Credit Conditions Through the Eyes of Consumers

Credit conditions remained strong in Q2 as U.S. consumer spending continued to drive the economic recovery.

1) Monthly purchase volumes rose by more than 10 percent Q/Q across risk tiers, surpassing pre-pandemic levels. Purchase volumes in Q2 2021 are up 45-50 percent compared to the previous year.

2) Credit card debt as a share of disposable income increased in Q2 after hitting an all-time low in Q1, driven by a slight decrease in disposable personal income and sharp decrease in outstanding credit. Despite the increase, however, the metric remains at its second-lowest level on record.

3) In Q2, the share of Revolvers fell sharply to its lowest level on record, while the share of Transactors rose sharply to its highest level on record. Consistent with the decline in revolving accounts, the effective finance charge yield fell to its lowest level since late 2017.

Monthly Purchase Volume by Risk Type (SA)

Seasonally adjusted purchase volumes increased sharply in Q2 across risk tiers, surpassing pre-pandemic values. Relative to 2019 Q4, purchase volumes have risen the most for subprime accounts (+11 percent). Robust consumer spending was the primary impetus for the strong rebound in the U.S. economy during the first half of the year.

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

Credit card debt as a share of disposable income (seasonally adjusted) increased 45bps to 4.42 percent in Q2 after hitting a record low in Q1. In Q2, disposable income fell by 7.6 percent Q/Q while credit card debt rose 2.6 percent. Despite the sharp increase, the metric remains roughly 100 bps below its pre-pandemic level.

Effective Finance Charge Yield

The effective finance charge yield fell 42bps to 12.32 percent in Q2, reversing a similarly-sized increase in Q1. The decrease reflects a sharp decrease in revolving accounts during the same period.

Distribution of Accounts by Behavior Type

In Q2, the share of Transactors jumped 2 full percentage points to 36.6 percent, a new all-time high. Meanwhile, the share of Revolvers fell by the same amount to 38.5 percent, a new record low.

Source: Verisk Financial | Argus.
Credit card issuers continued to tighten standards in Q2, particularly for higher-risk accounts

1) In Q2, new account volumes remained subdued at about 19 percent below year-ago levels. Three-in-four new accounts were prime or super-prime.

2) Among all accounts, volume of subprime accounts fell by 5.3 percent Q/Q to their lowest share on record. Super-prime accounts comprise 54 percent of all open accounts, a near record-high share, while the share of subprime accounts fell to an all-time low of 15.9 percent.

3) Credit lines fell in Q2 across all risk tiers, for both newly opened and all accounts. Issuers exercised caution when extending credit for new accounts, particularly among higher-risk borrowers.

Average Credit Line (New Accounts*)

In Q2, the average credit line for new accounts fell across all risk tiers for the sixth consecutive quarter, on both a Q/Q and Y/Y basis. Since last year, credit lines have decreased the most for prime and subprime accounts, falling by 15 percent and 13 percent Y/Y, respectively.

<table>
<thead>
<tr>
<th>Risk Tier</th>
<th>Average Credit Line</th>
<th>Q/Q Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Super Prime</td>
<td>$8,574</td>
<td>▼ 2.3%</td>
</tr>
<tr>
<td>Prime</td>
<td>$4,675</td>
<td>▼ 3.8%</td>
</tr>
<tr>
<td>Sub-Prime</td>
<td>$2,258</td>
<td>▼ 4.9%</td>
</tr>
</tbody>
</table>

Average Credit Line (All Accounts)

Credit lines for all accounts fell across risk groups in Q2 for the fourth consecutive quarter. Subprime and prime accounts experienced the largest declines, though super-prime credit lines also ticked down.

<table>
<thead>
<tr>
<th>Risk Tier</th>
<th>Average Credit Line</th>
<th>Q/Q Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Super Prime</td>
<td>$11,732</td>
<td>▼ 0.1%</td>
</tr>
<tr>
<td>Prime</td>
<td>$7,316</td>
<td>▼ 1.6%</td>
</tr>
<tr>
<td>Sub-Prime</td>
<td>$3,748</td>
<td>▼ 2.0%</td>
</tr>
</tbody>
</table>

Number of New Accounts** (Millions)

New account openings fell to the lowest level since early 2014 in Q2. New account volume is down 19 percent overall over the last year, with new subprime accounts falling by a sharp 26 percent.

Number of All Accounts* (Millions)

In Q2, total open accounts increased slightly compared to Q1 and are down 2.6 percent over the last year. Subprime accounts have fallen 17 percent on a Y/Y basis and now comprise just 15.9 percent of total accounts, an all-time low.
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.