



2025 Q3 Credit Risk Review

Trends and Early Risk Indicators in Consumer Credit

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November 2025

Executive Summary

There has been slight worsening in auto and PL, but not at alarming rates

Delinquencies rose in Q3 compared to Q2

- Credit Card 60+ delinquency rate decreased by **4.3** bps quarter-over-quarter
- Personal Loan 60+ delinquency rate increased by **5.1** bps quarter-over-quarter
- Auto Loan 60+ delinquency rate increased by **8.9** bps quarter-over-quarter

Despite broad stability in credit performance, lender sentiment remains cautious due to emerging headwinds

- Federal student loan reporting, the termination of the SAVE plan, and potential wage garnishments remain major concerns
- Overall deceleration of wage growth (most acutely in the lowest quartile) may create a future headwind, especially in subprime
- Persistently high subprime auto loan delinquencies remain a concern

Executive Summary: Overall Consumer Credit

Credit Card



- Credit card delinquency rates in Q3 remained below Q2 level
- Recent vintages' cumulative delinquency rates remained elevated
- Origination activity polarized, with subprime and super prime segments increasing significantly year-over-year.

Auto Loans



- Auto loan delinquency rates increased in Q3 after easing in Q2 2025
- Concerns over auto market funding have intensified after the bankruptcies of subprime auto lenders Tricolor and Primalend
- Recent originations continue to shift towards low-risk Vantages

Personal Loans



- Q4 2024 vintage delinquency rates are slightly higher than prior vintages
- Overall delinquencies remained low for Q3 2025
- Originations increased across all risk levels, most acutely in prime and prime plus

Student Loans



- Federal delinquencies decreased from all-time highs in May
- Subprime population is not following trends of improvement and has grown due to increased reporting
- Uncertainty remains with the expiration of the SAVE repayment program and likely wage garnishments

Mortgage & HELOC



- Mortgage originations are stable and remain lower than 2022 levels due to high interest rates and home prices
- Homeowner equity grew, reaching 2024 high levels, though mortgage balances did not follow pace
- HELOC limits and utilization continued to increase

Industry leaders are pondering key topics poised to shape the economic outlook

Is stock market/AI buttressing weakness?



- AI enthusiasm has driven significant gains in the stock market over the past 1-2 years. [Source](#)
- The AI boom may be masking broader economic weakness. [Source](#)

Will high end earners continue to power spend?



- Economists warn that U.S. growth now hinges on wealthy consumers— if they cut back spending, a recession could follow. One potential trigger for that might be a downturn for stocks. [Source](#)
- Spending is strong amid current economy uncertainty. [Source](#)

What does shutdown/AI replacement/tariffs mean for unemployment?



- So far, the effect of the shutdown on unemployment has been modest, at least in the broad aggregate, based on a model running on private data. [Source](#)
- Experience with previous unilateral increases in tariffs casts doubt that they will increase U.S. employment. [Source](#)

DQ rates for credit cards rose slightly over the last quarter, while balances grew as cardholders continued spending confidently

Performance

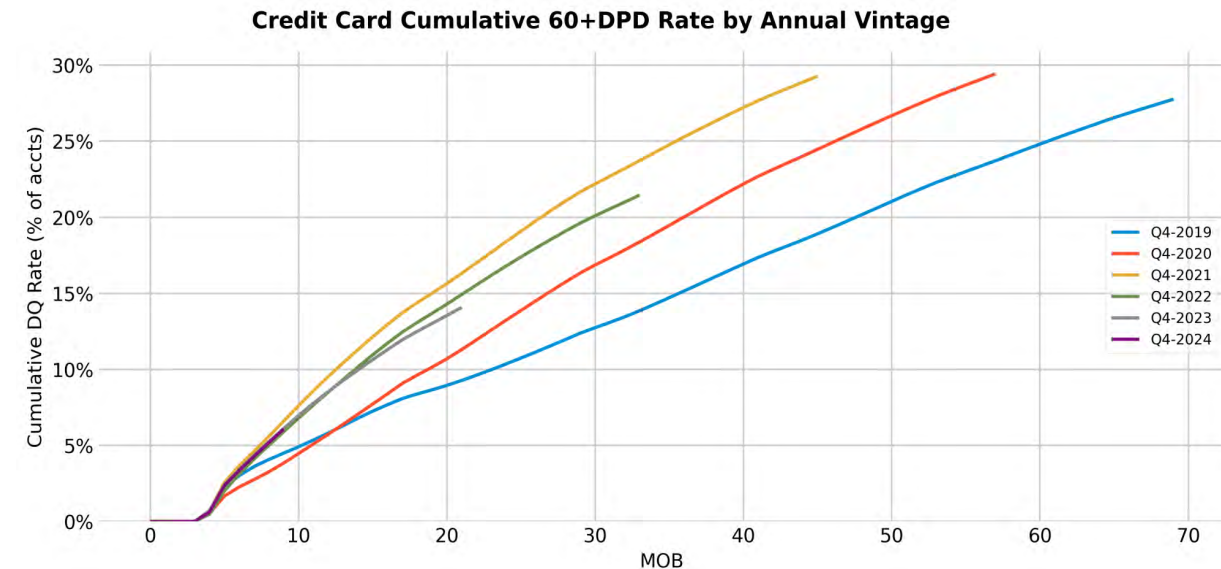
- Delinquency (DQ) rates rose over the last quarter, with the increase concentrated in the near prime segment
- Recent vintages' cumulative DQ rates remained high compared to 2019 and 2020 vintages
- Roll rates remained elevated over the prior quarter but have been stable over the past year

Balance

- Credit card debt increased slightly in Q3 relative to Q2 and steadily increased to over \$1.2T
- Growth was concentrated among super prime and subprime borrowers, while balances for other risk segments held relatively constant

Originations

- Credit card originations for subprime customers saw the largest year-over-year increase, up roughly 20%
- Originations rose significantly for subprime and super prime segments, but mid-tier segments remained relatively stable



"Americans may feel worse about the economy, but they are still wielding their credit cards with confidence." — WSJ, Oct 2025

DQ rates for federal student loans are coming down from all-time high in May 2025, reflecting administrative and policy effects

Recent News

- SAVE repayment plan has officially concluded, impacting the 7.7 million enrolled borrowers. Given 90-day delinquency target, impacts of the program ending will likely be observable in Q4 2025
- Wage garnishment continues to loom over nearly 2 million delinquent student loan borrowers who are at risk

Performance

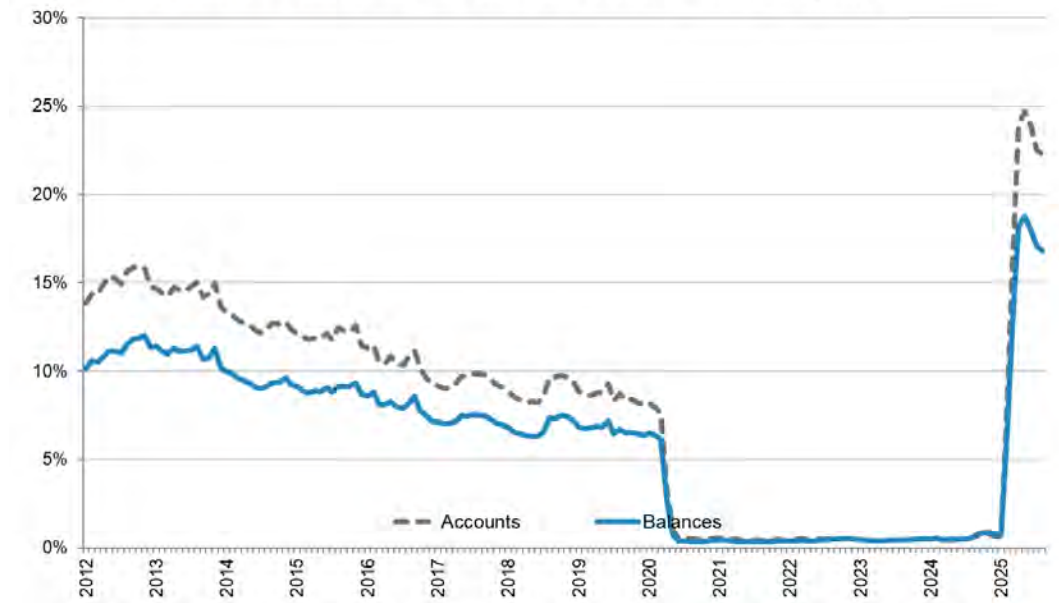
- Delinquency rates peaked in May 2025 but consistently decreased in the following months
- Subprime assets are growing due to increased reporting, and performance is not improving in alignment with other risk bands
- The number of accounts without bureau activity surged by over 50% during the repayment initiation, and is starting to settle at elevated rates

Balance

- Student loan debt has steadily increased since 2015 and hovers around \$1.7T

Severe Delinquency Rate

90+ Days Past Due or in Bankruptcy
Percent of Non-deferred Accounts and Balances; NSA; Excludes Severe Derogatory



Personal loan DQ rates remained low in Q3 2025

Performance

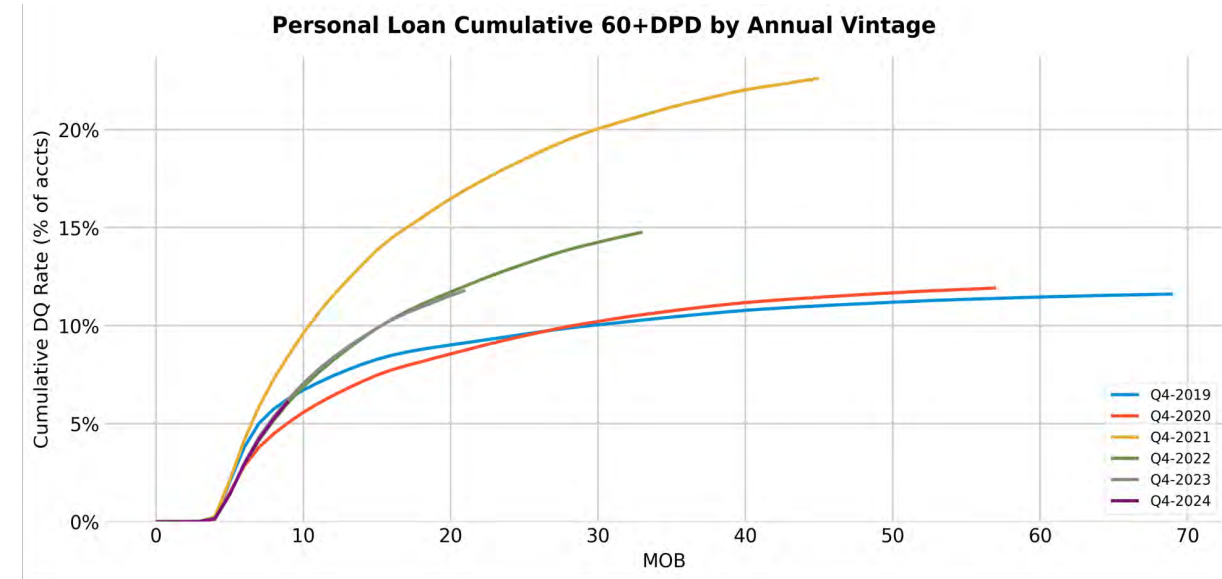
- 60+ DPD rates remained low in Q3 2025, though delinquency rates among prime borrowers rose slightly
- Q4 2024 vintages are broadly consistent with historical trends, showing slight underperformance relative to the prior two years

Balance

- Year-over-year growth in personal loan balances continued across risk bands, largely supported by higher balances among prime customers

Originations

- Total number of originations rose year-over-year across all risk bands, with the largest gains observed in higher Vantage segments
- Overall average loan amount remained relatively constant, in-line with seasonal trends



