

## Credit Conditions Through the Eyes of Consumers

### Overview

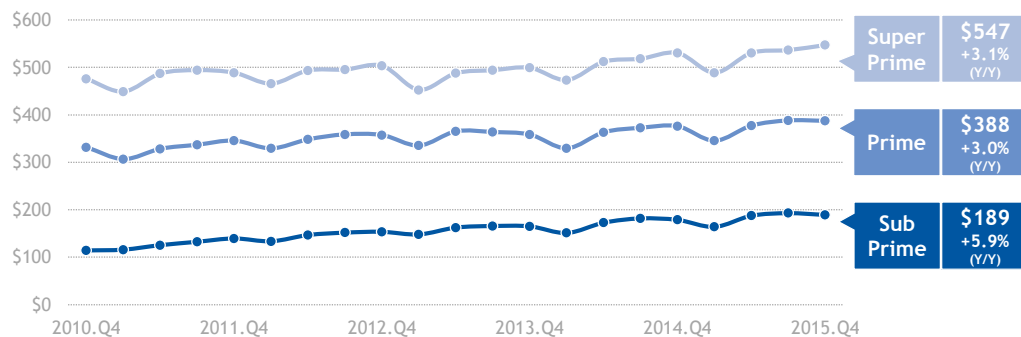


The U.S. economy expanded at a subpar rate of 1.4 percent in Q4 2015, significantly slower than the 2.0 percent growth rate achieved Q3. At the same time, the credit card market showed steady year-over-year gains driven by healthy consumer spending and continued labor market strength.

- 1) Monthly purchase volumes slipped in Q4 for subprime and prime accounts, but rose to a new high for super-prime accounts. On a year-over-year basis, however, purchase volumes rose across the board (5.9 percent for subprime, 3.0 percent for prime, and 3.1 percent for super-prime).
- 2) Dormant accounts fell 0.7 percentage points in Q4, while Revolvers and Transactors increased by 0.4 and 0.3 percentage points, respectively. Meanwhile, the effective finance charge yield increased to 11.18 percent, but remains near post-recession lows.

### Monthly Purchase Volume, by Risk Type

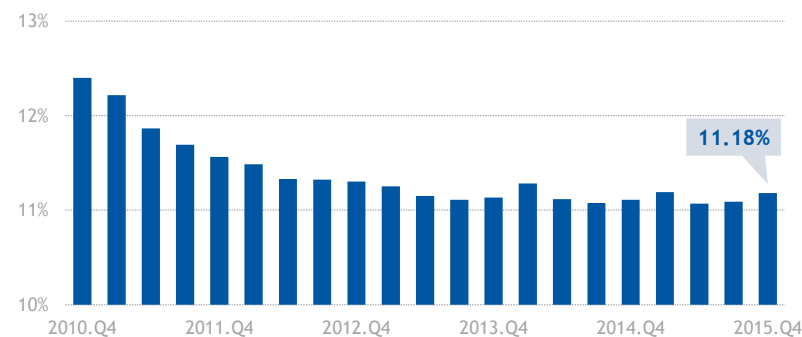
Monthly purchase volumes dipped for subprime and prime accounts in Q4, but rose for super-prime accounts. On a year-over-year basis, however, purchase volumes are up across all three risk groups.



Source: Argus Information & Advisory Services LLC.

### Effective Finance Charge Yield

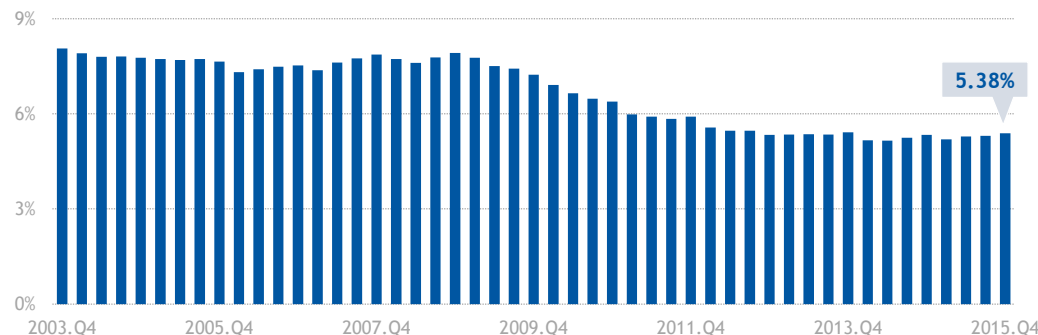
The effective finance charge yield for all accounts rose 9 basis points in Q4 2015, but remains near post-recession lows.



Source: Argus Information & Advisory Services LLC.

