JULY 2026

2026 Q2 Credit Risk Review

Trends and Early Risk Indicators in Consumer Credit

Executive Summary

Despite widespread anecdotal reports of increasing consumer stress, even a close examination of the data reveals little evidence of broad deterioration in credit delinquencies

Credit performance remained stable, if weak, in Q2 of 2026

- Industry card delinquencies fell in Q2, but recent card vintage performance remained weak
- Recent personal loan vintage delinquencies were elevated at the risk band level, but moderate overall due to continued mix shifts
- Auto delinquencies remained stable, but average term lengths and payment amounts continued growing

Macroeconomic indicators may be turning a corner, but remain concerning

- Real wage growth increased, with nominal wage growth converging across income levels
- Debt servicing payment to income ratios fell slightly, though the personal savings rate remained depressed

Overall Consumer Credit

Credit Card

- 2025 vintages continue to underperform 2024
- Delinquencies eased in Q2 but remain near multi-year highs
- Origination and balance growth remained concentrated in subprime and super prime segments

Personal Loans

- Delinquencies continued easing in Q2, despite a late quarter seasonal rebound
- Originations remained elevated YoY supporting continued balance growth, particularly in lower Vantage tiers

Auto Loans

- Delinquencies remain elevated
- Originations held roughly stable YoY, as subprime and near-prime growth offset declines in higher tiers
- Loan amounts and terms continued rising YoY

Student Loans

- Delinquencies continued declining in Q2, but at a moderating pace
- Balance mix shifted toward higher Vantage tiers, led by growth in super-prime

Mortgage & HELOC

- HELOC credit limits surpassed $1T for the first time since 2016, as utilization continued climbing
- Severe first-mortgage delinquencies leveled out, remaining near their recent high

Q2 2026 Lending Regulation & Policy Changes

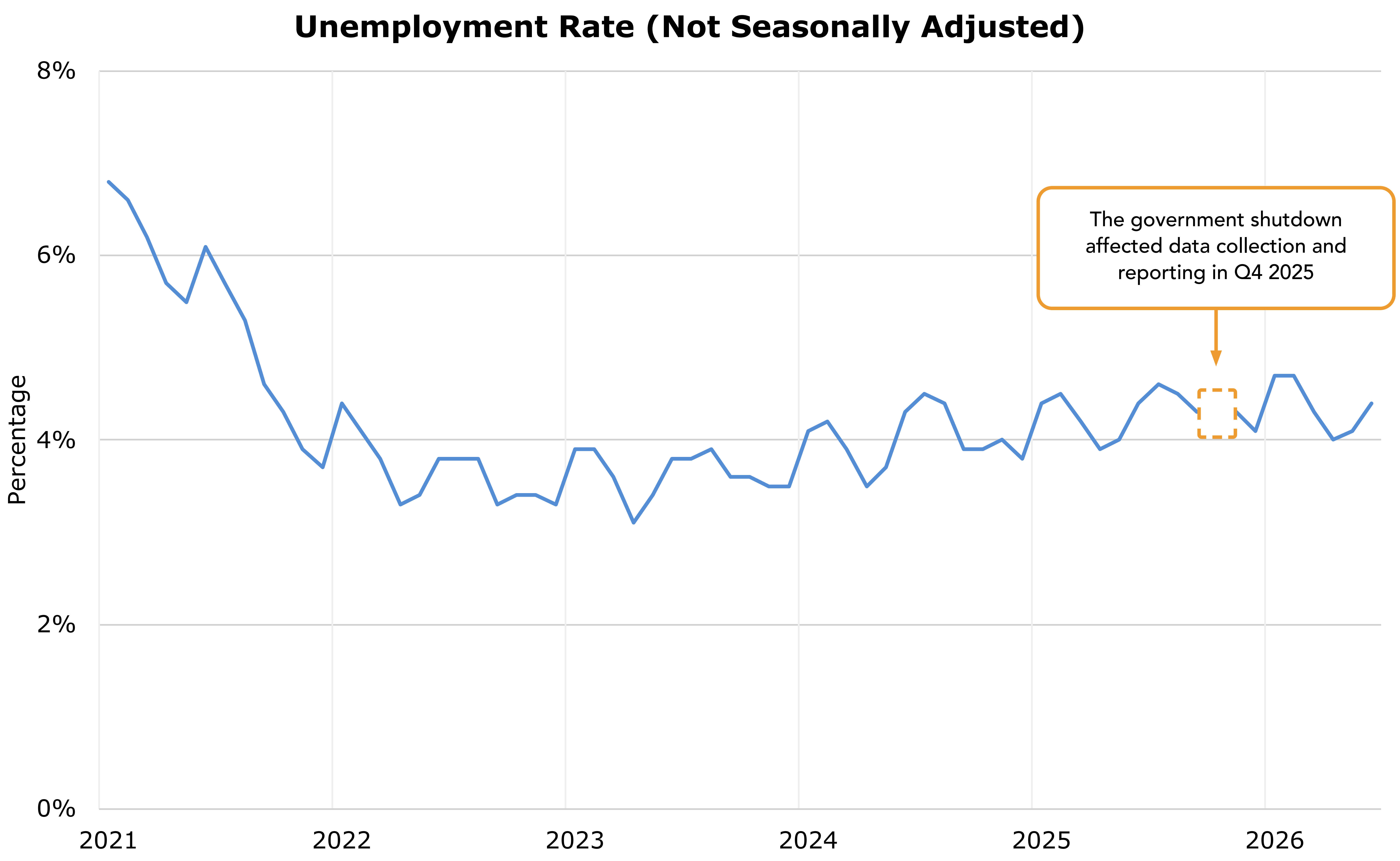
- **Federal Student Loan Overhaul Takes Effect:** As of July 1, the OBBBA-mandated restructuring of federal student loans is in effect, introducing two new repayment options—the Repayment Assistance Plan (RAP) and a Tiered Standard Plan—while phasing out several existing plans. (Department of Education)
- **CFPB Regulation B Amendments Take Effect:** The CFPB's final rule amending Regulation B under ECOA took effect on July 21, eliminating the disparate-impact standard. ECOA liability now generally requires evidence of intentional discrimination rather than statistically disproportionate outcomes. The rule also narrows the discouragement prohibition, limiting it to statements a creditor *knows or should know* would signal an intent to discriminate on a prohibited basis, rather than looking at a statement's actual effects on applicants.(Bloomberg Law, Federal Register)
- **CFPB Policy Statement on Ability-to-Repay and Immigration Status:** On June 5, the CFPB released a policy statement implementing Executive Order 14406 (signed May 19), reminding creditors that Truth in Lending Act / Reg Z ability-to-repay requirements may obligate them to consider a borrower's immigration status where potential deportation or loss of work authorization could disrupt the U.S.-based income the loan relies on. It reverses the 2023 CFPB/DOJ position that was withdrawn in January 2026. (Federal Register, Executive Order 14406, Bloomberg)
- **Use of Reputational Risk Prohibited by Regulators:** The FDIC and OCC jointly finalized a rule (effective June 9) removing "reputation risk" from their supervisory and examination frameworks and barring examiners from pressuring banks to end customer relationships on political or ideological grounds. (Consumer Finance Insights, FDIC)
- **Supreme Court Reshapes Agency Independence:** In *Trump v. Slaughter*, the Court overruled *Humphrey's Executor*, making the heads of most independent agencies removable by the President at will; in a companion ruling, *Trump v. Cook*, it preserved the Federal Reserve's independence as a distinct exception. (U.S. Supreme Court, NPR)

*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

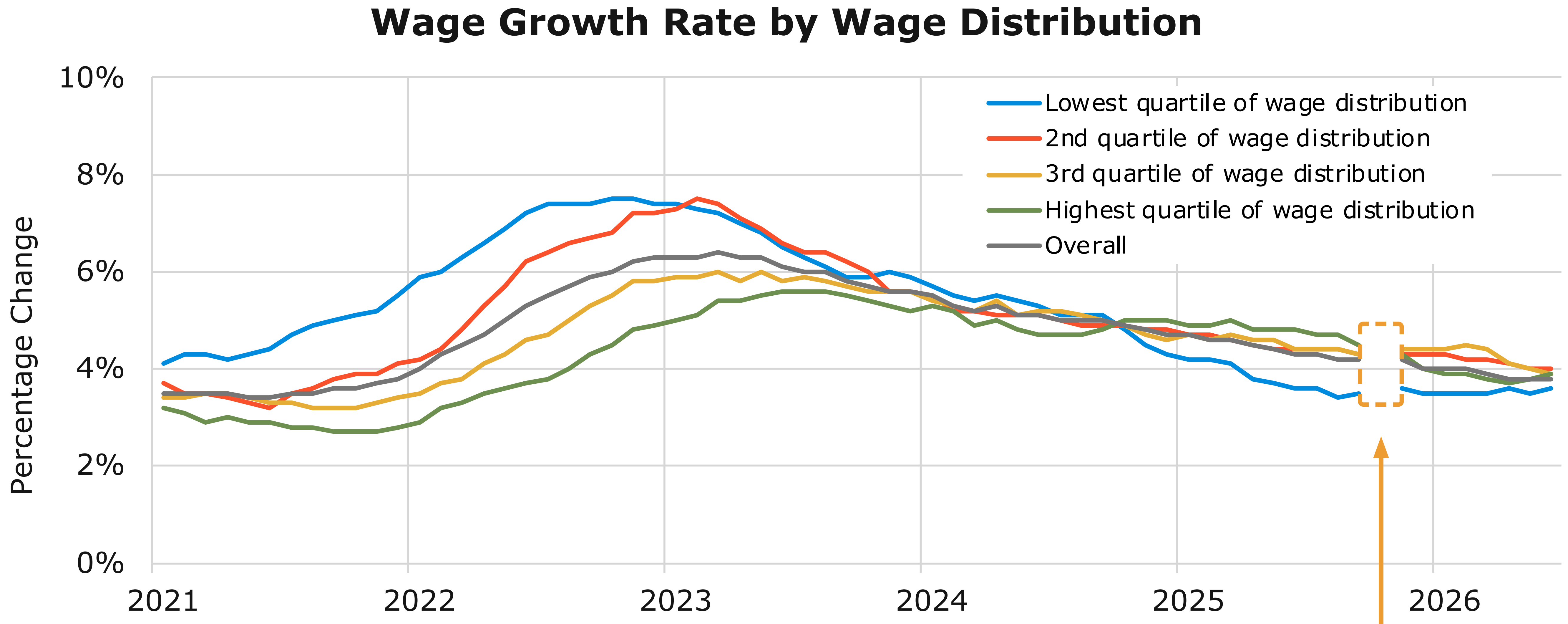
Unemployment remained broadly stable through Q2 2026, consistent with the pattern of the past two years



Source: 2OS, FRED (Data as of July 2, 2026)

2nd Order solutions

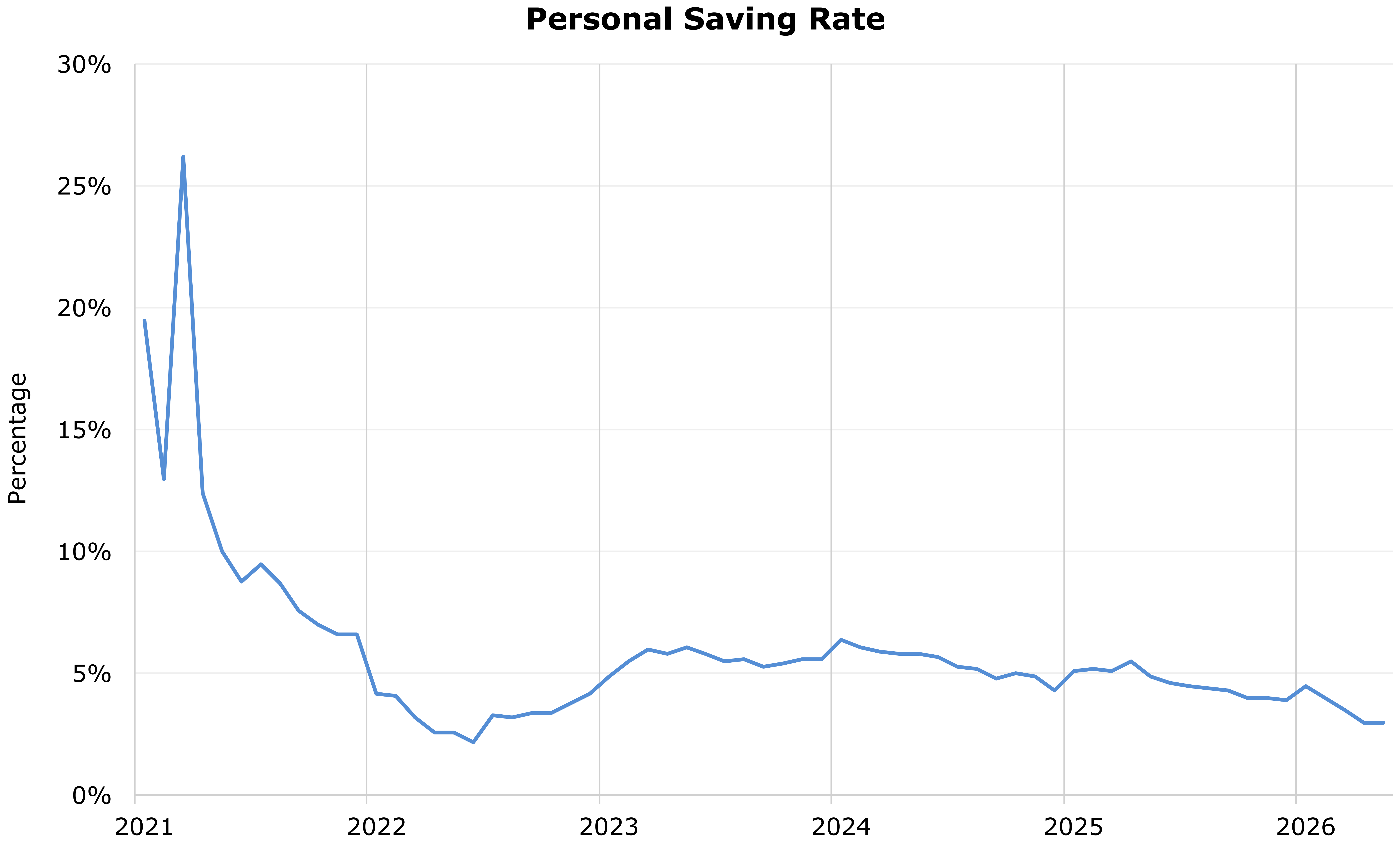
Wage growth converged across income levels in Q2 2026, while real wages picked up slightly



The government shutdown affected data collection and reporting in Q4 2025

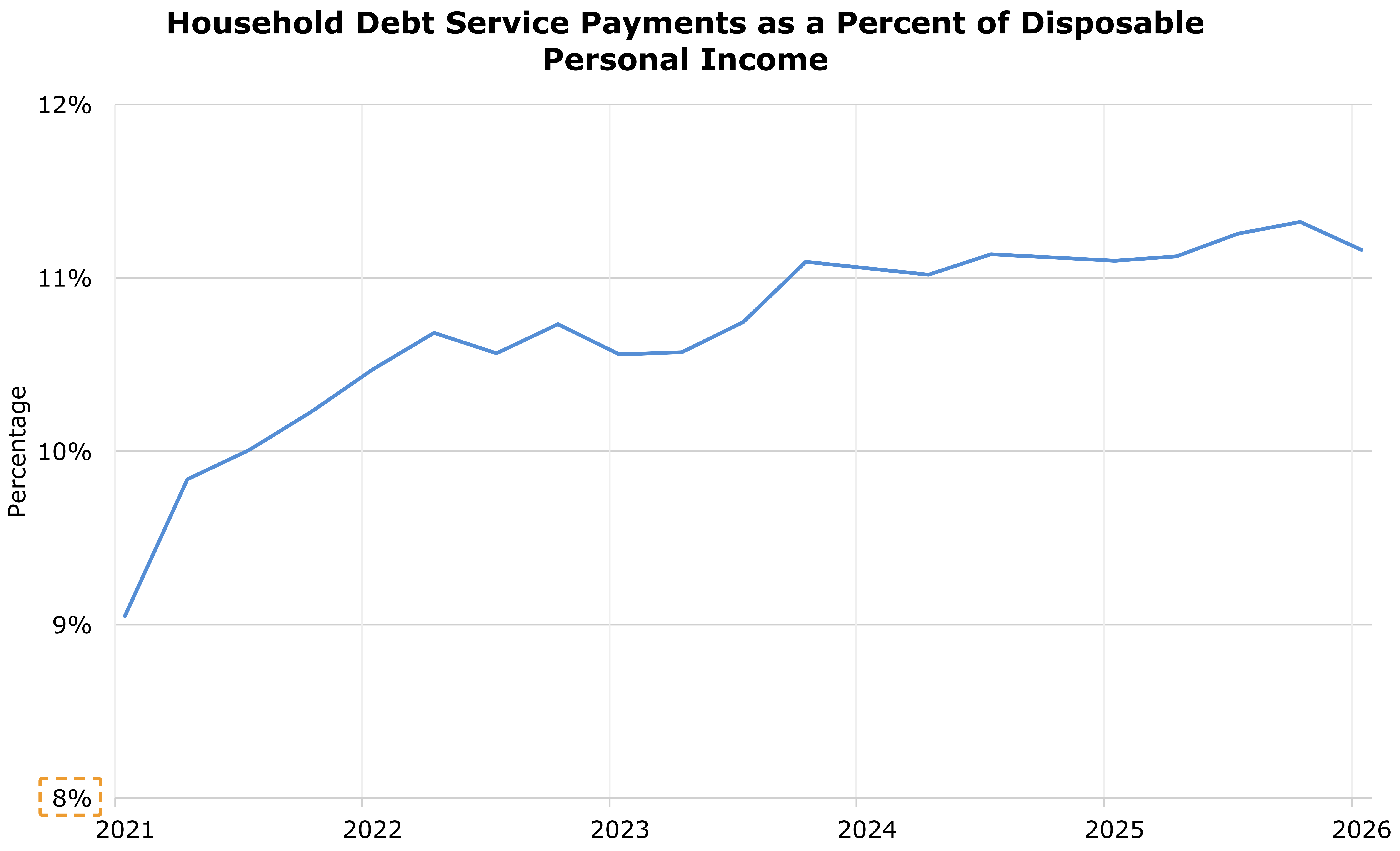
Source: 2OS, Atlanta Fed (Data as of July 9, 2026), FRED (Data as of June 21, 2026)

The personal saving rate dropped in Q2 2026, approaching the recent 2022 low



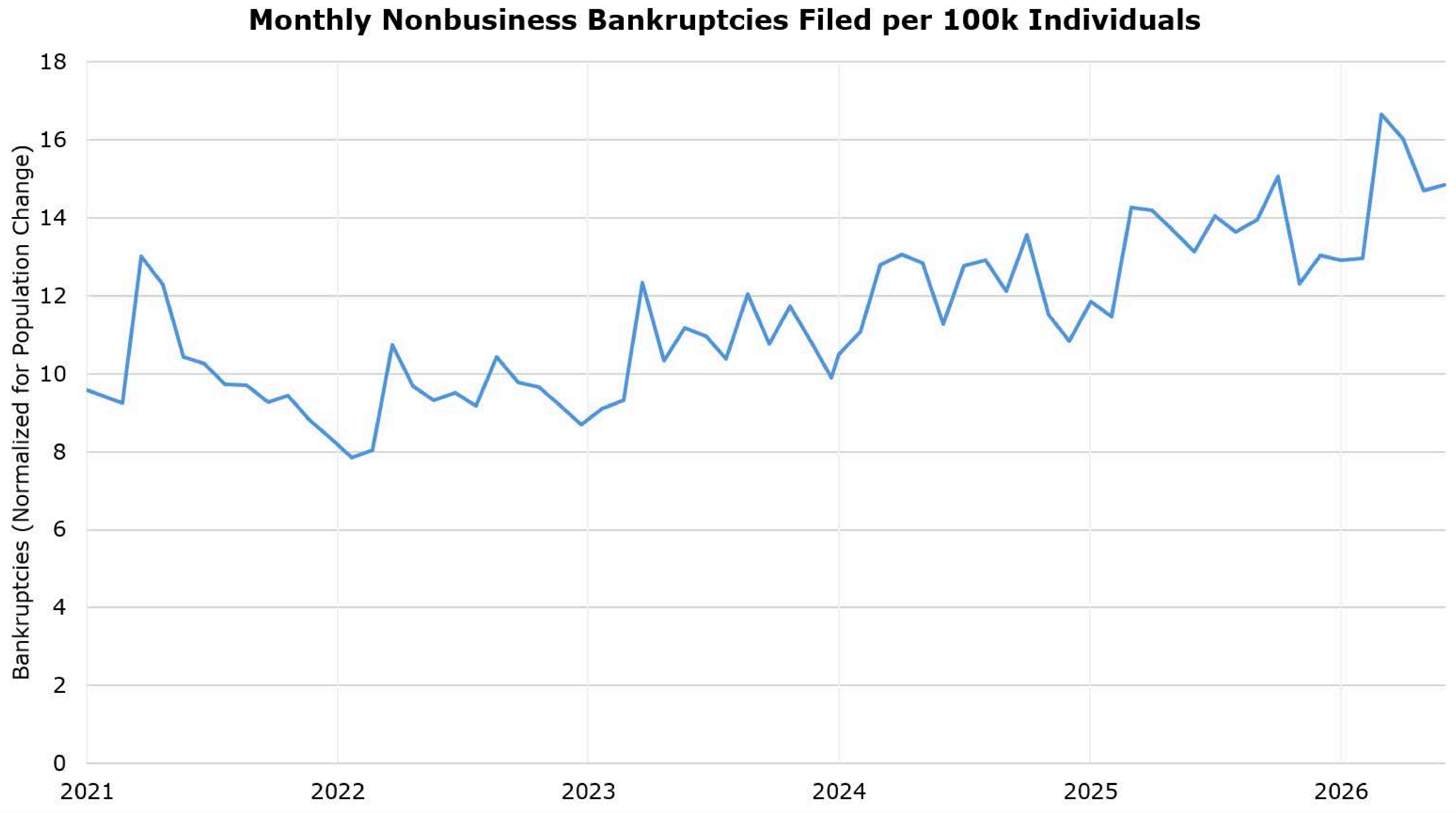
Source: 2OS, FRED. Data as of June 25, 2026

