Credit Trends in Latin America

The latest data and AI trends in the region for a more informed consumer lending

November 2026

Executive Summary

LATAM consumer finance is undergoing significant changes:

- **Financial inclusion is expanding** through digital payments and retail/telecom financing.
  - **We have found first-party data**, such as payment and transaction data in alternative products, **to be especially useful in underwriting**

- Fraud remains an important concern hindering card adoption in LATAM
  - Leading edge approaches such as **graph networks can overcome significant challenges in fraud detection**

- **Open Finance is expanding access to cashflow data**, but implementation varies across markets
  - **We have found cashflow data to provide meaningful signals** that can be used to underwrite an underserved population but also better underwrite an existing customer base.

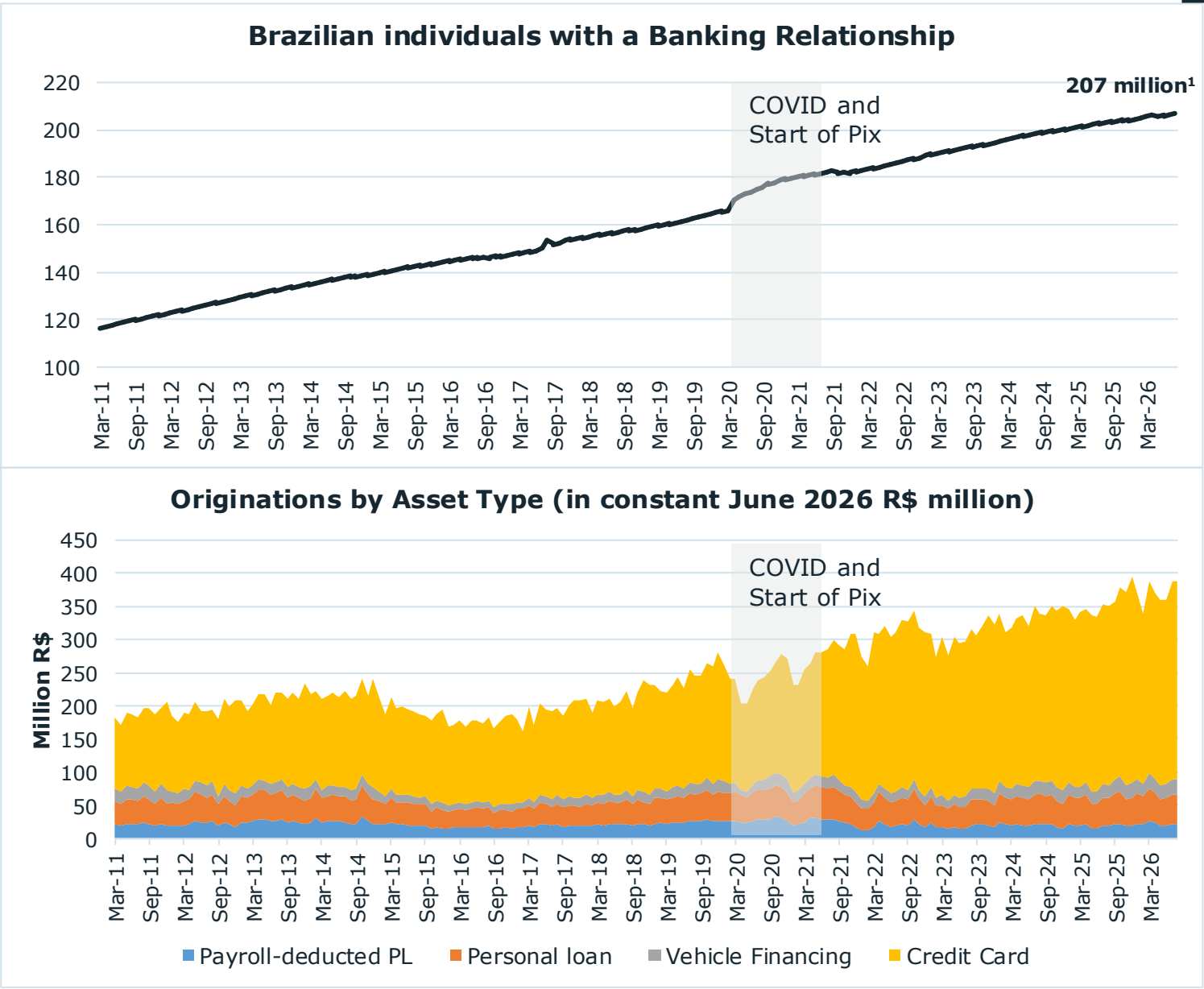
- AI adoption is advancing rapidly, including leading lenders beginning to use transformer models
  - The speed of change for this use case is significant; FIs that can **transform underused raw data and newly digitized signals into risk signals** via transformers will gain a competitive advantage.

Digital payments in Latin America have made a splash; with increased adoption there is an opportunity to leverage payment and other first-party data for credit underwriting

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Digital payments are a rising investment opportunity in LATAM, and countries are looking at the Brazilian roadmap for guidance

The Brazilian's instant payment infrastructure, Pix, provides a low-cost method to make payments/transfers and is seen as an accelerator of opening and using digital wallets.



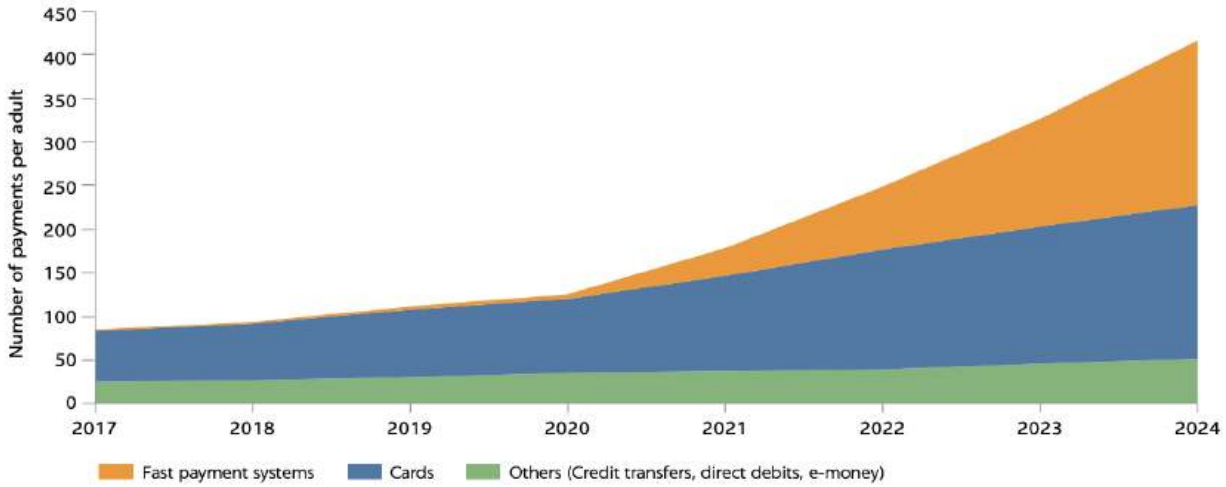
Source: Banco Central do Brasil Time Series Management System