### Credit Card Credit Outstanding as a Share of Disposable Income

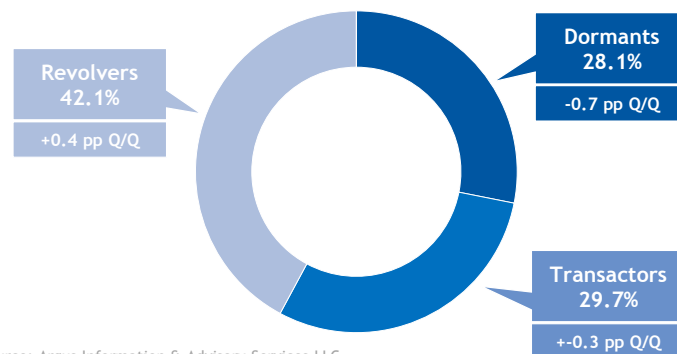
As a share of disposable income, credit card credit outstanding increased to 5.38 percent in Q4 2015, but is still in line with historic lows.



Source: Federal Reserve Bank of New York, Bureau of Economic Analysis.

### Distribution of Accounts by Behavior Type

Dormant accounts declined 0.7 percentage points to 28.1 percent in Q4, while Revolvers and Transactors increased 0.4 and 0.3 points, respectively.



Source: Argus Information & Advisory Services LLC.

## Broader Credit Market Conditions

### Overview



The credit card market continues to follow recent trends, as account volumes expanded across risk tiers and credit lines increased – particularly for lower-risk borrowers.

- 1) New accounts jumped to 80.3 million in Q4, driven by a 26 percent year-over-year increase in new subprime accounts. However, at 23 million, new subprime account openings remain well below pre-recession levels (e.g., 35 million new subprime accounts were created in Q1 2008).
- 2) Credit lines ticked up for new subprime accounts (+0.4 points) and jumped for new prime (+1.6 points) and super-prime accounts (+2.4 points).

### Average Credit Line (New Accounts\*)

In Q4 2015, average credit lines among new accounts increased across risk tiers. In particular, credit lines for new super-prime accounts grew 2.4 percent, reaching a new post-recession high.

#### Super Prime

\$9,447

#### Q/Q Change

▲ 2.4%

#### Prime

\$5,175

▲ 1.6%

#### Sub Prime

\$2,366

▲ 0.4%

Source: Argus Information & Advisory Services LLC.

### Average Credit Line (All Accounts)

Average credit lines for all accounts fell among subprime accounts, but rose for both prime and super-prime accounts.

#### Super Prime

\$11,143

#### Q/Q Change

▲ 0.7%

#### Prime

\$7,086

▲ 0.1%

#### Sub Prime

\$3,500

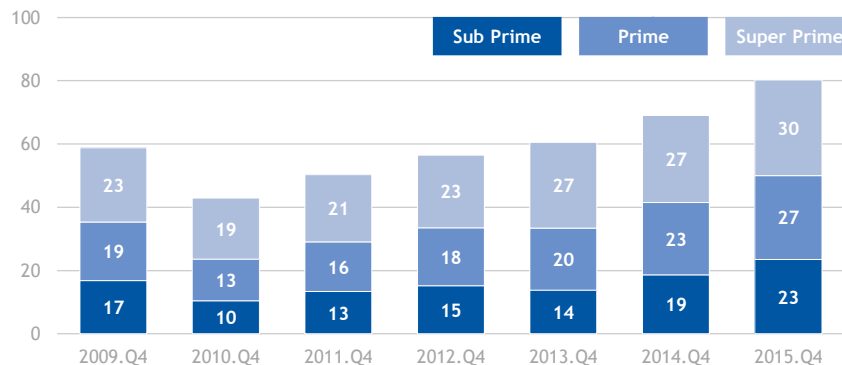
▼ 0.3%

Source: Argus Information & Advisory Services LLC.

\*New Accounts include accounts vintage less than 24 months.

### Number of New Accounts\* (Millions)

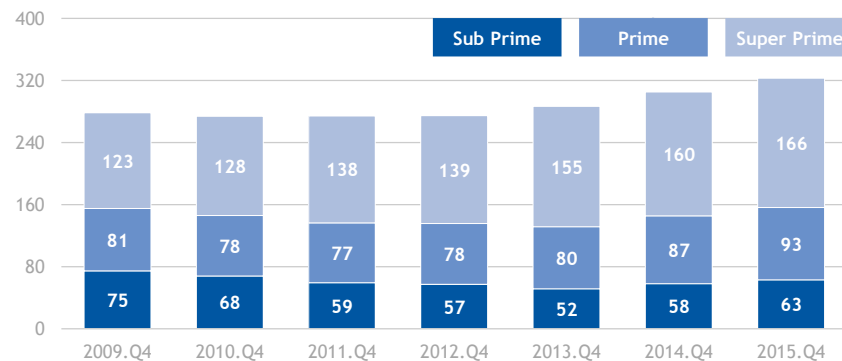
New account volume grew 16.3 percent in 2015 Q4 compared to year-ago levels, with double-digit percentage growth occurring in all three risk tiers.