Household debt payments saw a slight decline relative to disposable income



Source: 2OS, FRED. Data as of June 22, 2026

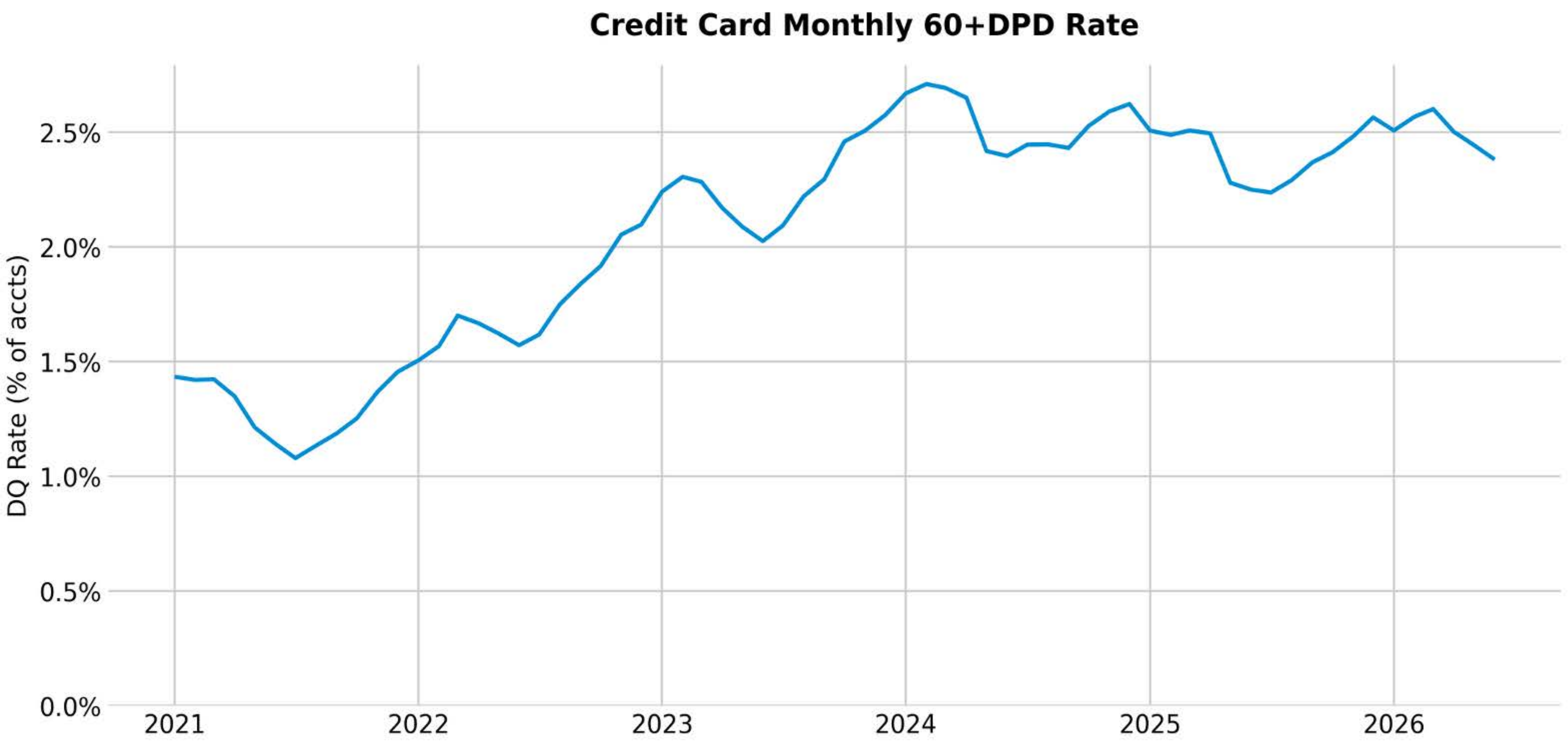
Bankruptcies remained on a rising trend, with Q2 2026 filings up 11% YoY



Source: 2OS, U.S. Courts F-2 (One Month) Reports (Data as of June 30, 2026), U.S. Census Bureau (Data as of July 1, 2025)

Credit Card

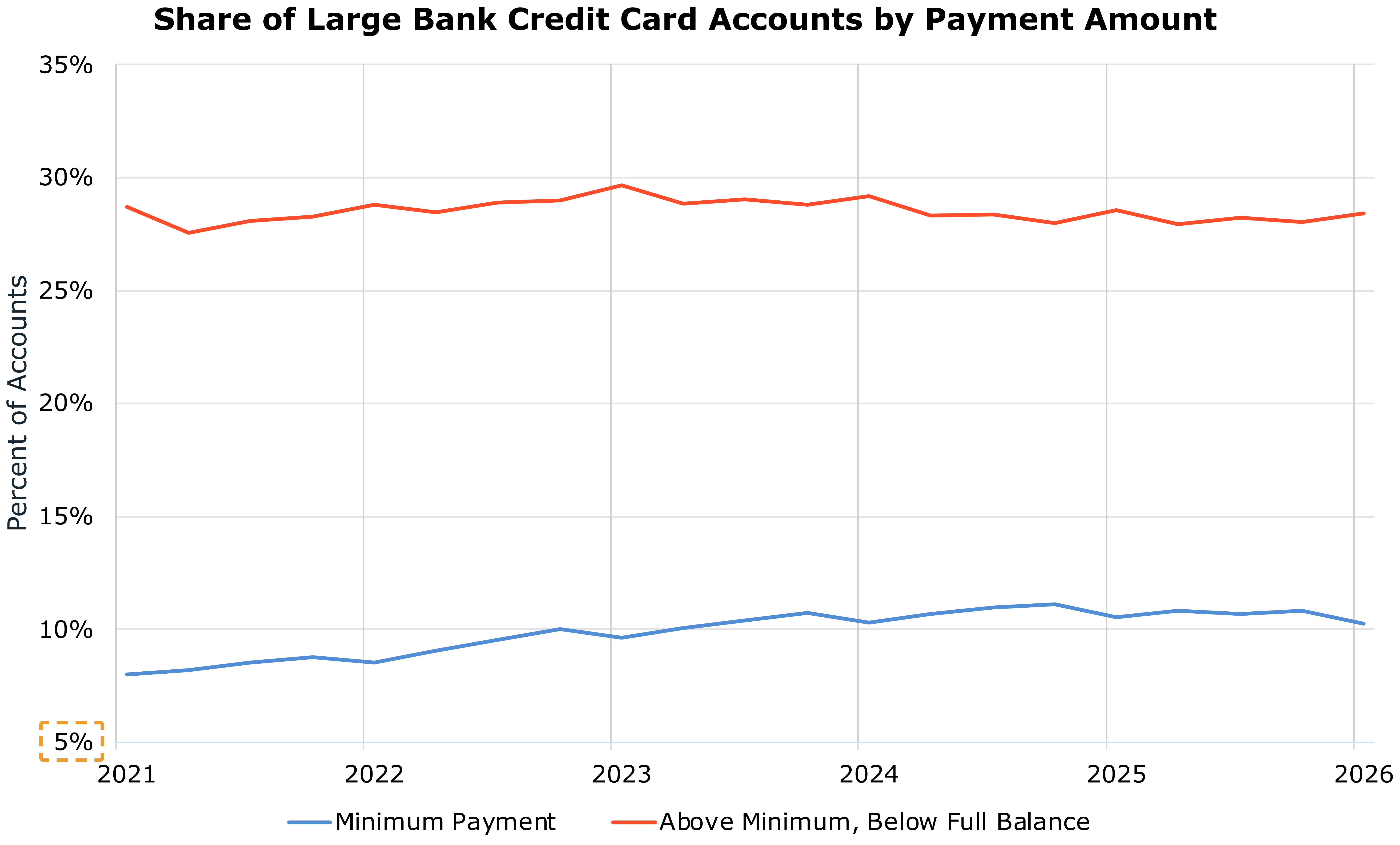
Card delinquencies ticked down in Q2 2026 following seasonal trends, but held within the elevated range seen since 2024



Source: 2OS, Equifax Ignite. Data as of July 20, 2026

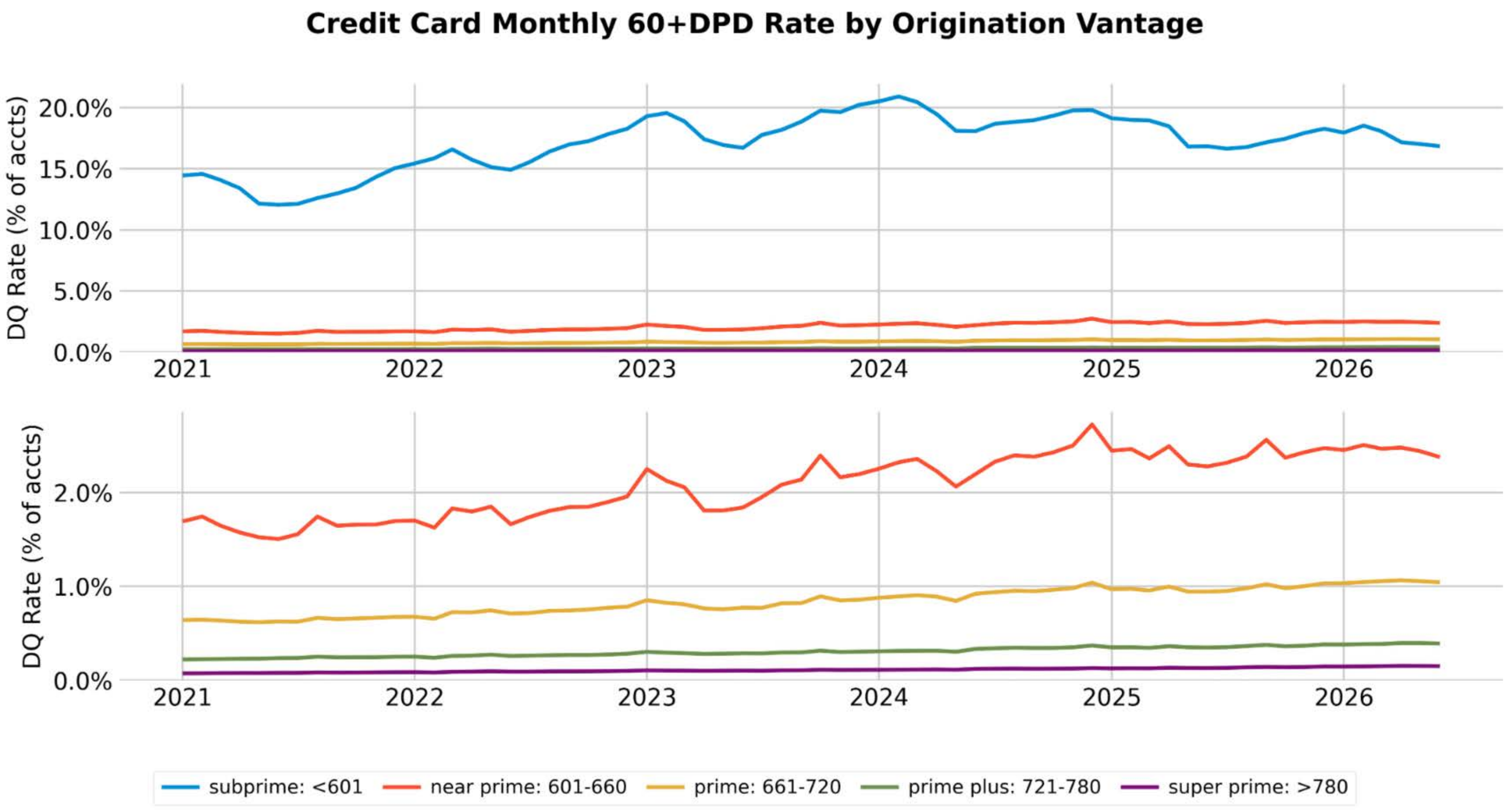
2nd Order solutions

The share of accounts making minimum payments eased slightly, but remains above prior-year levels



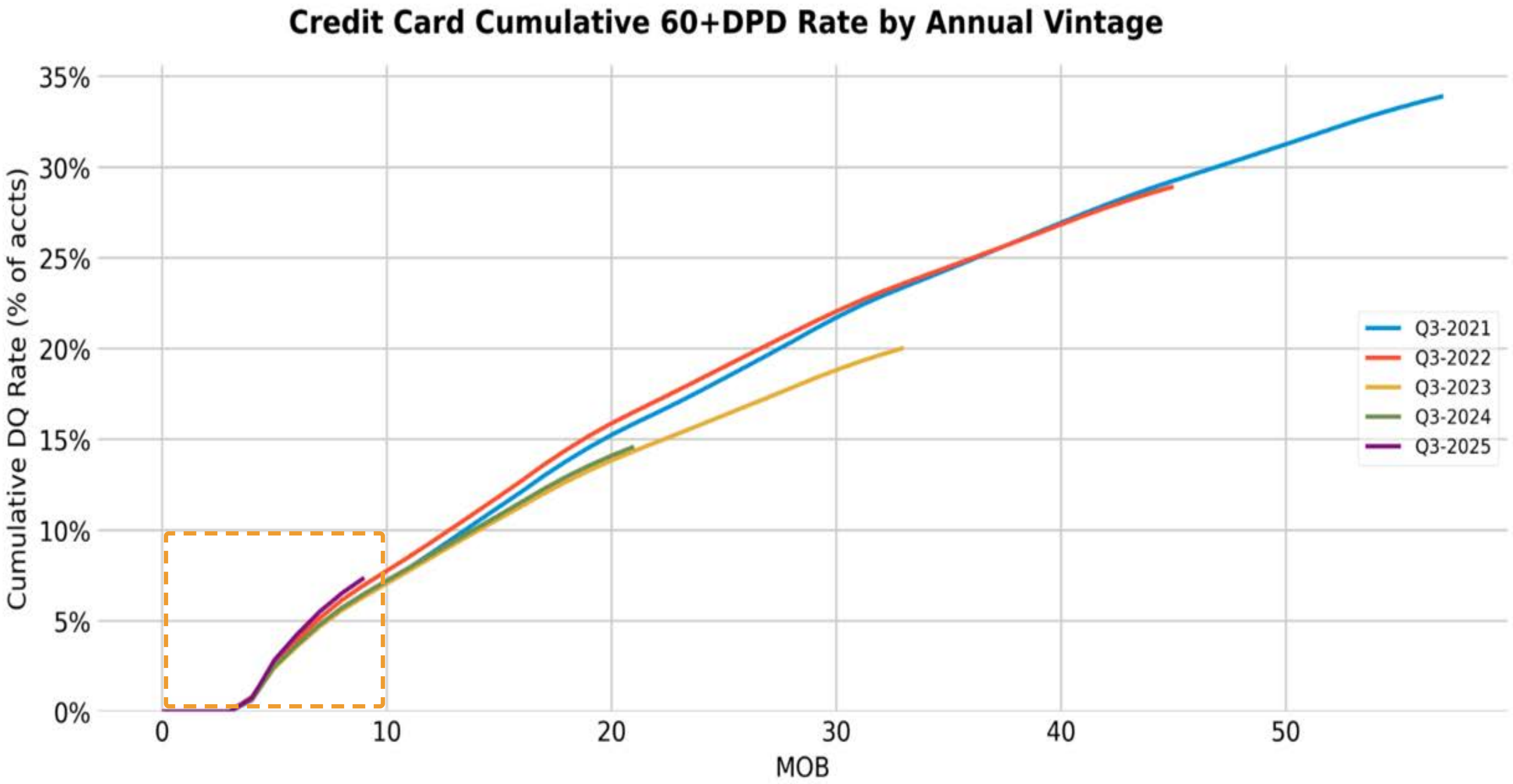
Source: 2OS, FRED, FRED (Data as of July 13, 2026)

Q2 2026 delinquency rates declined among subprime and near prime borrowers



Source: 2OS, Equifax Ignite. Data as of July 20, 2026

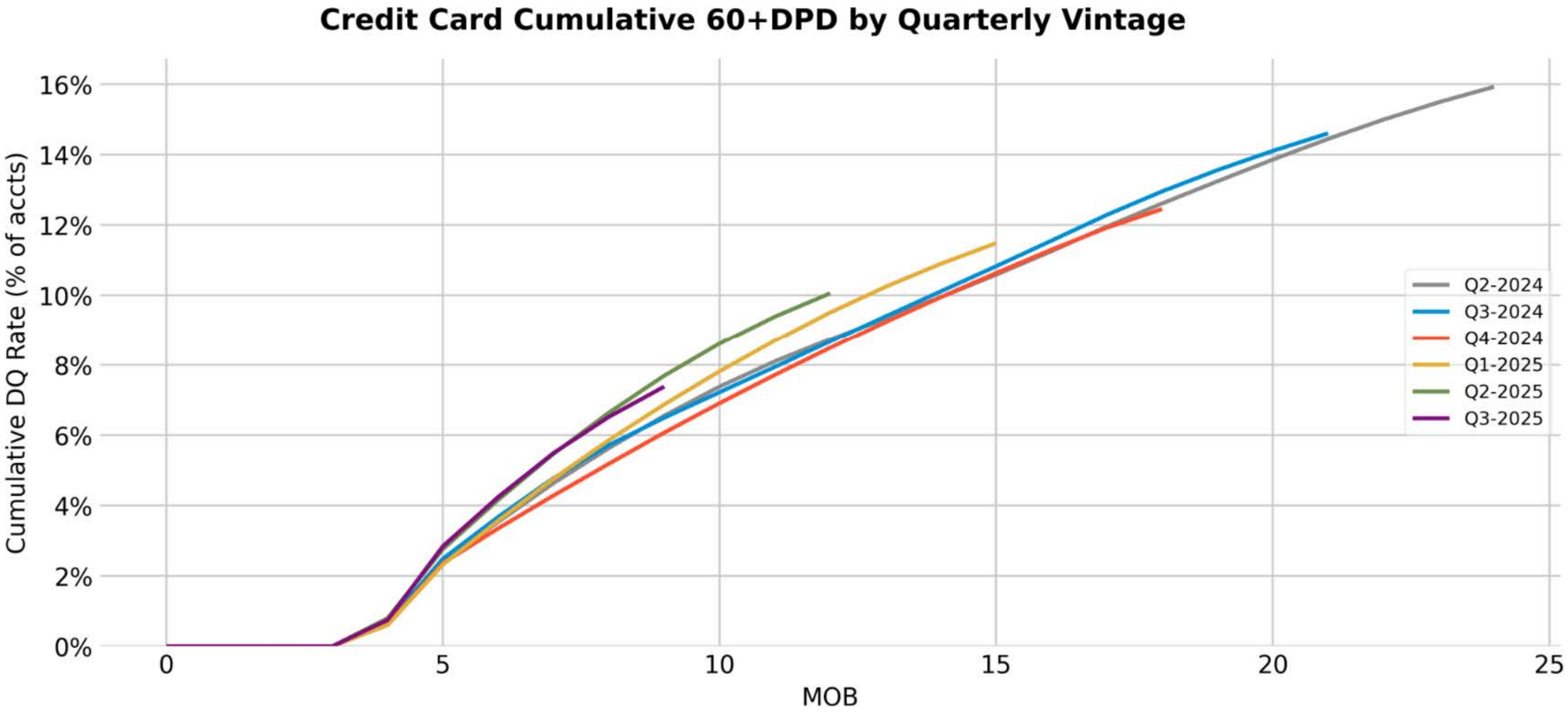
2025 cumulative delinquencies remained elevated and continued to track 2022, the weakest cohort in recent history



VINTAGE	CUMULATIVE 60+ DPD AT MOB 9
Q3 2025	**7.4%**
Q3 2024	6.5%
Q3 2023	6.3%
Q3 2022	**7.0%**
Q3 2021	6.4%

Source: 2OS, Equifax Ignite. Data as of July 20, 2026

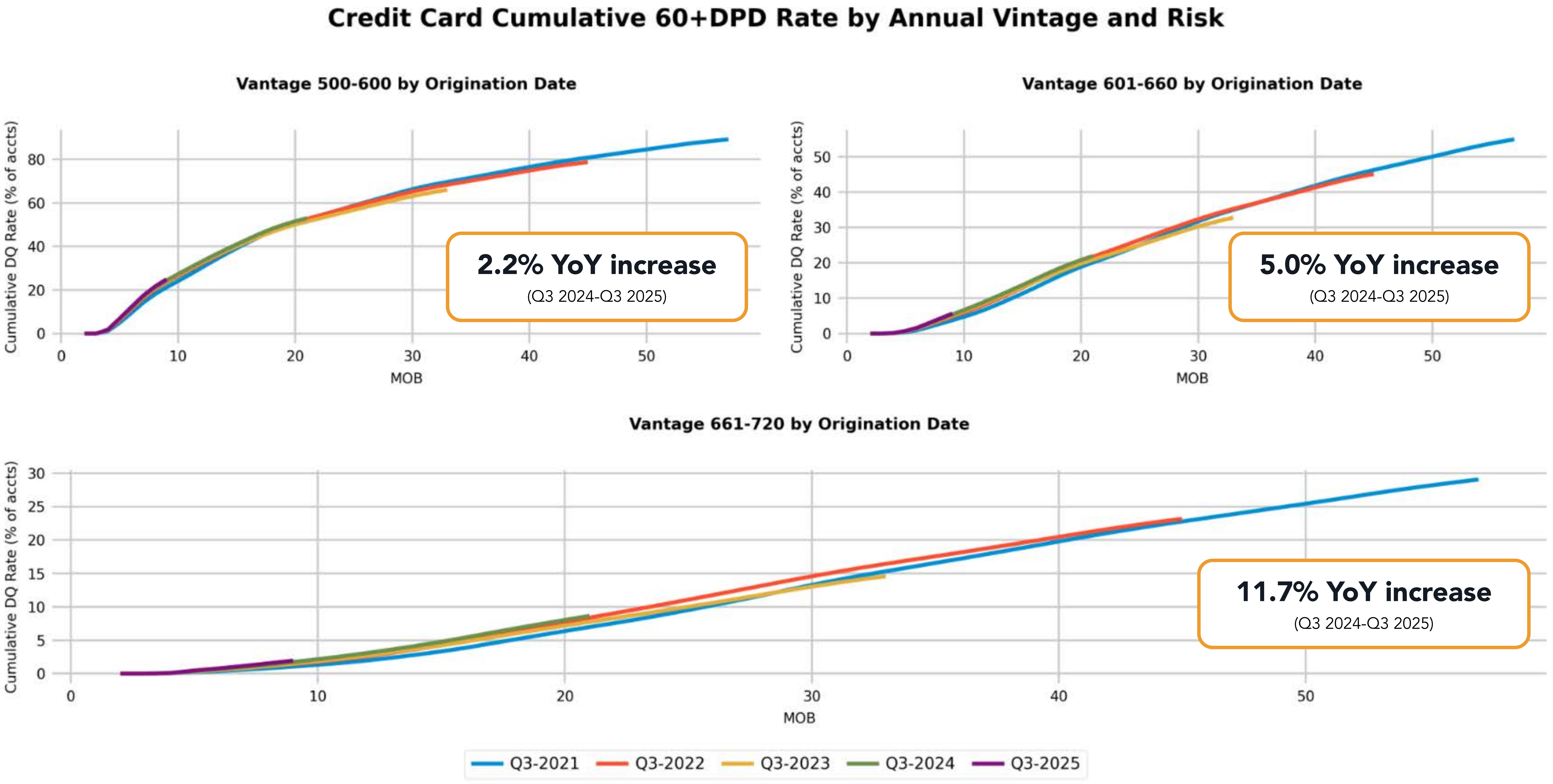
2025 vintages remain elevated versus 2024, with quarter-over-quarter deterioration leveling off



Source: 2OS, Equifax Ignite. Data as of July 20, 2026

Q3 2025 delinquencies rose YoY across lower and mid Vantage bands, led by prime borrowers

(Slide 1 of 2)

