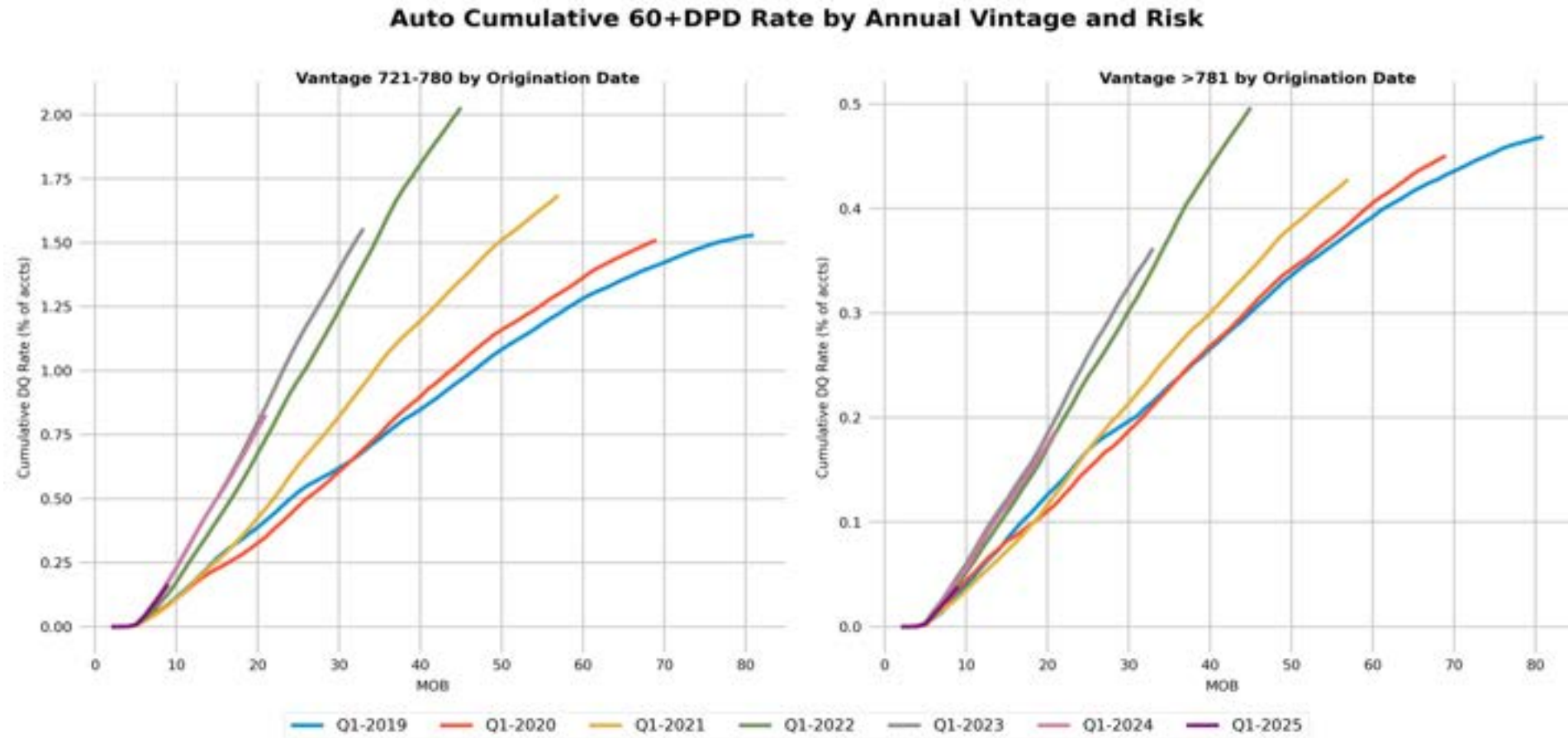


Source: 2OS, Equifax Ignite. Data as of Dec 20, 2025

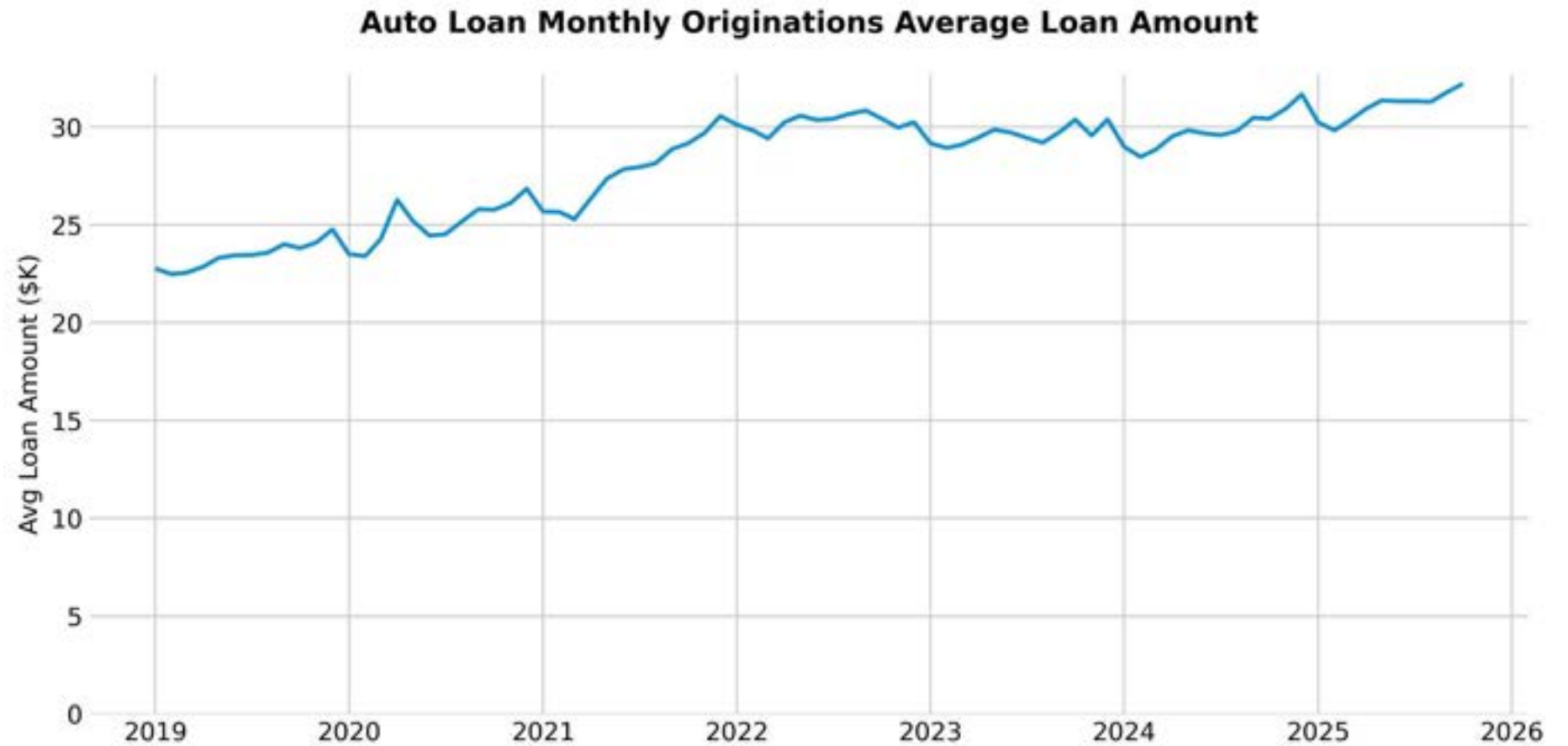
**Subprime Q1  
2025 vintages  
slightly  
outperformed  
the past three  
years, while  
other bands held  
steady  
(Slide 1 of 2)**