[1] This number likely exceeds the actual adult population with banking relationships as many Brazilians hold credit in both traditional and digital wallets, and may include accounts opened for minors

Investment in instant payment infrastructure in LatAm has accelerated since 2020 and the growth has been accompanied by greater financial inclusion

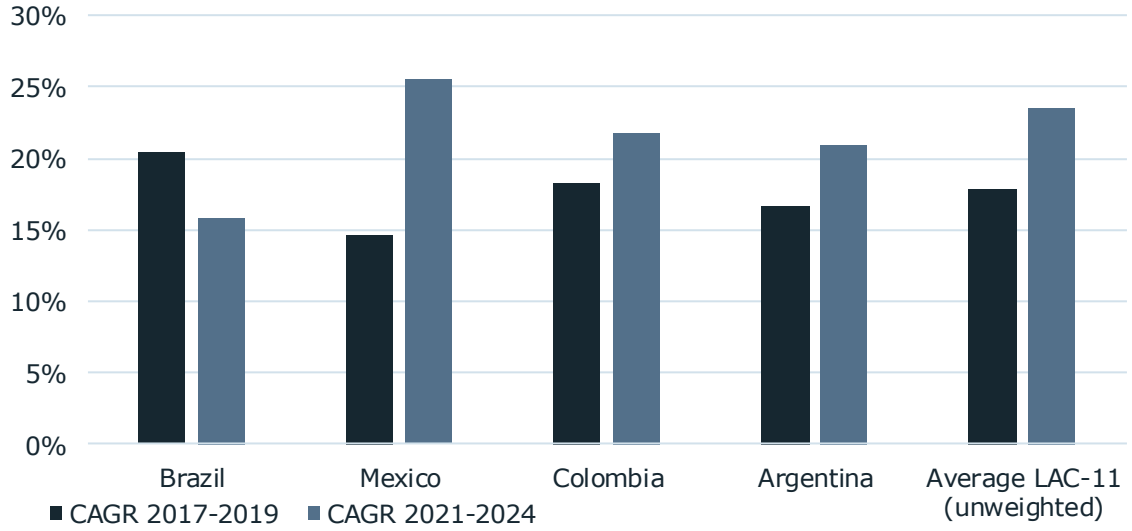
Average number of digital payments per adult in LAC-11[1]

Digital payment growth has been primarily driven by instant payments



Card payment volume growth rate by LatAm country

Instant payment growth is mostly complementary to card payments



Notes

- From the consumer's perspective, the ease of payment systems in Latin America has contributed to bringing new users into the banking system
- As new users enter the digital ecosystem, there has been an increase in usage of payment products across a range of instruments, such as debit and credit cards
- **The rise of digital payment data presents an opportunity to unlock credit insights**, especially for traditionally underserved customer segments

Source: World Bank Group, "Fast Payments in LatAm and the Caribbean"

[1] LAC-11 refers to the 11 Latin American and Caribbean countries surveyed in the World Bank study. In the graph, "cards" include payments made with debit, credit and prepaid cards; "others" include only centrally cleared transactions.

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Case Study: Mercado Pago leveraged first-party payment data to scale from payments into a successful credit business

FROM PAYMENTS TO CREDIT

2003 — Mercado Pago Launches
Online payments processor serving hundreds of merchants by 2014

2017 — Mercado Crédito Launches
Used marketplace sales and payment history to preapprove working-capital loans for merchants

2019 — Mercado Crédito Expands
Expanded to POS financing for buyers. Product offering is installment at checkout

2019-25 — Credit offering moves beyond checkout
Extended PLs to recurring consumer borrowers
Launches cards in Brazil → Mexico → Argentina

THE UNDERWRITING ENGINE

First-party signals
Credit / payment history
Transaction activity
Merchant sales

Core credit
Bureau data on holistic credit file supplements platform signals

Proprietary scoring
Internal ML risk models
Bureau data supplements platform signals

Key Statistics

60%+
of SMEs in the ecosystem obtained their first loan through Mercado Pago

$16B+
credit portfolio
+75% YoY in Q2'26

7.0% | 4.6%
Total portfolio and credit cards
15–90 DPD
Both near historic lows

High frequency payment behavior and first-party data can reveal creditworthiness alongside bureau data. 2OS has helped FIs transform data from their core non-lending businesses into risk signals for their first lending programs

Sources: Mercado Libre 2024 Impact Report; Mercado Libre 2025 Form 10-K; Sin Sucursal: Mercado Crédito

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Digital payments are expanding access to formal finance, but credit gaps persist. We have found alternative data to be effective in reaching consumers overlooked by traditional credit models.

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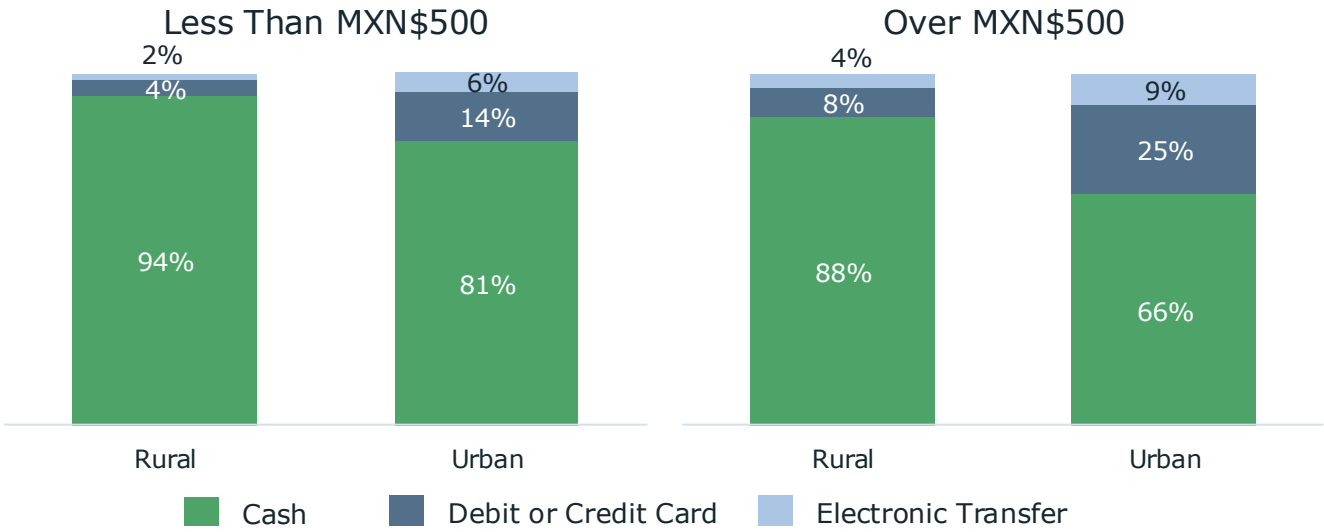
While there is growth in digital payments in Mexico, cash still dominates daily transactions