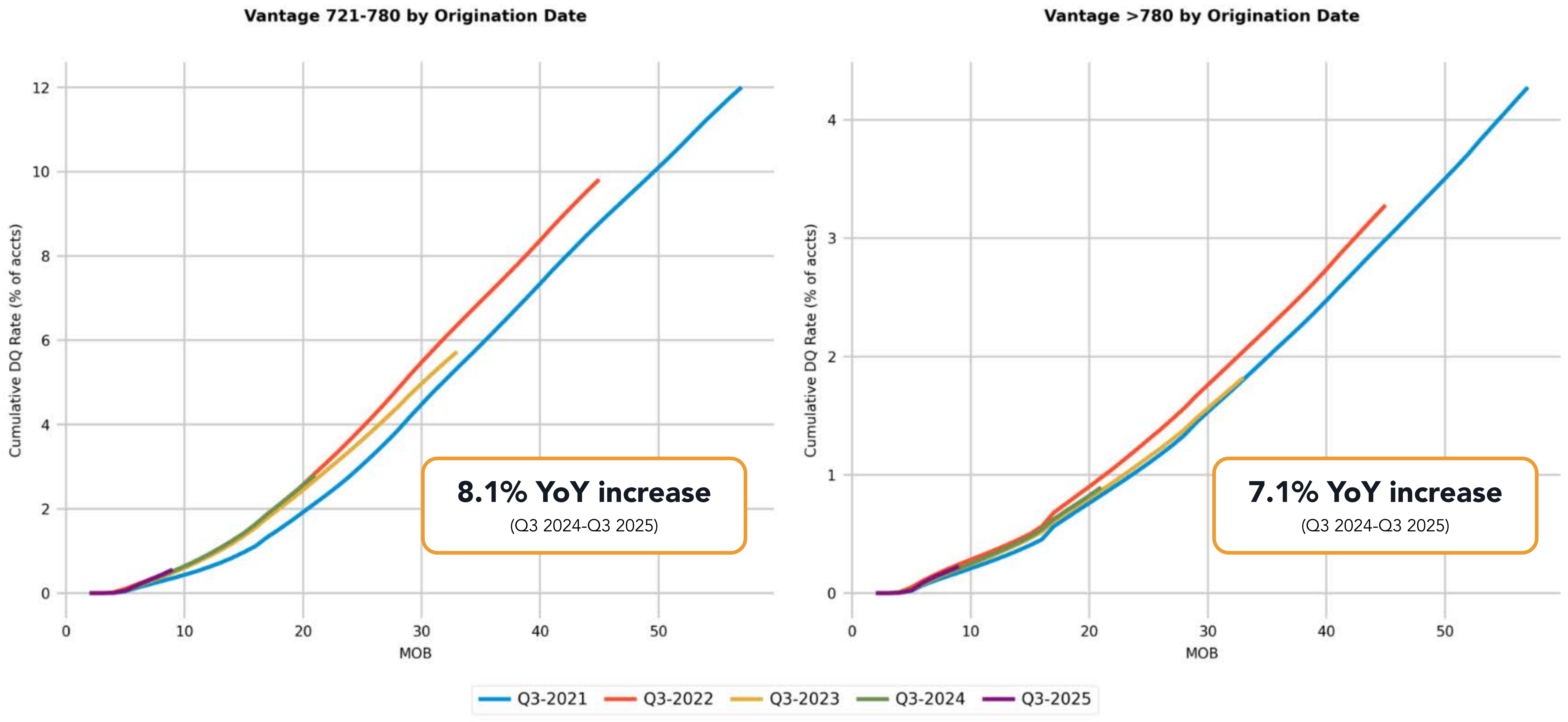


Source: 2OS, Equifax Ignite. Data as of July 20, 2026

Q3 2025 delinquencies also rose YoY in prime plus and super prime

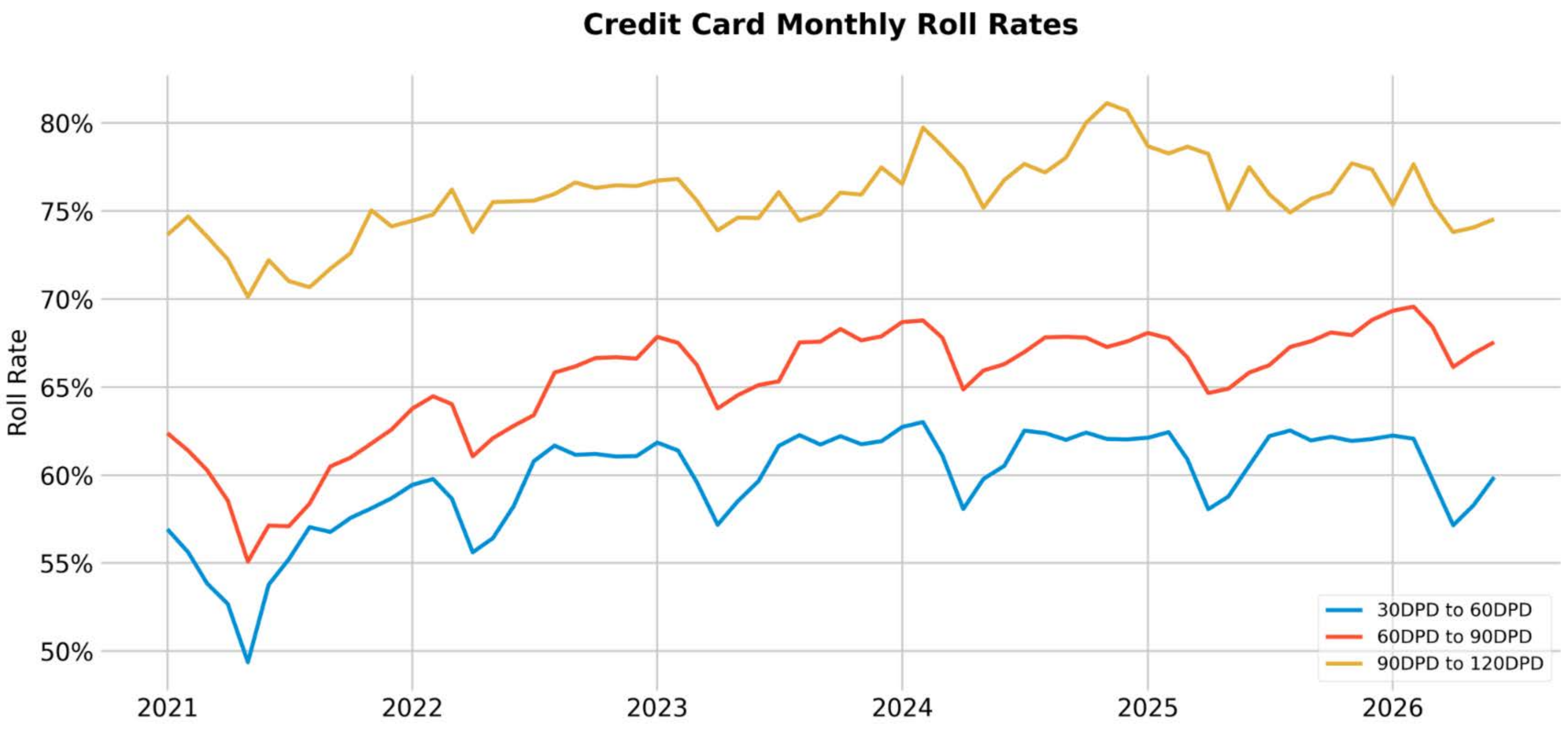
(Slide 2 of 2)

Credit Card Cumulative 60+DPD Rate by Annual Vintage and Risk



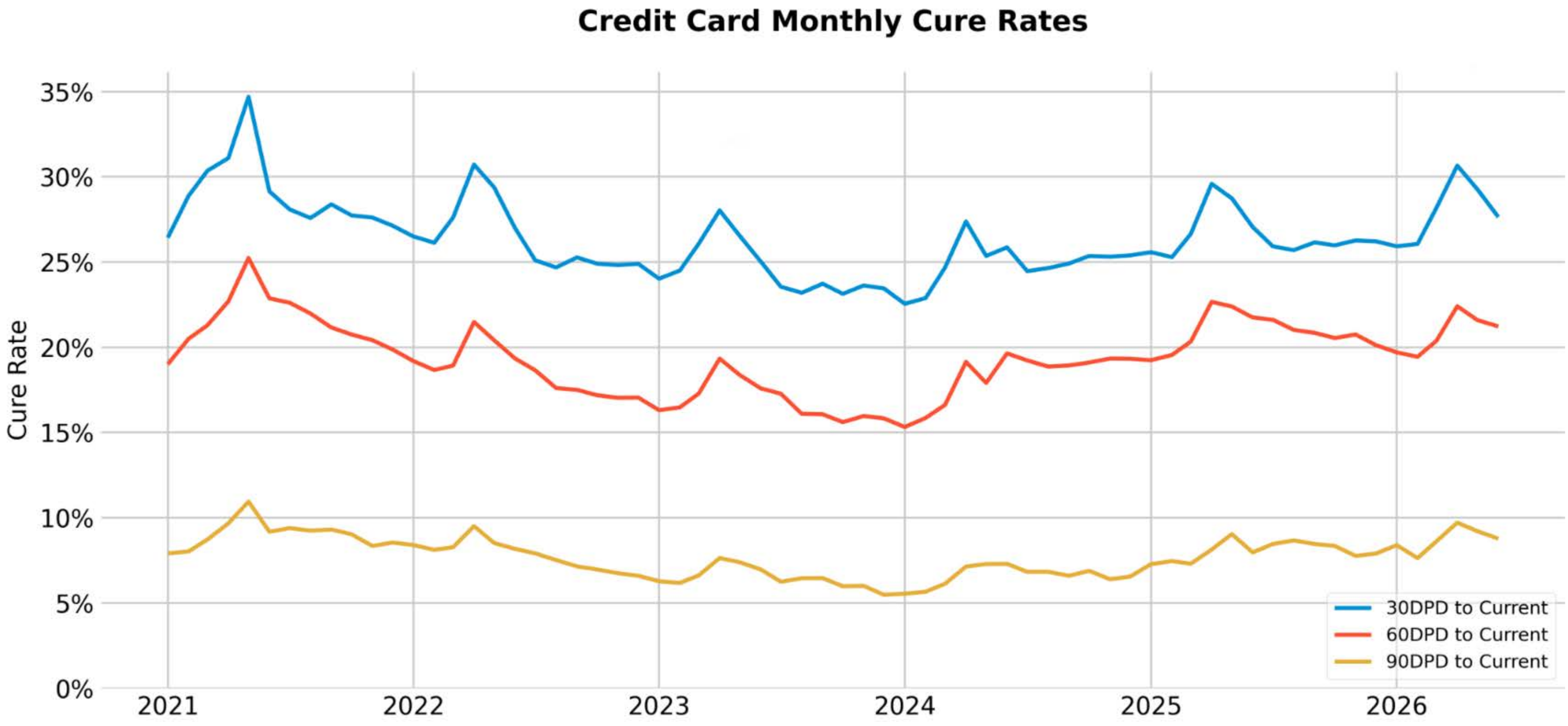
Source: 2OS, Equifax Ignite. Data as of July 20, 2026

Roll rates ticked up slightly in Q2 2026, remaining well above pre-2023 levels



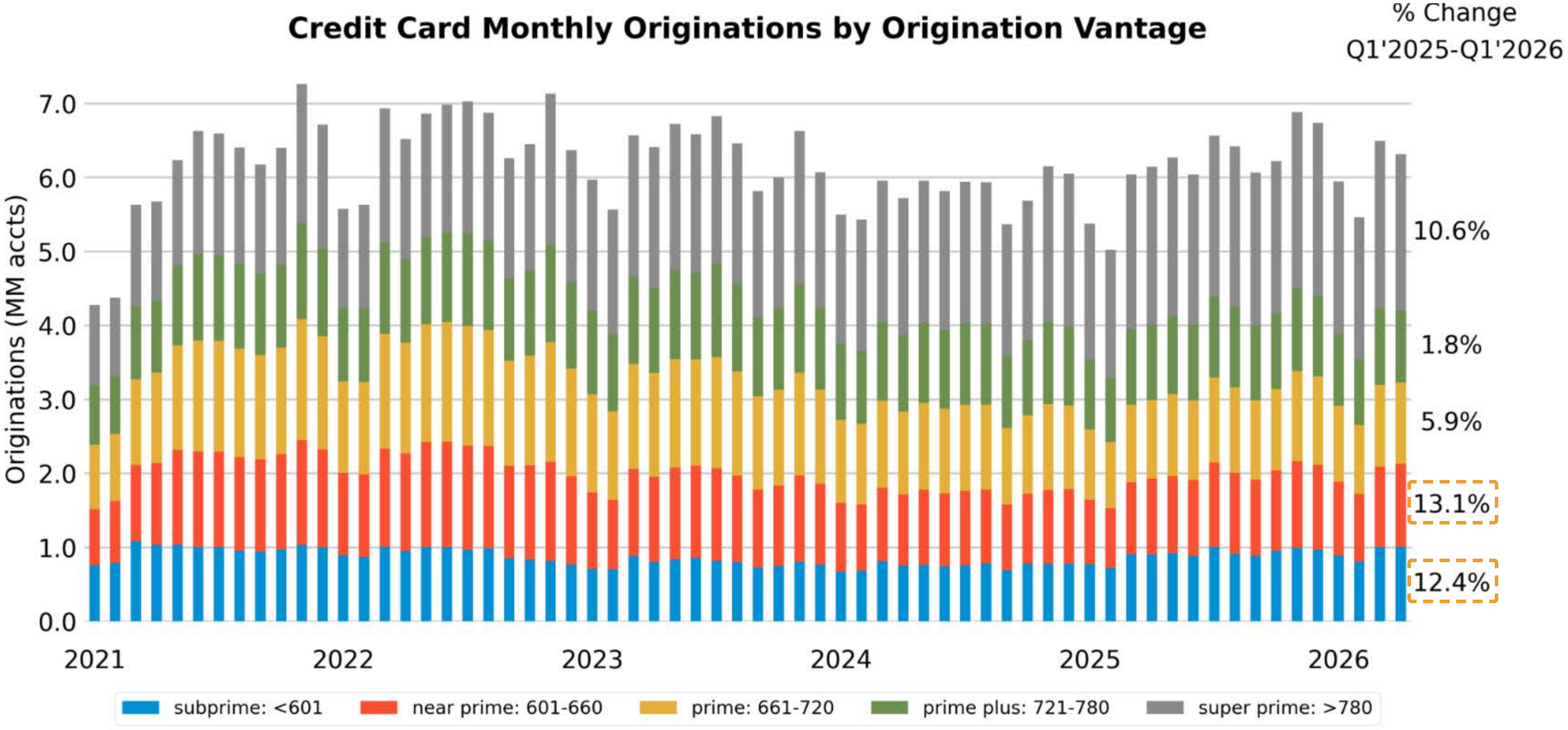
Source: 2OS, Equifax Ignite. Data as of July 20, 2026

Cure rates ticked down in line with typical seasonal patterns



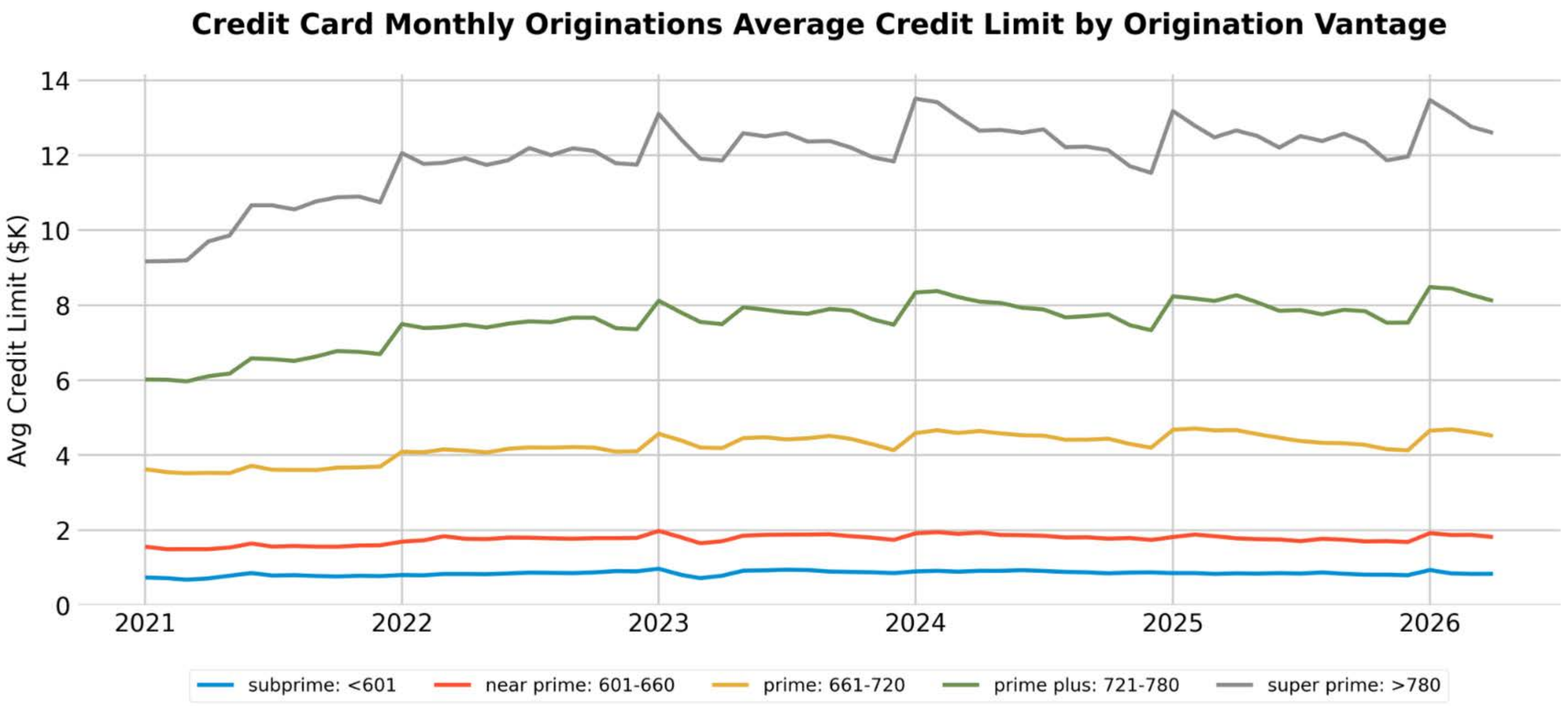
Source: 2OS, Equifax Ignite. Data as of July 20, 2026

YoY growth in subprime and near prime risk bands remains high, with super prime growth not far behind



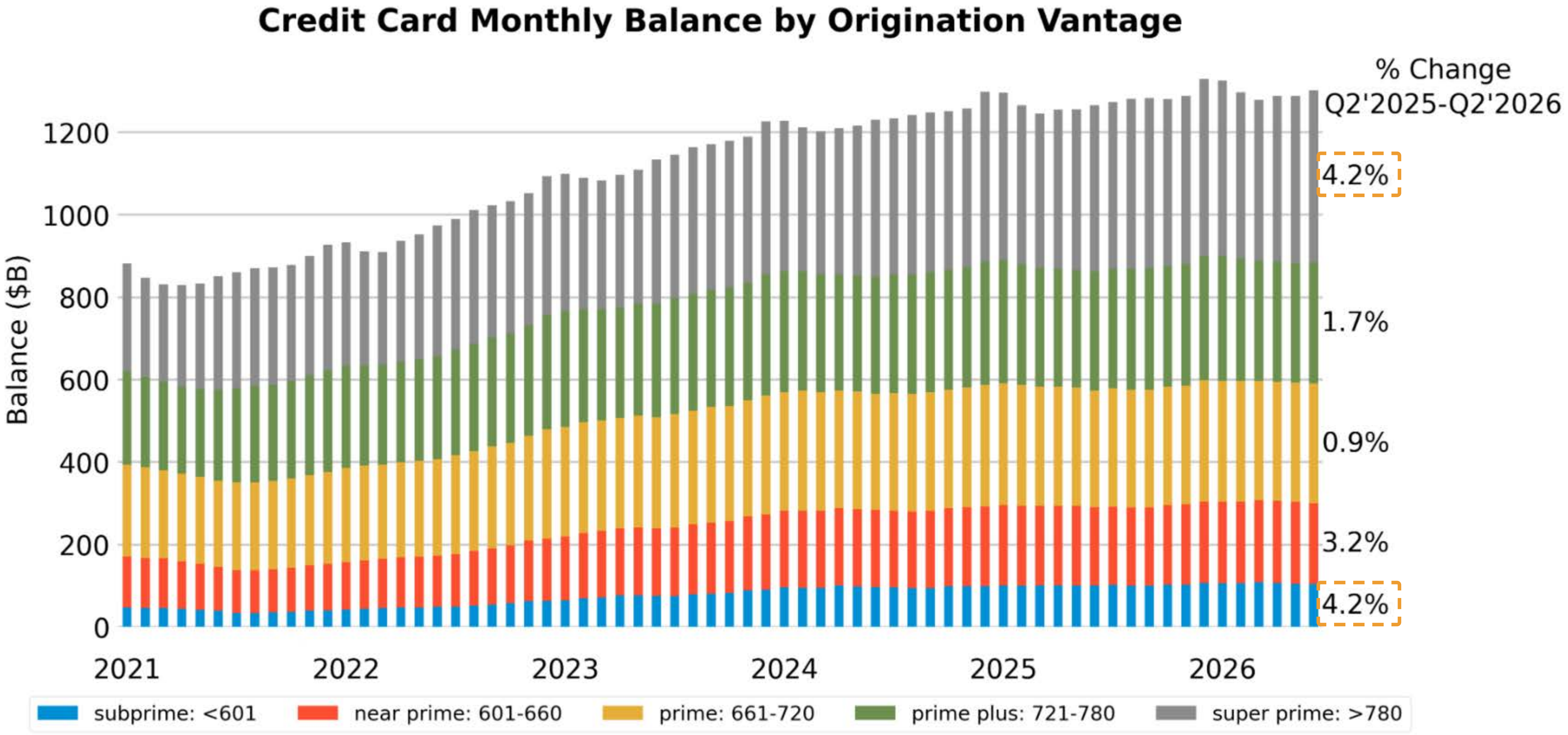
Source: 2OS, Equifax Ignite. Data as of July 20, 2026

Average credit limits eased through Q2 2026, following their typical January spike, and are down 15-20% in real terms since early 2022



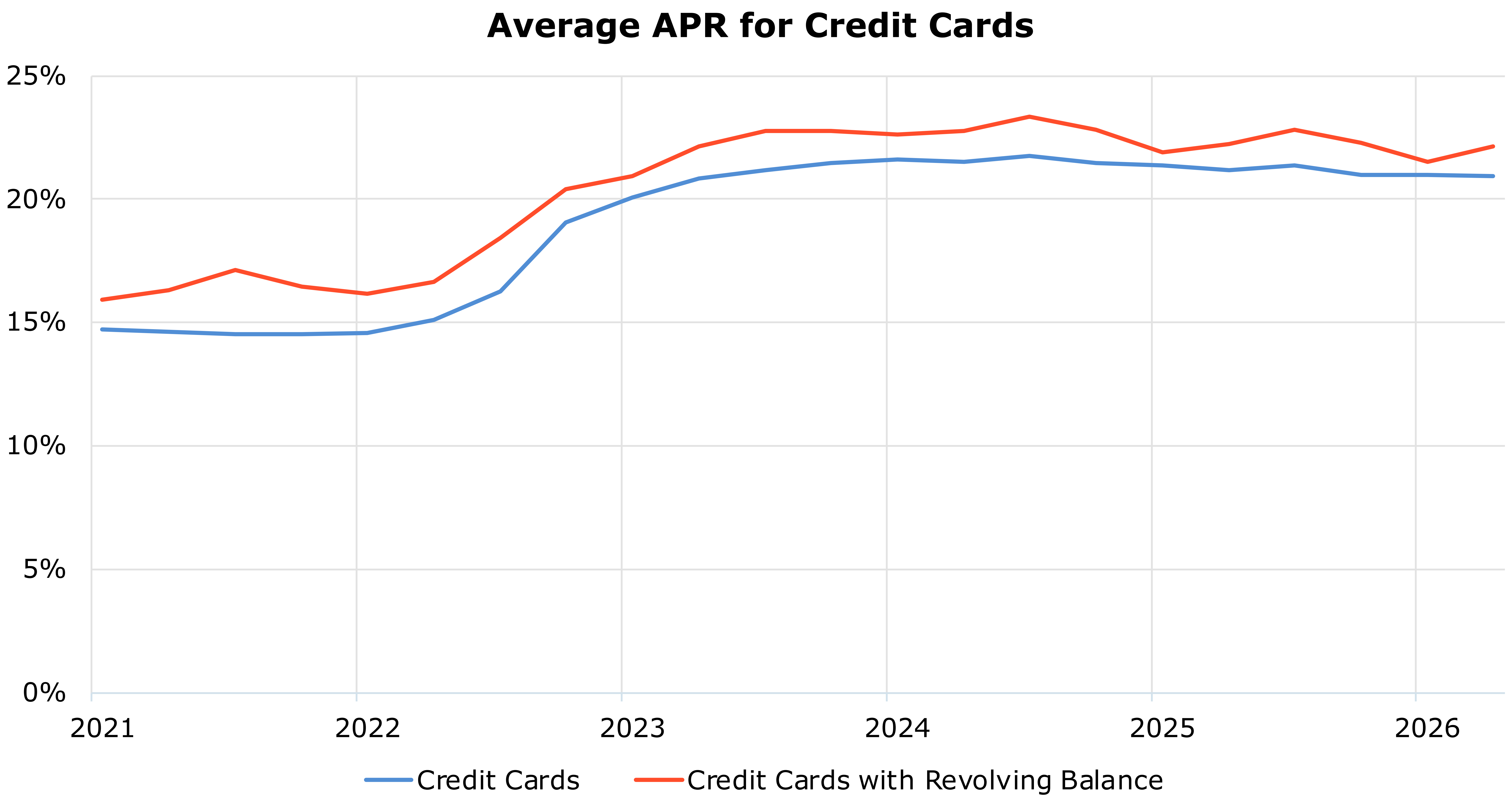
Source: 2OS, Equifax Ignite. Data as of July 20, 2026