**Prime-plus Q1  
2025 vintages  
outperformed  
2023-24, with  
super-prime  
also beating  
2022  
(Slide 2 of 2)**

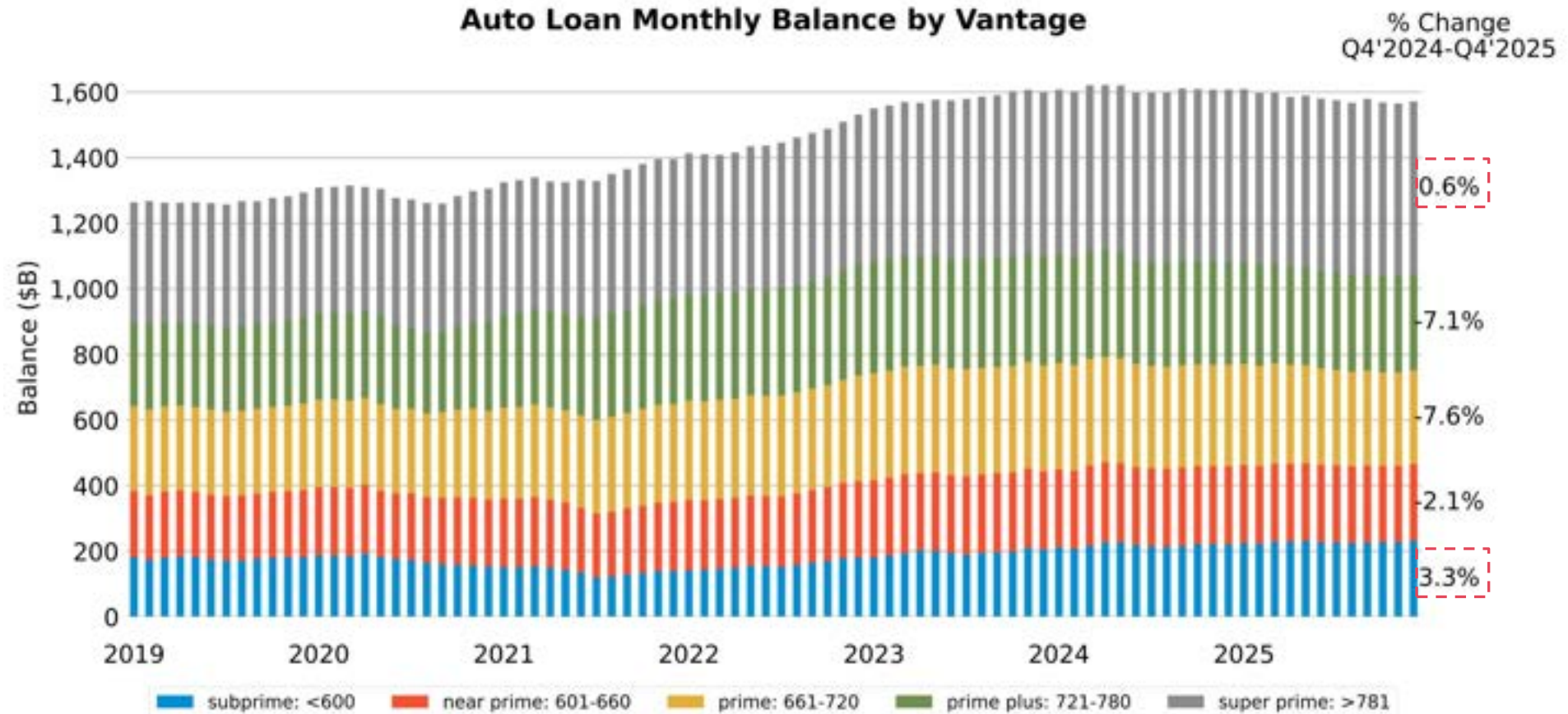


**Average auto  
loan amount  
increased year-  
over-year**



Source: 2OS, Equifax Ignite. Data as of Dec 20, 2025