Rural locations rely on cash due to lower mobile /internet penetration, and reduced card acceptance in establishments.

Lack of trust in cards is an important factor for favoring cash. 10% of consumers reported some form of fraud and 70% were unaware of savings and deposit protection.

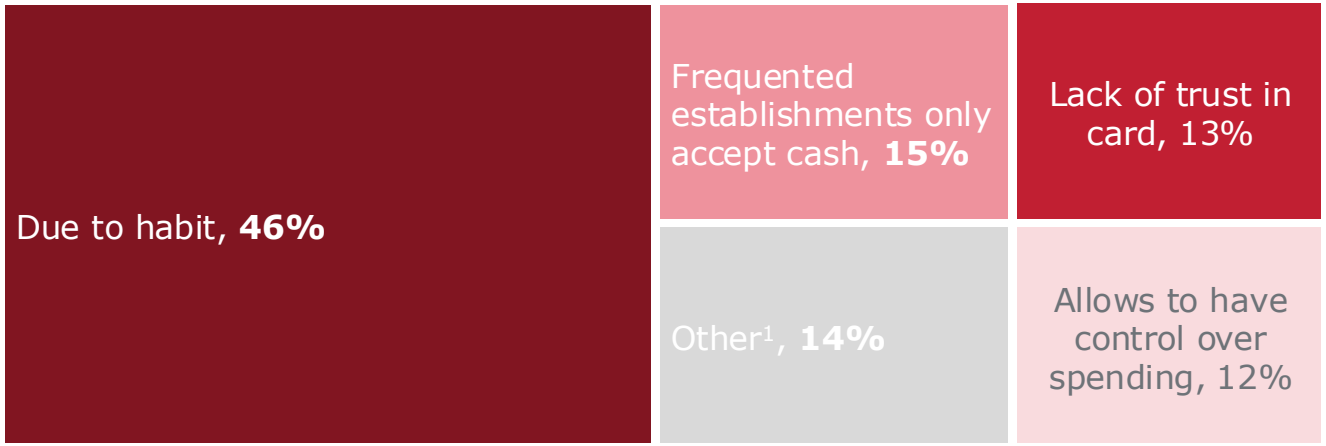
Payment type by transaction $

Rural populations remain reliant on cash



Reasons for using cash over card

Habit remains the biggest factor



Source: ENIF, 2024. Report by the National Survey of Financial Inclusion

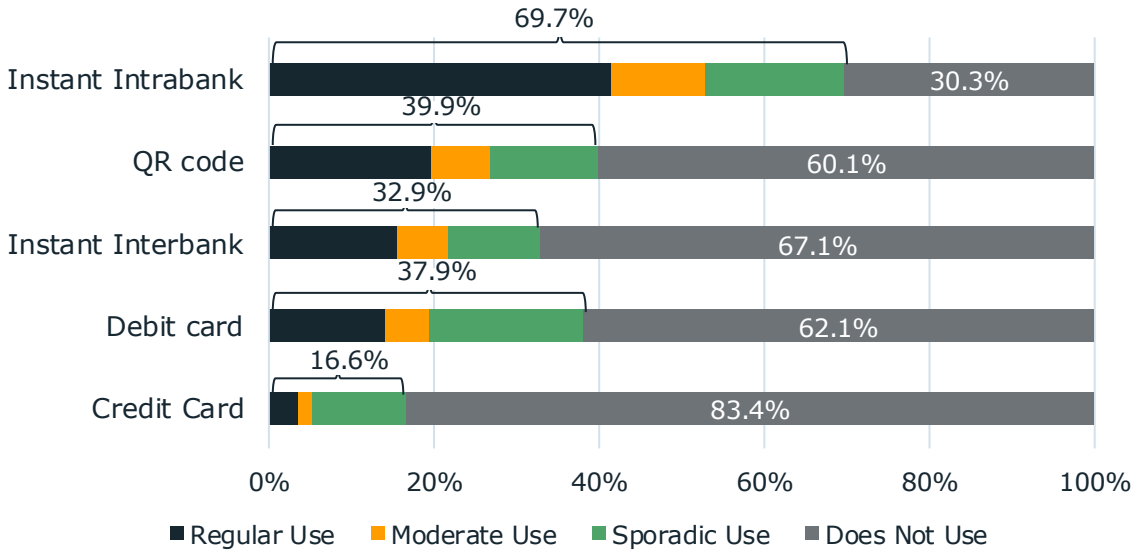
[1] Other includes "the establishment has additional charges", "most payments are low amounts" and "other".