Credit card debt rose slightly across risk tiers, particularly in subprime and super prime



Source: 2OS, Equifax Ignite. Data as of July 20, 2026

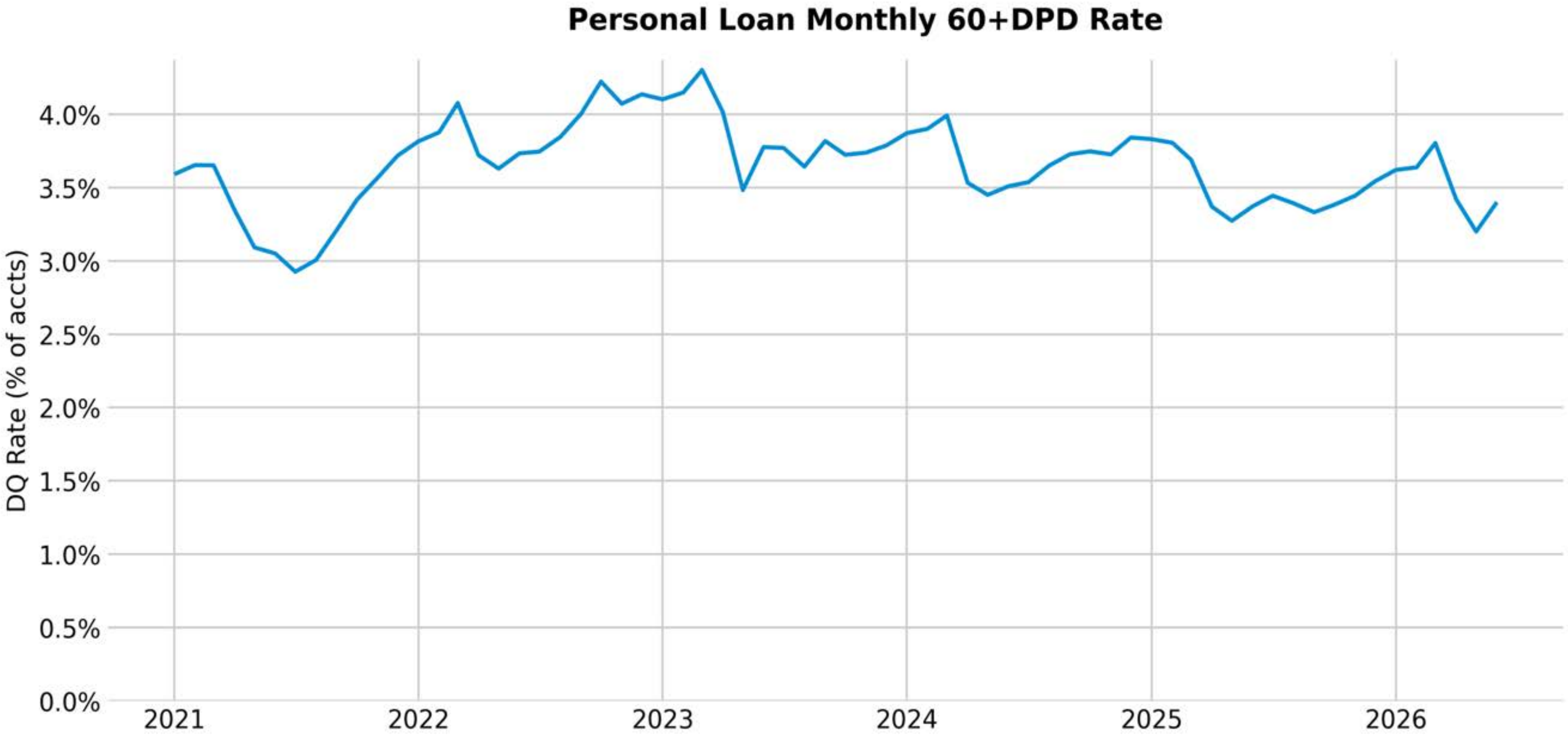
Card APRs remained roughly stable overall, with an increase among cards with a revolving balance



Source: 2OS, Federal Reserve G19 report. Data as of July 8, 2026

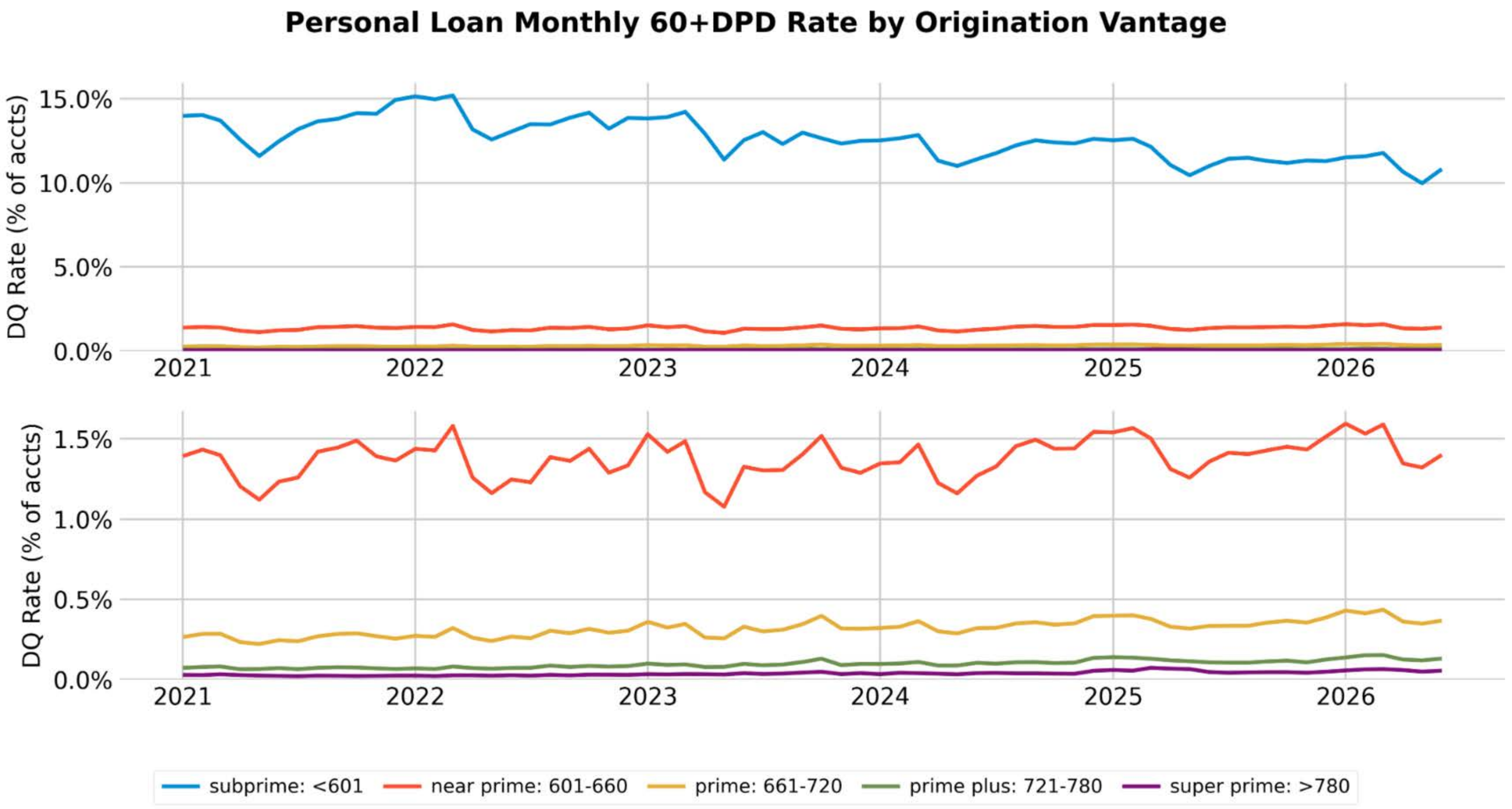
Personal Loan

Personal Loan 60+ DPD rates dipped in Q2 before a modest rebound, continuing a trend of gradual easing



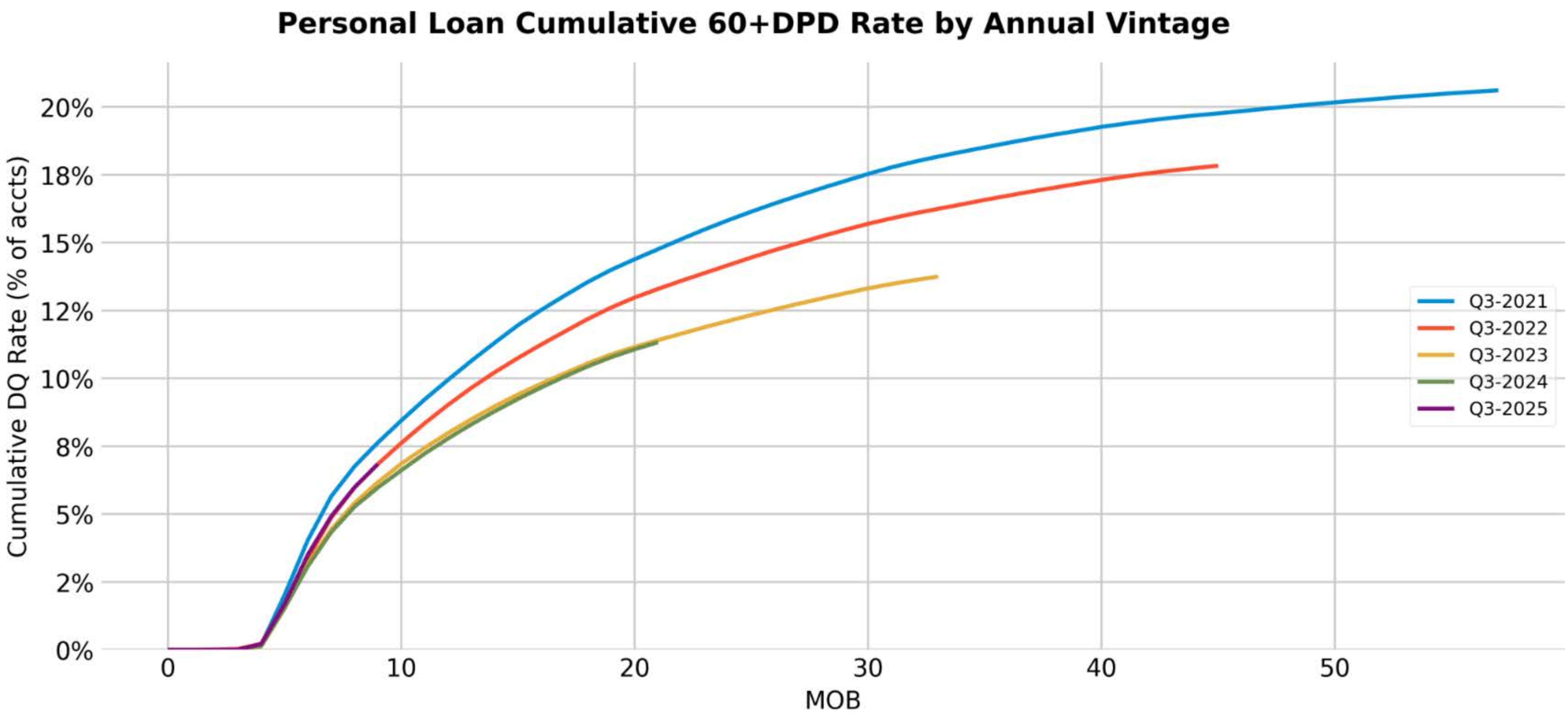
Source: 2OS, Equifax Ignite. Data as of July 20, 2026

Q2 delinquency trends were broadly consistent across Vantage tiers



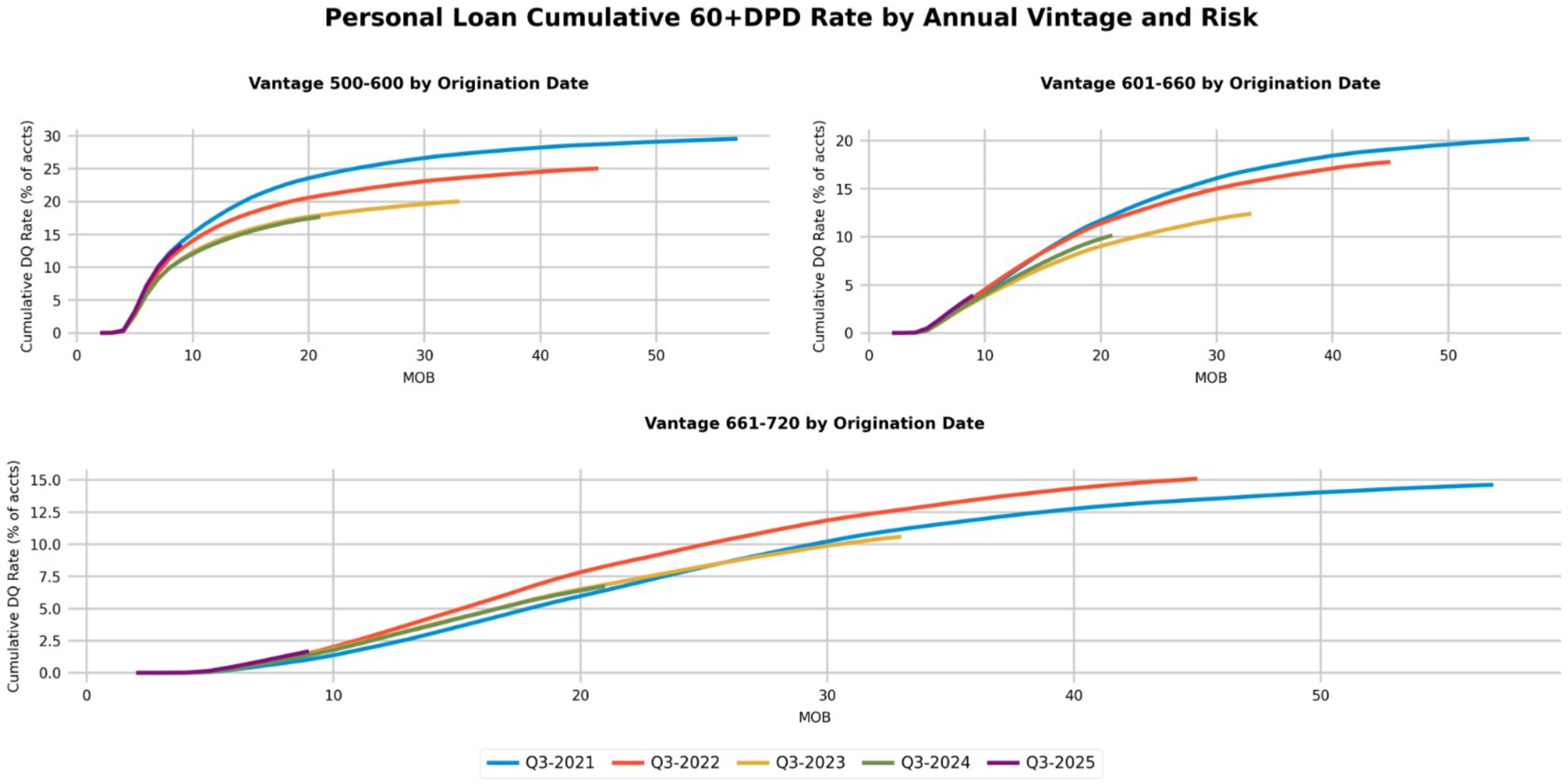
Source: 2OS, Equifax Ignite. Data as of July 20, 2026

The Q3 2025 vintage is tracking near Q3 2022 levels and slightly worse than more recent vintages



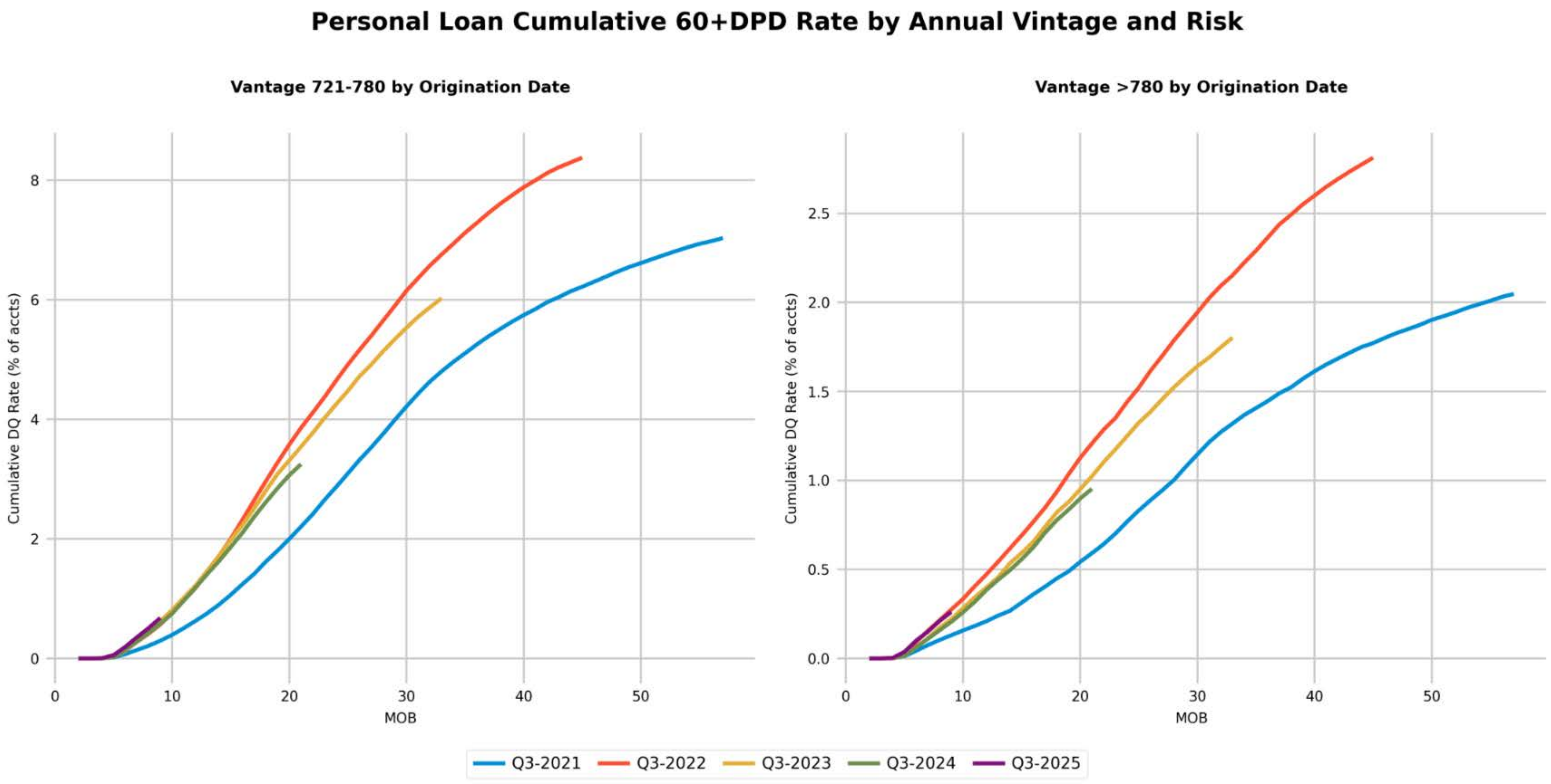
Source: 2OS, Equifax Ignite. Data as of July 20, 2026

Q3 2025 performance in lower Vantage bands was weaker than recent vintages in prime and lower risk bands



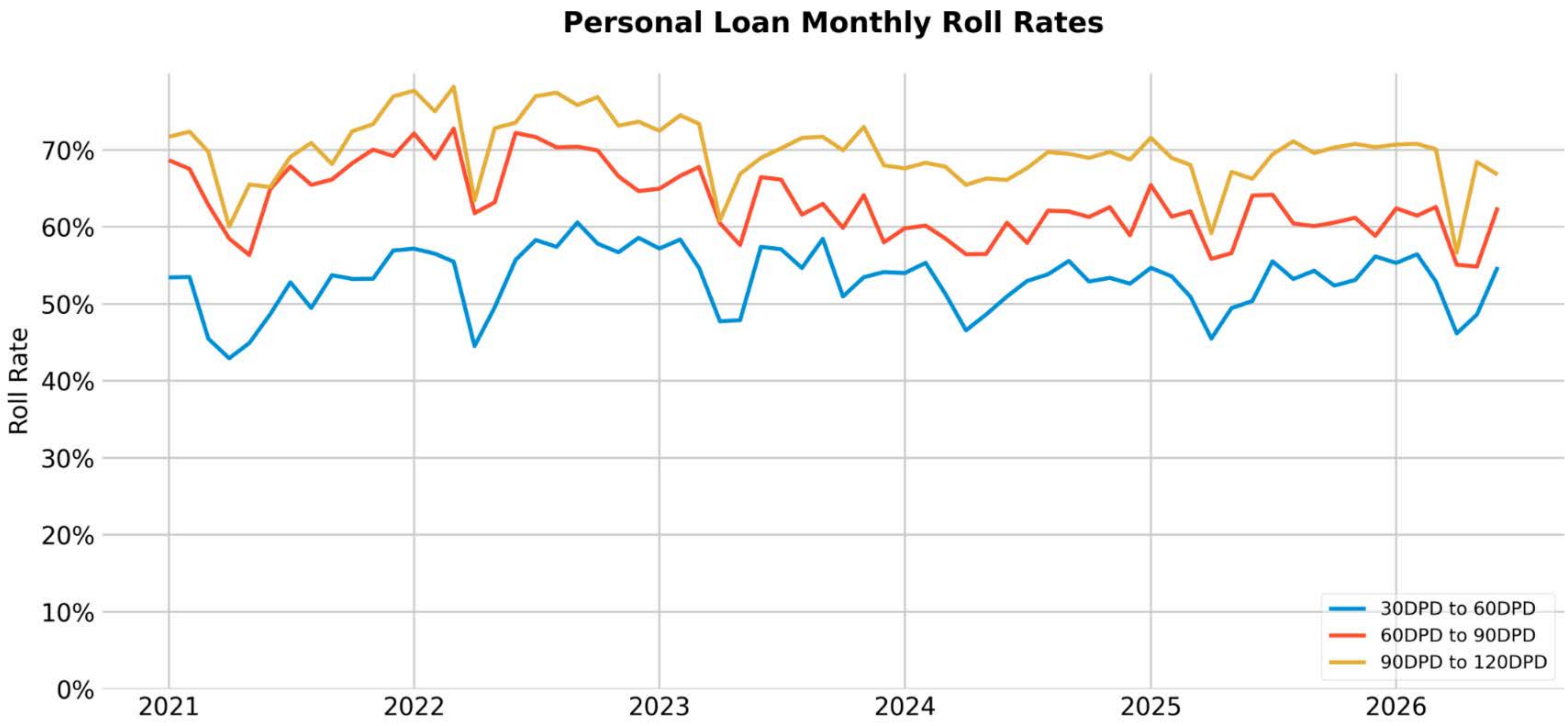
Source: 2OS, Equifax Ignite. Data as of July 20, 2026