**Loan balances remained stable compared to Q4 2024, with growth concentrated in super-prime and subprime**

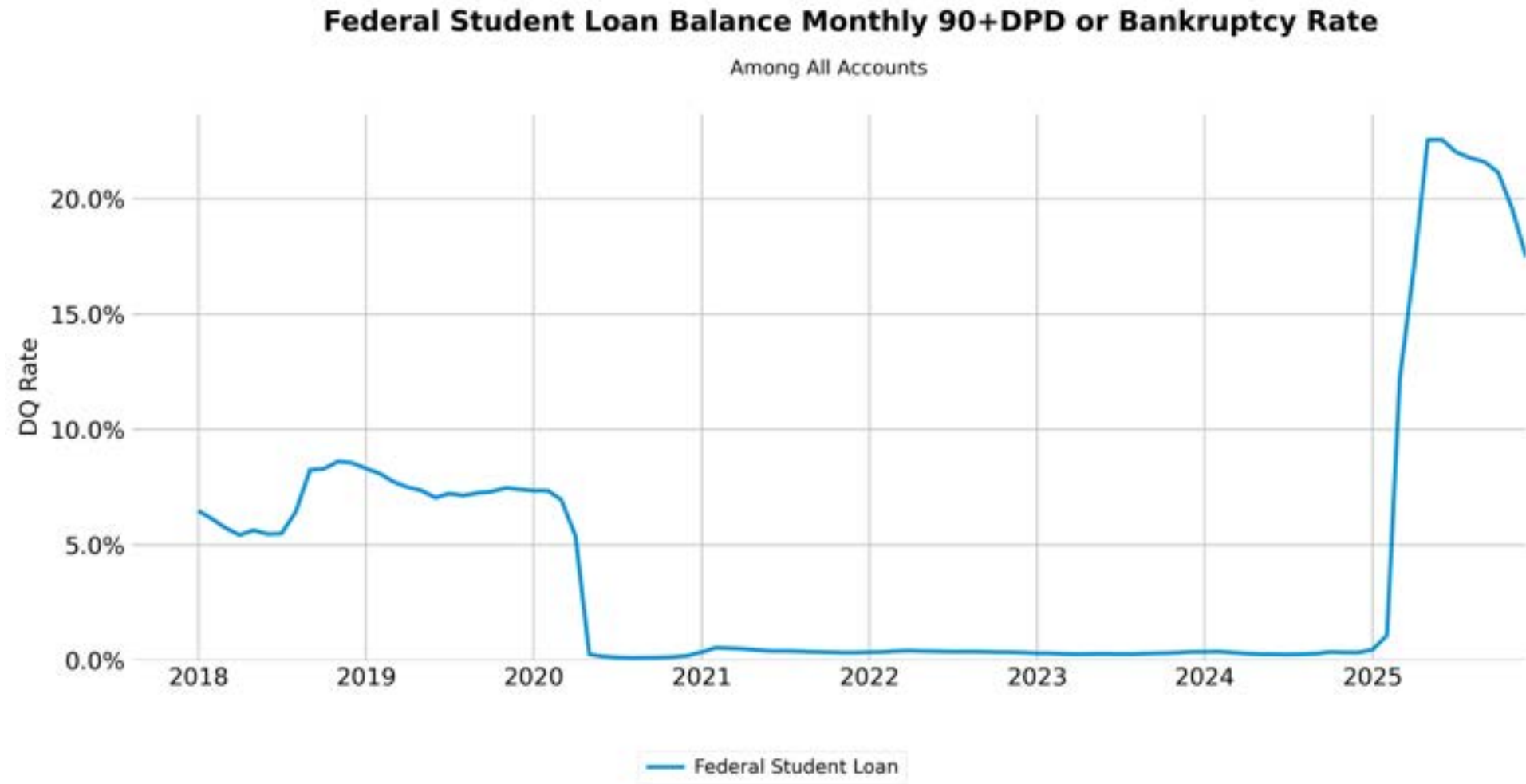


Source: 2OS, Equifax Ignite. Data as of Dec 20, 2025

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