Auto Loan DQ rates climbed again in Q3 2025 after easing in Q2

Performance

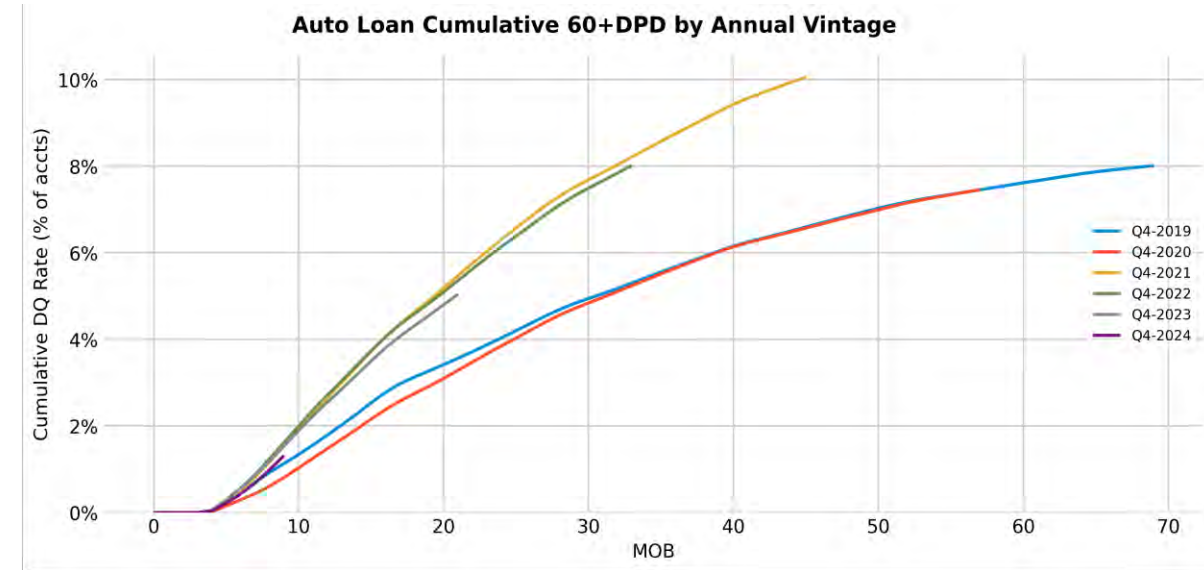
- Delinquency rates rose across all risk bands, climbing to around 1.9% in Q3 2025
- Over the past quarter, subprime auto lenders Tricolor and Primalend both filed for bankruptcy, raising concerns about funding in the auto market
- Q4 2024 originations outperformed the prior three years, primarily driven by a portfolio shift towards super prime

Balance

- Total loan balances remained relatively stable with continued growth concentrated in the subprime and super prime risk bands
- The loan balance distribution continues to shift toward super prime borrowers, reflecting stable average origination values and sustained growth in super prime originations

Originations

- Originations continued to grow year-over-year, driven entirely by super prime borrowers
- Average loan amounts remained high, reflecting a continued shift towards lower risk borrowers
- APRs saw a slight dip for used vehicles but held steady for new vehicles



Mortgage DQs remained stable in Q3 2025, with a continued gradual increase since lowest levels in 2020

Mortgage

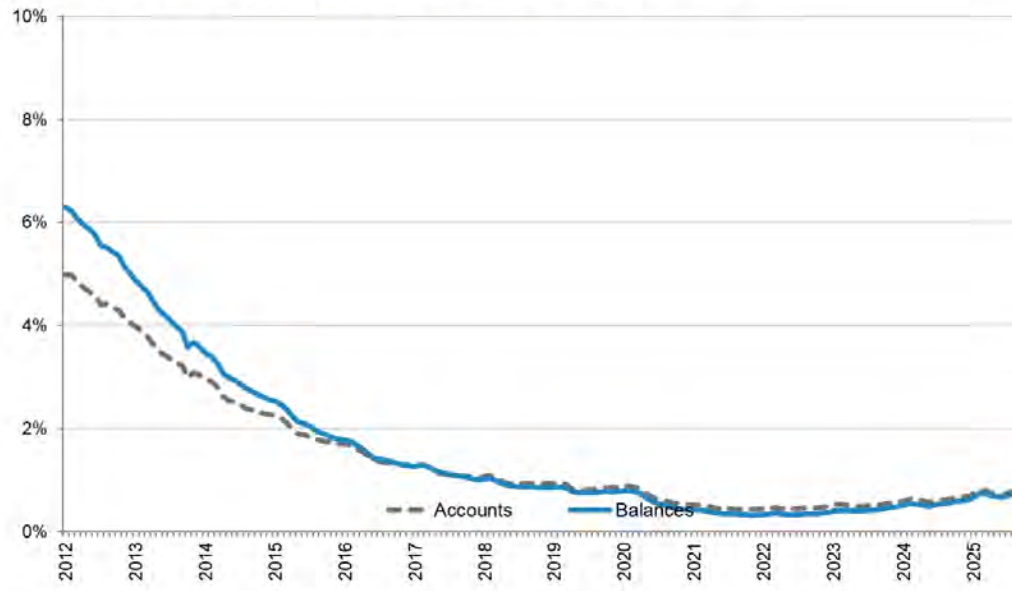
- 30-year fixed rate mortgage average remained stable in Q3 2025
- 90+ DPD first mortgage delinquency rate increased by 17 bps year-over-year

HELOC

- HELOC utilization and HELOC credit limits continued growing in Q3, as home equity and house values continue to grow in the U.S
- Homeowner equity has increased as housing prices continue to grow, matching 2024 all-time highs

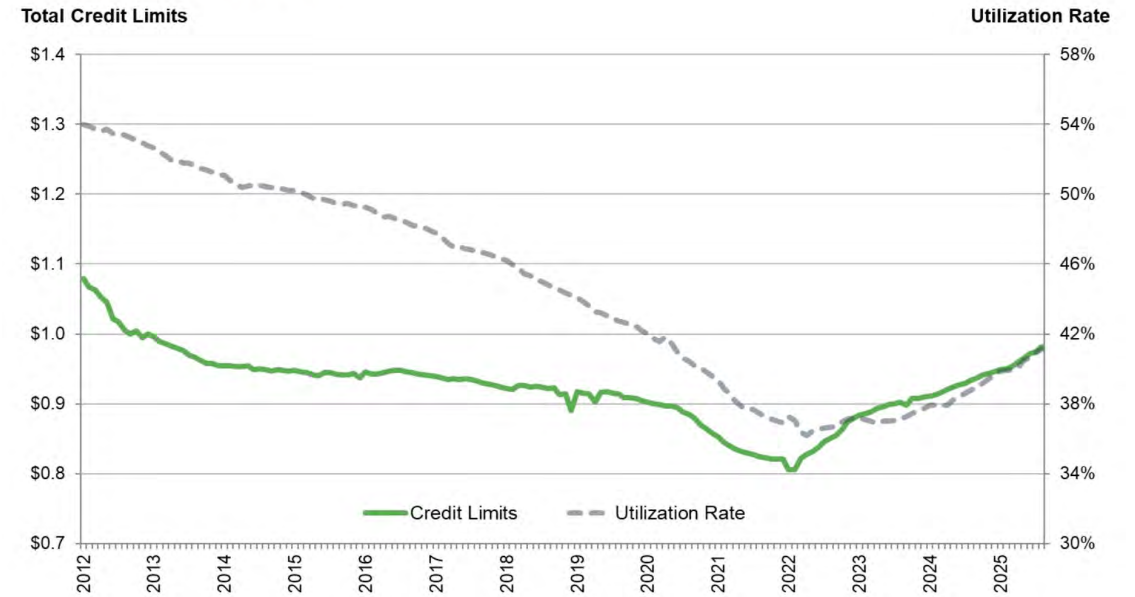
Severe Delinquency Rate

90+ Days Past Due, in Bankruptcy and In Foreclosure
Percent of Accounts and Balances; NSA; Excludes Severe Derogatory



Utilization and Credit Limit

Utilization Rate in %; NSA
Credit Limit in \$Trillions; NSA





Special Topic: Continued monitoring on regulatory/policy impacts to lending

Open Banking (Section 1033) Progress Continues: CFPB reopened and revised the open-banking rule created under the Biden administration. A core regulatory battle in the revisions will involve who qualifies as a representative to access data. JPMorgan and Plaid signed a data access deal, demonstrating infrastructure for future bank/fintech relationships. ([American Banker](#))

SAVE Plan Interest Free Forbearance Officially Ended: Interest has been accruing on SAVE loans since August 1, 2025, ending the forbearance plan that originated in Summer 2023 ([CNBC](#))

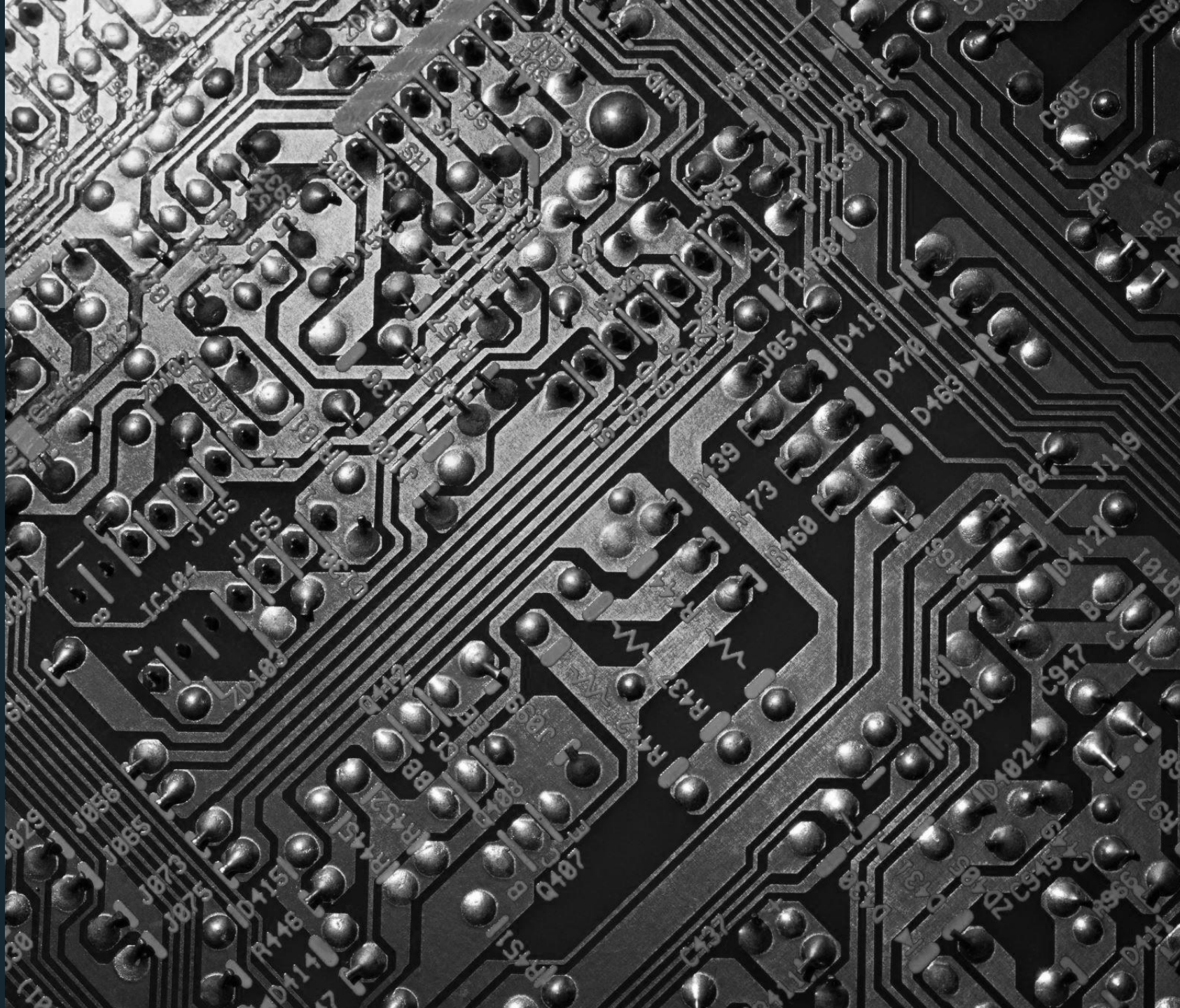
CFPB Downsize Permitted to Proceed: Appeals court ruled that the CFPB may continue with laying off the majority of the work force, vacating a preliminary injunction that prevented the layoffs in mid-April ([NPR](#))

"De-banking" Executive Order Issued: This order prevents banks from using reputational risks as a reason for denying or restricting access to banking services, particularly on the basis of political or religious beliefs ([White House](#))

Potential Wage Garnishments for Federal Student Loans: Delinquent federal student loan borrowers could be viable to have up to 15% of their wages garnished. Up to 2 million borrowers are at immediate risk of garnishment. ([Fortune](#))