For higher Vantage tiers, Q3 2025 delinquencies align with recent years (Slide 2 of 2)



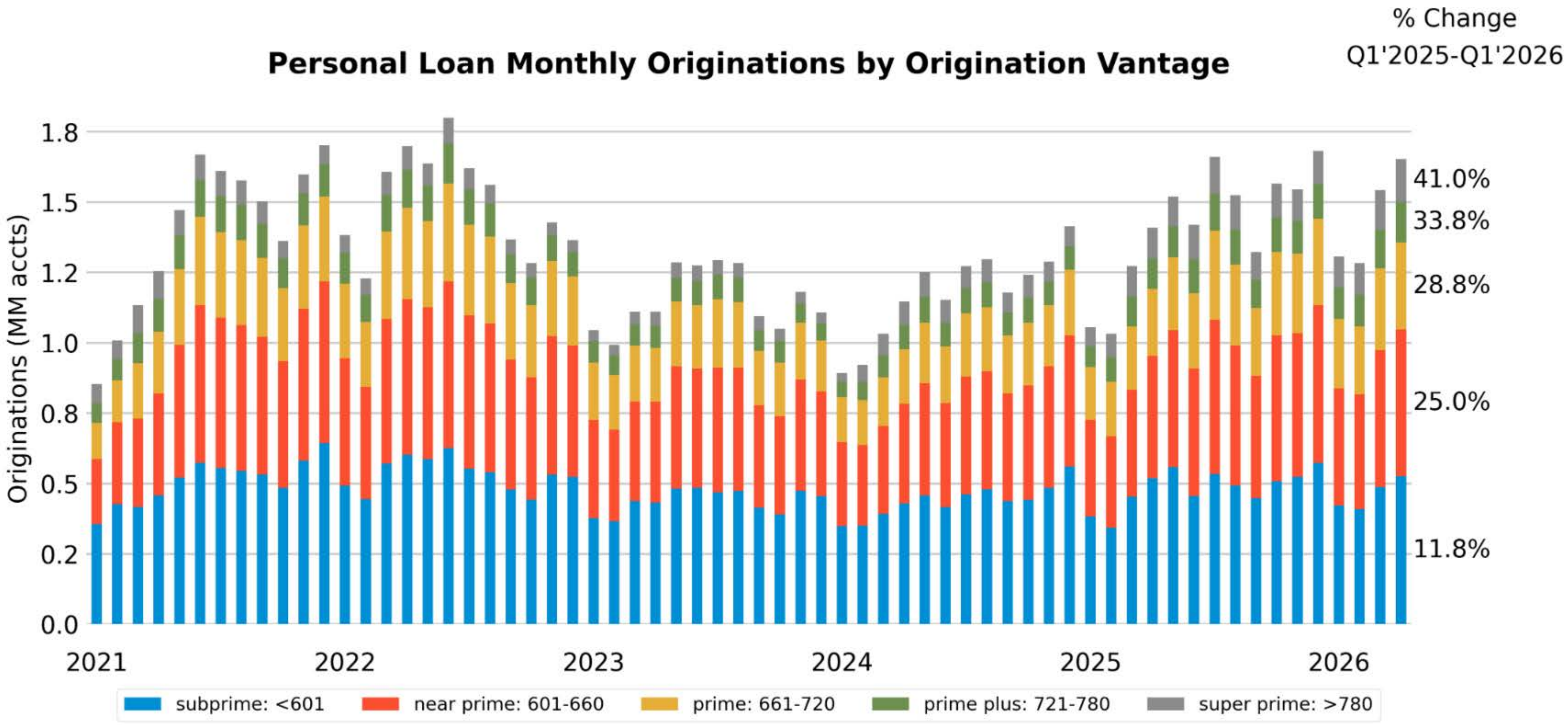
Source: 2OS, Equifax Ignite. Data as of July 20, 2026

Fluctuations in PL roll rates align with seasonal trends



Source: 2OS, Equifax Ignite. Data as of July 20, 2026

YoY change in monthly originations is significantly elevated, particularly in higher Vantage bands

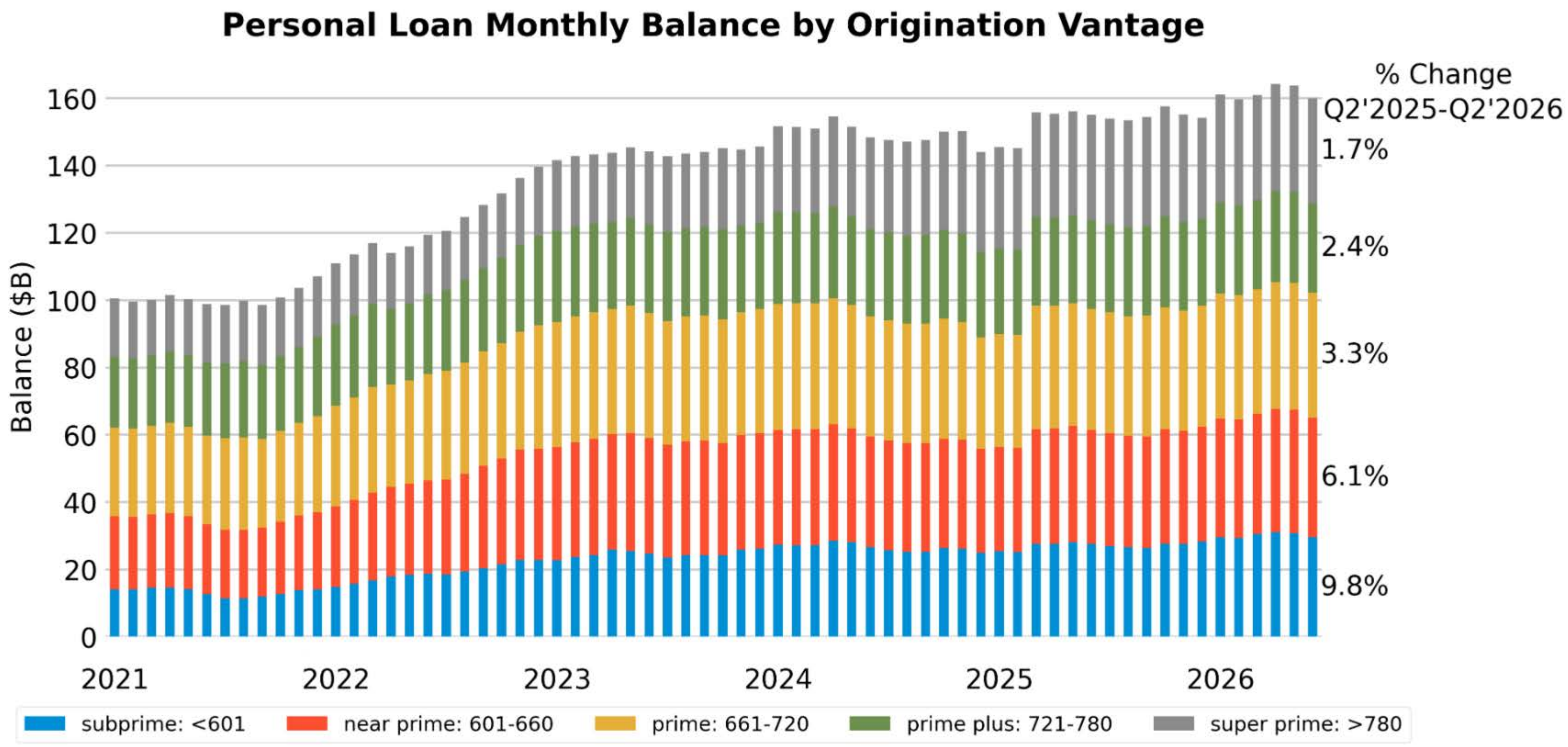


Source: 2OS, Equifax Ignite. Data as of July 20, 2026

Average loan amounts remained relatively stable in Q2, but are down in real terms

Source: 2OS, Equifax Ignite. Data as of July 20, 2026

Origination growth continued to support an increase in monthly balances, with the strongest growth in lower Vantage tiers



Source: 2OS, Equifax Ignite. Data as of July 20, 2026

State of the Consumer

Credit Card

Personal Loan

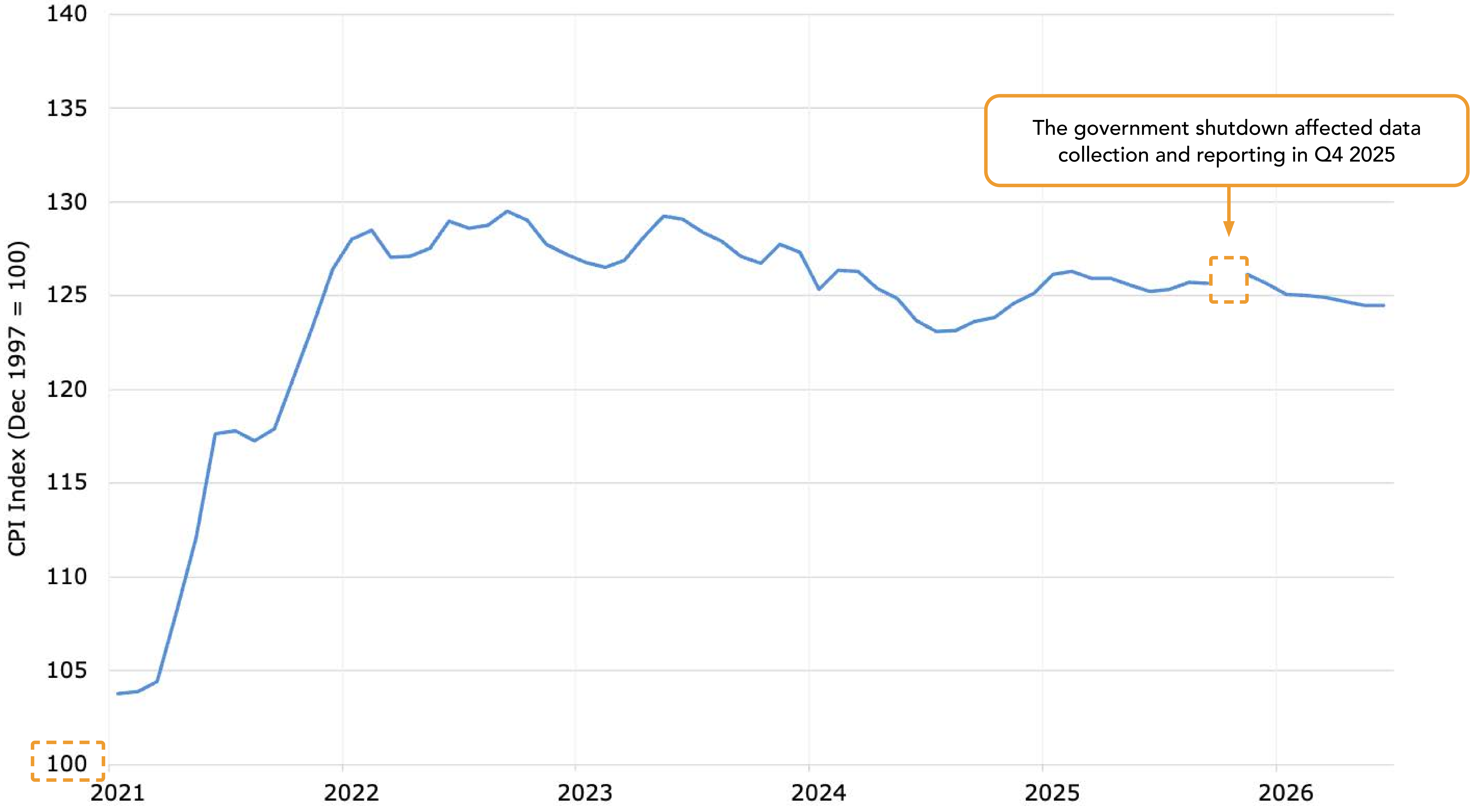
Auto

Student Loan

Mortgage

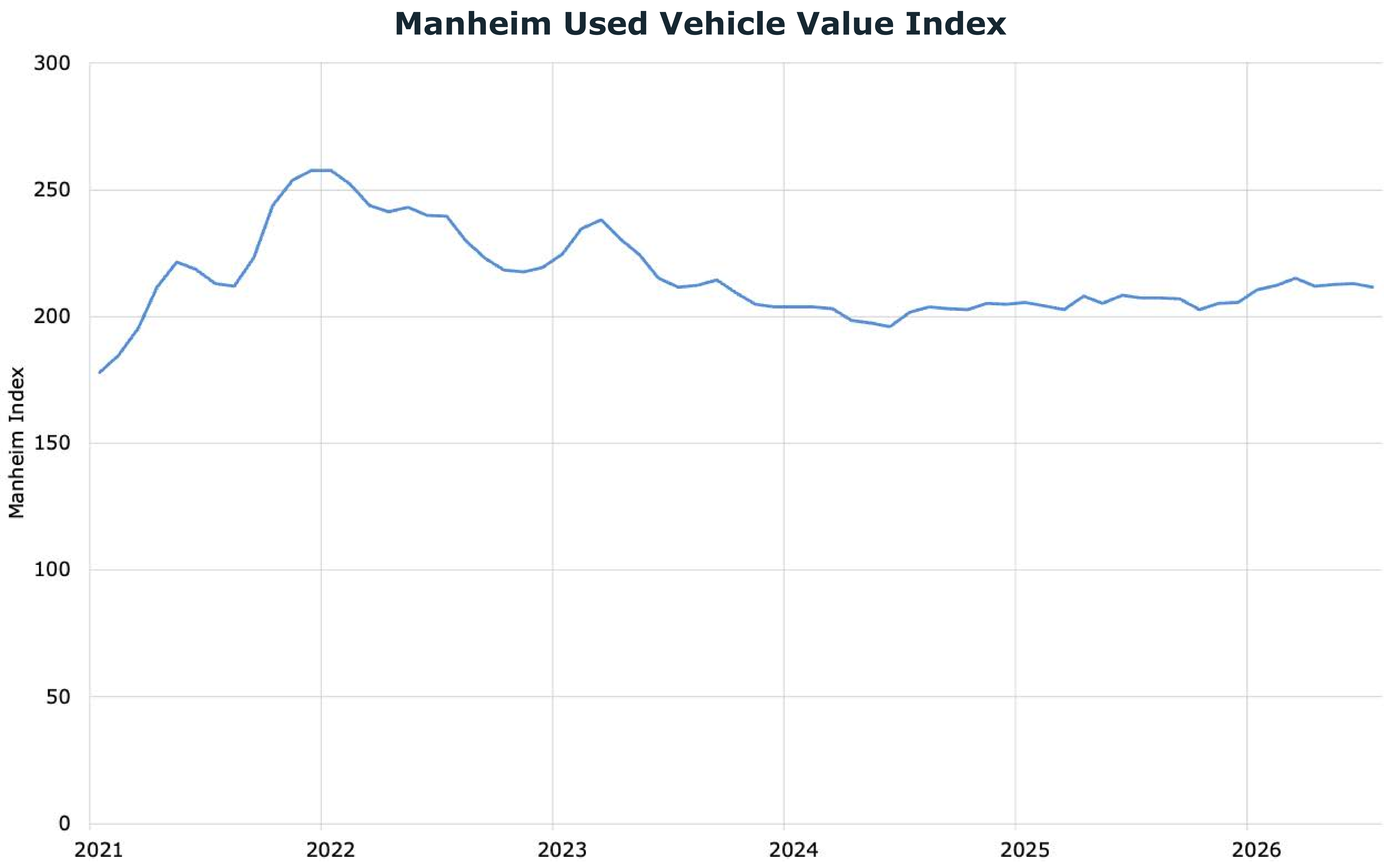
New and used vehicle prices fell slightly in Q2 2026

Average Consumer Price Index for New and Used Motor Vehicles



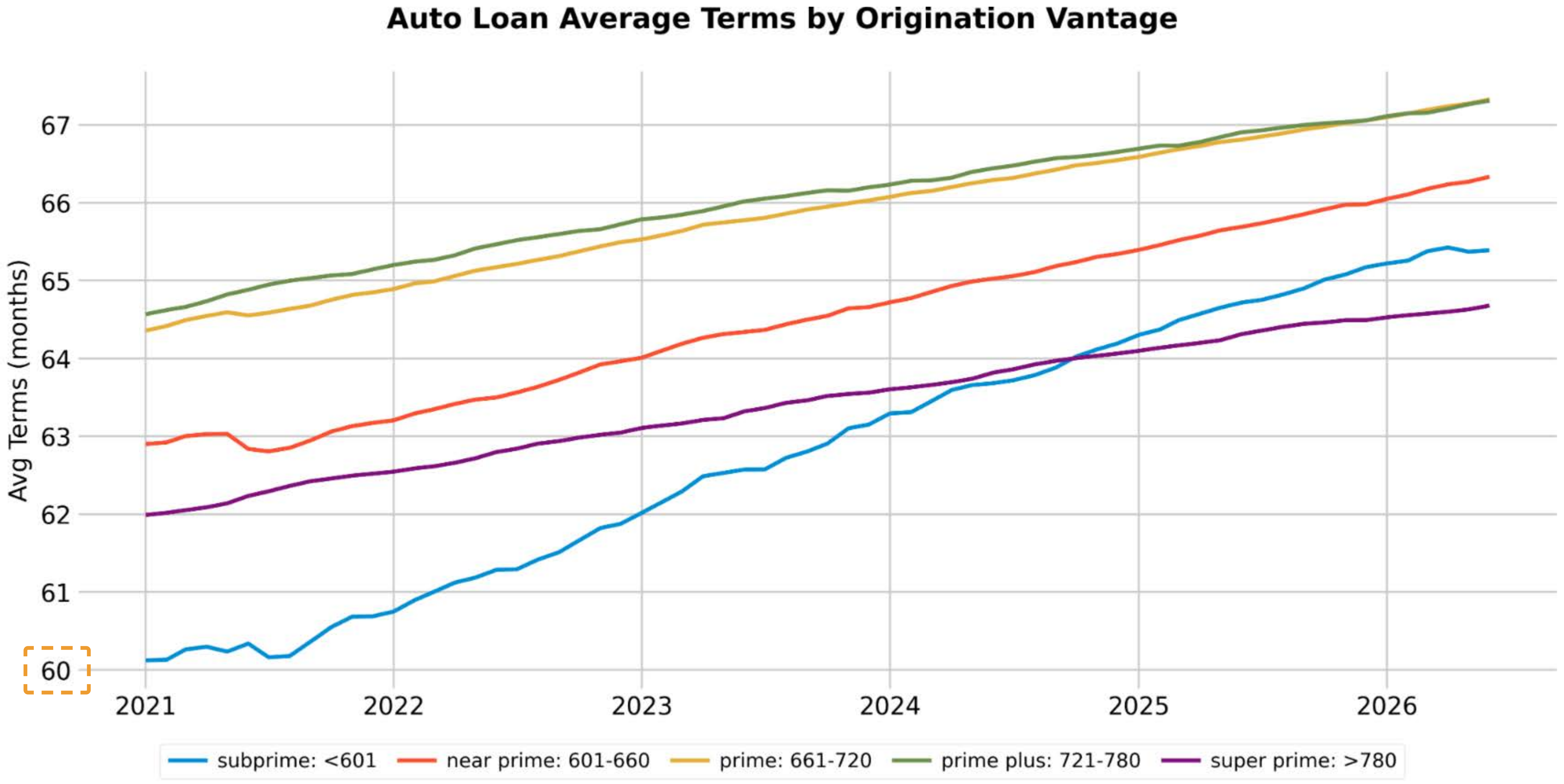
Source: 2OS, FRED. Data as of July 14, 2026

Used vehicle prices rose slightly through Q2 2026 before cooling, remaining elevated YoY



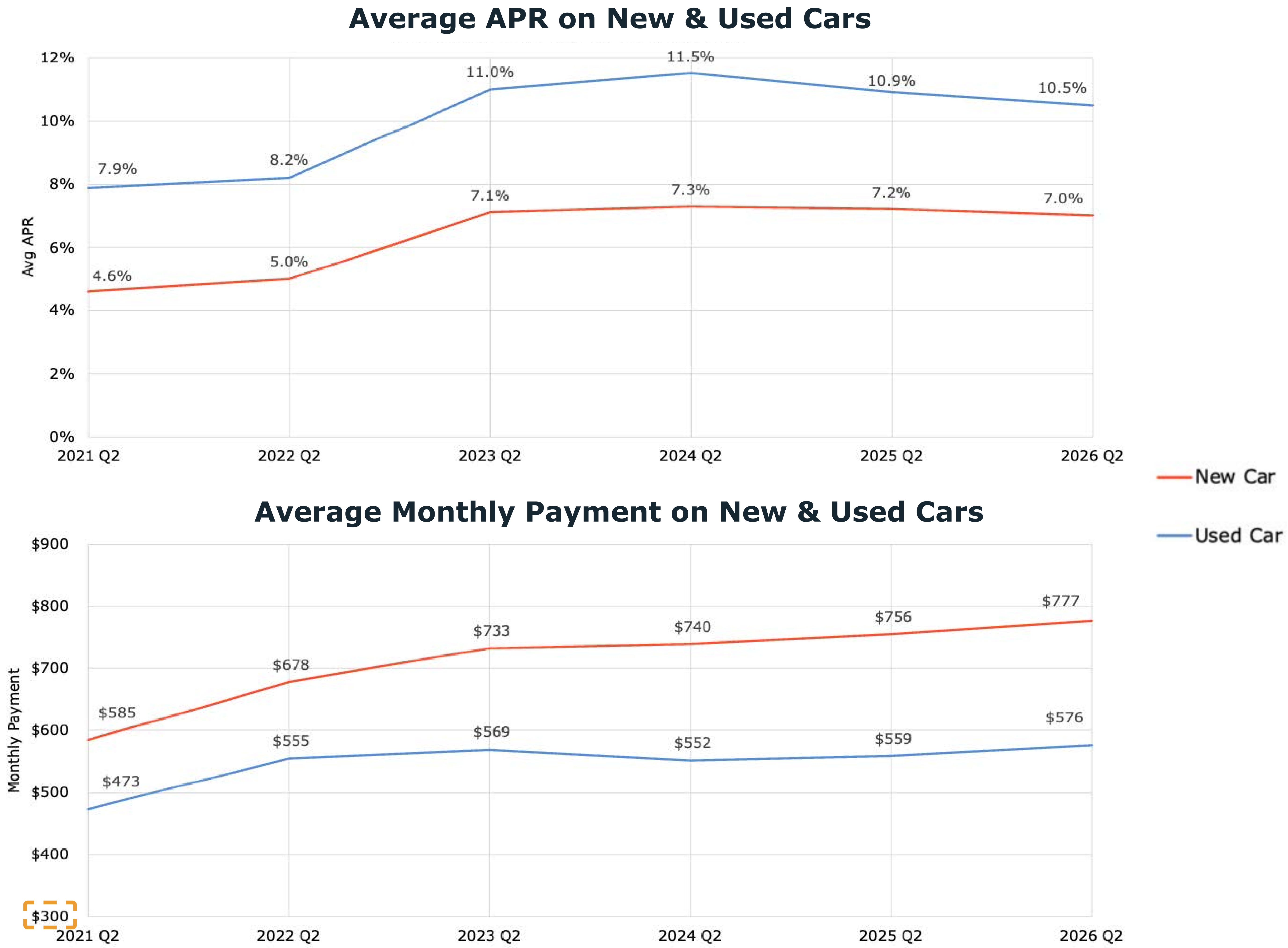
Source: 2OS, Manheim. Data as of July 17, 2026