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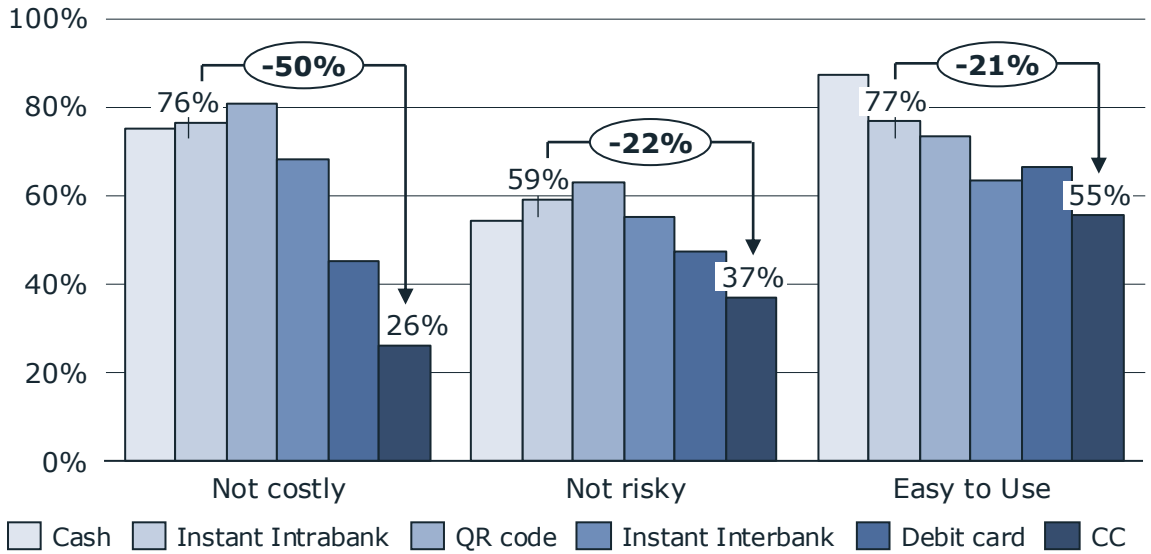
Colombia

As of last year's survey, credit card adoption in Colombia lags in relation to other digital payments. The biggest gaps are cost, perceived risk and ease of use

Consumer Digital Payment Adoption[1]



Digital Payment Perception



Intrabank transfers lead digital-payment adoption, while credit cards lag. Cost, risk and ease help explain uneven payment adoption

- **Cost:** ~25% of merchants impose card fees or minimums, versus 4% and 11%, respectively, for instant transfers.
- **Risk:** Only 37% consider credit cards low-risk, compared with 59% for intrabank transfers. Perceived fraud and lower protection hinder card adoption.
- **Ease:** Intrabank transfers are perceived as easier and are accepted more widely by small businesses than interbank transfers or cards.

Source: Colombian Central Bank, National Survey of Electronic Payments, 2025. This survey was conducted pre Bre-B's launch in Colombia.
[1] Regular use: more than three times per week; moderate use: once per week; sporadic use: one to three times per month or less.

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In sum, significant gaps remain in financial inclusion in LatAm. Lenders have an opportunity to expand access through alternative data

Estimated Formal Lending Access by Country

Country	National Indicator	Percentage
Mexico[1]	Adults aged 18–70 reporting at least one credit product	37.3%
Colombia[2]	Adults with at least one formal financial credit product	36.6%
Argentina[3]	Adults with credit in the expanded financial system	54.7%
Brazil[4]	People with an active credit balance among people with an SFN relationship	67.0%

Notes

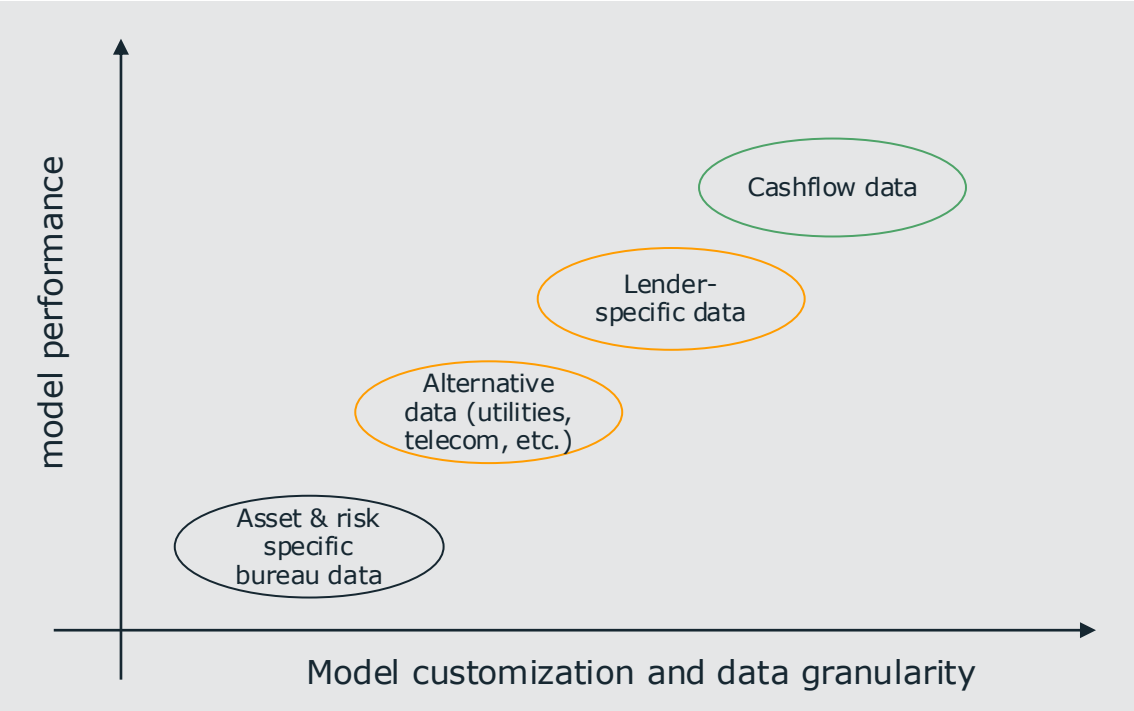
- Account ownership has expanded across Latin America, but formal **credit penetration remains shallow**.[5]
- This gap creates an opportunity to serve thin-file consumers overlooked by traditional underwriting. In Colombia, **including retailers and telecom financing expands observable credit** coverage from 36.6% to 51.6%.[2]

[1] ENIF 2024. [2, 6] Financial Superintendence of Colombia (SFC), 2025
[3] BCRA Dec 2025 . This percentage may be inflated compared to other countries in the table as it includes financial institutions and nonfinancial credit providers
[4] BCB Dec 2024 . The denominator slightly differs from other countries as it consists of people already connected to the SFN, not the entire adult population.
[3] 2OS analysis powered by Equifax Ignite on US consumers, 2024.