2+ Week Government Shutdown: Government employees will have missed a full paycheck period, the shutdown persists (as of Oct 29th)

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For our upcoming AI Snapshot, 2OS will be diving in on current best practices for **Answer Engine Optimization** as a special topic

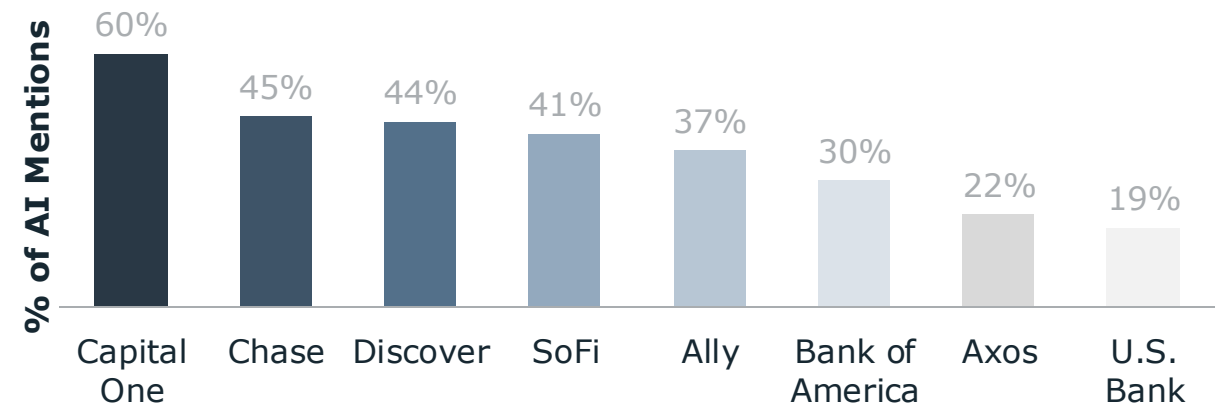


Answer Engine Optimization

AEO: the Next Generation of Search Engine Optimization (SEO)

For financial institutions, AEO starts by designing your product selection webpages to be **properly adapted** and **easy to summarize** for the crawlers and data gathering tools used by ChatGPT, Claude, and Gemini; in turn, this ensures that your products are being properly **highlighted** in the AI prompt responses when people are trying to figure out what cards and services are a good fit for them.

- AEO penetration is measurable; one way is to use vendors (as in the graph to the right, generated by Profound every week)
- Another way: test it yourself! Create mass query sets to regularly measure how chatbots are identifying your institution's products

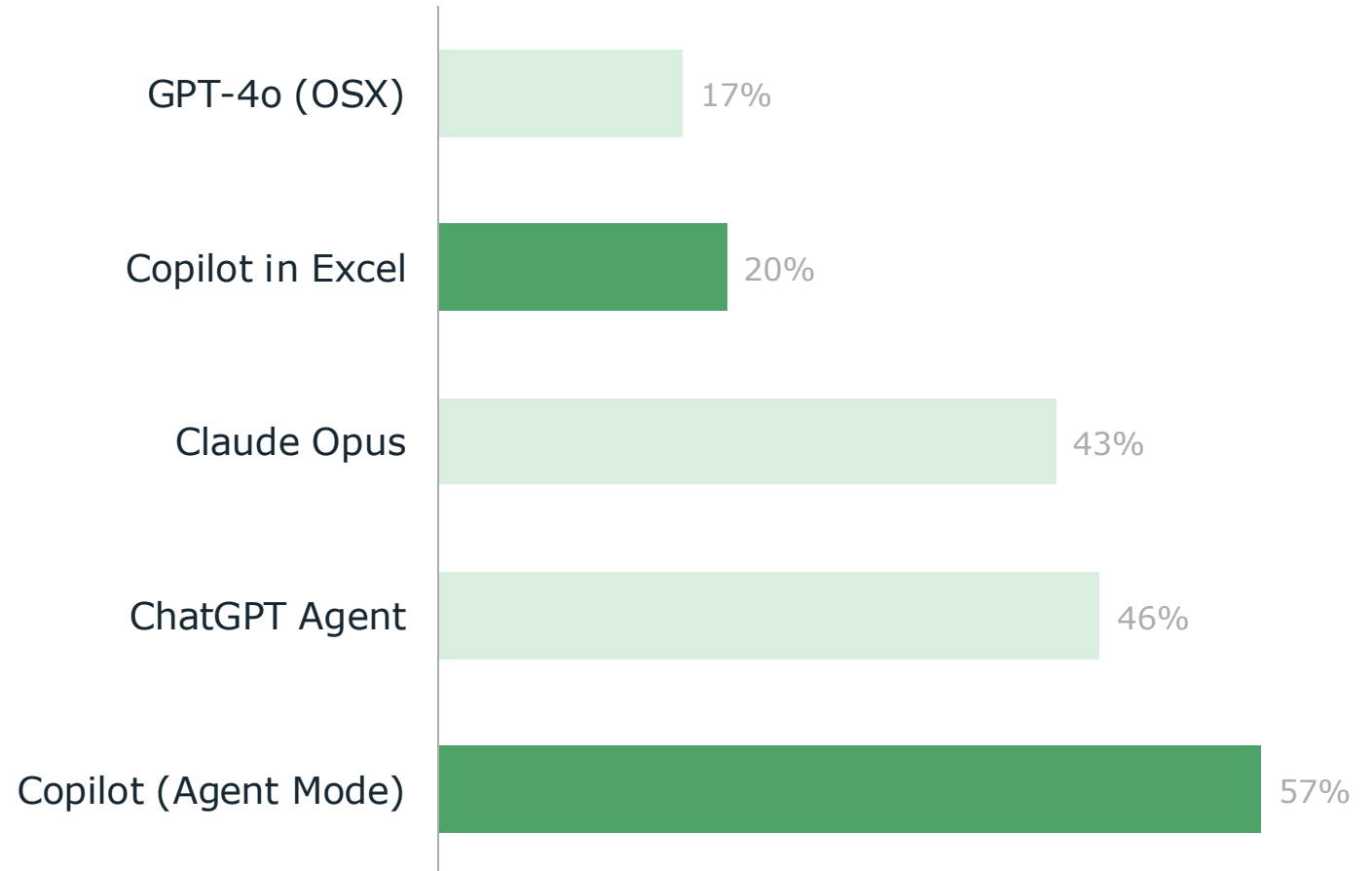


Agentic structures have continued to improve AI tooling on Office products; however, they aren't at the point where they beat manual intervention

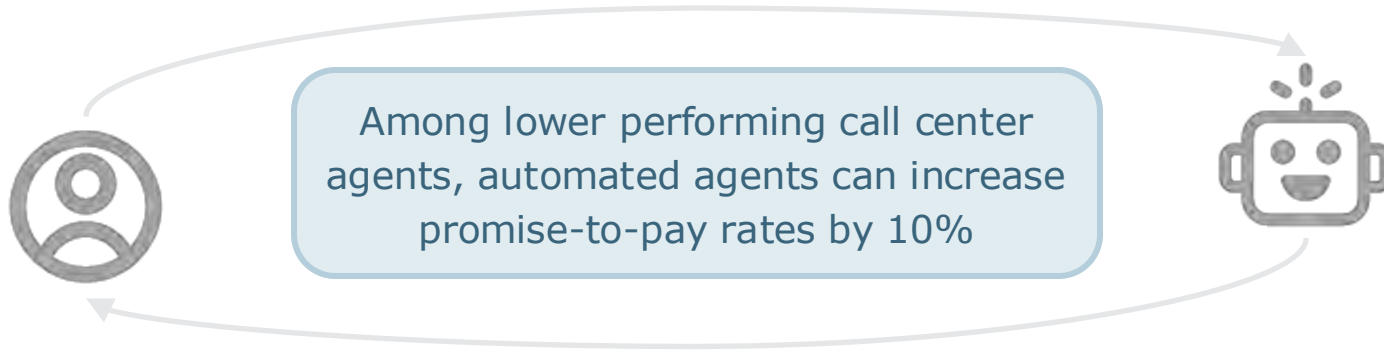
Agent Tooling

- In early October, Microsoft released **Agent Mode**, using agentic engineering and design to improve the accuracy of their Office 365 Copilot tools
- While Agent Mode achieved a step change in accuracy improvements, this is still too high of a rate of errors for “vibe working” to be acceptable to financial institutions
- However, for your internal AI use cases, this does point to the need for **agentic engineering** to improve system performance

AI Tool Benchmarking % Accuracy @ Excel Spreadsheet Tasks



Autonomous voice agents have improved in the last six months; while not ready to replace a plurality of collections calls, lenders are expanding their use



Big Picture

- While some lenders are sitting back, a majority of top U.S. banks are **experimenting** with autonomous voice agents to augment their call center process
- Customers dislike voice agents if they quickly clock it as AI; modern agents have improved by adding human touches, like background noise and a more conversational approach
- Initial experiments have concluded that automated agents are superior to **10-20%*** of existing call center agents, leading to better outcomes for customers and FIs

Call Center AI

- As of early 2023, voice agents for call centers were **markedly worse** than even low-quality agents; they sounded stilted, wooden, and easily were identified as AI agents
- However, as the foundation models have made massive shifts, so too have the voice agents used for collections
- Modern voice agents are often more empathetic, easier to understand, and **better at communicating** with customers than the bottom quartile of call center agents

In the past quarter, there have been several notable public rollouts from large US banks, along with some AI-related headcount reduction

RAG Knowledgebases emerge at TD Bank

October 20th, 2025 -- <https://stories.td.com/ca/en/news/2025-10-20-new-td-wealth-virtual-assistant-set-to-enhance-the-colleague>

TD has built a “Wealth Virtual Assistant” for policy, procedure, and internal knowledge sharing. This tool adds to a total of seven virtual assistants accessible for TD Bank employees, adding to TD’s custom RAG models used for customer operation work and securities trading



Piloting Customer Profiling Agents at Citigroup

September 22nd, 2025 -- <https://www.wsj.com/articles/ai-agents-arrive-at-citi-60a3559d?>

Citi is running a 5,000-employee pilot for its “Citi Stylus Workspaces” tool, powered by Gemini & Claude. According to CTO David Griffiths, the initial pilot will focus on researching prospective clients and building customer profiles for sales purposes, with an eye towards efficiency gains



JPM Limits Headcount due to AI Adoption

October 15th, 2025 -- <https://www.cnbc.com/2025/10/15/jpmorgan-chase-goldman-sachs-ai-hiring.html>

In 2023, JPM rolled out a platform (LLM Suite) for JPM employees to access Generative AI. Through constant improvement, LLM Suite has become powerful enough for JPM to constrain headcount; despite a 12% jump in profit year-over-year, JPM’s headcount rose **just 1%**

