Credit Conditions Through the Eyes of Consumers

Credit card purchase volumes fell across risk tiers in the first quarter as the economy entered its first recession in a decade due to the COVID-19 pandemic.

1) On a quarterly basis, seasonally adjusted monthly purchase volumes dropped across the board, driven by a 2.3 percent reduction in prime ($10.97/month) and super-prime ($16.30/month) account purchasing activity. Subprime purchase volumes fell 1.5 percent ($3.27/month).

2) The effective finance charge yield (a measure of interest payments relative to overall card usage) ticked up 6 basis points to 12.96%, mirroring an uptick in the share of revolving accounts as consumers began to feel the effects of widespread job loss due to the onset of the COVID-19 recession.

3) Credit card debt as a share of disposable income (seasonally adjusted) fell 11 basis points to 5.39 percent. This result is consistent with consumers cutting back on spending and suggests consumers continue to manage credit card credit effectively, despite substantial weakening in the labor market.

Monthly Purchase Volume by Risk Type (SA)

Seasonally adjusted purchase volumes fell across risk tiers in the first quarter as consumers pulled back on spending due to the pandemic. Compared to Q4 2019, purchase volumes decreased 2.3 percent among prime and super-prime accounts and 1.5 percent among subprime accounts. Purchase volumes were still positive compared to year-ago levels, however.

Credit Card Credit Outstanding as a Share of Disposable Income (SA)

As a share of disposable income, credit card credit outstanding (seasonally adjusted) decreased 11 basis points in the first quarter to 5.39 percent. This reading likely reflects consumers cutting back on spending in Q1 as pandemic-fueled job loss injected uncertainty into their household finances.

Effective Finance Charge Yield

The effective finance charge yield rose 6 basis points in Q1 to 12.96%, reflecting a larger share of revolving accounts as the unemployment rate spiked. The measure remains 37 bps below its level from a year ago.

Distribution of Accounts by Behavior Type

The share of Dormant accounts fell to an all-time low in Q1 while Transactors fell 0.3 point after reaching an all-time high in 2019 Q4. The share of Revolvers increased 0.5 point to 44.6 percent, its second-highest level since 2012.
Broader Credit Market Conditions

Overview

Average credit lines fell across risk tiers for new accounts in the first quarter as the recession began. However, account volume has been robust to the downturn thus far, with new accounts rising on a year-over-year basis and total accounts climbing across risk tiers to a new all-time high.

1) New account volume rose for the first time since Q4 2017, with subprime and super-prime accounts increasing on an annual basis by 3.6 percent and 2.4 percent. Likewise, total accounts increased 1.2 percent from a year ago, despite prime accounts falling for the seventh quarter in a row.

2) Average credit lines fell across risk tiers among new accounts, driven by a 1.6 percent decline in super-prime credit lines. Meanwhile, credit lines among all accounts were generally unchanged for the super-prime and prime risk tiers and increased modestly for the subprime tier.

### Average Credit Line (New Accounts*)

Q1 credit lines for new accounts decreased across the board, driven by the super-prime tier (-1.6 percent Q/Q; -0.9 percent Y/Y). Credit lines for new subprime and prime accounts also fell on a quarterly basis but remain 2.8 percent (prime) and 0.8 percent (subprime) above year-ago levels.

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Source: Verisk Financial | Argus.

### Number of New Accounts* (Millions)

The number of accounts vintage less than 24 months grew year-over-year for the first quarter since Q4 2017. While prime accounts fell on an annual basis, the number of new super-prime accounts grew 2.4 percent annually and is near an all-time high.

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Source: Verisk Financial | Argus.

### Average Credit Line (All Accounts)

Average credit lines were little changed among all prime and super-prime accounts and increased 0.4 percent among subprime accounts. In real terms, credit lines have increased 2.3 percent for subprime and prime accounts since early 2017 and are down slightly for super-prime accounts.

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Source: Verisk Financial | Argus.

*New Accounts include accounts vintage less than 24 months.
Frequently Asked Questions: ABA Credit Card Industry Monitor

Q: What is the Credit Card 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.

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 Mike Townsend, ABA Director of Public Relations, at 202-663-5471.

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