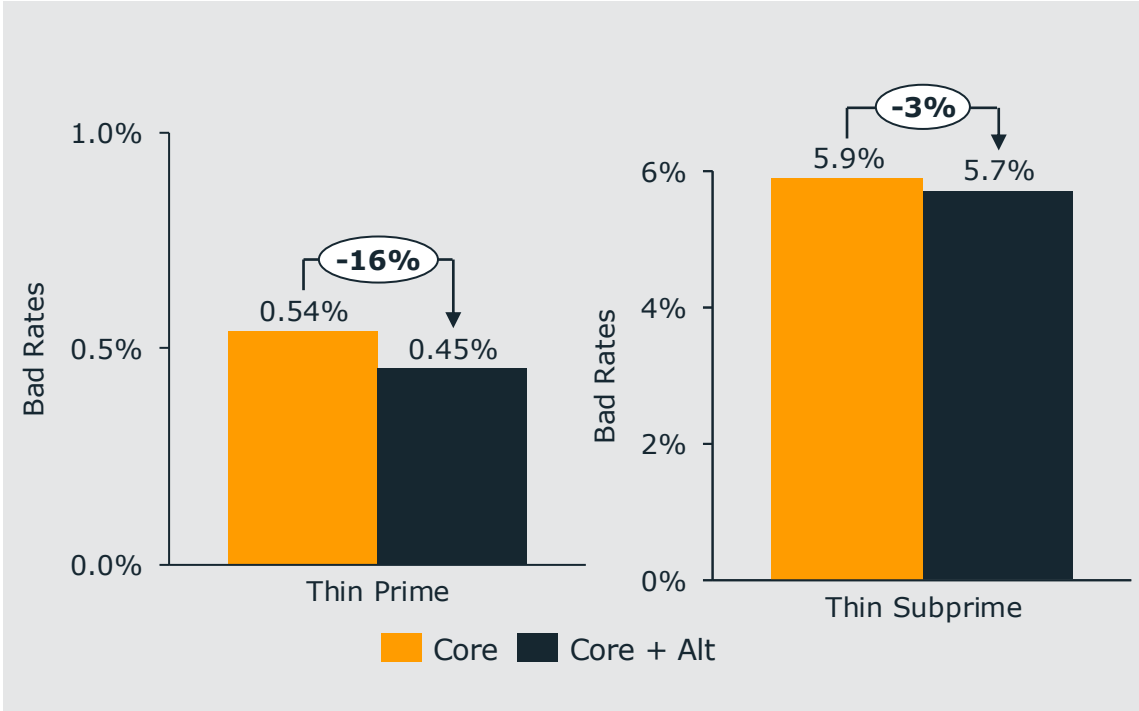
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We have found that enriching consumer profiles with alternative data can lead to significant risk reductions typically missed by traditional bureau data

Model Performance by Data Granularity



Risk Reduction for Top 25% Customers[1]



- Models built on core **bureau data** that matches the lender's consumer profile will perform better than the generic bureau score. We have helped many lenders build their first risk models to unlock this baseline performance.
- Incorporating **alternative data can provide orthogonal risk signal** for consumers with limited bureau data. Our industry analysis shows that alternative data[2] combined with bureau data can reduce observed risk by up to 16% in thin-file populations
- The gold standard is to include lender-specific relationship data and cashflow underwriting for customers with a bank account.

[1] 2OS analysis powered by Equifax Ignite on US consumers, 2024. [2] Utilities and telecom data available through Equifax Ignite were used for the analysis.

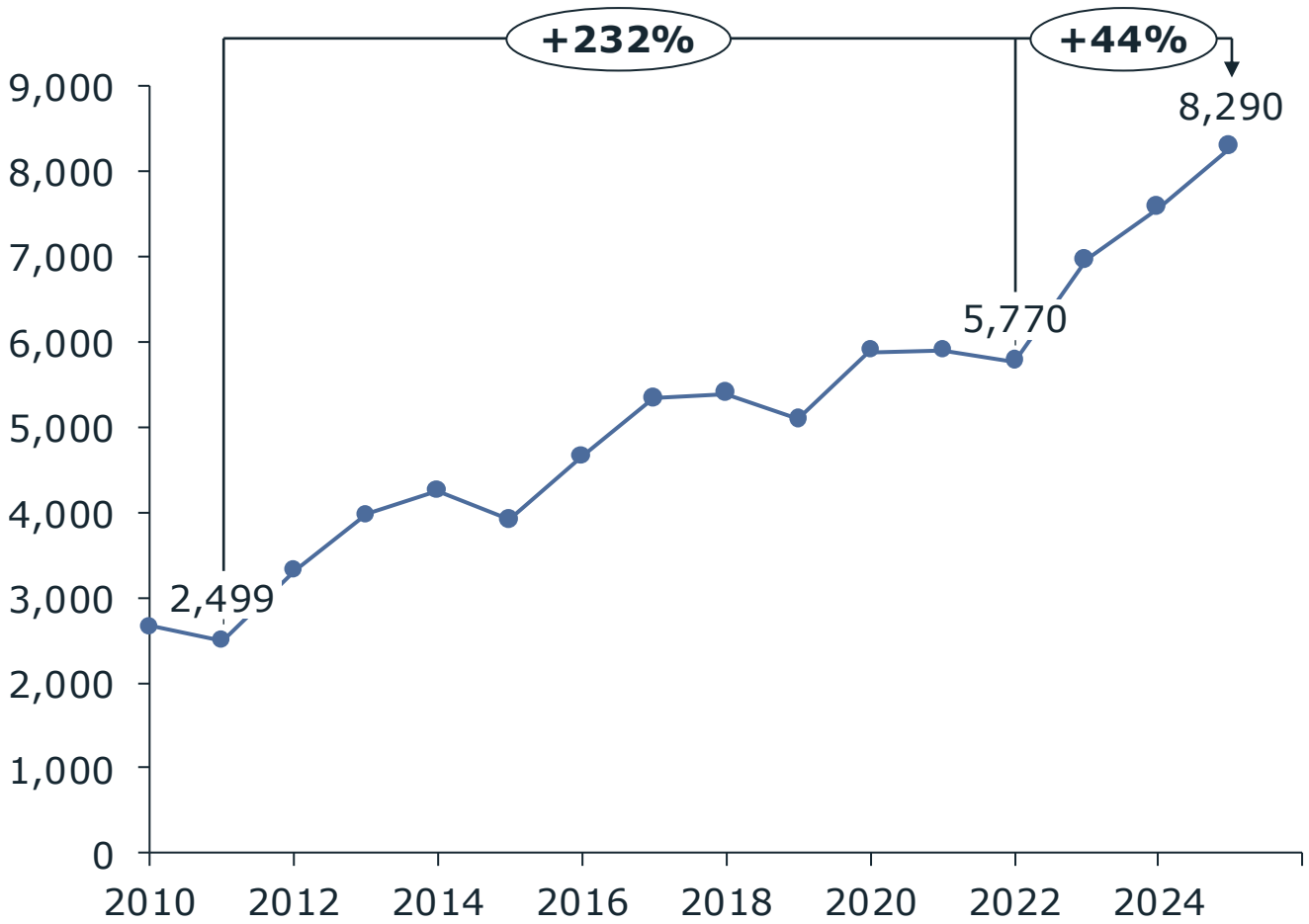
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Fraud concerns remain one of the main deterrents of credit card adoption in some LATAM countries. Leading edge methodologies are starting to penetrate but adoption remains uneven.