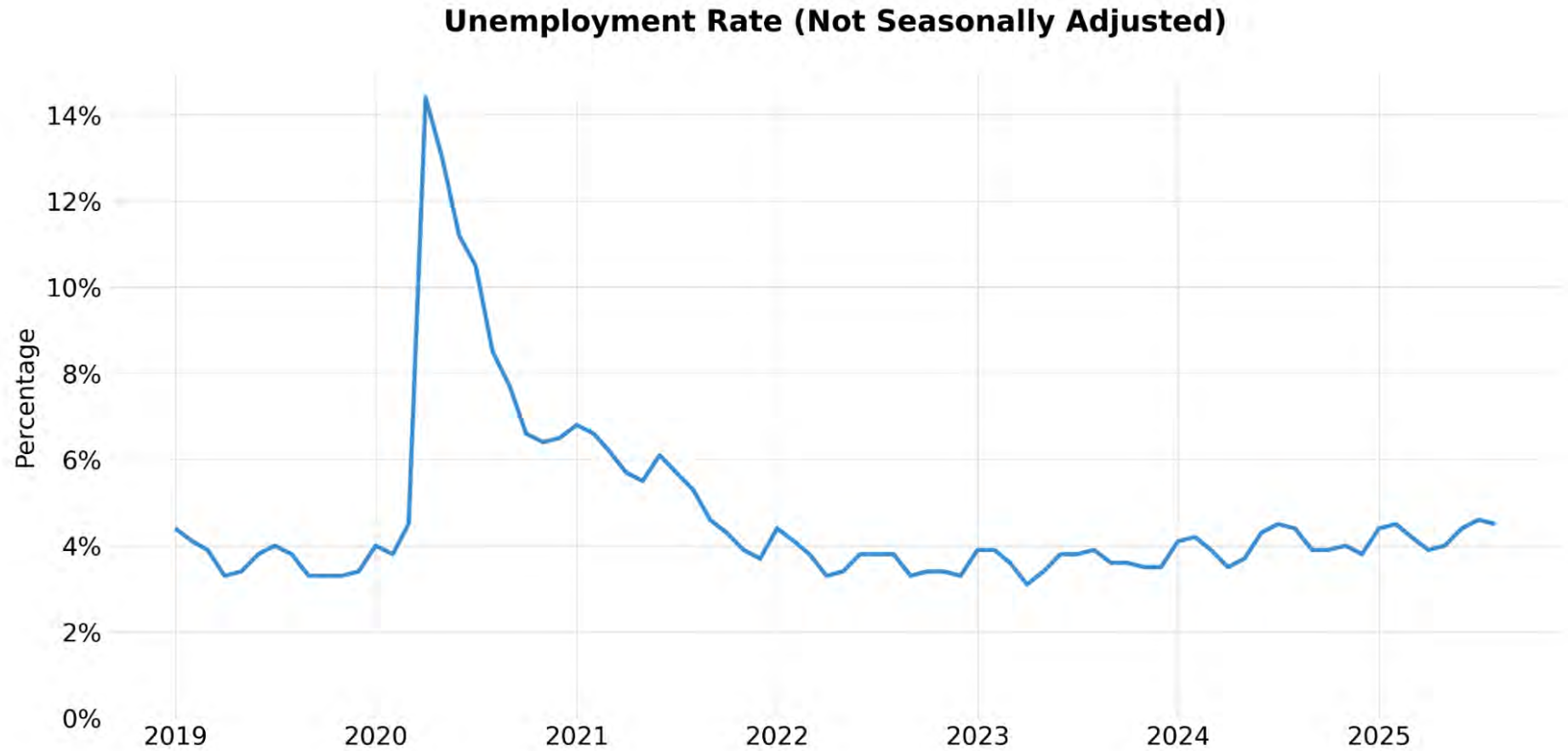


For more up-to-date information on AI developments over the last quarter relevant to your institutions, ask your 2OS contact to be added to the distribution list for our Quarterly AI Snapshot!

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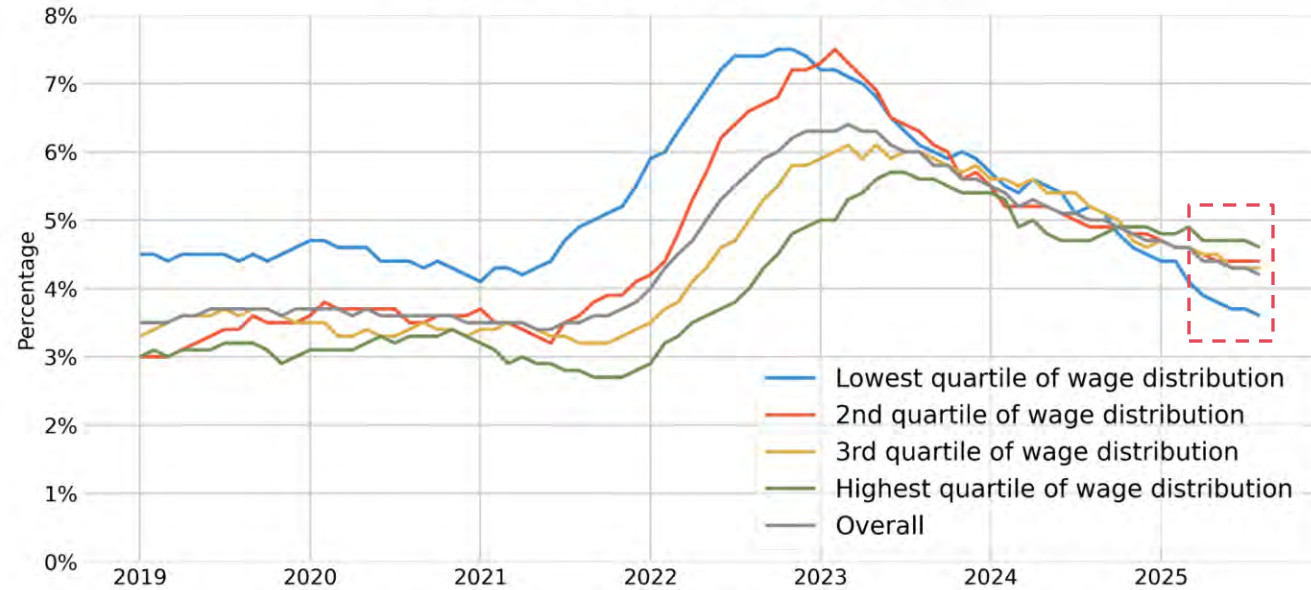


Unemployment remained low but continued trending upwards over the past quarter

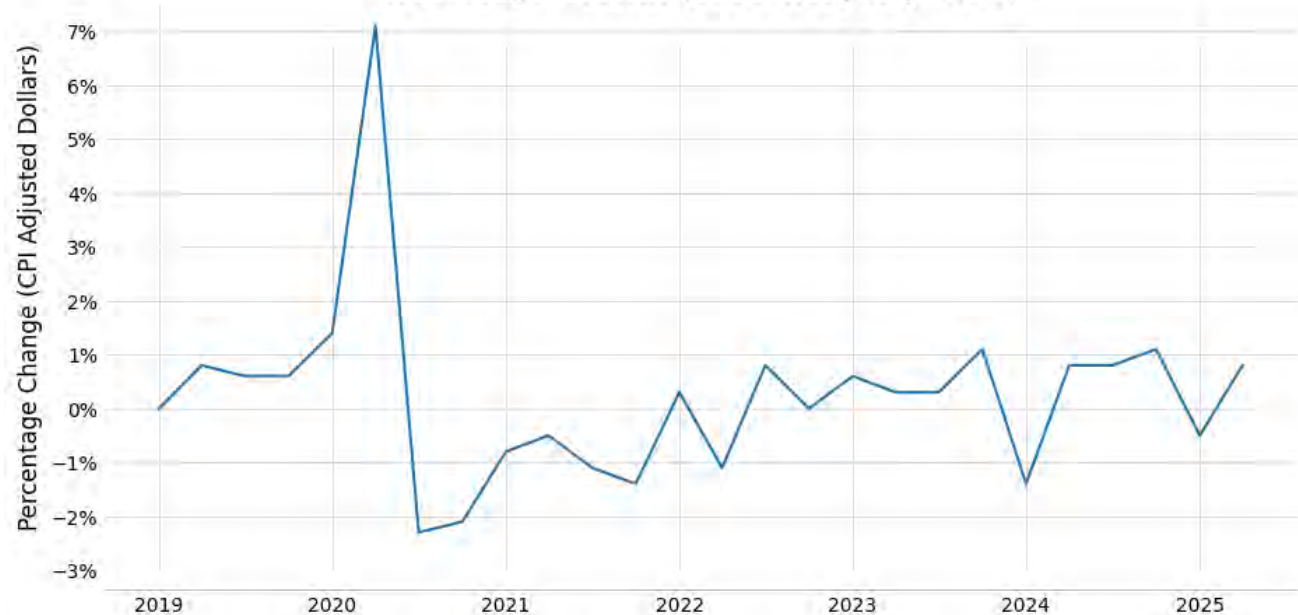


Wage growth continued decelerating, with the largest reduction in the lowest quartile of income

Wage Growth Rate By Wage Distribution



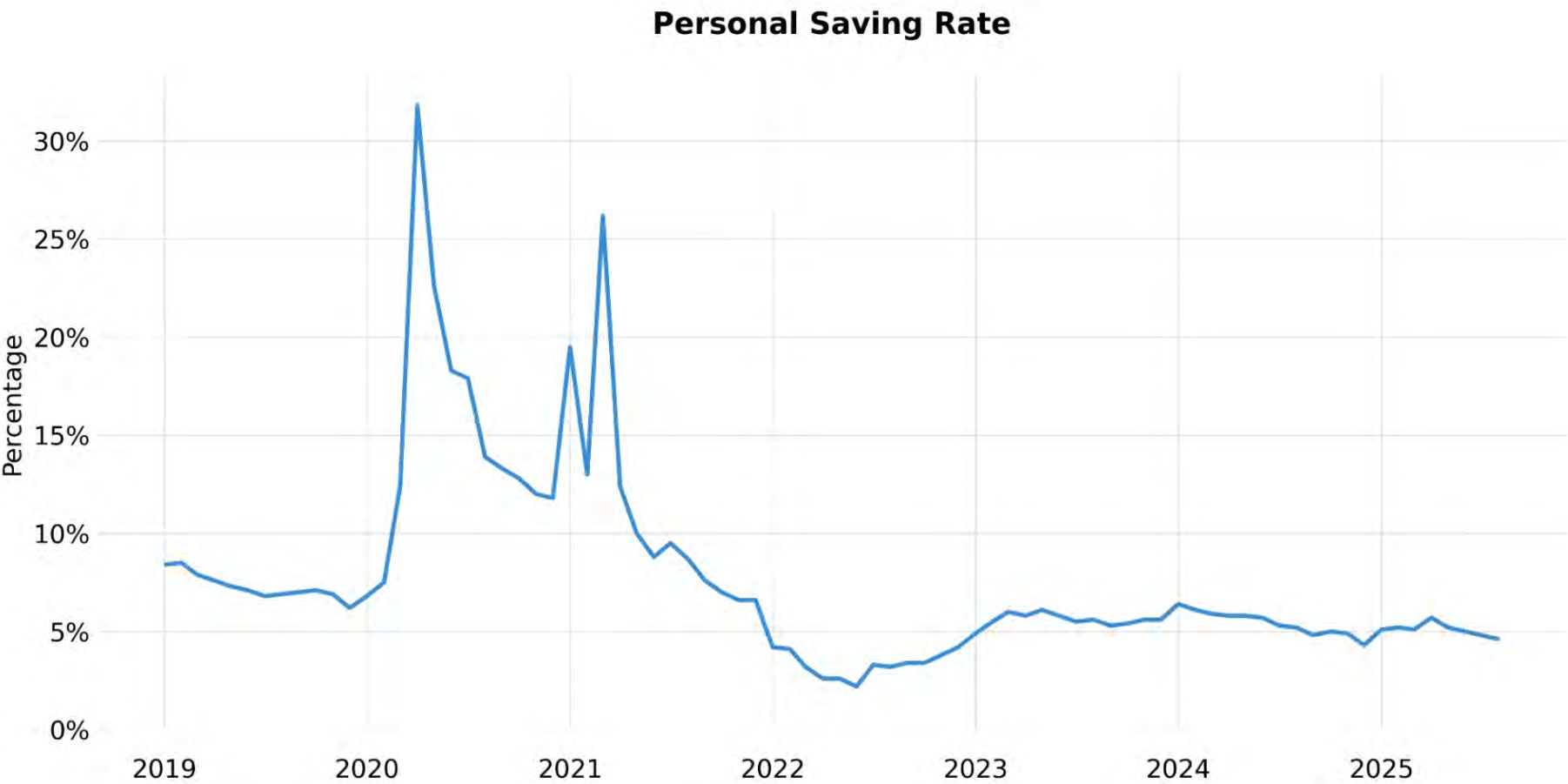
Real Wage Growth (Seasonally Adjusted)



Source: 20S, [Atlanta Fed](#) (Data as of September 11th, 2025), [FRED](#) (Data as of July 22nd, 2025).