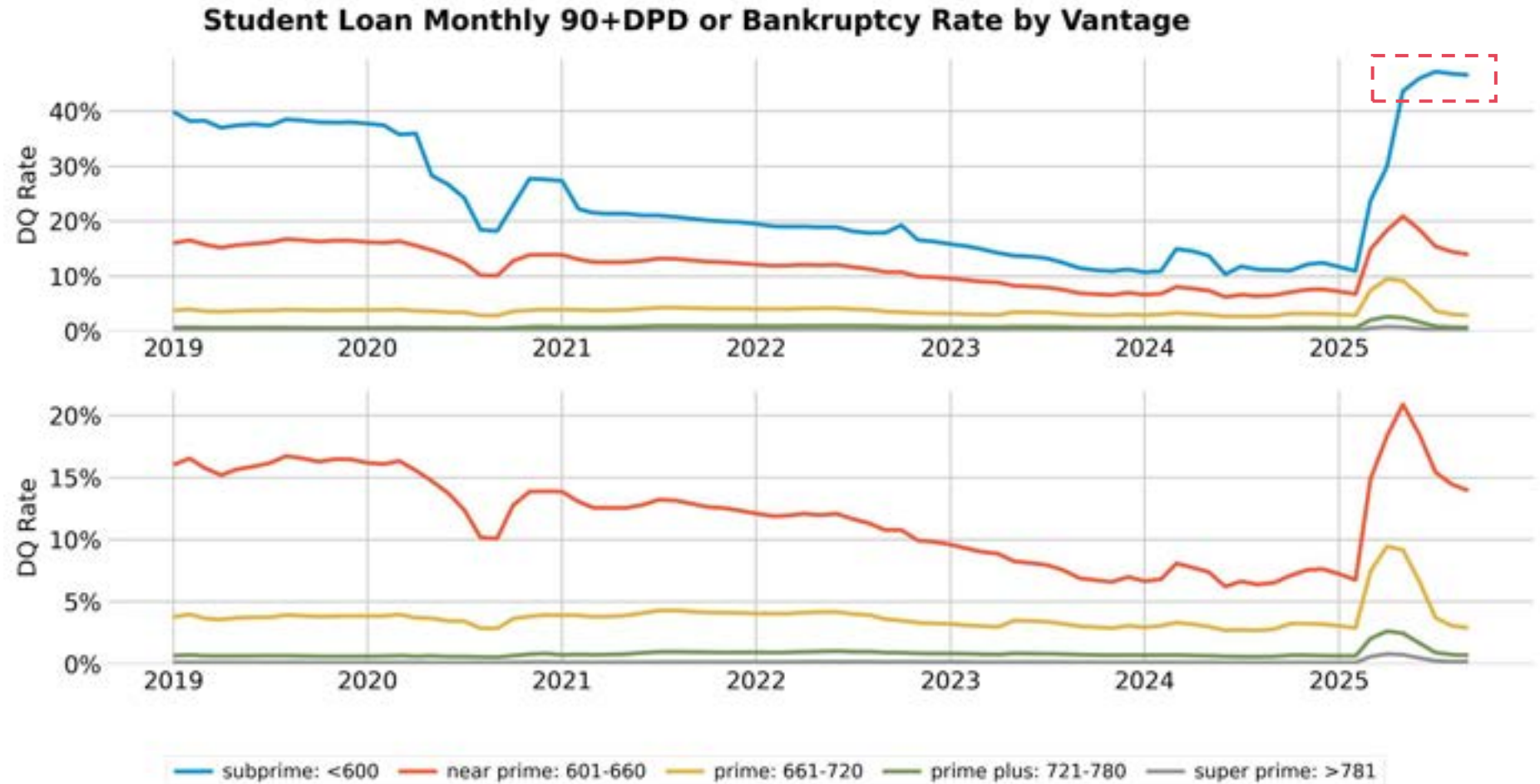


**Student loan delinquency rates continue to decline, following a dramatic spike from resumption of bureau reporting**



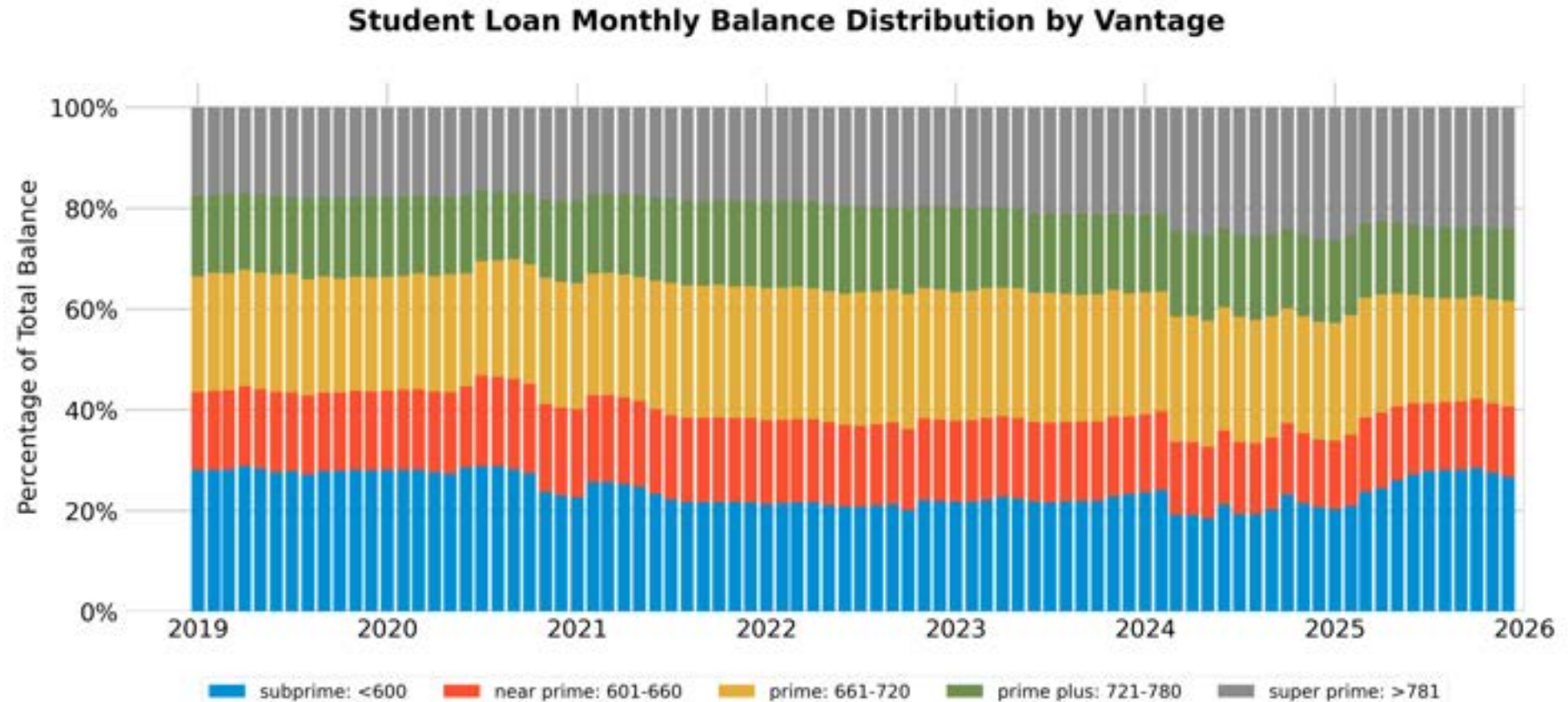
Source: 20S, Equifax Ignite. Data as of Dec 20th, 2025