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Fraud incidence and losses are increasing dramatically in Mexico, becoming the most common and costly crime type

Fraud Prevalence Rate per 100,000 of inhabitants[1]



Notes

- Both bank and consumer fraud reached **8.2 million estimated incidents in 2025**. This represents a 44% growth since 2022
- Losses related to fraud totaled **3.6 billion dollars**, the largest monetary loss among all reported crimes
- **1 in 4 crimes** reported last year was a fraud, becoming the crime with highest incidence in Mexico. Approx. 80% of fraud incidents involved internet or social media

[1] This graphic include both bank fraud and consumer fraud. Source: INEGI, National Survey of Victimization and Perception of Public Safety, 2026

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In Colombia, monetary losses due to transaction fraud are significant and growing.

Colombia

Disputed Fraud Amount per transacted COP$100,000[1]



Notes

- Colombian banks received more than **765,000 customer fraud claims in 2025**
- While the claims only represent less than 0.1% of transactions, they represent over **300 million dollars** in disputed transactions.
- The disputed fraud value increased to $COP 7.2 per $COP 100,000 transactions in 2025, representing a **22% growth since 2023**. Approx. 84% of fraud incidents involved internet or social media.

[1] Only includes consumer-reported fraud. Source: INEGI, National Survey of Victimization and Perception of Public Safety, 2026

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Some of the fraud detection challenges can be overcome through leading edge graph networks, but adoption in LATAM is uneven

Repeat attackers and connected networks

- Fraudsters often **reuse infrastructure** across applications and institutions. Evaluating each application independently can miss the larger pattern.
- **Graph networks can mitigate this challenge** by revealing:
  - Multiple businesses controlled by the same person
  - Applications sharing devices, contact info or bank accounts
  - Funds moving through networks of mule accounts
  - Previously declined applications returning with altered details

Fragmented data hinders identity resolution

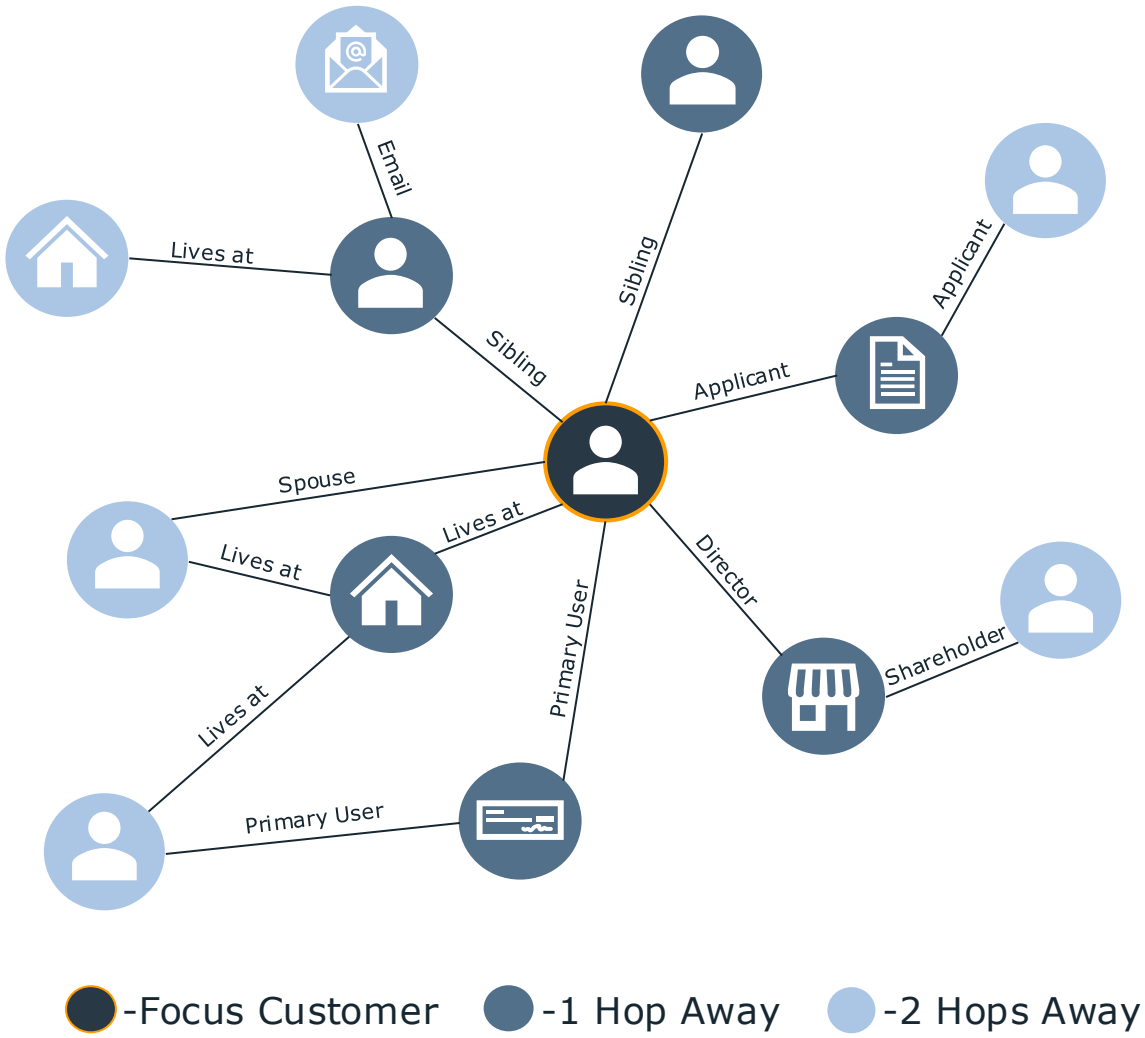
- FIs may have access to bureau records, RFC information, device intelligence, payments and business records, but these sources can be:
  - Stored in separate systems
  - Inconsistently updated and formatted
  - Difficult to match to the same person or business
  - Unavailable in real time
  - Governed by different consent and usage requirements
- This challenge will require **collaboration between regulators and FIs** to develop common standards, entity resolution and governed integration.