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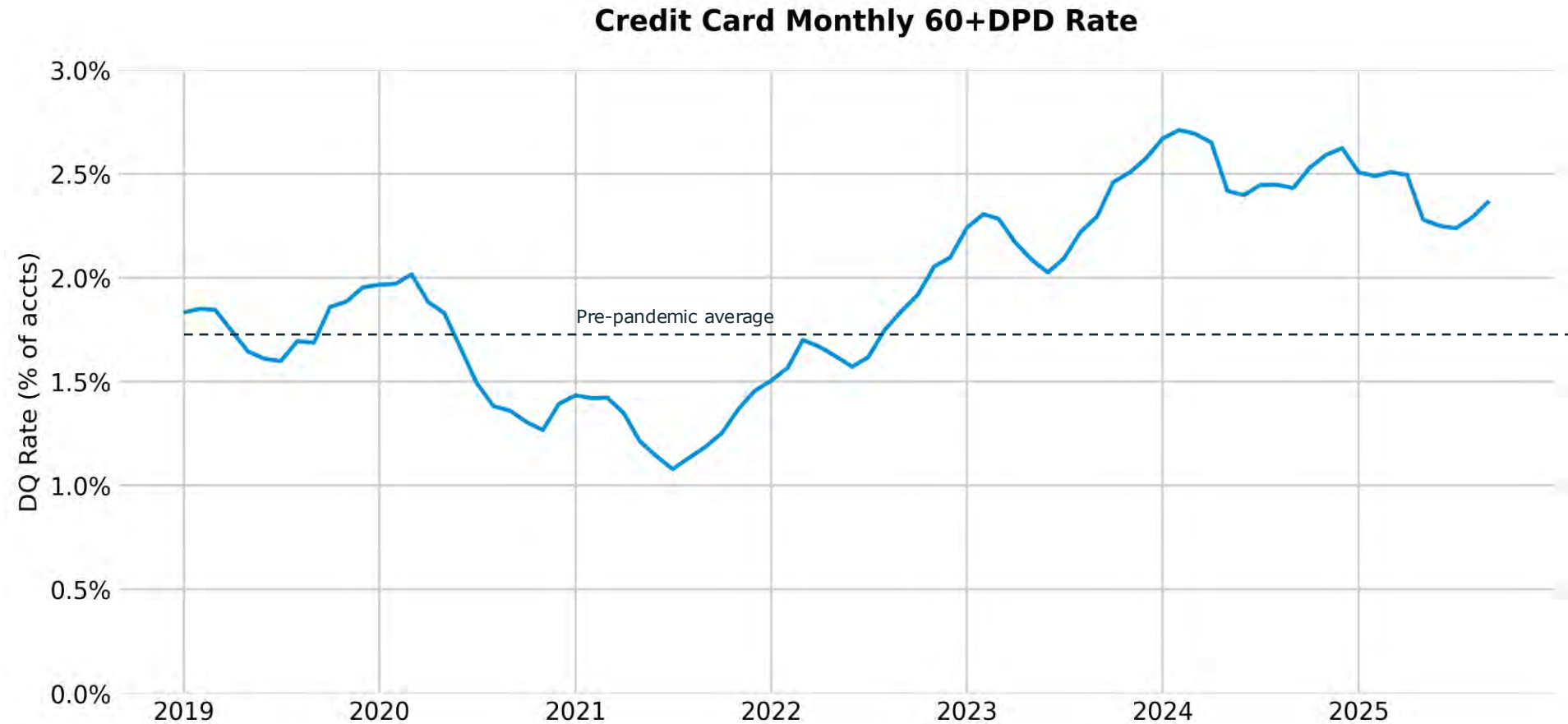
The personal saving rate decreased slightly this quarter



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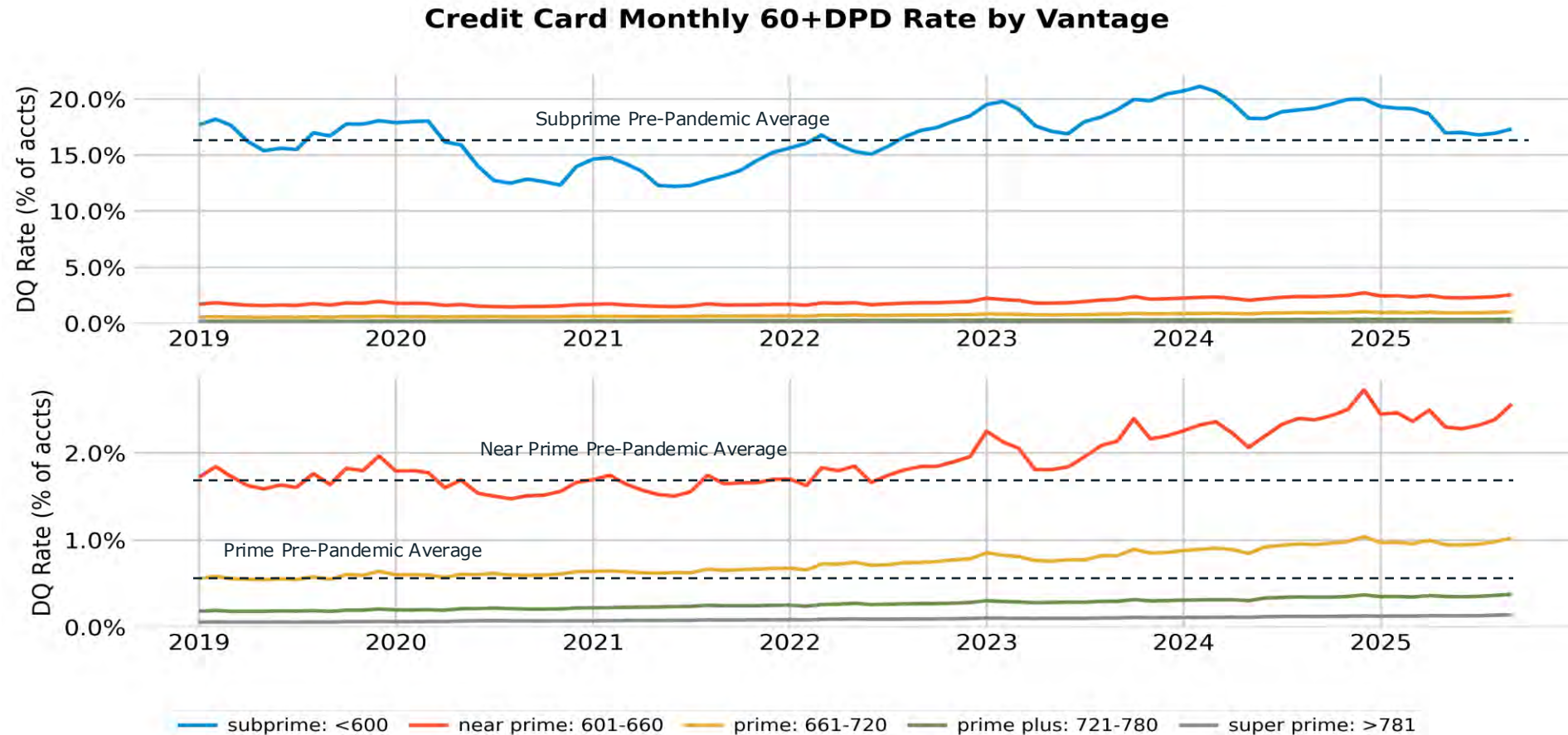
Credit card delinquencies rose in recent months after declining in the first half of the year



Source: 2OS, Equifax Ignite. Data as of Oct 20th, 2025

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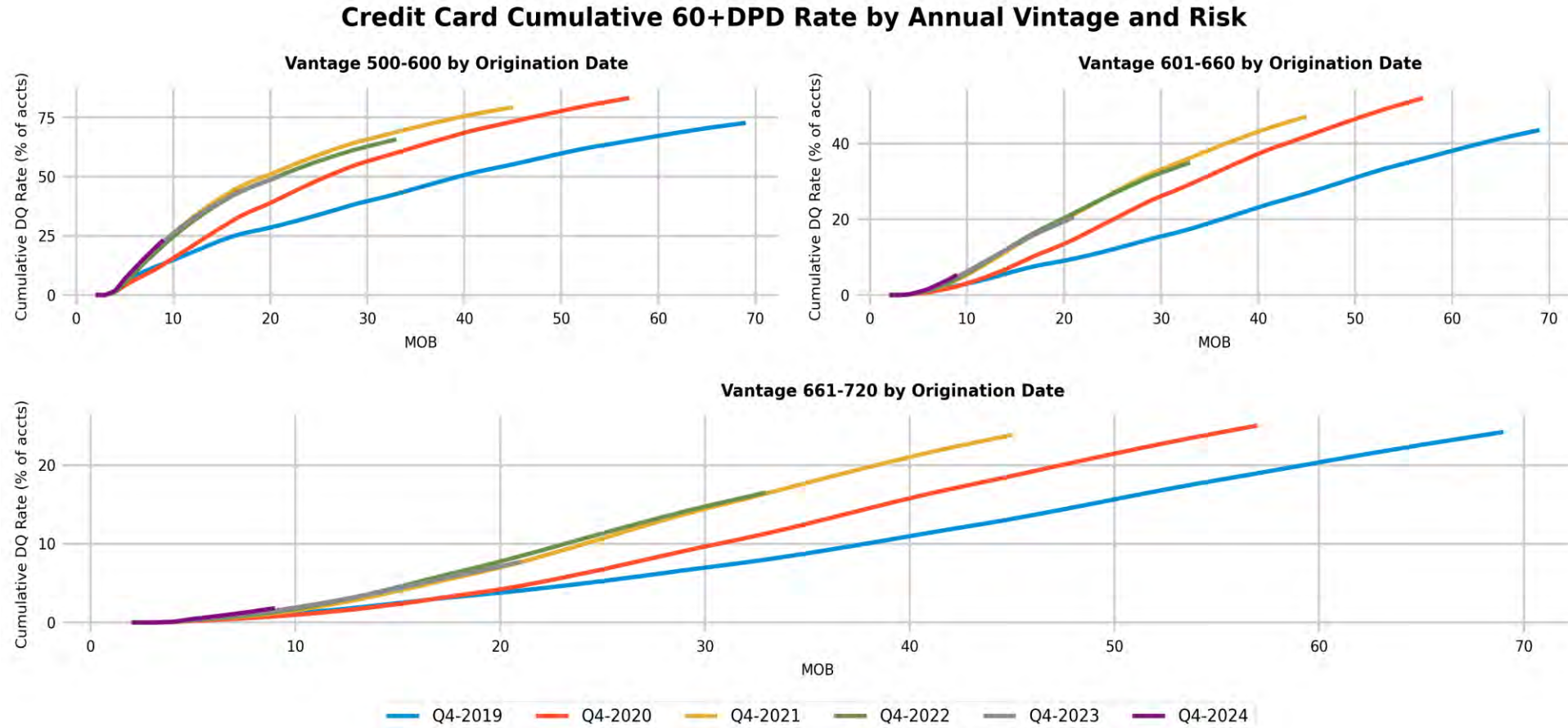
Near prime delinquencies rose in recent months, while other tiers remained relatively stable