Auto loan terms lengthened across Vantage tiers in 2026, with the largest increases among subprime borrowers



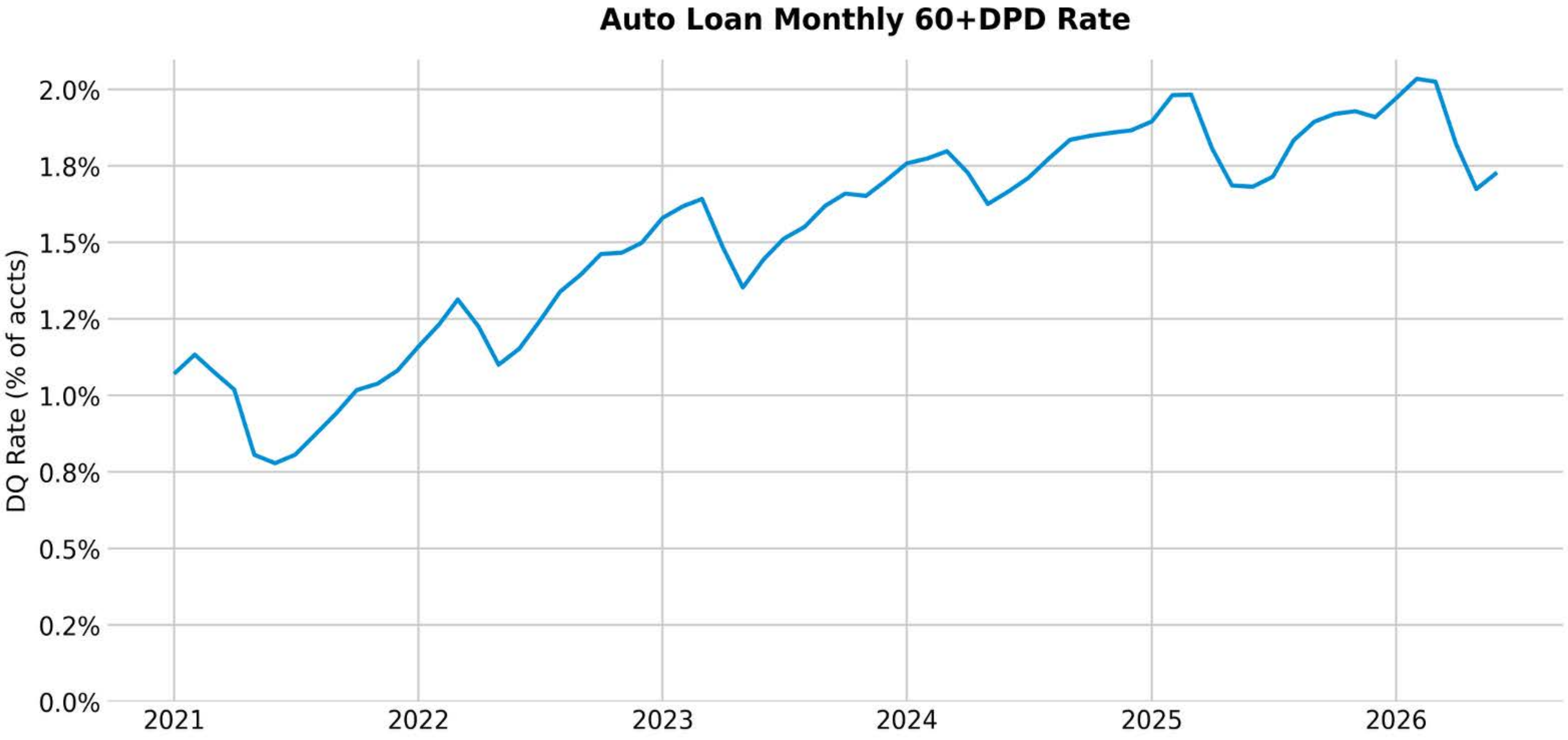
Source: 2OS, Equifax Ignite. Data as of July 20, 2026

While auto loan APRs continued to ease in Q2, average monthly car payments rose to record highs



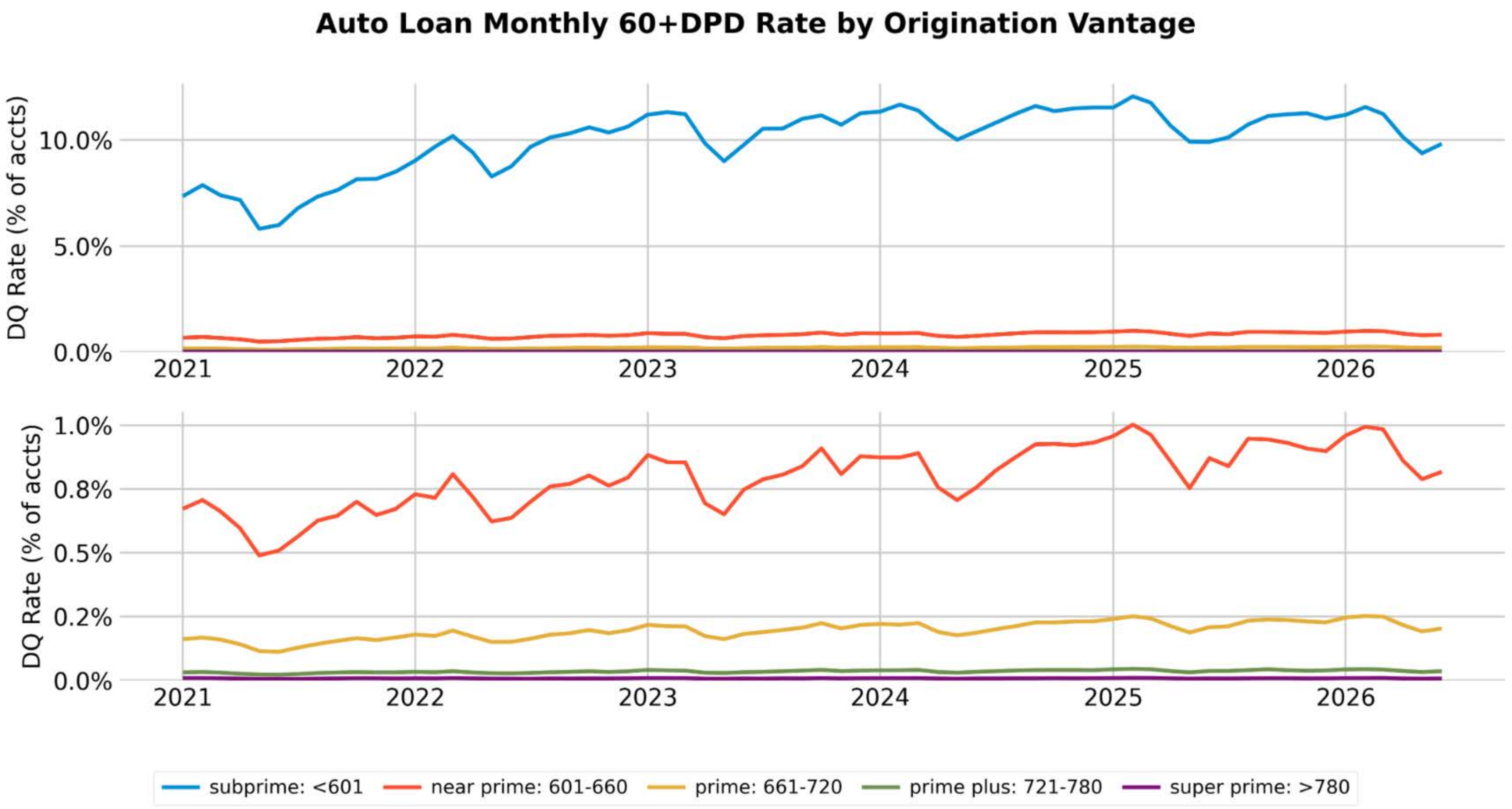
Source: Edmunds reports 2021-2026. Data as of July 1, 2026

Auto loan delinquency rates fell in Q2 2026 to levels similar to those of Q2 2025 and 2024



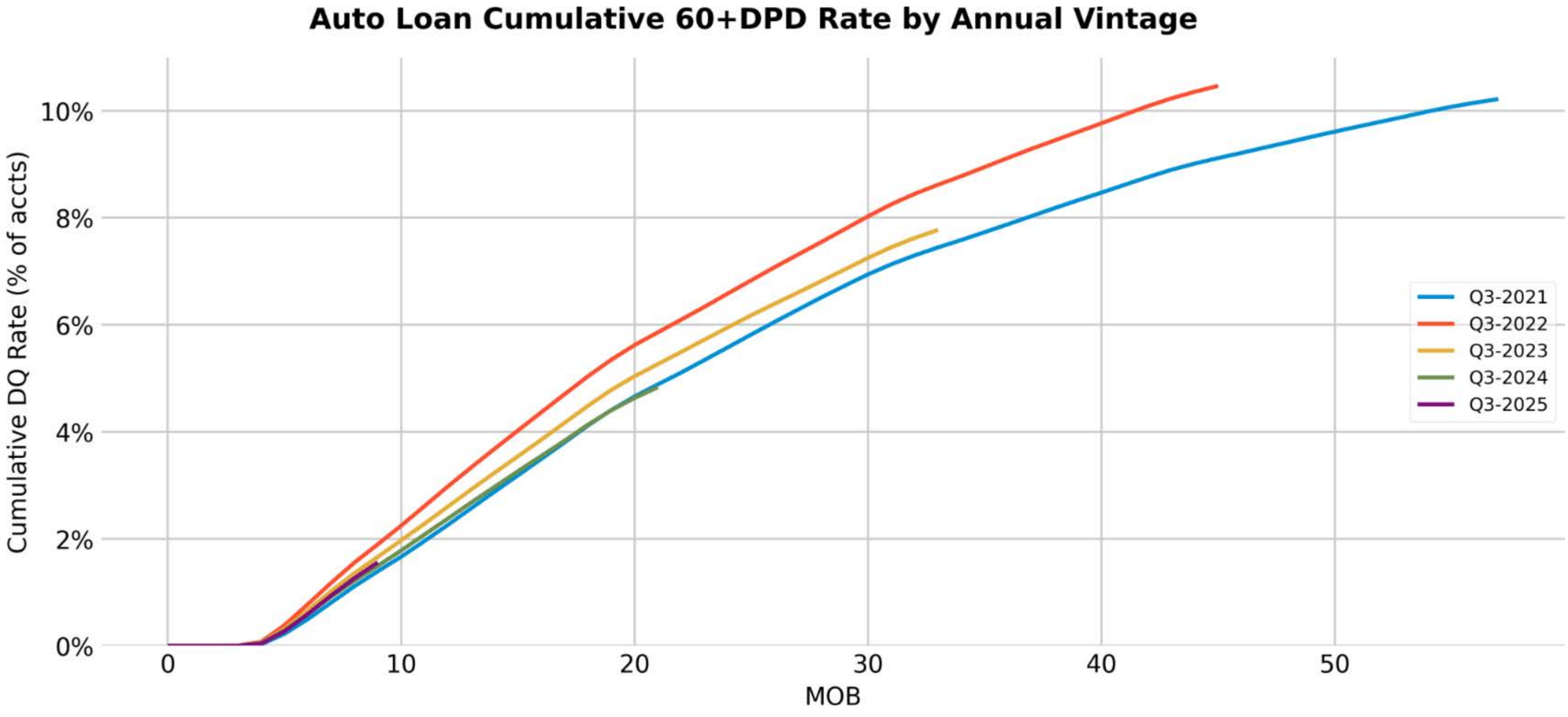
Source: 2OS, Equifax Ignite. Data as of July 20, 2026

Delinquency rates dipped in line with previous Q2 trends, driven primarily by subprime and near prime bands



Source: 2OS, Equifax Ignite. Data as of July 20, 2026

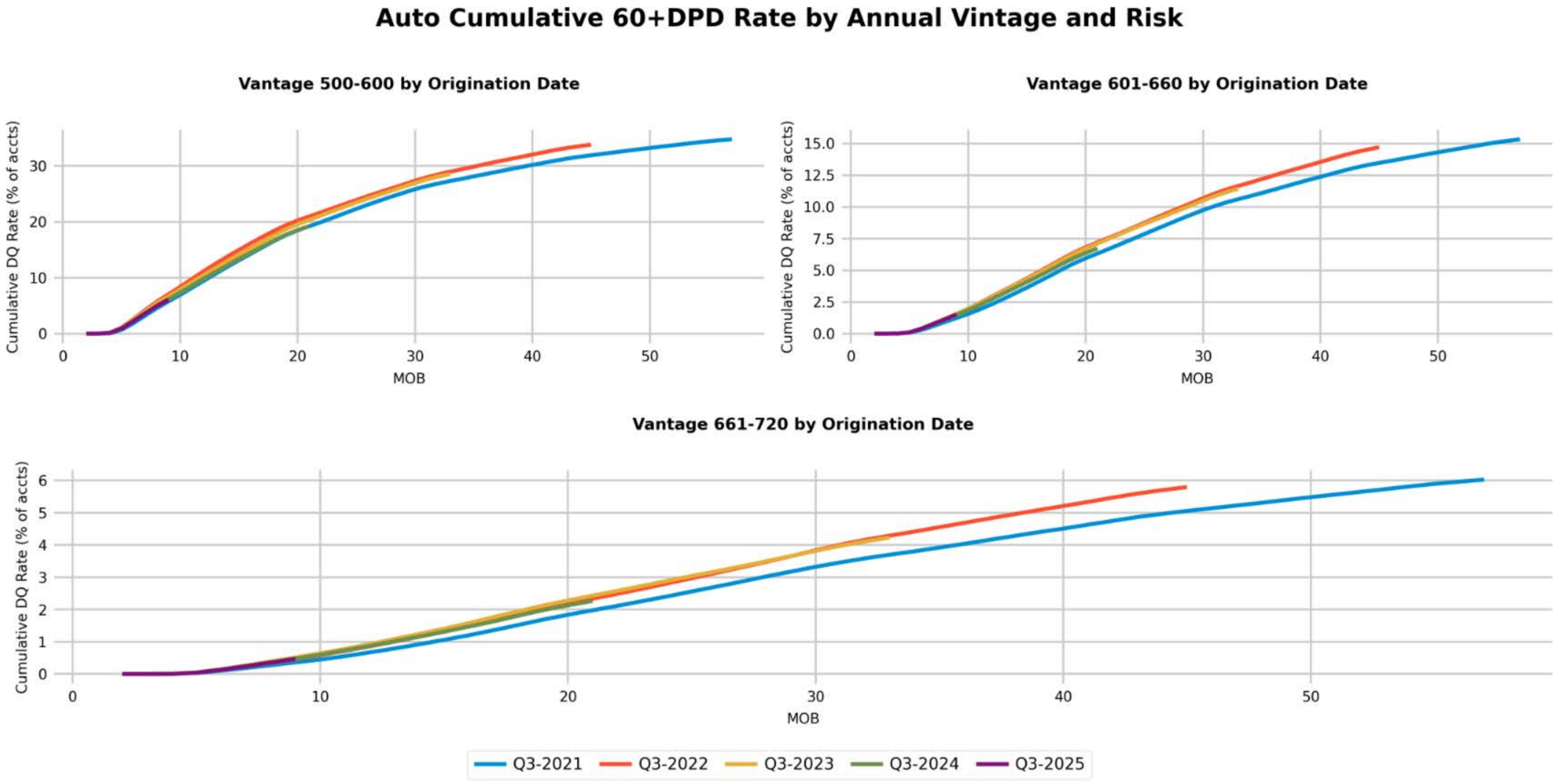
Q3 2025 delinquencies performed worse than Q3 2024 vintage, but better than Q3 in 2022 and 2023



Source: 2OS, Equifax Ignite. Data as of July 20, 2026

Subprime Q3 2025 vintages slightly outperformed the past three years, while other bands held steady

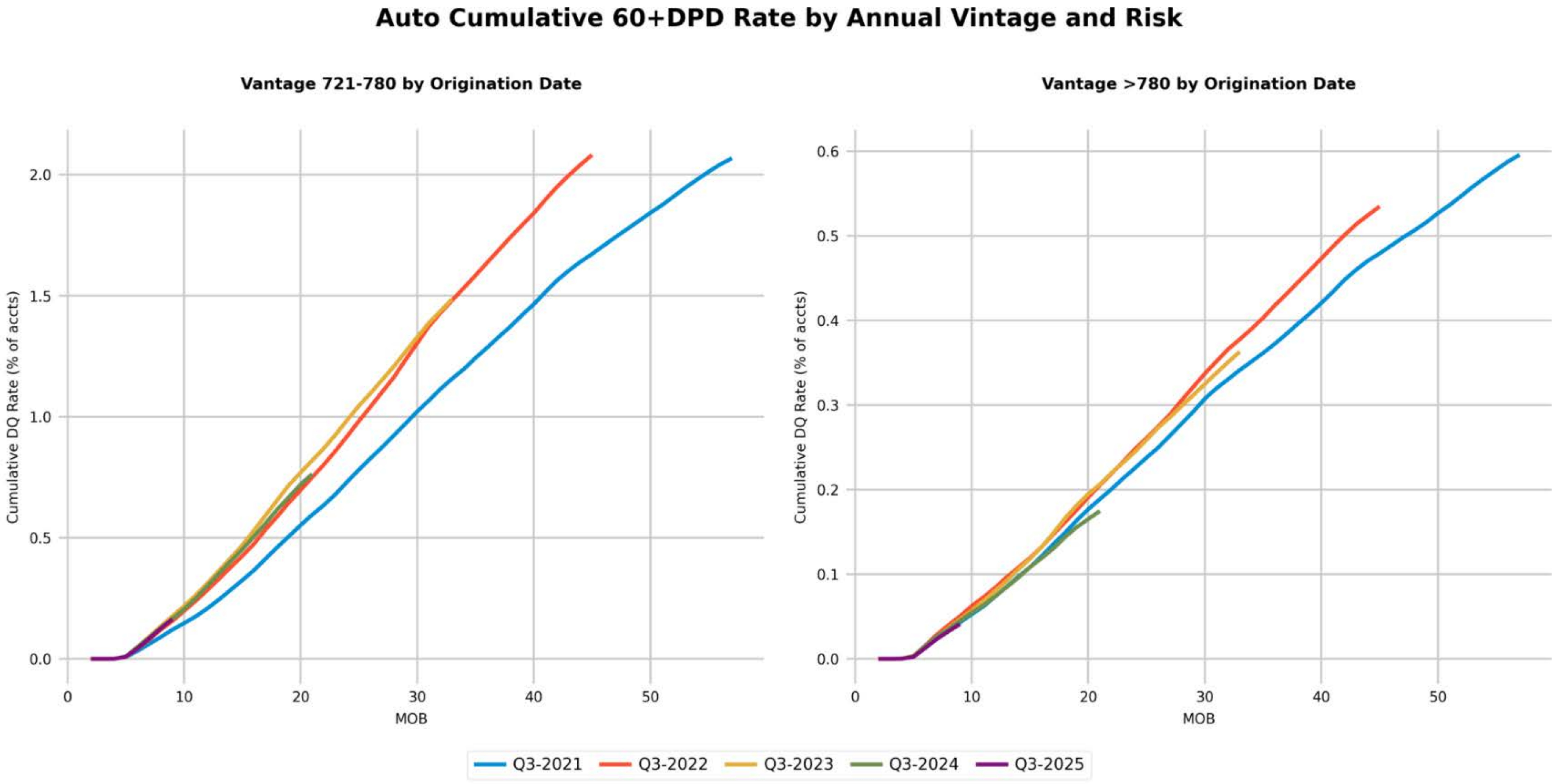
(Slide 1 of 2)



Source: 2OS, Equifax Ignite. Data as of July 20, 2026

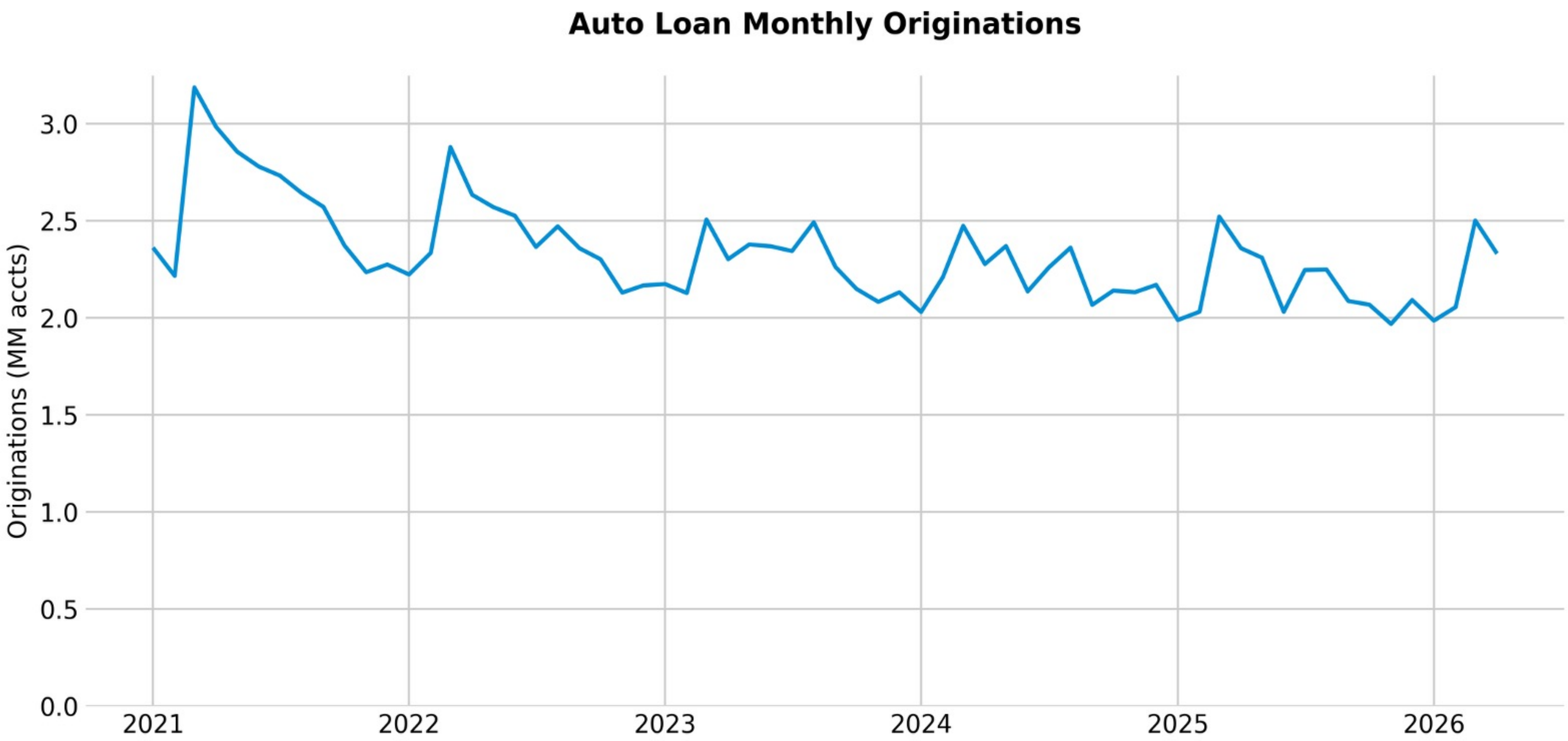
Prime-plus Q3 2025 vintages outperformed recent vintages, with super prime outperforming 2022 and 2021 as well