Unlike other  
Vantage  
bands, subprime has  
not declined  
toward pre-  
pandemic  
levels



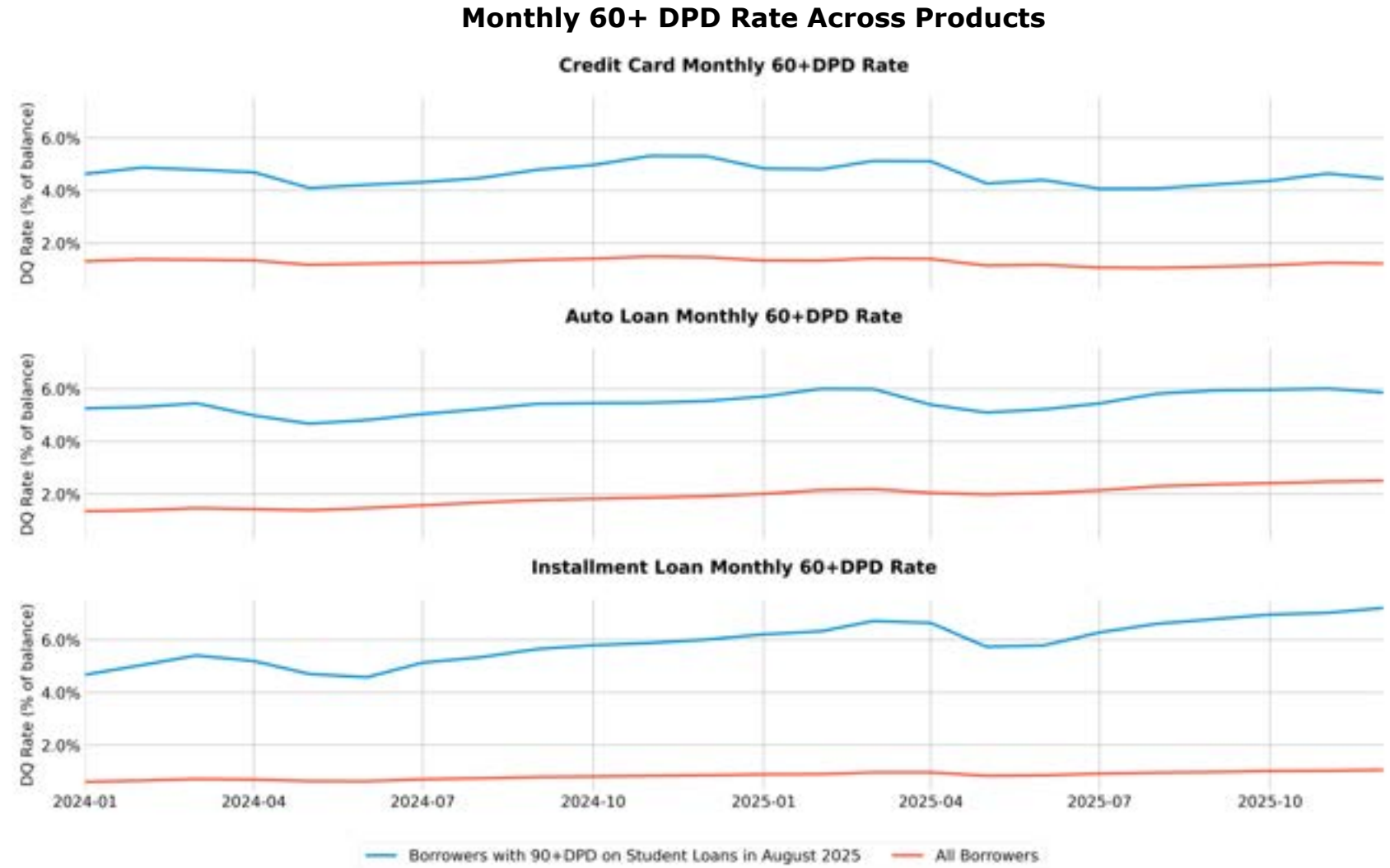
Source: 20S, Equifax Ignite. Data as of Dec 20th, 2025