Source: 2OS, Equifax Ignite. Data as of Oct 20th, 2025

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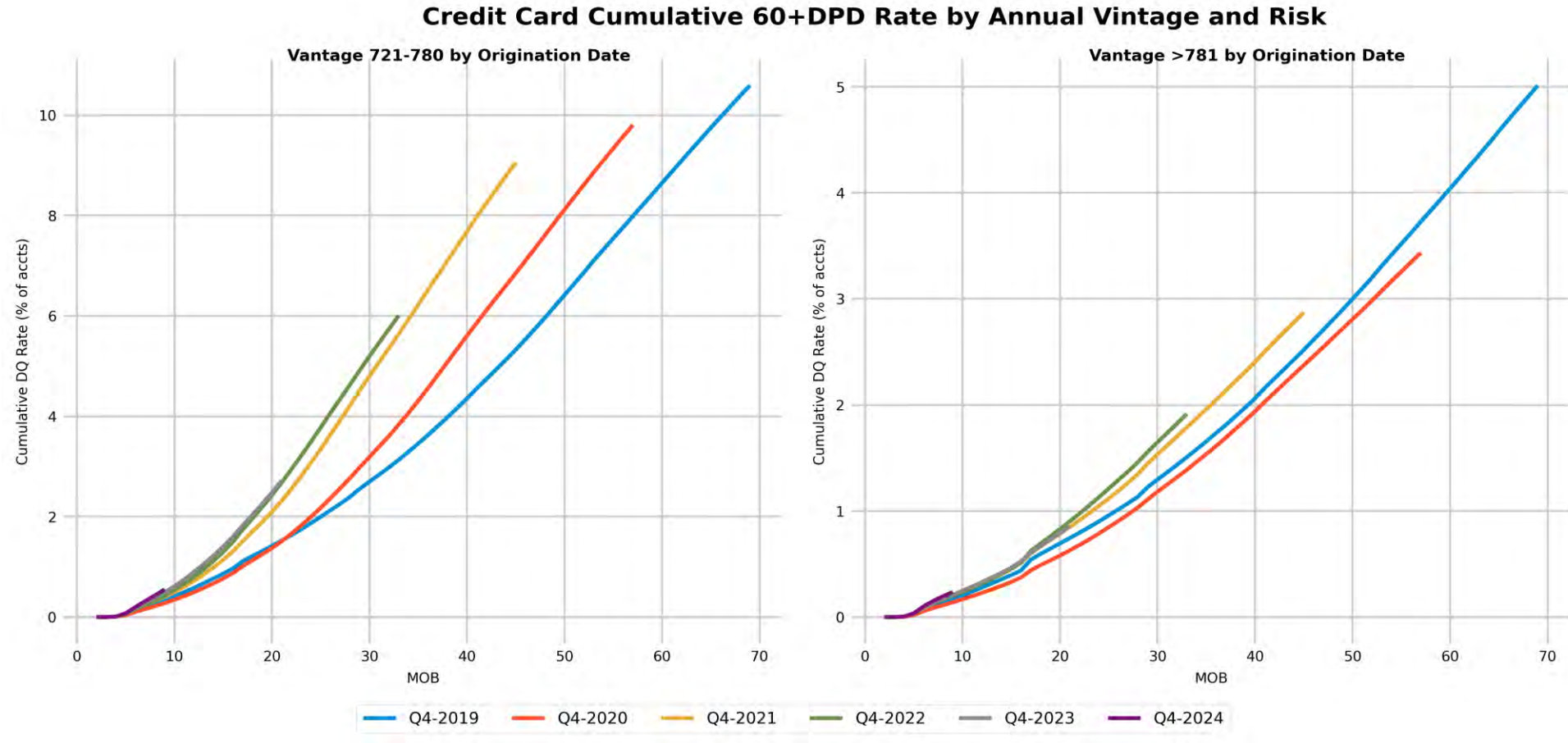
Across risk bands, Q4 2024 performed in line with, or slightly worse than, recent vintages (Slide 1 of 2)



Source: 2OS, Equifax Ignite. Data as of Oct 20th, 2025

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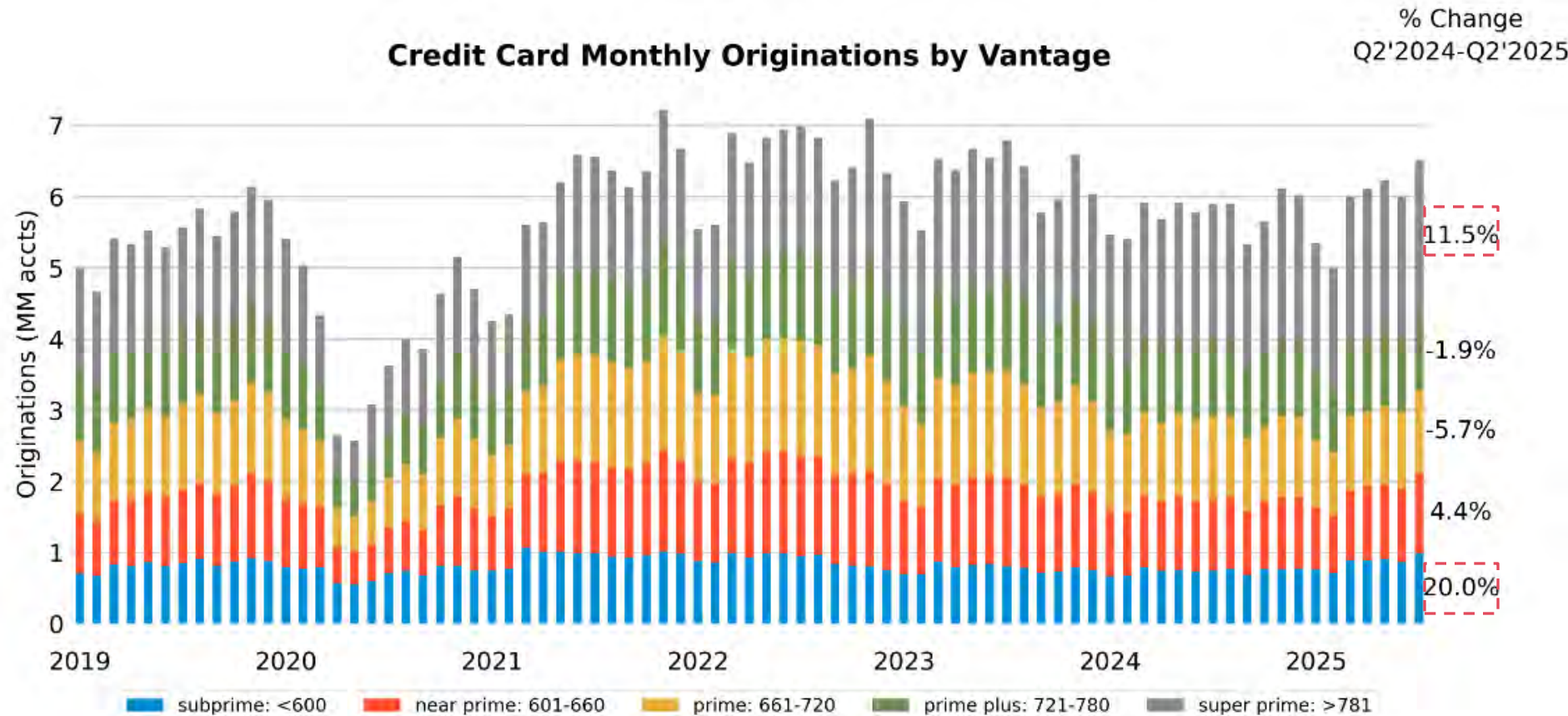
Across risk bands, Q4 2024 performed in line with, or slightly worse than, recent vintages (Slide 2 of 2)



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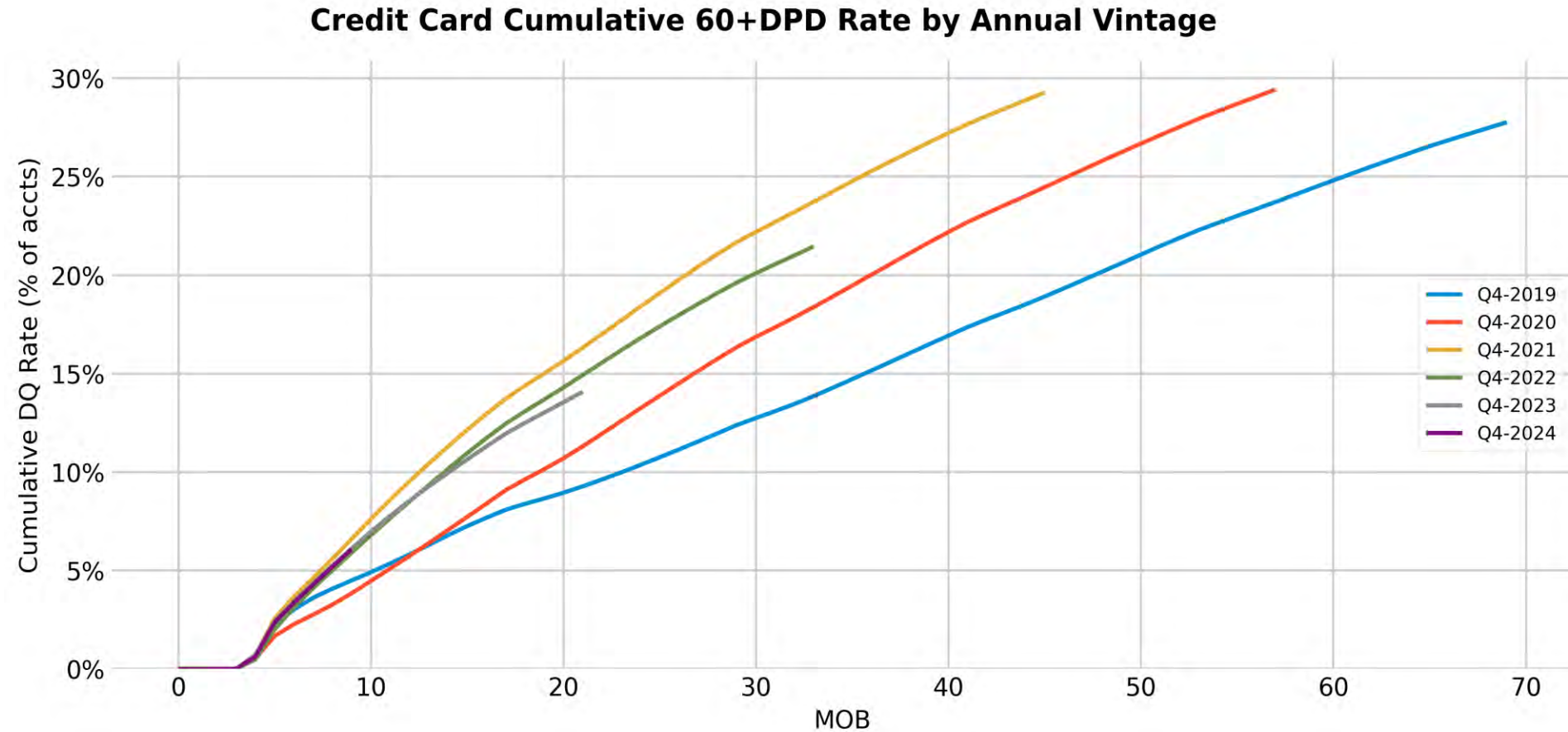
Subprime and super prime originations increased significantly year-over-year



Source: 2OS, Equifax Ignite. Data as of Oct 20th, 2025

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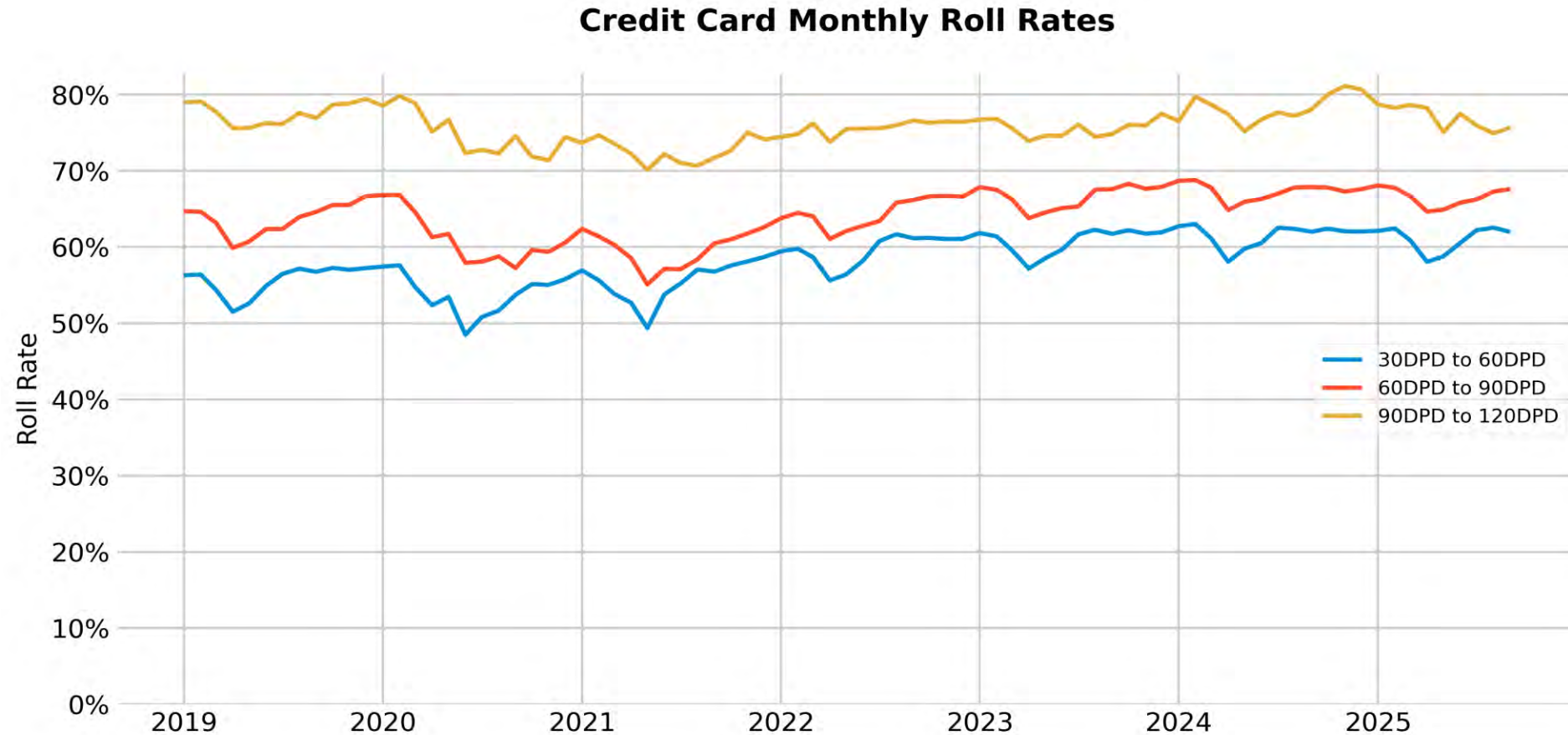
Recent vintages' cumulative delinquency rates remained high compared to 2019 and 2020 vintages