(Slide 2 of 2)



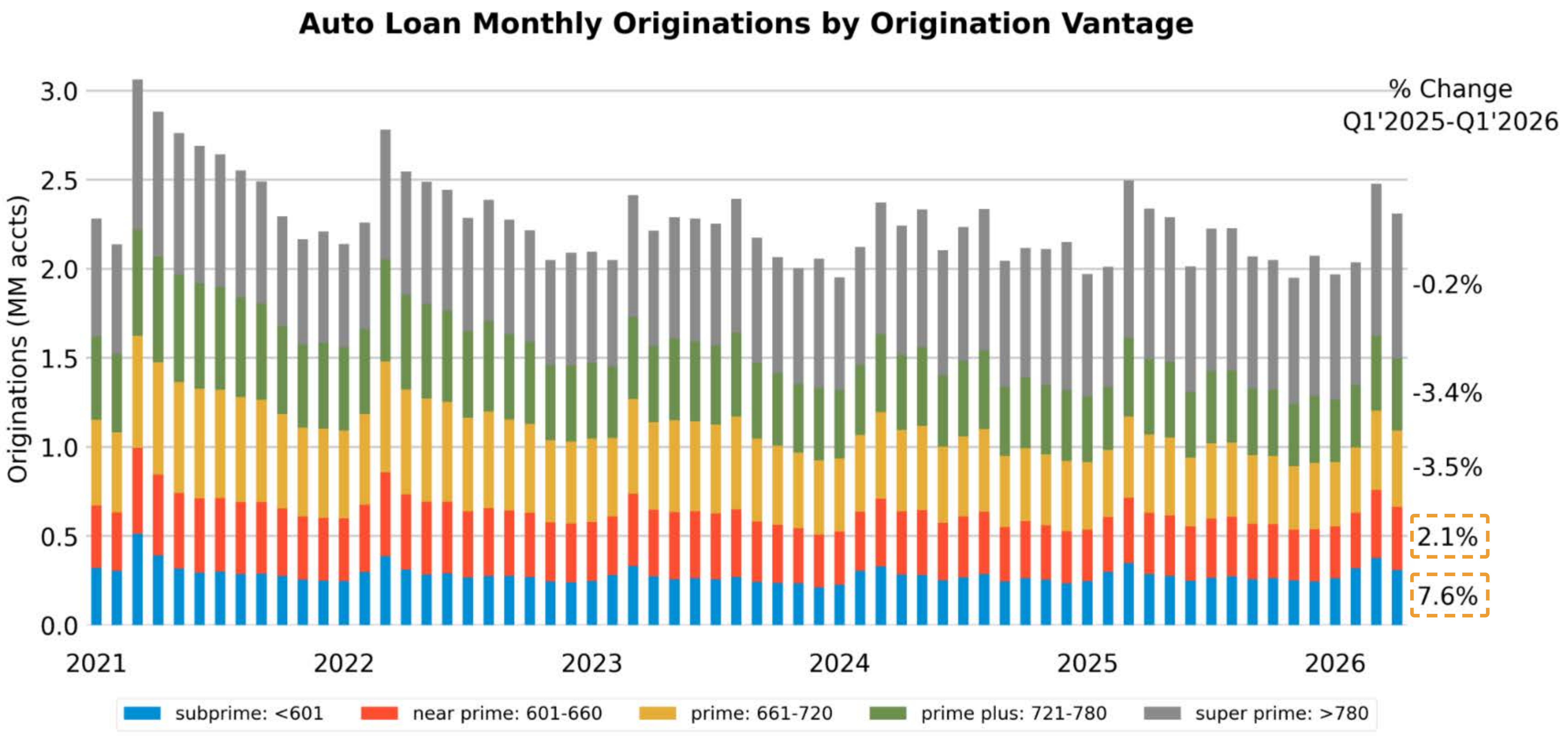
Source: 2OS, Equifax Ignite. Data as of July 20, 2026

Auto loan originations rose to start 2026 following seasonal patterns



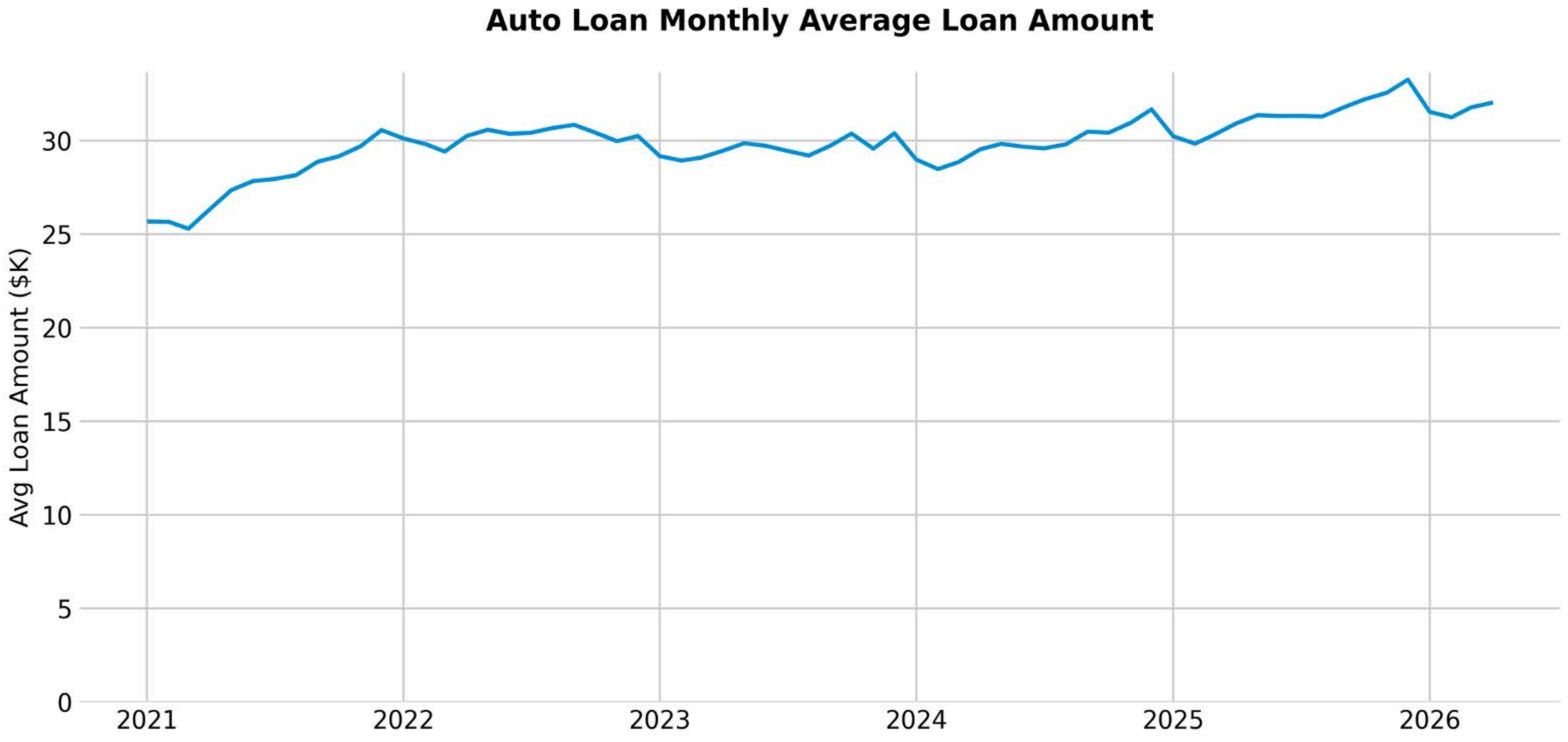
Source: 2OS, Equifax Ignite. Data as of July 20, 2026

Auto loan originations remained roughly stable YoY, with growth concentrated in subprime and near prime



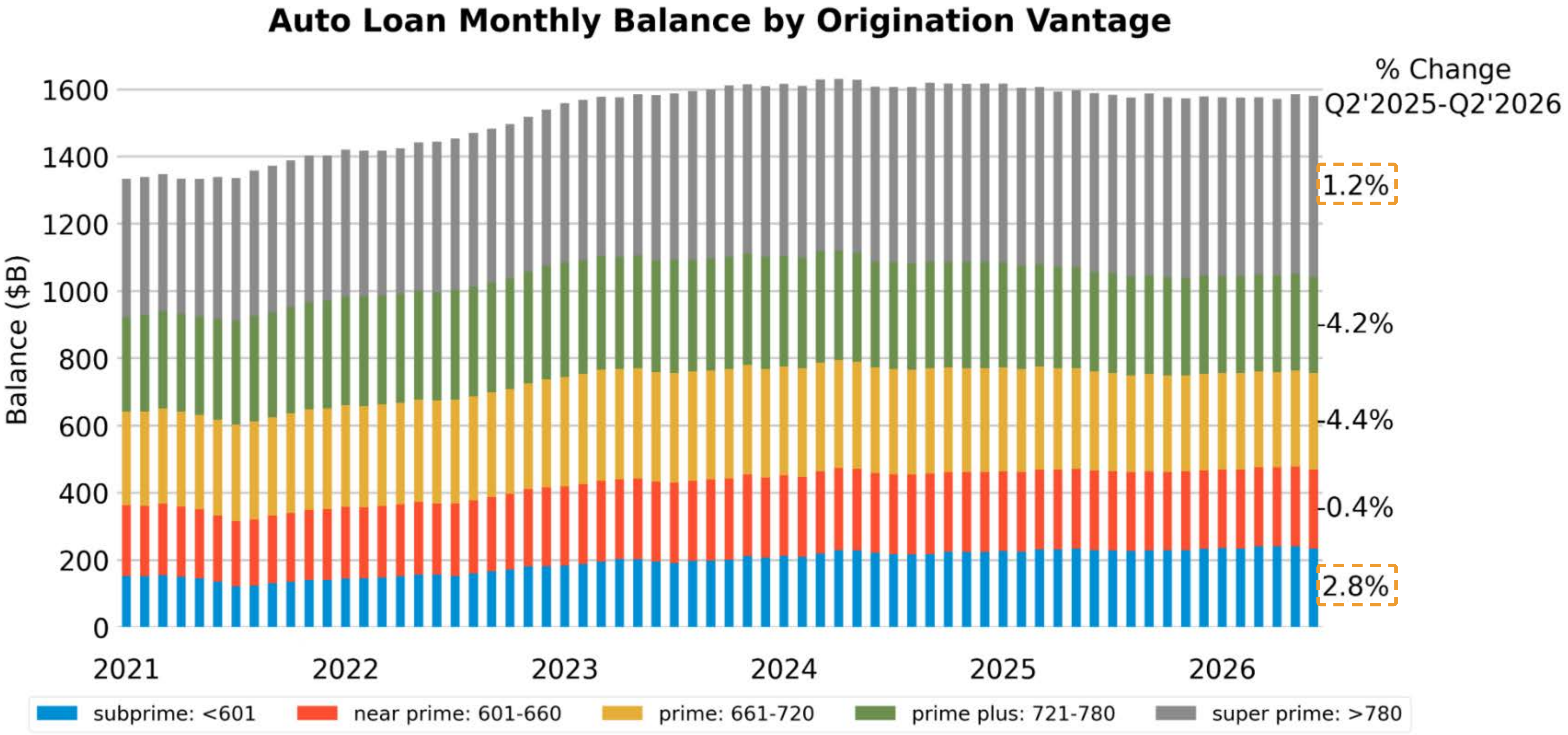
Source: 2OS, Equifax Ignite. Data as of July 20, 2026

Average auto loan amount continue to be up YoY, but have eased from late 2025 high



Source: 2OS, Equifax Ignite. Data as of July 20, 2026

Auto loan balances remained stable YoY, with growth concentrated in super prime and subprime



Source: 2OS, Equifax Ignite. Data as of July 20, 2026

2nd Order solutions

State of the Consumer

Credit Card

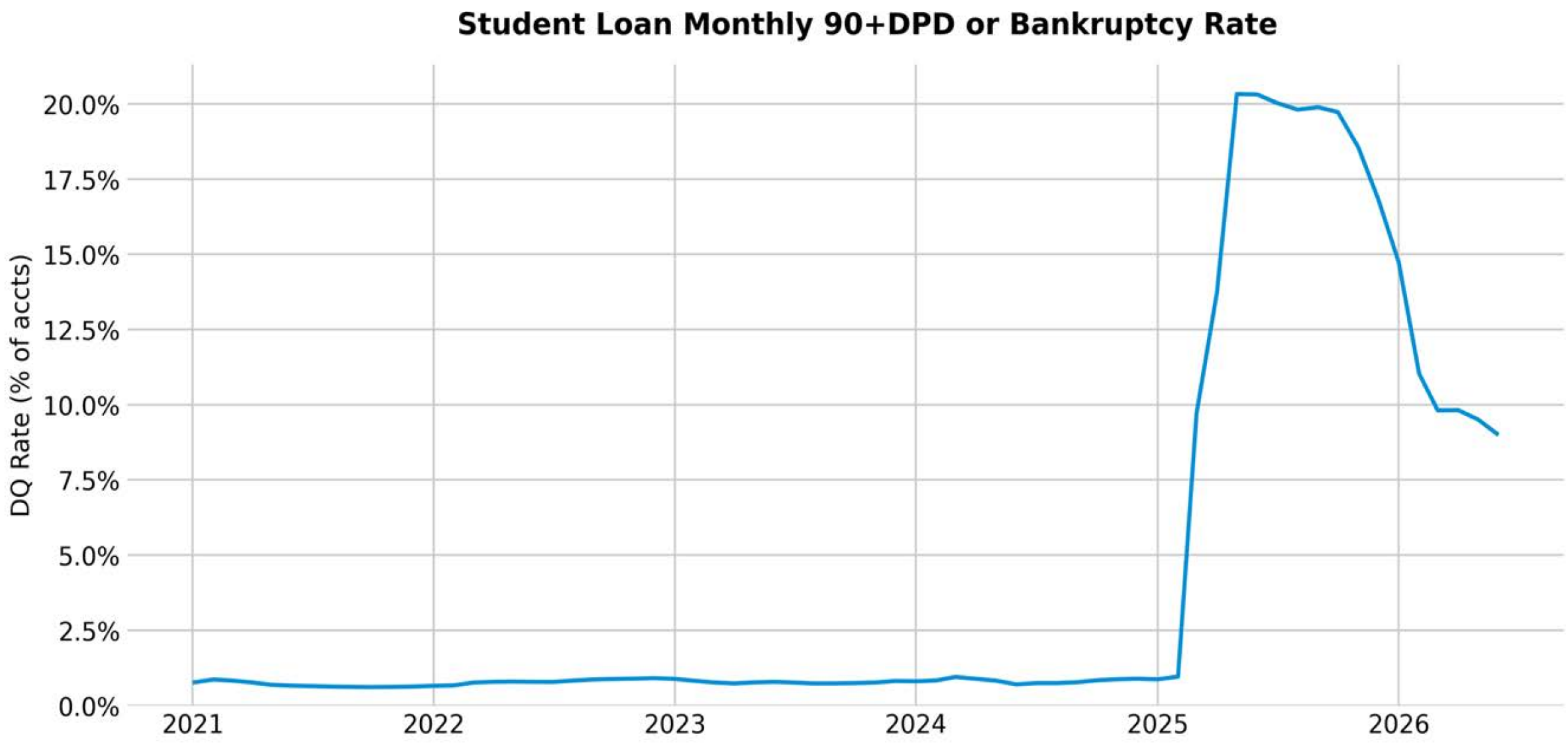
Personal Loan

Auto

Student Loan

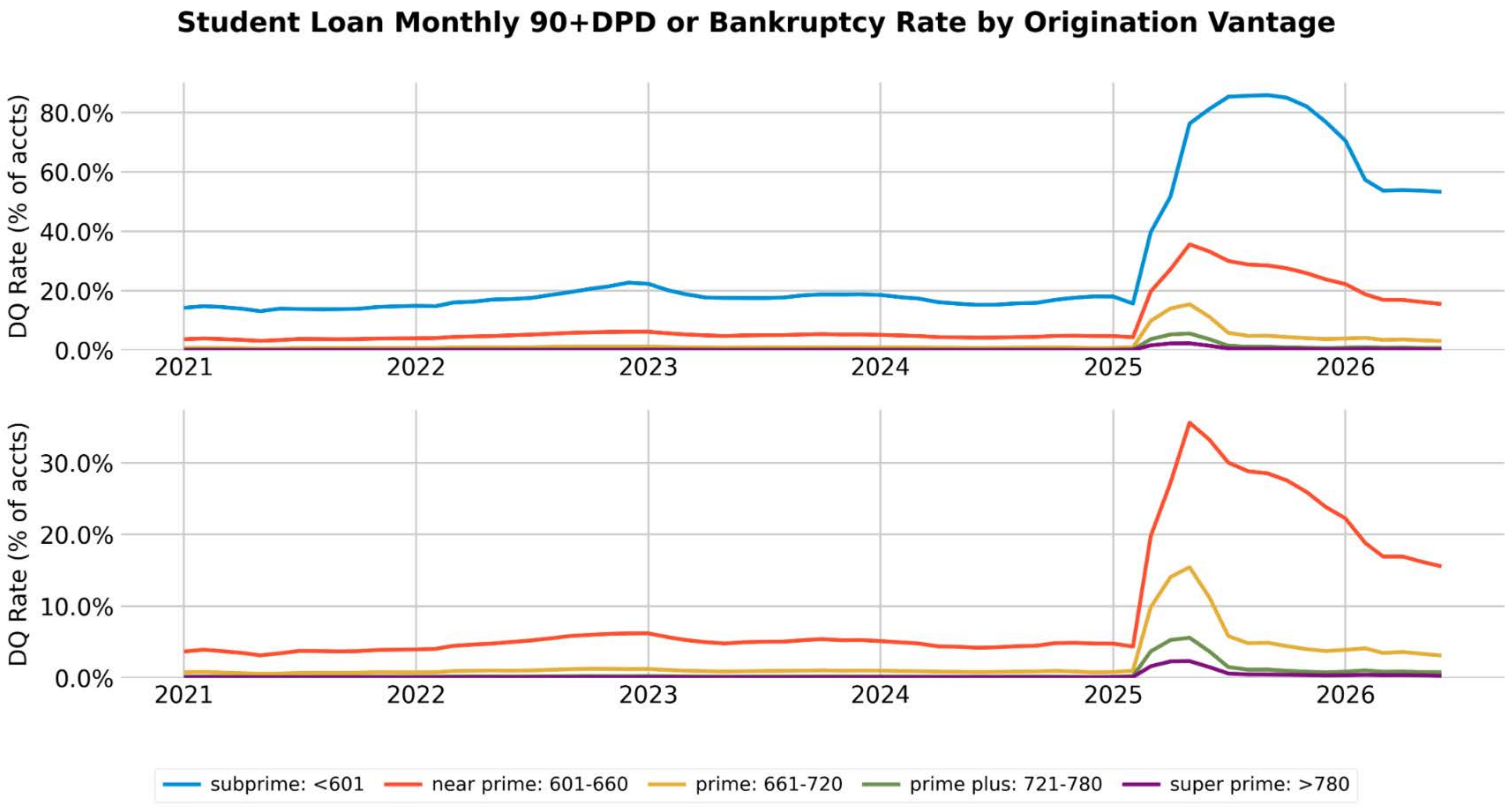
Mortgage

Student loan delinquencies continued to decline in Q2, though at a more moderate pace, following a spike from resumption of bureau reporting



Source: 2OS, Equifax Ignite. Data as of July 20, 2026

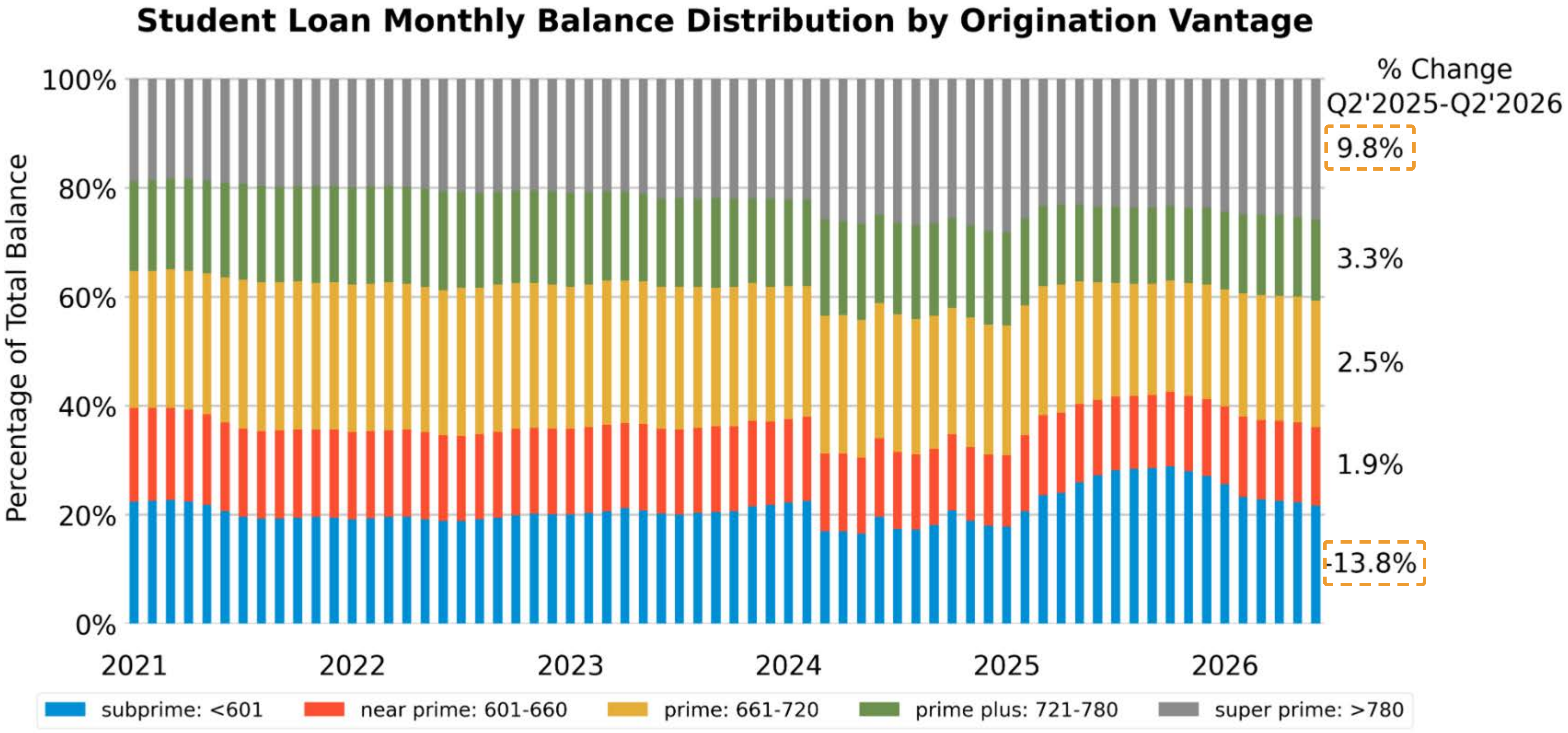
The decline in subprime delinquencies leveled off in Q2 compared with Q1, while other risk bands continued to decline at a steadier pace



Source: 2OS, Equifax Ignite. Data as of July 20, 2026; Include both Federal and Private Loans

2nd Order solutions

Student loan balance mix shifted toward higher Vantage tiers YoY, led by growth in super-prime and a decline in subprime share