**Subprime share dipped slightly, with increases in prime, prime-plus, and super-prime**



Source: 2OS, Equifax Ignite. Data as of Dec 20th, 2025

**Threatened  
wage  
garnishments on  
delinquent  
student loans  
may worsen  
delinquency  
across products**

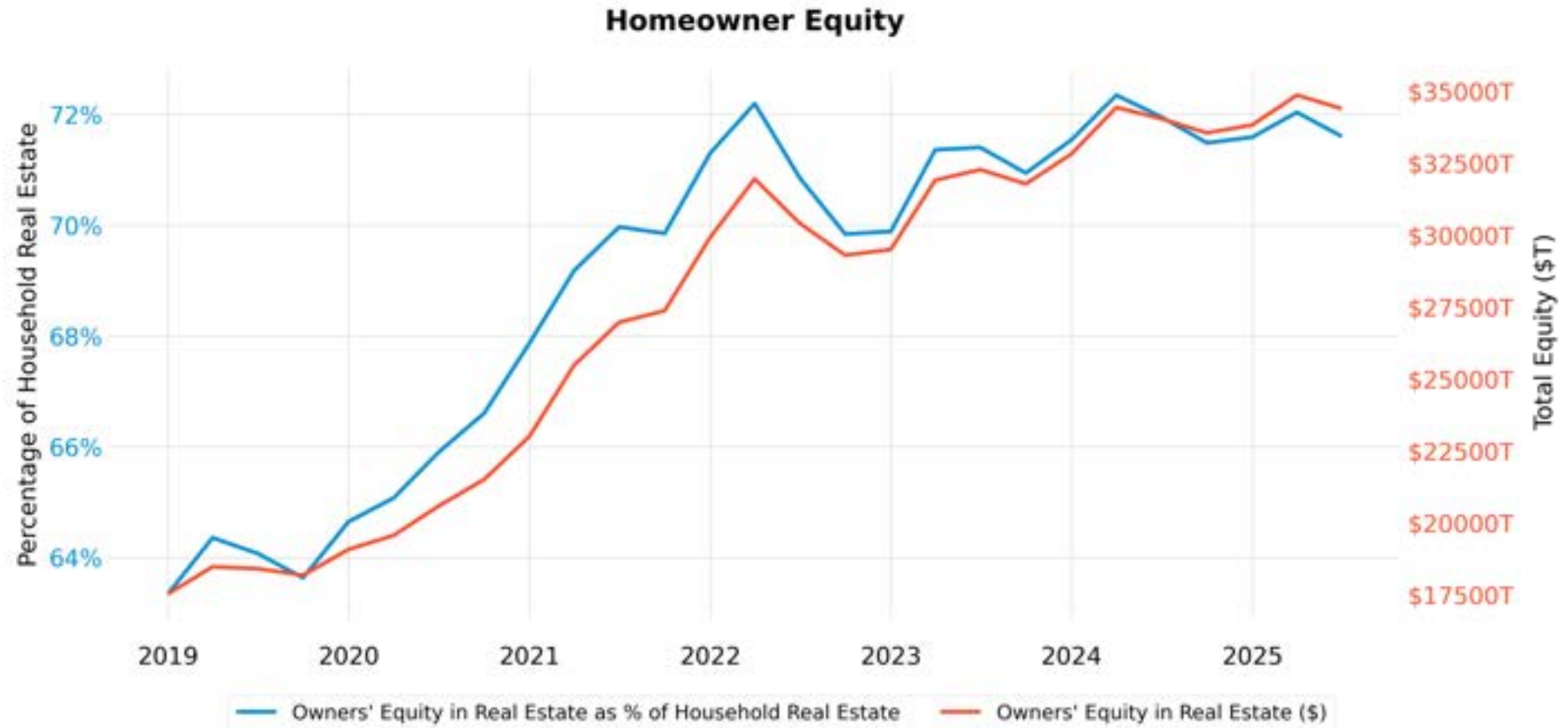


Source: 2OS, Equifax Ignite. Data as of Dec 20th, 2025

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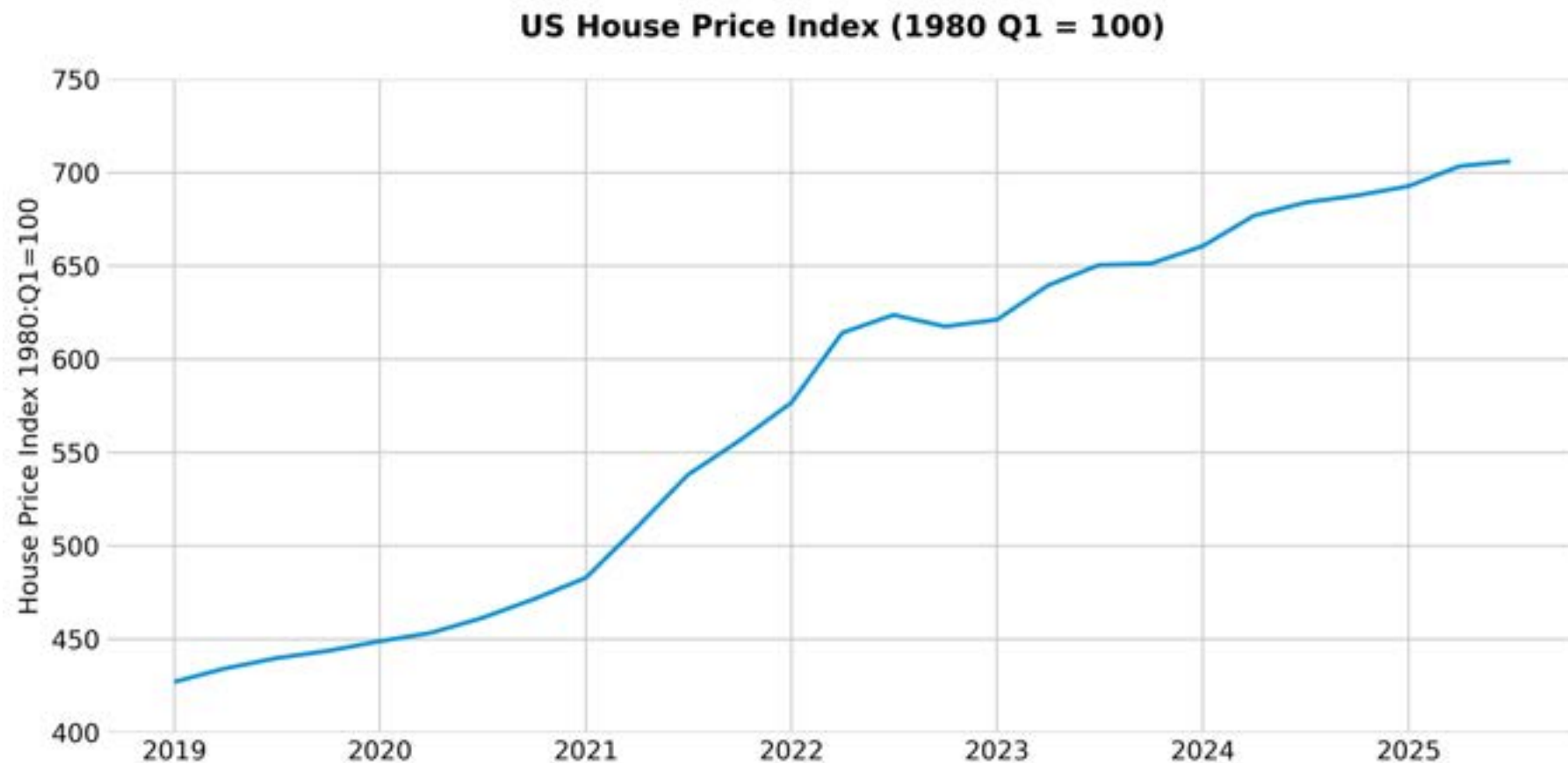