Source: Argus Information & Advisory Services LLC.

### Number of All Accounts (Millions)

The number of open credit card accounts increased 5.8 percent year-over-year, reaching a new post-recession high of 323 million accounts.



Source: Argus Information & Advisory Services LLC.

## Frequently Asked Questions: ABA Credit Card Industry Monitor

### Q: What is the Credit Car Market Monitor?

The [American Bankers Association](#) (“ABA”) Credit Card Market Monitor (“Monitor”) provides key statistics on industry trends and relevant economic factors affecting the industry. The purpose of the report is for ABA to provide a clear, concise, and fact-driven assessment of credit card market conditions and to place current trends in both a historical and macroeconomic context. Additionally, the Monitor will occasionally be accompanied by a supplemental “Special Report” on a specific key issue in the credit card industry.

### Q: How often and when is it released?

The Monitor is published quarterly, with the first report released in September 2013.

### Q: Who publishes the report?

The report is published by the American Bankers Association. Data is provided by [Argus Information and Advisory Services](#), which serves as the leading provider of information services for U.S. financial institutions. Analytical support is provided by [Keybridge LLC](#), a boutique economic and public policy consulting firm with a diverse clientele of companies, associations, and other institutions that operate at the intersection of economics and public policy.

### Q: Where do the data come from?

The data used in the report originate from proprietary industry databases and publicly available government sources. Specifically, the credit card data are taken from a nationally representative sample provided by Argus. Credit card data are presented as national averages for all accounts based on actual credit card account information. No individual account holder’s information or specific financial institution’s data can be identified from the data set. Other data used in the report are taken from various public and private sources, including the Department of Commerce’s Bureau of Economic Analysis and the Federal Reserve.

### Q: How current are the data?

In all cases, the Monitor uses the latest available quarterly data, which are typically published several weeks after the end of each quarter. As a result, there is a time lag between the period of the latest available data and the Monitor’s publication date. Among the figures used in the Monitor, data typically lag by 1-2 quarters.

### Q: What are the data elements included in the Monitor, and how are they defined?

Page 1 of the Monitor shows credit conditions through the eyes of consumers, while Page 2 depicts broader credit market conditions. Each page consists of four charts and includes an overview section followed by brief textual descriptions that accompany each chart. In some cases, charts are broken down by risk category (sub-prime, prime, and super-prime). These risk categories are

defined by Argus according to the following risk scores: (1) sub-prime <680, (2) prime 680-759, and (3) super-prime >759.

#### Page 1 Charts

- *Monthly Purchase Volume, by Risk Type*: The average amount of purchases paid for with credit cards per cardholder per month, for each risk category.
- *Credit Card Debt Outstanding as a Share of Disposable Income*: Credit Card Debt-to-Income is a commonly used ratio to indicate cardholders' ability to repay their credit card balances. Outstanding Credit Card Debt measures the aggregate amount of outstanding credit card loans held by U.S. households as reported by the Federal Reserve. Disposable Income is the aggregate amount of money available to individuals after saving and income taxes as reported by the Federal Reserve.
- *Effective Finance Charge Yield*: This credit card rate, sourced from Argus, represents the average effective finance charge yield on all accounts. The effective finance charge yield is the annualized interest income generated by a portfolio expressed as a percentage of a portfolio's assets.
- *Distribution of Accounts by Behavior Type*: The share of credit card accounts by three behavior categories: (1) "Transactors," or accounts that have purchases, fees, and/or a balance during the quarter but have no finance charges (net of reversals) in any month of a quarter; (2) "Revolvers," or accounts for which some percentage of the monthly balance is rolled over to the next month at least once during a quarter; and (3) "Dormants," or accounts that show no activity over the course of the quarter.

#### Page 2 Charts

- *Average Credit Line (New Accounts)*: The average line of credit on accounts opened in the last 24 months, by risk category.
- *Average Credit Line (All Accounts)*: The average line of credit on open accounts, by risk category.
- *Number of New Accounts*: The number of accounts opened within the past 24 months of a given quarter, by risk category.
- *Number of All Accounts*: The total number of open accounts in a given quarter, by risk category.

#### **Q: Where can I find past editions of the report, and who is the point of contact?**

Past editions of the Monitor are available at ABA's website ([www.aba.com](http://www.aba.com)). For inquiries related to the Monitor, please contact Jeff Sigmund, ABA VP for Public Relations, at 202-663-5439.

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