Leading LATAM FIs are starting to incorporate graph networks and diverse data sources for consumer and SMB fraud detection while less digitally mature institutions lag.

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Graph networks reveal connections that provide additional fraud signals beyond individual account/application data

Example Customer Network



Customer Network Overview

- Customer networks can provide complementary fraud signals to standard account level predictors.
- Through monitoring declared relationships, shared devices, addresses, merchants, applications, etc. customers can be connected to other entities.
- These connections can be **leveraged to identify** and investigate **suspicious entities** or activity within their network.
- **2OS has developed graph networks approaches and alerts** for clients to detect application stage fraud

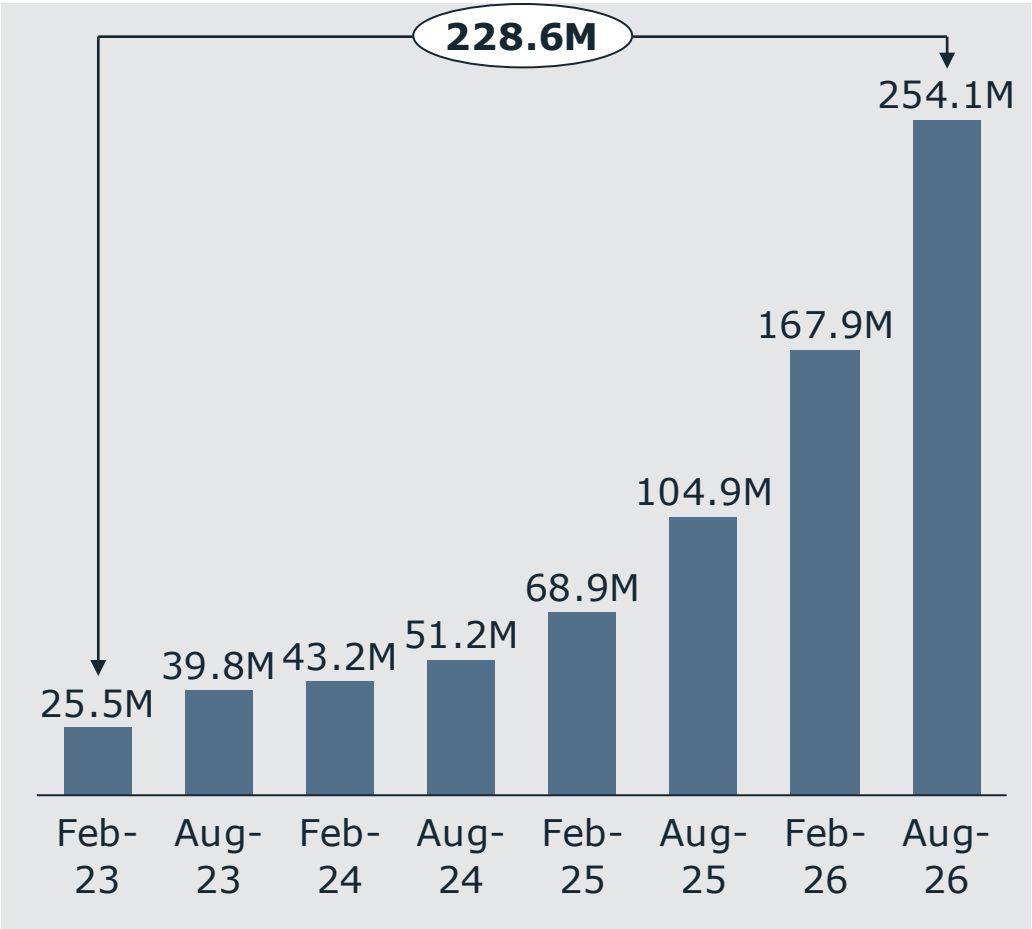
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Open Banking regulation has advanced significantly across Latin America, but realizing its full value for underwriting and customer management depends on rigorous data preprocessing.

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There are some exciting developments in the availability of cashflow data. Many LatAm countries are looking at the Brazilian Open Banking roadmap

Active Open Finance Consents in Brazil[1]



Brazilian Principles

- **Government orchestration:** Since 2021, the Brazilian Central Bank (BCB) has led a mandatory, phased Open Finance rollout, allowing institutions time to build robust APIs while scaling to over 254 million active consents by August 2026
- **Reciprocity:** Requires participating institutions that access customer data to make equivalent data available on comparable terms.
- **Consumer-Data Mandates:** BCB aligned with the National Monetary Council and the General Data Protection Law, giving consumers control over what data are shared, with whom and for how long.

Consumer Awareness Remains a Barrier

- Nearly 45% of Brazilians do not know they can cancel data sharing or choose which institution receives their data, contributing to hesitation to share data through Open Finance. Communicating these protections has been shown to produce a net positive trust effect.

Sources: Brazil Open Finance Dashboard, 2026 ; Open Finance in Brazil by Zetta, 2026

[1] In Brazil, the availability of cashflow data has extended beyond banks, and now includes the broader financial ecosystem (insurance, fintechs, credit unions, exchange institutions, etc.) The graph in this slide includes all active consents in the financial ecosystem, a consumer can have multiple accounts.

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Mexico has laid the legal groundwork for Open Banking, but broader access to cashflow data depends on completing key regulations.

Mexico

Infrastructure for data-sharing

- **Status:** Legal framework established; transaction-data standards incomplete.
- The 2018 Fintech Law requires regulated institutions to use standardized APIs and recognizes the use case of transactional data.
- Rules emitted by the CNBV[1] in June 2020 **operationalized API structure for open financial data**. However, detailed standards for consistent transaction-data sharing across institutions have not yet been completed.

Infrastructure enables FIs and third parties to exchange customer transaction information through APIs

[1] CNBV refers to the National Bank and Securities Commission
Source: CNBV's June 2020 Rules for open-data APIs

Consumer Privacy

Establishing requirements for consent, authorized uses and consumer's rights over data

- **Status:** Legal framework in force
- The Federal Law on the Protection of Personal Data of March 2025 governs how private organizations collect, use, store, disclose, transfer and delete personal data.
- In this regulation, **customer rights are established** around access, rectification, cancellation and opposition

Source: Federal Law on the Protection of Personal Data, 2025

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Information Security

- **Status:** Legal framework for individual FIs in force; API standards for transaction-data incomplete
- Banks, fintechs and e-wallets have individual regulations that require information security duties and governance
- CNBV's June 2020 rules established security standards for public data APIs. **Standards for transaction data APIs remain outstanding**.

