Credit Conditions Through the Eyes of Consumers

Despite the pandemic-induced recession, credit card spending rebounded in Q3 while revolving rates fell.

1) Monthly purchase volumes jumped more than 20 percent in Q3 compared to the prior quarter, with the largest gains occurring among prime (+24.2 percent) and subprime (22.0 percent) accounts. However, purchase volumes remain well below pre-pandemic levels.

2) Credit card debt as a share of disposable income increased slightly in Q3 but remains near an all-time low. Cardholders continue to benefit from robust federal support and are also spending less due to the pandemic, and many are responding by paying down existing debt.

3) In Q3, the share of revolving accounts hit an all-time low (40.7 percent) and has declined 3.9 percentage points since Q1. Conversely, the share of Transactors (who pay their balance off each month) climbed to an all-time high of 33.7 percent.

Monthly Purchase Volume by Risk Type (SA)
Seasonally adjusted purchase volumes bounced back in Q3 after falling sharply in Q2. While purchase volumes jumped 20-25 percent in each risk tier, they remain well below pre-pandemic levels. Relative to January, prime purchase volumes are down nearly 15 percent, while subprime and super-prime purchase volumes are down 11 percent and 12 percent, respectively.

Credit Card Credit Outstanding as a Share of Disposable Income (SA)
After hitting an all-time low in Q2, credit card debt as a share of disposable income (seasonally adjusted) increased 6bp to 4.54 percent in Q3. Disposable income remains elevated due to a combination of reduced spending due to the pandemic and robust federal support for consumers.

Effective Finance Charge Yield
After falling 40bp in Q2, the effective finance charge yield decreased another 22bp to 12.33 percent in Q3. Compared to Q3 2019 — when the Fed cut rates for the first time since the Great Recession — the effective yield has fallen 90bp.

Distribution of Accounts by Behavior Type
The share of Transactors rose to 33.7 percent in Q3, setting a record high for the second straight quarter. Meanwhile, the share of Revolvers fell to an all-time low of 40.7 percent, while Dormant accounts ticked up to 25.6 percent.


**Overview**

Credit card issuers remain cautious due to the COVID recession. Among newer accounts, volume and average credit lines fell further in Q3, across risk tiers.

1. As of Q3, new account volume is 12.2 percent below pre-pandemic levels, with volume falling at least 6.8 percent across risk tiers over that period. Among all accounts, overall volume has fallen 2.6 percent during the pandemic, though super-prime accounts are up 2.8 percent.

2. Among all accounts, the share that are subprime is at a record low (17.9 percent), while the super-prime share is at a record high (55.2 percent).

3. Average credit lines decreased in back-to-back quarters across risk tier groups, for both new and total accounts. Compared to pre-pandemic levels, prime credit lines have declined substantially more than subprime and super-prime credit lines, for both new and total accounts.

### Average Credit Line (New Accounts*)

In Q3, the average credit line for new accounts fell across all risk tiers for the third consecutive quarter. The average credit line for new prime accounts decreased -4.9 percent Q/Q, while credit lines for new subprime (-2.8 percent Q/Q) and super prime accounts (-3.5 percent Q/Q) had their largest quarter-on-quarter drops in nearly a decade.

- **Super Prime**
  - $9,545
  - ▼ 3.5%

- **Prime**
  - $5,295
  - ▼ 4.9%

- **Sub Prime**
  - $2,583
  - ▼ 2.8%

**Source:** Verisk Financial | Argus.

### Average Credit Line (All Accounts)

Credit lines for all accounts fell across risk groups in Q3, led by prime accounts (-2.1 percent Q/Q). Measured on annual basis, credit lines also fell across risk tiers, with prime lines declining -3.4 percent Y/Y and subprime and super-prime lines falling a more modest -0.4 percent Y/Y.

- **Super Prime**
  - $11,770
  - ▼ 1.2%

- **Prime**
  - $7,540
  - ▼ 2.1%

- **Sub Prime**
  - $3,879
  - ▼ 1.4%

**Source:** Verisk Financial | Argus.

---

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

The number of accounts vintage less than 24 months fell -8.4 percent in Q3, the largest quarterly drop in a decade. Similarly, new account openings fell -11.5 percent on an annual basis. Overall, account openings are roughly equivalent to 2015 Q1 levels.

### Number of All Accounts (Millions)

In Q3, total open accounts fell for the second straight quarter after peaking in Q1. The decline was mostly driven by subprime accounts (-8.2 percent Q/Q), though prime accounts also fell slightly (-1.1 percent). Super-prime accounts rose 1.0 percent.

- **Super Prime**
  - 28
  - 30
  - 31
  - 34
  - 34
  - 35
  - 33

- **Prime**
  - 23
  - 26
  - 29
  - 31
  - 28
  - 27
  - 24

- **Sub Prime**
  - 17
  - 22
  - 27
  - 27
  - 24
  - 23
  - 18

**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 Verisk Financial | Argus, 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, federal agencies, 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.abacom](http://www.abacom)). For inquiries related to the Monitor, please contact Mike Townsend, ABA Director of Public Relations, at 202-663-5471.

LAST UPDATED February 2, 2021