**Homeowner equity recently dipped, but remained near record levels**



Source: ZOS, FRED ([blue line](#) (data as of Jan 9th, 2026), [red line](#) (data as of Jan 15th, 2026)).

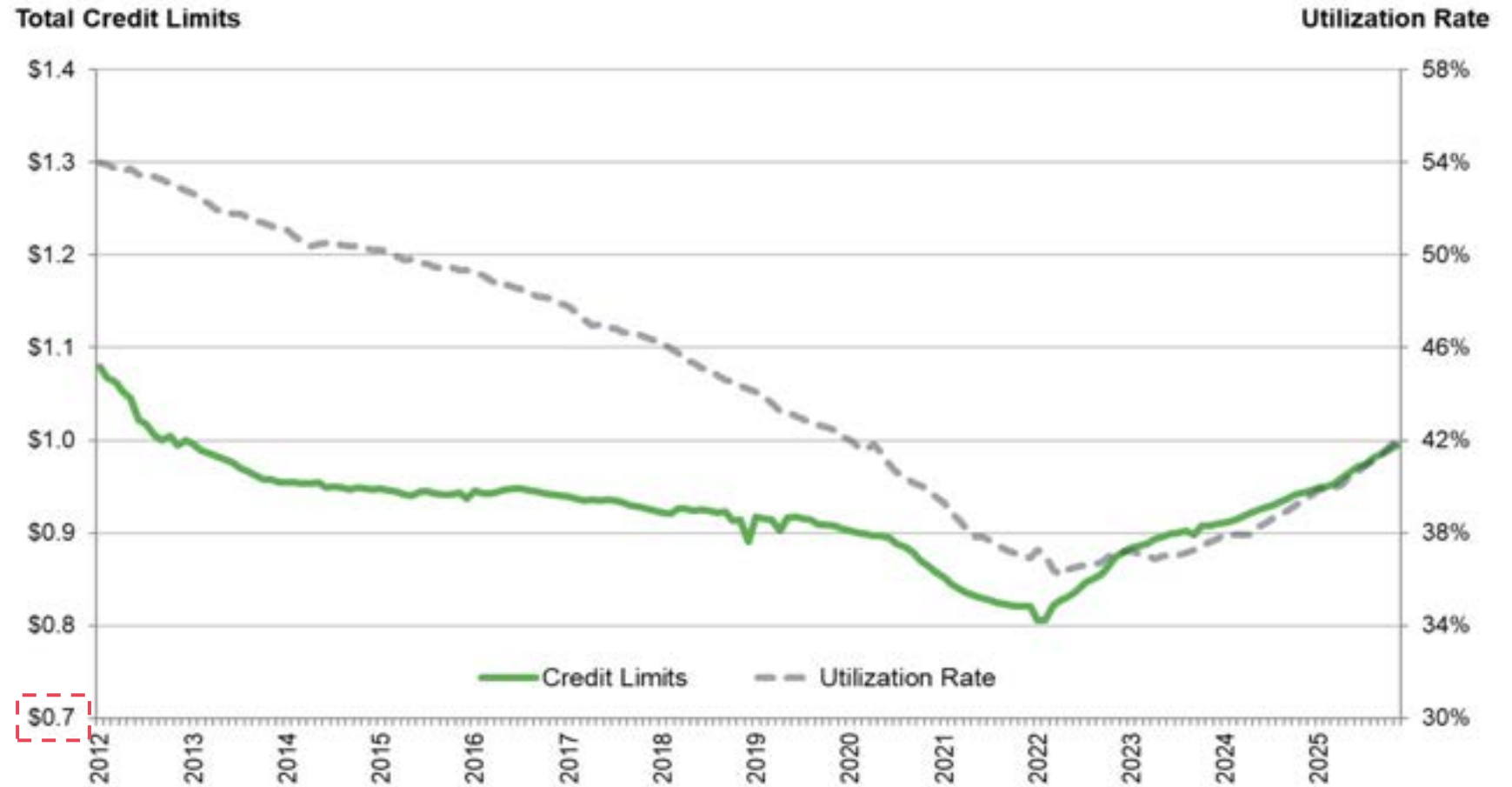
**US housing  
prices continued  
steady growth  
in Q2 2025**