Protects data and connections from unauthorized access, loss and security incidents

Source: General Dispositions Applicable to Banks

We have seen cashflow data improve underwriting when supported by the right preprocessing and feature engineering in ML models

1 RAW CASHFLOW INPUTS

Transaction feeds are rich but noisy and inconsistent

- Inconsistent descriptions
- Duplicates and reversals
- Transfers that mimic income
- Missing balance context

Inputs require structure

2 CASHFLOW INTELLIGENCE LAYER

1 Clean & reconcile

Normalize formats and balances
Remove duplicates and reversals
Isolate internal transfers

2 Enrich transactions

Map merchants and categories
Identify income and obligations
Detect recurring payment patterns

3 Engineer risk features

Income stability and volatility
Affordability and expense burden
Liquidity buffers and overdrafts

4 Validate the signal

Test coverage and stability
Control leakage and timing
Measure incremental model lift

3 UNDERWRITING-READY OUTPUT

Signals lenders can use in decisioning

- Repayment capacity
- Income stability
- Expense burden
- Liquidity and volatility

Complements bureau data

2OS has engaged with a leading US fintech in cashflow underwriting to help enhance their cashflow intelligence layer and the subsequent risk model leveraging the features for underwriting.

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Transformer model use cases are accelerating in lending. Their ability to extract richer risk signals from raw, sequential and newly digitized data is expanding what lenders can use in credit decisions.

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Transformers make predictions by learning sequential patterns and paying attention to the most relevant parts of the input

Illustrative Example: Transformers can distinguish credit histories that look similar today to predict credit risk

1. Input

Two customers today

Both: 60% utilization
and no overdue payments

Different histories below

2. Tokenization

Encode each monthly snapshot

Jan | Feb | Mar | Apr | May | Jun

Credit features + time position
One sequence per customer

3. Transformer

Encoder learns context

Connects timing and recurrence

⬇

Learned history representation

4. Output

Prediction layer

Illustrative default probabilities

A: 10% **B: 25%**

90+ days past due
within the next 6 months

Prediction date: end of June. Outcome window: next six months.

Illustrative input history

Days past due at month-end

Customer	Jan	Feb	Mar	Apr	May	Jun
A	**30**	**30**	0	0	0	**0**
B	0	**30**	0	0	**30**	**0**

Both: current today, 2 months in arrears, maximum 30 days past due

What the encoder can capture

A: Earlier episode, followed by four months without arrears

B: Recurring episodes, including one in May

Illustrative data and probabilities. Any advantage over simpler models with trend or recency features requires validation.

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Case Study: Transformer model nuFormer draws insights directly from transaction data and the methodology change alone leads to increase in performance

nuFormer beats baseline credit risk model

Notes

- Nubank's nuFormer leverages embeddings learned from raw transaction sequences and structured features. It improved performance over the LGBM baseline using no new data sources
- Many lenders are finding ways to use transformer models in underwriting; allowing richer signals from raw, sequential and newly digitized data that traditional feature engineering may overlook.
- **Regulation remains an important constraint.** U.S. regs limit blackbox models for some use cases including underwriting, while LatAm rules are less uniform. In both markets, explainability, validation and monitoring are essential.

Model	Relative AUC Improvement
Late Fusion (LightGBM)	0.97%
Late Fusion (DCNv2)	0.97%
nuFormer	1.25%

Table 1: Relative AUC Improvement (%) over the baseline (LGBM) for different blending approaches.



Figure 7: Extended out-of-time test-set stability analysis, comparing *nuFormer* against the baseline.

Source: Your Spending Needs Attention: Modeling Financial Habits with Transformers

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Transformers have slightly better performance using credit-only tabular data. They start outperforming with the addition of unstructured data, like cashflow

Credit only tabular data

Slightly better than GBMs

Model	OOT AUC
TabPFN 2.5	0.6245
TabPFN 3	0.6241
Transformer	0.6205
Tuned XGBoost	0.6147
Untuned XGBoost	0.6057

GBMs hold their ground against Transformers and Tabular Foundation Models on pure tabular credit data

This does not include sequencing or time-series data, and the sample size is limited

Tabular + unstructured data

Transformers perform better

Model	Hit@10	MRR
Transformer	**0.692**	**0.478**
GBM with hand-engineered features	0.677	0.465
GBM	0.145	0.073

Sequencing, timing, and structured + unstructured interactions drive the lift

Examples of hand-engineered features include days since last purchase, # of purchases in X days etc.

2OS has built AI models and **advised many top banks on their use for credit risk** and other applications**.** We encourage lenders to find responsible ways to use transformers to unlock the full potential of raw and sequential data.

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2OS is uniquely positioned to help LATAM lenders and investors harness the power of their data for richer credit risk insights

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2OS has significant expertise in LATAM markets across all phases of the credit lifecycle

Credit/Underwriting

Credit/UW diagnostic for Mexican near-prime credit card issuer

End-to-end diagnostic and unit economics model build for Brazilian fintech

Feature development engagement to enhance ML risk models for Mexican SMB lending fintech

Crafted credit policy increasing approval rates and keeping losses constant for LATAM subprime lender

Fraud and Optimization

Fraud defense build-out for Mexican/Colombian on-demand delivery business

Diagnostic for Mexican fintech credit card issuer

Optimized acquisitions funnel of a large Mexico fintech that led to a 39% increase in profits for the product

Collections

Collections best practices for a Lat Am lender entering the US market

Collections diagnostic for Brazilian solar lending fintech

Multiple Collections engagements for Mexican SMB lender

Collections roadmap project for Brazilian proptech

Operational improvements for Mexican consumer lender

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We are uniquely qualified to advise on credit across the globe

- Proven Industry Success: 2OS has worked with 8 of the top 10 US Card issuers and dozens of fintechs to help solve their most challenging credit, analytics and strategy problems.
- Multinational Experience: 2OS has completed credit and lending engagements in Asia, Australia, Europe and Latin America in addition to its core business in the United States, ~1/3 of revenue is from international clients.
- Regulator Partnership: 2OS maintains strong connections with financial regulators, and has helped navigate regulators and FIs through changing credit and technology landscape
- Operator Mindset: The 2OS leadership team consists of consultants who have personally served as lending operators, including multiple Senior Credit Officers, multiple Model Risk Officers and several line of business leaders.

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If you have any questions on:

- The latest Credit Risk trends across the globe
- Best practices for usage of ML & AI tools in lending
- The latest regulatory developments in the financial industry

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