Source: 2OS, Equifax Ignite. Data as of Oct 20th, 2025

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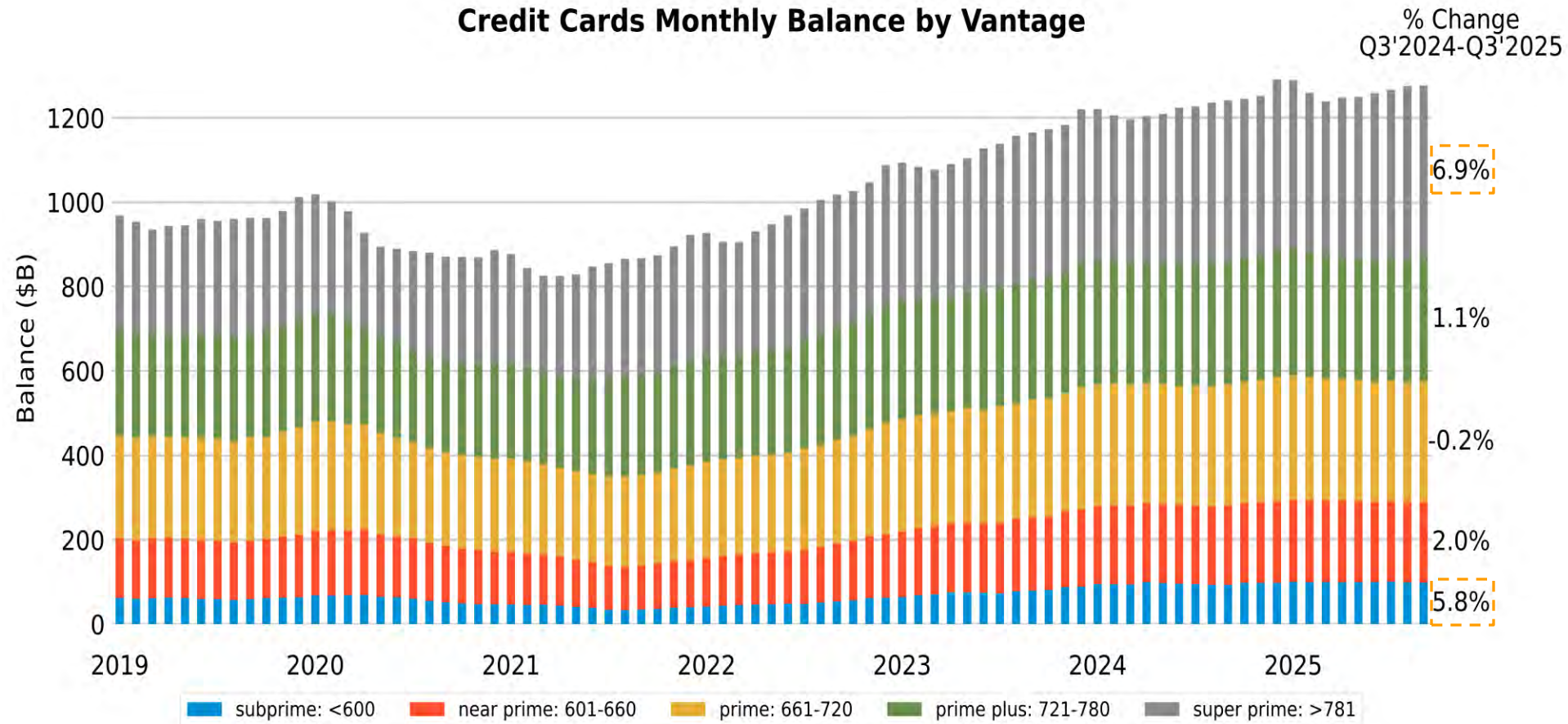
**Roll rates
remained
elevated over
the prior quarter**



Source: 2OS, Equifax Ignite. Data as of Oct 20th, 2025

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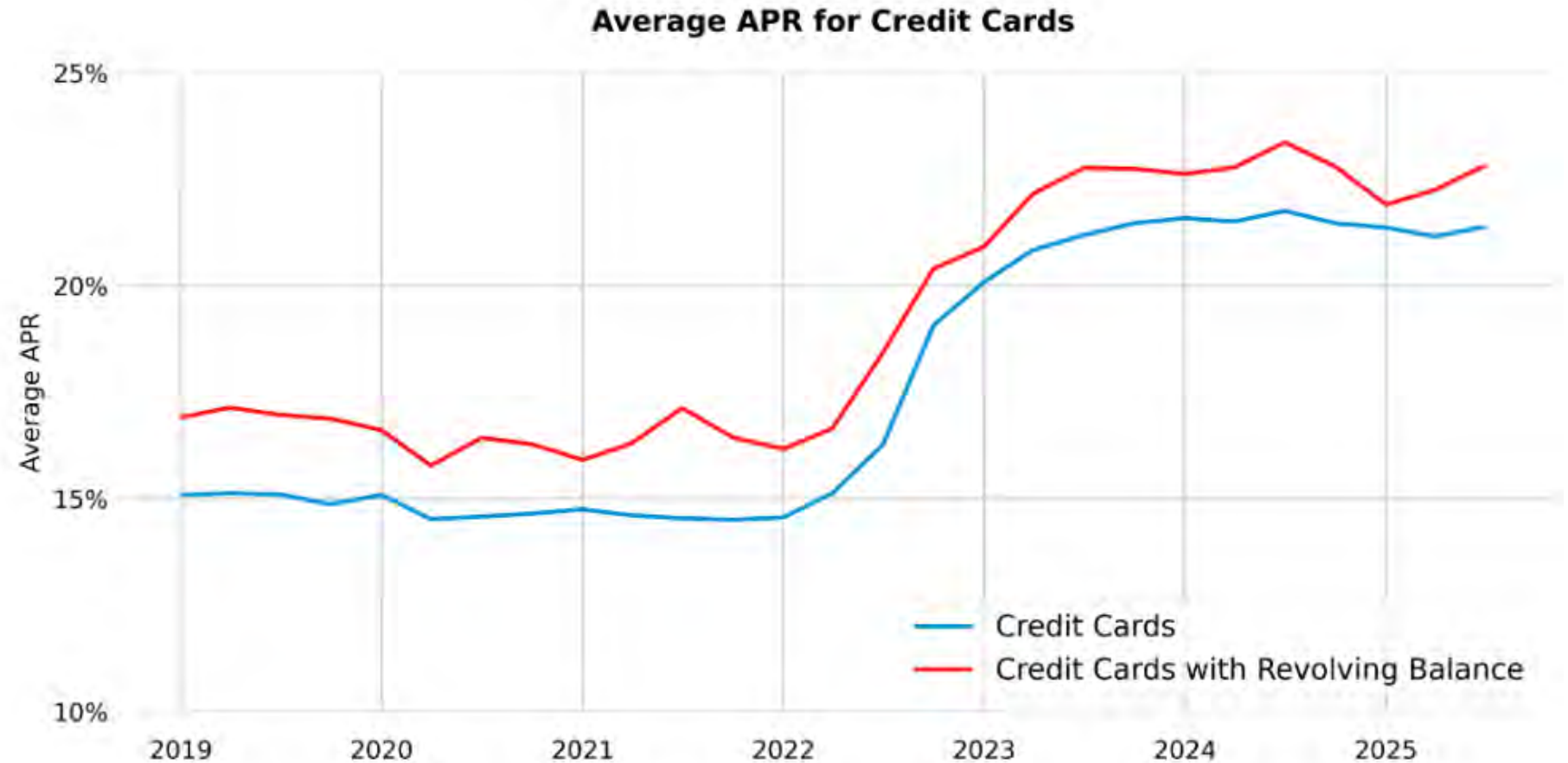
Credit card debt grew in super prime and subprime segments year-over-year, while other bands remained relatively stable



Source: 2OS, Equifax Ignite. Data as of Oct 20th, 2025

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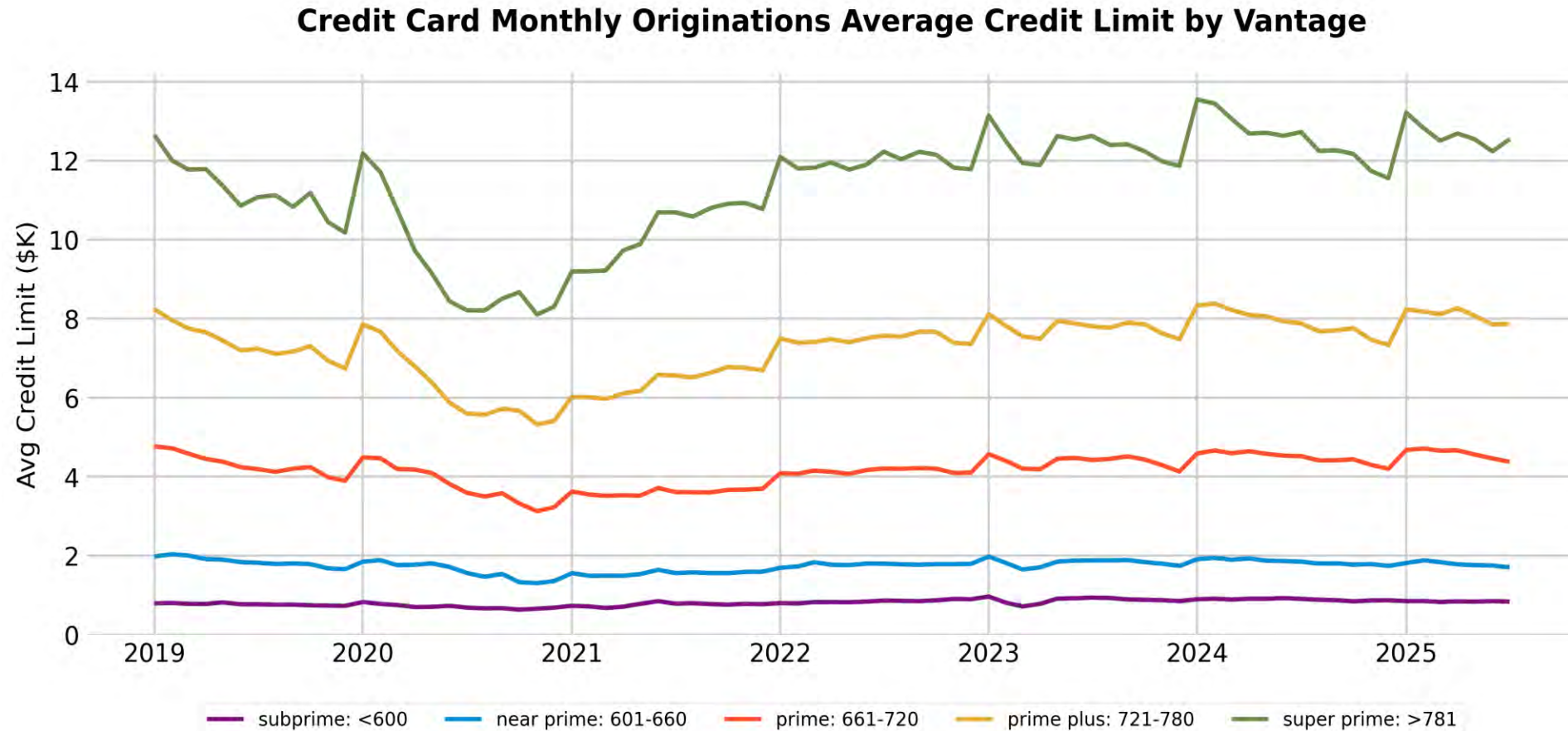
APRs for credit cards with a revolving balance increased through 2025, while overall credit card rates rebounded to early-year levels after a Q1 decline



