Overview

The consumer credit recovery continued in Q4, building on trends established last fall.

1) Monthly purchase volumes continued to rise after bottoming out in the second quarter. Subprime cardholders are approaching pre-pandemic purchase volume, and prime and super-prime purchase volumes have also recovered substantially.

2) Credit card debt as a share of disposable income increased as credit card debt rose for the first time in a year.

3) In Q4, the share of revolving accounts hit an all-time low for the second straight quarter (39.7 percent) and fell 4.4 percentage points in 2020. Conversely, the share of Transactors set an all-time high for the third straight quarter (35.1 percent), increasing 3.2 percentage points on the year.

Monthly Purchase Volume by Risk Type (SA)

Seasonally adjusted purchase volumes increased again last quarter, continuing the recovery from COVID-lows. Growth was strong across risk groups on a Q/Q basis, with prime accounts rising by 8.6 percent. On an annual basis, subprime accounts are the closest to a full recovery (-3.9 percent Y/Y), while prime accounts are down 7.2 percent and super-prime accounts are down 6.0 percent.

Effective Finance Charge Yield

After declining in consecutive quarters, the effective finance charge yield ticked up 5bp to 12.38 percent in Q4. The rate remains well below the pre-pandemic level, reflecting the interest rate environment as well as a sharp decrease in the share of cardholders who revolved credit.

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

Credit card debt as a share of disposable income (seasonally adjusted) increased 13bp to 4.67 percent in Q4, as credit card debt ticked up and disposable income waned. Notably, Q4 data do not reflect the $900 billion relief bill passed in late December or the $1.9 trillion economic stimulus package passed in March, which each boosted incomes substantially.

Distribution of Accounts by Behavior Type

The share of Transactors rose to 35.1 percent in Q4, setting a record high for the third straight quarter, while the share of Revolvers fell below 40 percent for the first time since at least 2008. Dormant accounts fell to 25.2 percent.
Credit card issuers remained on cautious footing in Q4, particularly for prime and subprime accounts.

1) As of Q4, new account volume is nearly 17 percent below year-ago levels. Among all accounts, overall volume fell 2.0 percent over the last year, driven by the prime (-2.9 percent Y/Y) and sub-prime (16.9 percent Y/Y) risk tiers. Super-prime account volume was 4.3 percent above its year-ago level.

2) Among all accounts, the share that are super-prime hit another record high (55.5 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, average credit lines have declined substantially more than other risk tiers.

### Broader Credit Market Conditions

#### Overview

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2) Among all accounts, the share that are super-prime hit another record high (55.5 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, average credit lines have declined substantially more than other risk tiers.

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

In Q4, the average credit line for new accounts fell across all risk tiers for the fourth consecutive quarter, on both a Q/Q and Y/Y basis, with the largest movement occurring among prime accounts (-3.5 percent Q/Q; -14.2 percent Y/Y). Across risk tiers, average credit lines for new accounts fell back to 2015-16 levels.

**Super Prime**
- $9,329
- ▼ 2.3%

**Prime**
- $5,109
- ▼ 3.5%

**Sub Prime**
- $2,541
- ▼ 1.6%

Source: Verisk Financial | Argus.

#### Average Credit Line (All Accounts)

Credit lines for all accounts fell across risk groups in Q4 for the second consecutive quarter. Prime accounts experienced the largest decline (-0.9 percent Q/Q; -5.8 percent Y/Y). Across risk tiers, average credit lines for all accounts in Q4 were roughly equivalent to 2018 levels.

**Super Prime**
- $11,740
- ▼ 0.2%

**Prime**
- $7,473
- ▼ 0.9%

**Sub Prime**
- $3,852
- ▼ 0.7%

Source: Verisk Financial | Argus.

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

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

The number of new accounts fell 6.8 percent in Q4 to their lowest level in six years. Total account levels were down 19.1 percent since Q1 with prime accounts down 14.4 percent, super prime down 12.3 percent, and subprime down by more than one-third.

#### Number of All Accounts (Millions)

Total open accounts fell for the third straight quarter in Q4, led by a 1.9 million reduction in subprime accounts. The numbers of prime and subprime accounts returned to 2015 - 2016 levels, while super-prime accounts rose to an all-time high.
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.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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