Source: 2OS, Equifax Ignite. Data as of July 20, 2026

State of the Consumer

Credit Card

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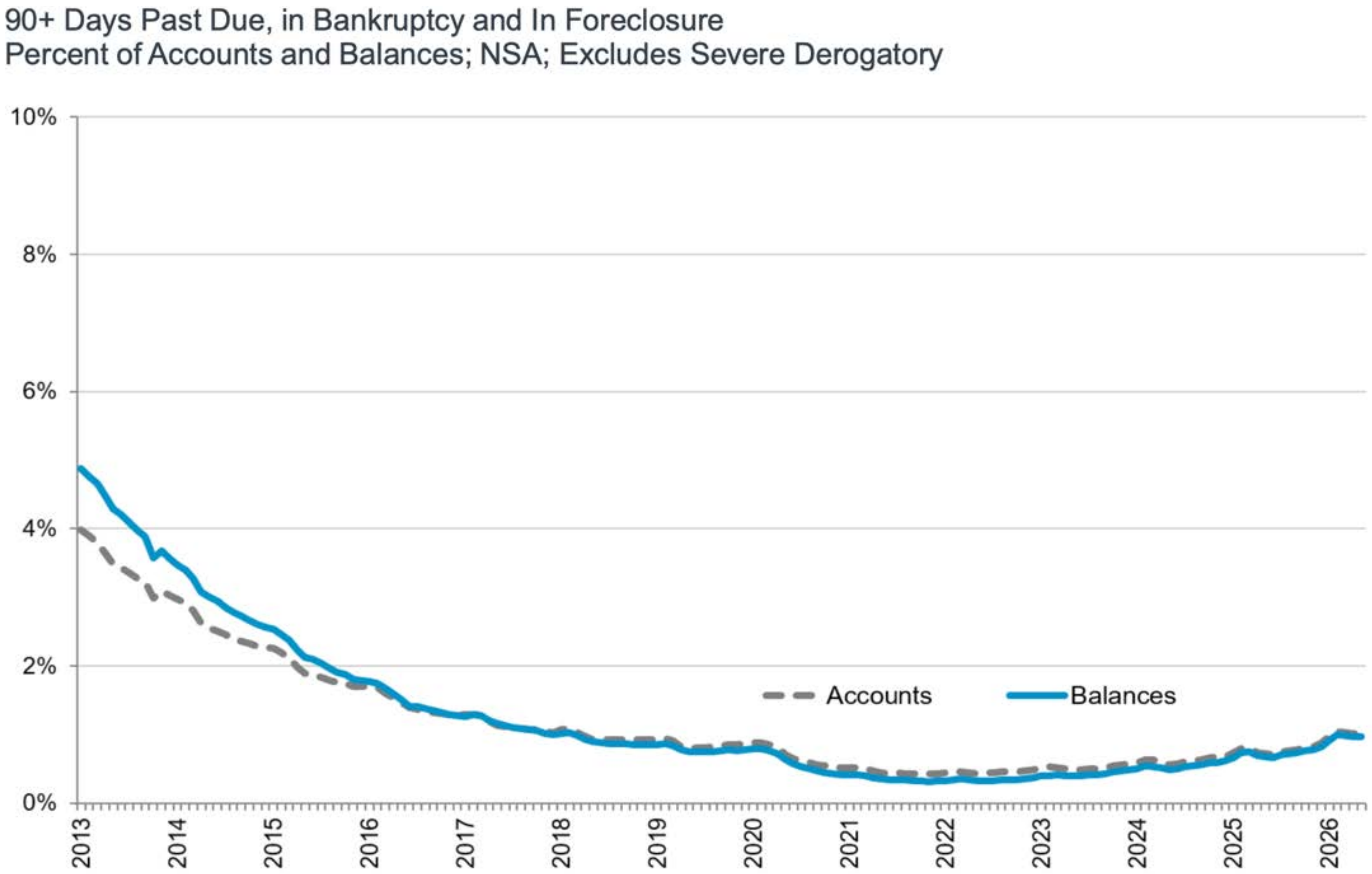
Mortgage

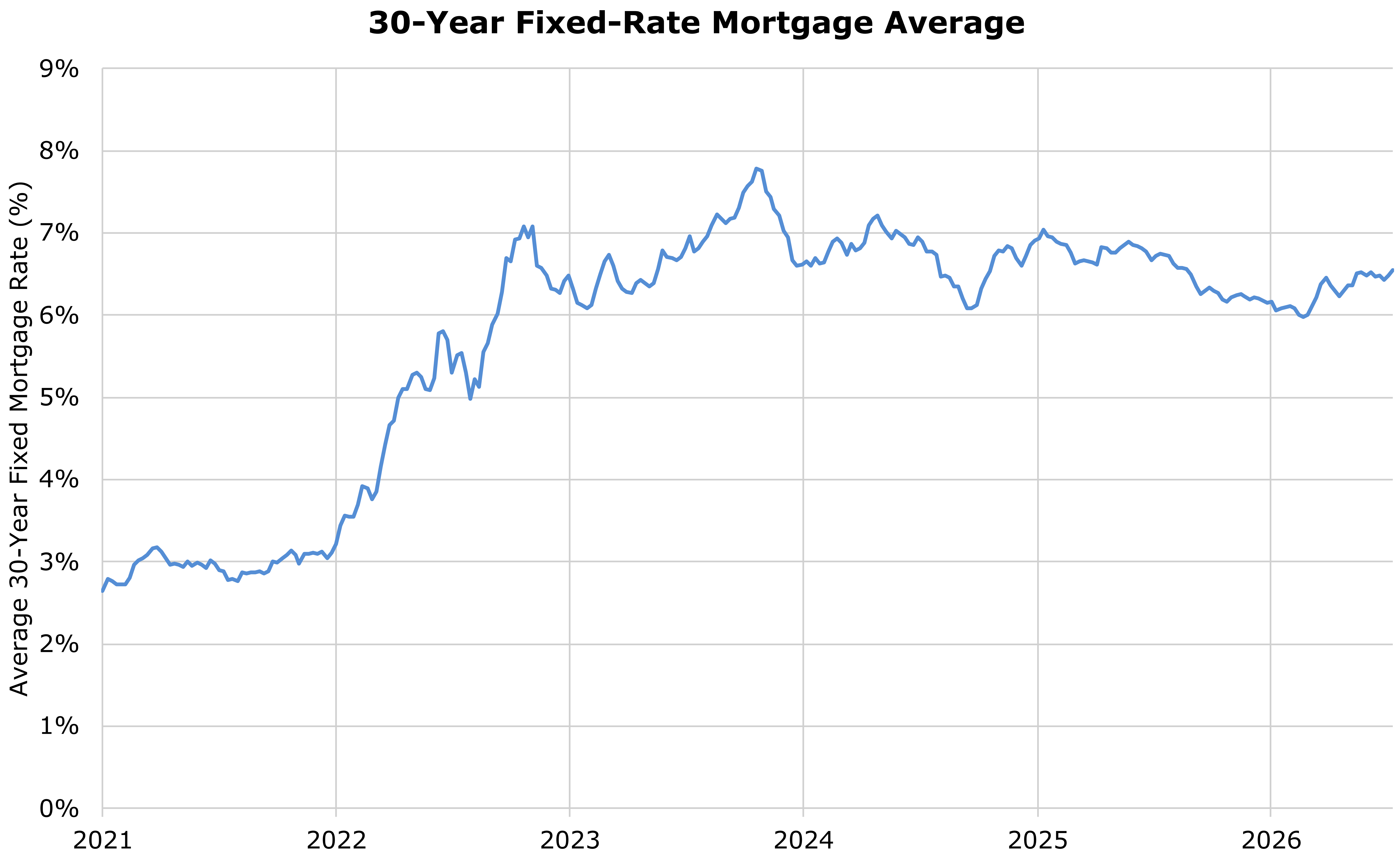
Severe delinquencies in first mortgages leveled out in Q2 2026

Severe Delinquency Rate



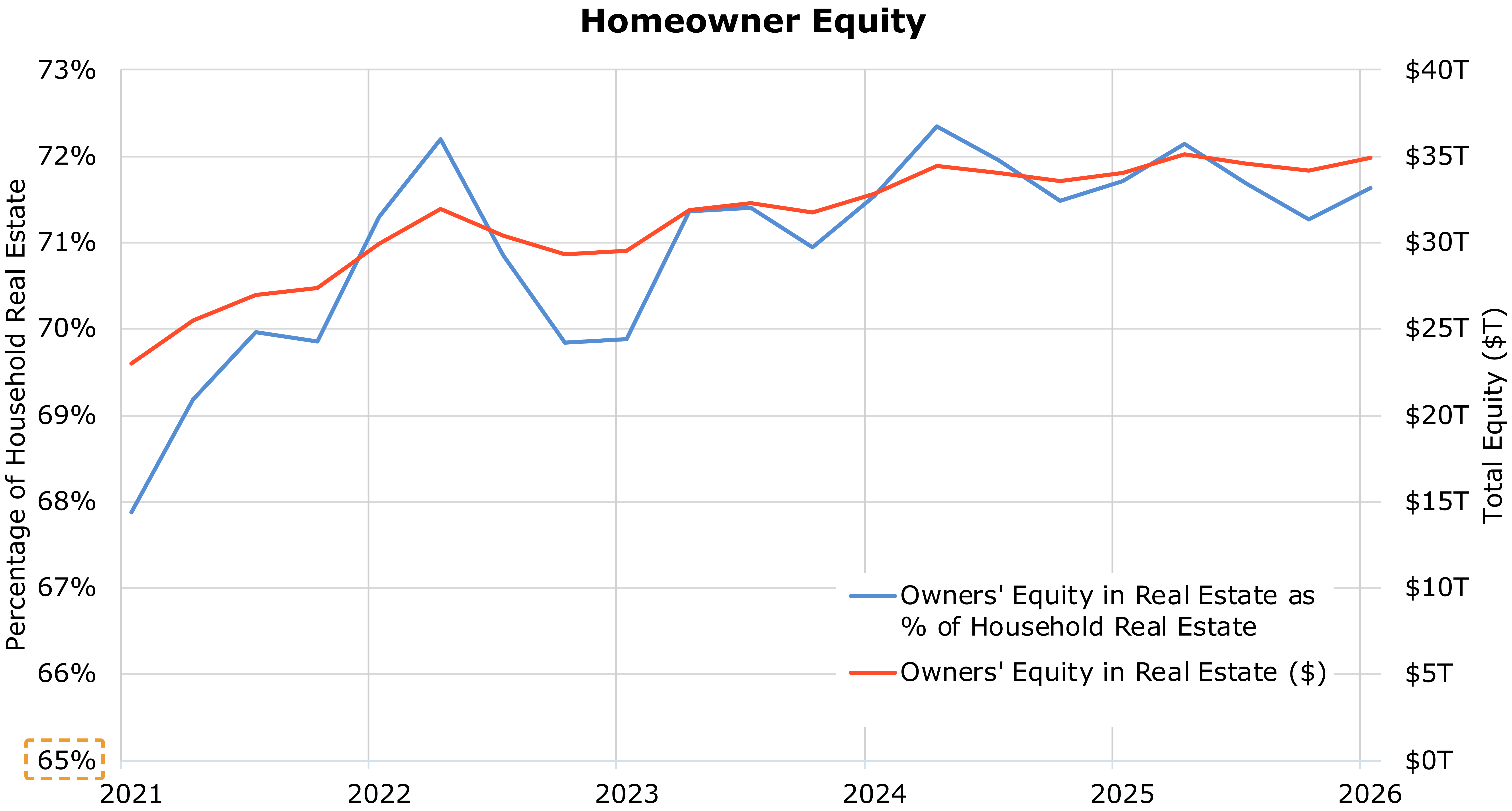
Source: Equifax. Data as of May 2026

The average mortgage rate remained stable in Q2 2026



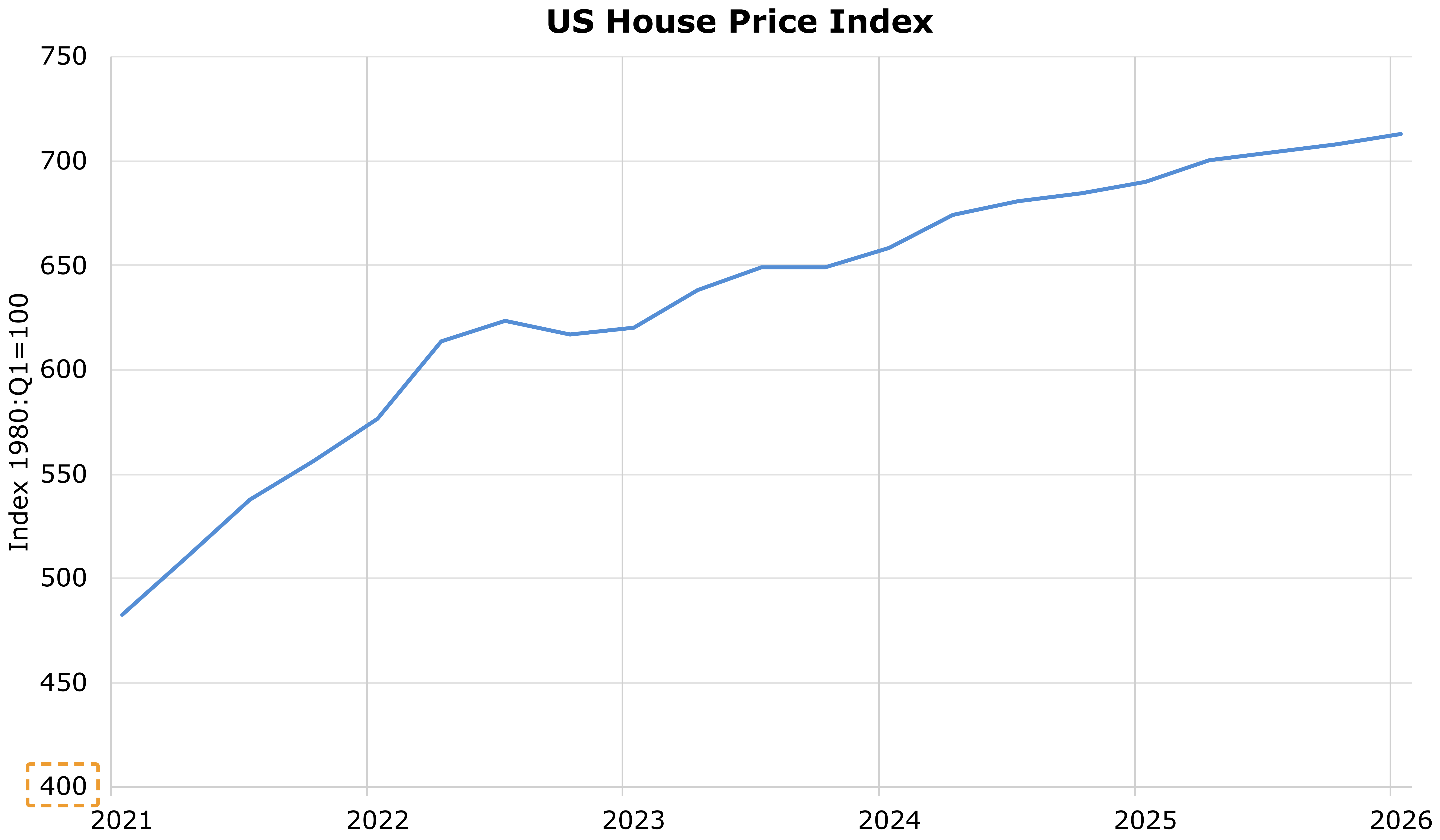
Source: 2OS, FRED. Data as of July 16, 2026

Homeowner equity rebounded to a new high after a brief dip



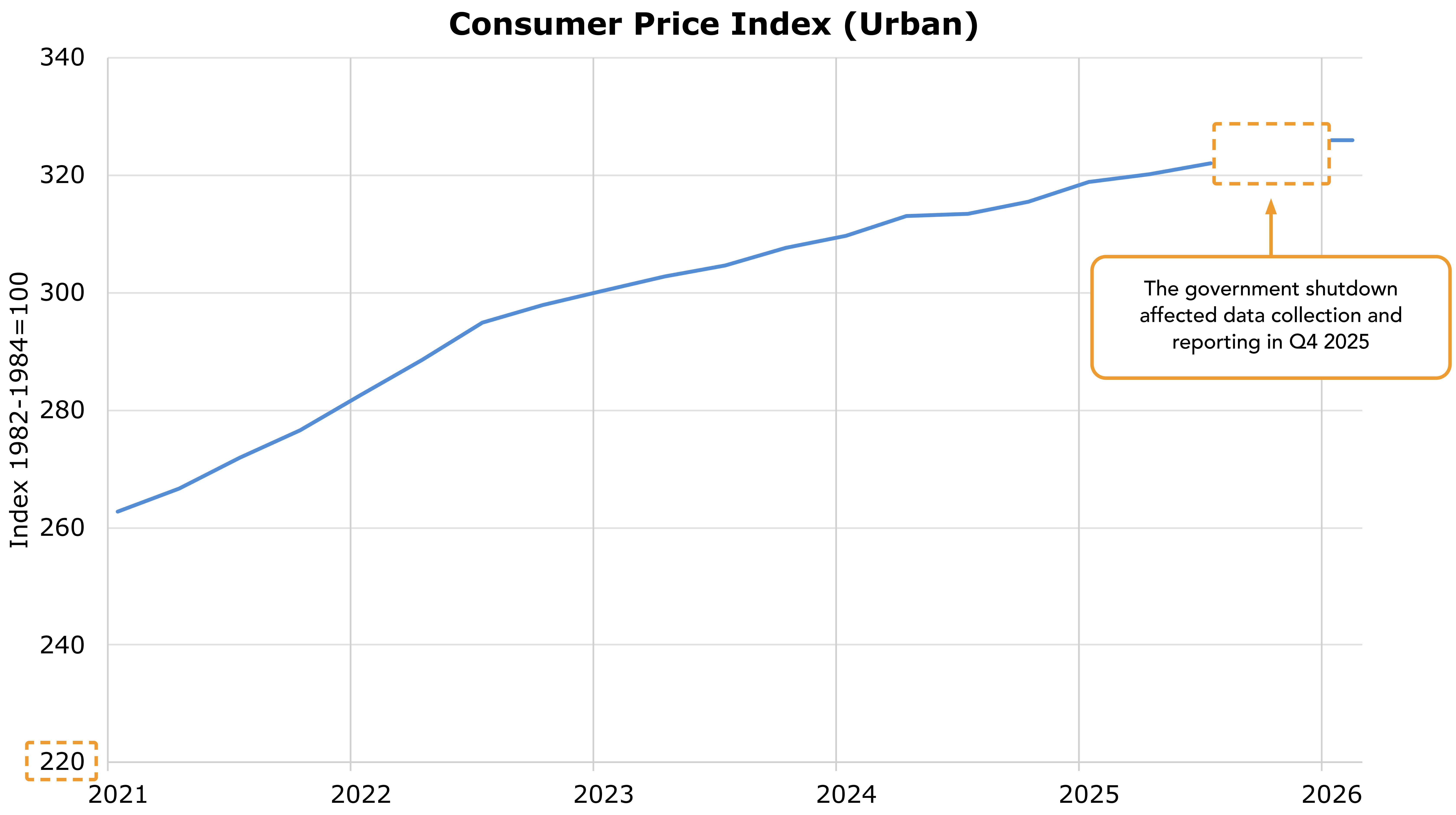
Source: 2OS, FRED (blue line, red line). Data as of June 2026

US housing prices continued climbing in 2026, with momentum easing since 2023



Source: 2OS, FRED. Data as of May 26, 2026

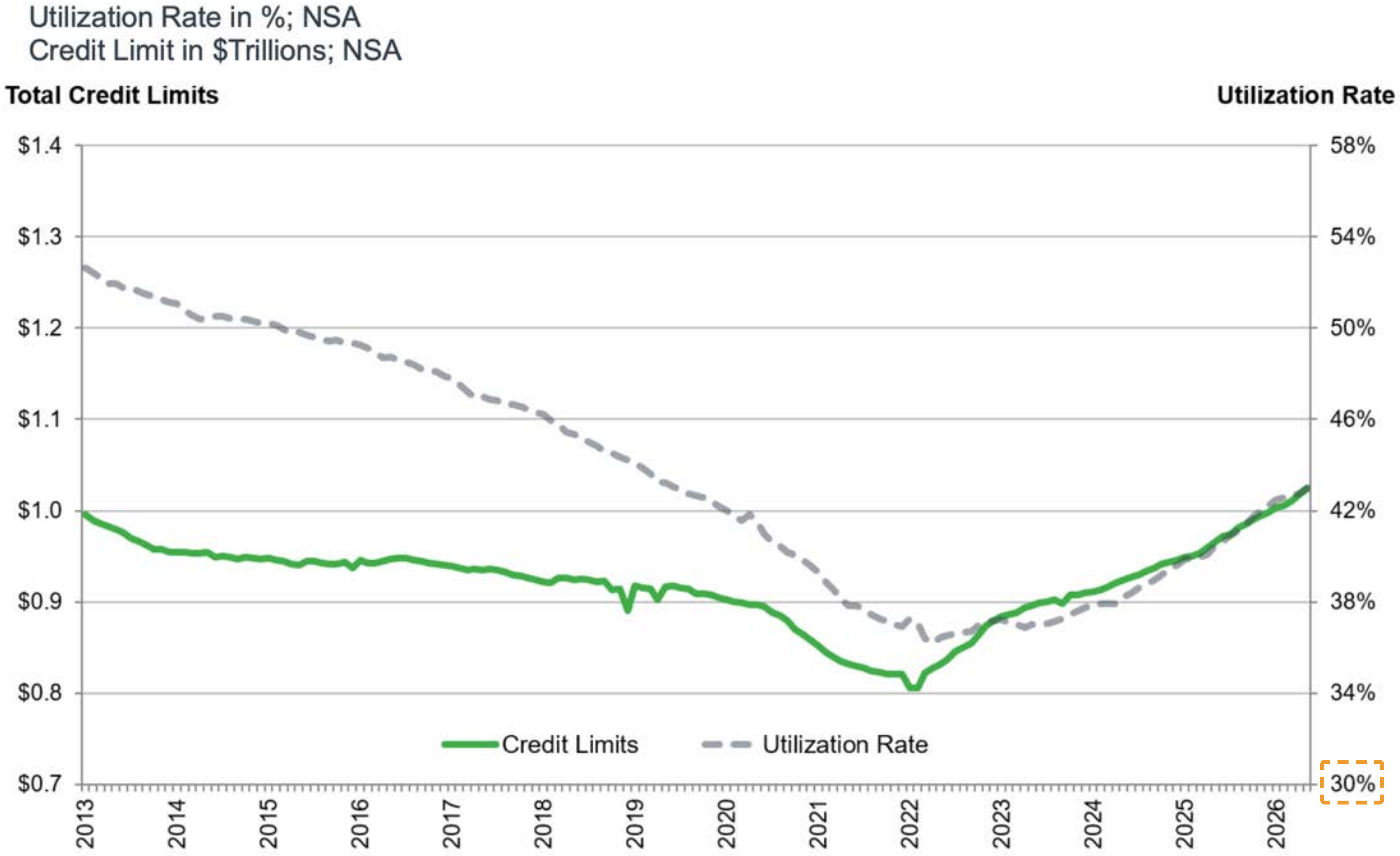
Consumer prices continued climbing into 2026, though at a much slower pace than in 2021-2022



Source: 2OS, FRED. Data as of July 14, 2026

HELOC credit limits surpassed $1T for the first time since 2016, as utilization kept climbing in Q2 2026

Utilization and Credit Limit



Source: Equifax. Data as of May 2026

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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 reclassification of accounts across buckets), the Vantage score is observed at a 3-month lag from the current archive date.

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