**HELOC credit limits and utilization continued to rise, driven by higher home equity and values**

## Utilization and Credit Limit

Utilization Rate in %; NSA  
Credit Limit in \$Trillions; NSA



Source: [Equifax](#). Data as of Nov 2025

**The average mortgage rate remained stable, decreasing slightly in Q4 2025**

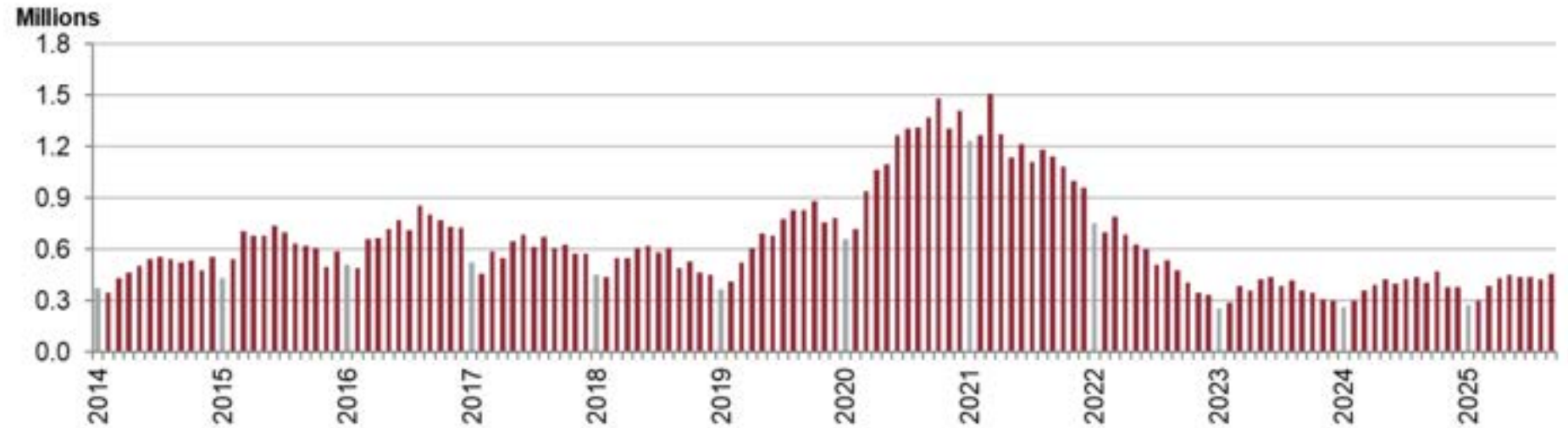


Source: 20S, [FRED](#). Data as of Jan 22nd, 2026

**Mortgage  
account  
originations in  
2025 were on  
pace with  
recent years  
since the 2020  
boom settled**

## First Mortgage Originations: Accounts

Number of Accounts in Millions; NSA



Source: [Equifax](#). Data as of Nov 2025

# Acknowledgments

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- **Scott Barton** is the Founder and Managing Partner at 2<sup>nd</sup> Order Solutions; he has led hundreds of major initiatives for major banks and fintechs, including overhauls of Collection strategies, overarching model redesigns, and major architectural changes to organizational credit risk assessment. He previously was one of a handful of Senior Credit Officers at Capital One and led several business units, including Partnerships, Collections, Recoveries, and Fraud.

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# About 2OS

2nd Order Solutions (2OS) is a boutique credit risk advisory firm that specializes in solving the world's most challenging credit problems. 2OS was founded 18 years ago and consults to a wide range of banks, card issuers, fintechs, and specialty finance companies in the US and abroad.

2OS has deep experience with lending businesses across Card, Auto, Small Business, and Personal Loans, at all points in the credit lifecycle. 2OS partners have vast expertise in all aspects of Collections, both as operating executives and as consultants.

For more insights and commentary on the lending industry, visit us at <https://2os.com/insights/>



# Equifax Ignite Definitions

**Active accounts:** This includes all accounts that have a reported status in the most recent three months. Accounts categorized as closed are included in the month in which that status was first reported and are excluded from active accounts thereafter.

**Definition of delinquency:** For credit cards, auto loans, and personal loans, accounts are classified as delinquent at 60+ days past due. Specifically, they are included in 60-90 DPD, 90-120 DPD, and 120+ DPD buckets; charged-off and bankrupt accounts are excluded. For student loans, accounts are classified as delinquent at 90+ DPD. These accounts are included in 90-120 DPD, 120+ DPD, and bankruptcy buckets; charged-off accounts are excluded. Vintage performance views are cumulative.

**Definition of personal loans:** Personal finance and installment loans are classified as personal loans.

**Origination timing:** Originations are lagged by 2 months from the current archive date.

**Vantage bucket:** In any charts where borrowers are split out by Vantage bucket, borrowers without a Vantage score are excluded.

**Vantage bucket timing:** To better observe movements within Vantage buckets (and reduce the effect of re-classification of accounts across buckets), the Vantage score is observed at a 3-month lag from the current archive date.



Providing World-Class Credit Risk  
Solutions to Financial Institutions