Source: ZOS, Federal Reserve G19 [report](#). Data as of Oct. 7th, 2025

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Average credit limits at origination declined slightly across risk bands after the start of 2025, consistent with seasonal patterns



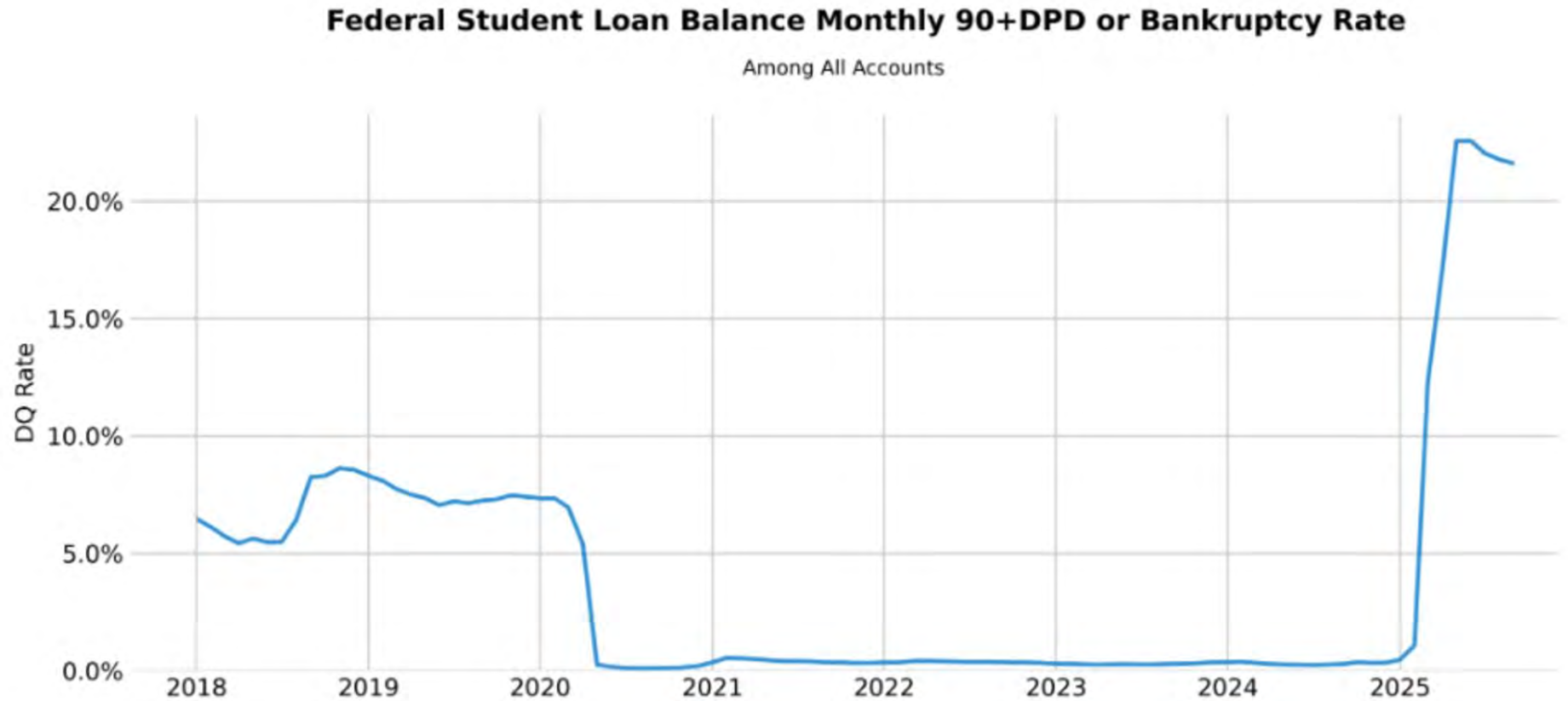
Source: 20S, Equifax Ignite. Data as of Oct 20th, 2025

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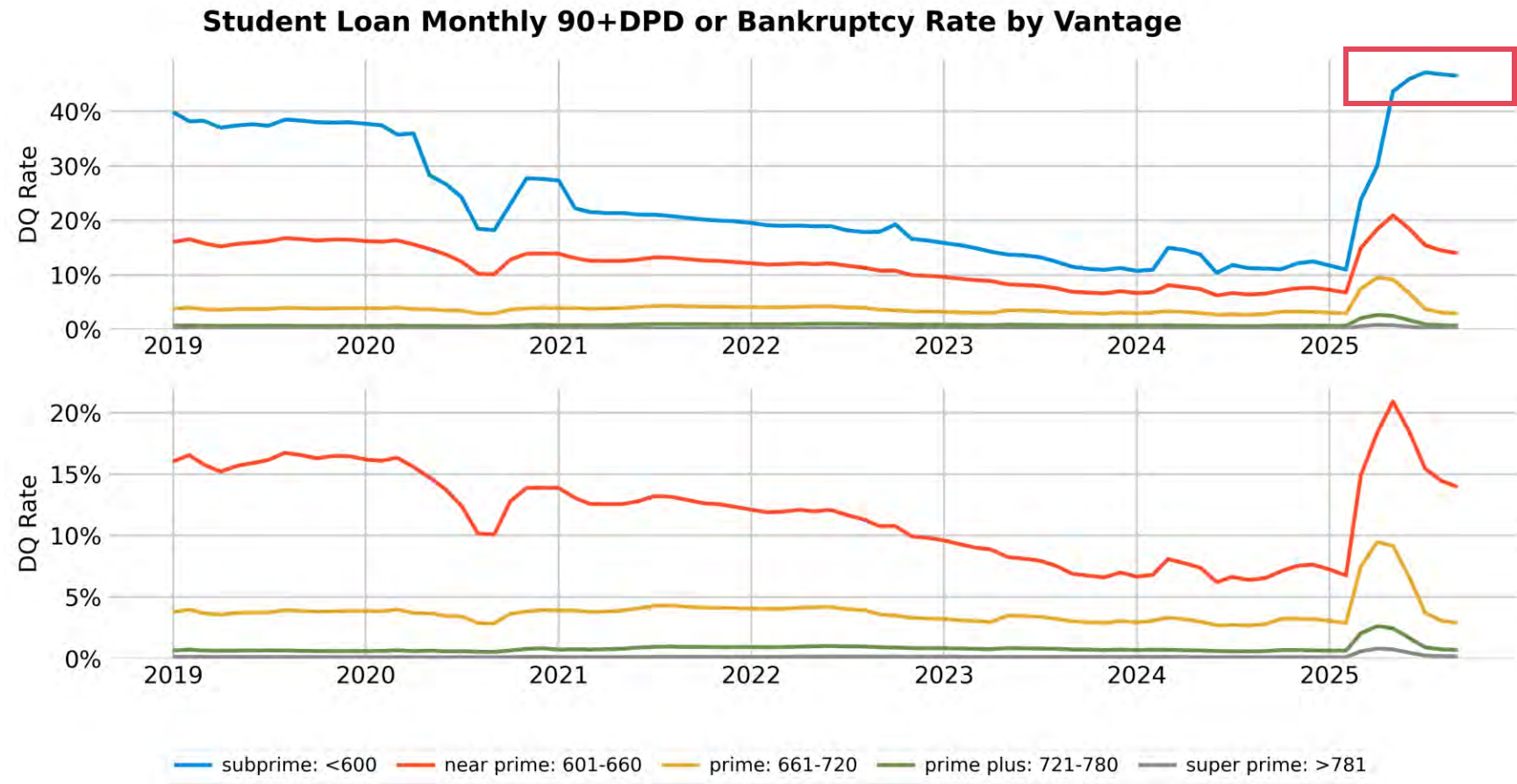
The dramatic spike after delinquency reporting resumed has steadily decreased



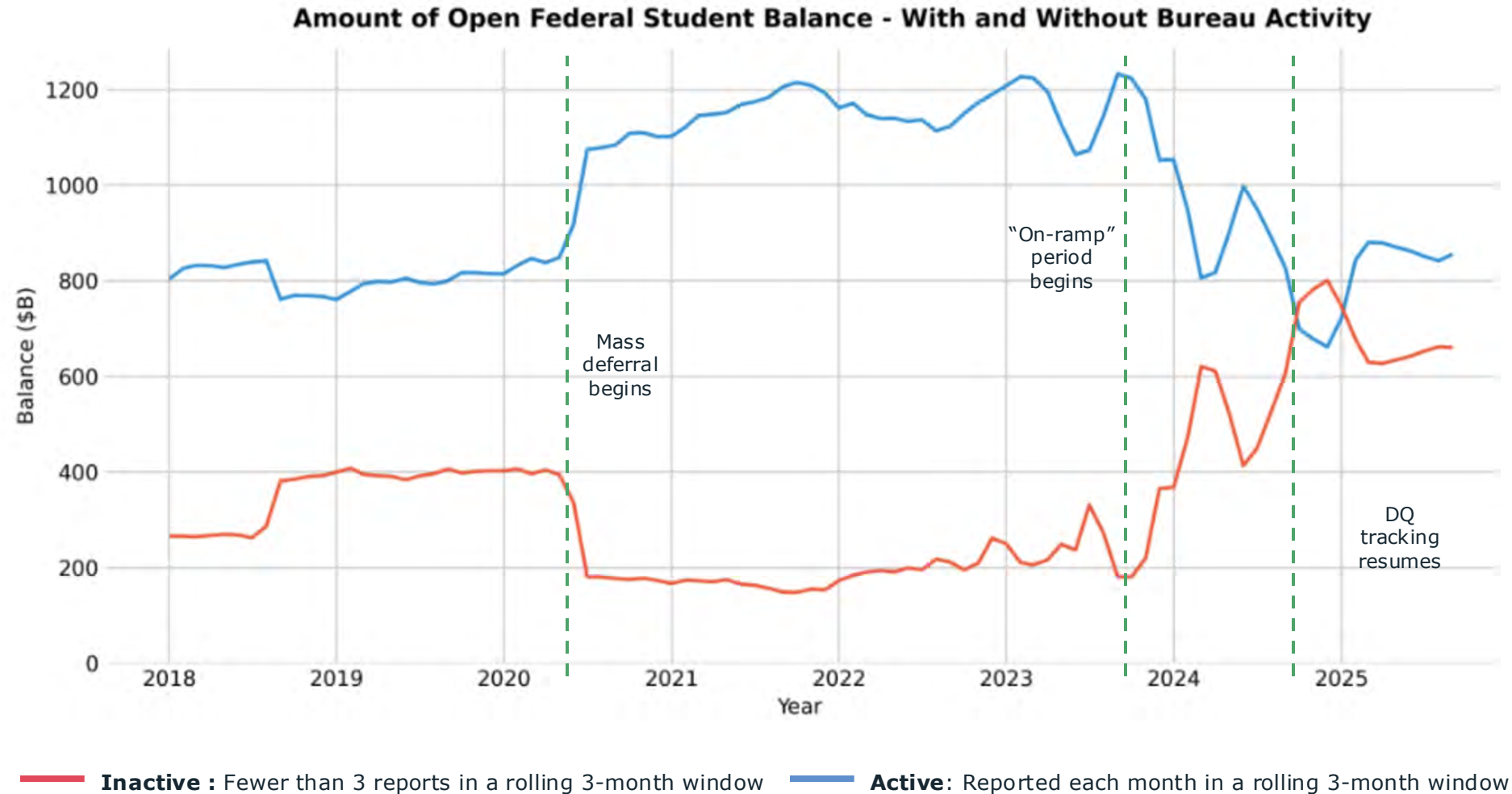
Source: 2OS, Equifax Ignite. Data as of October 20th, 2025

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Subprime spiked higher proportionally and has not seen the same decline towards pre-pandemic levels that is occurring in other Vantage bands



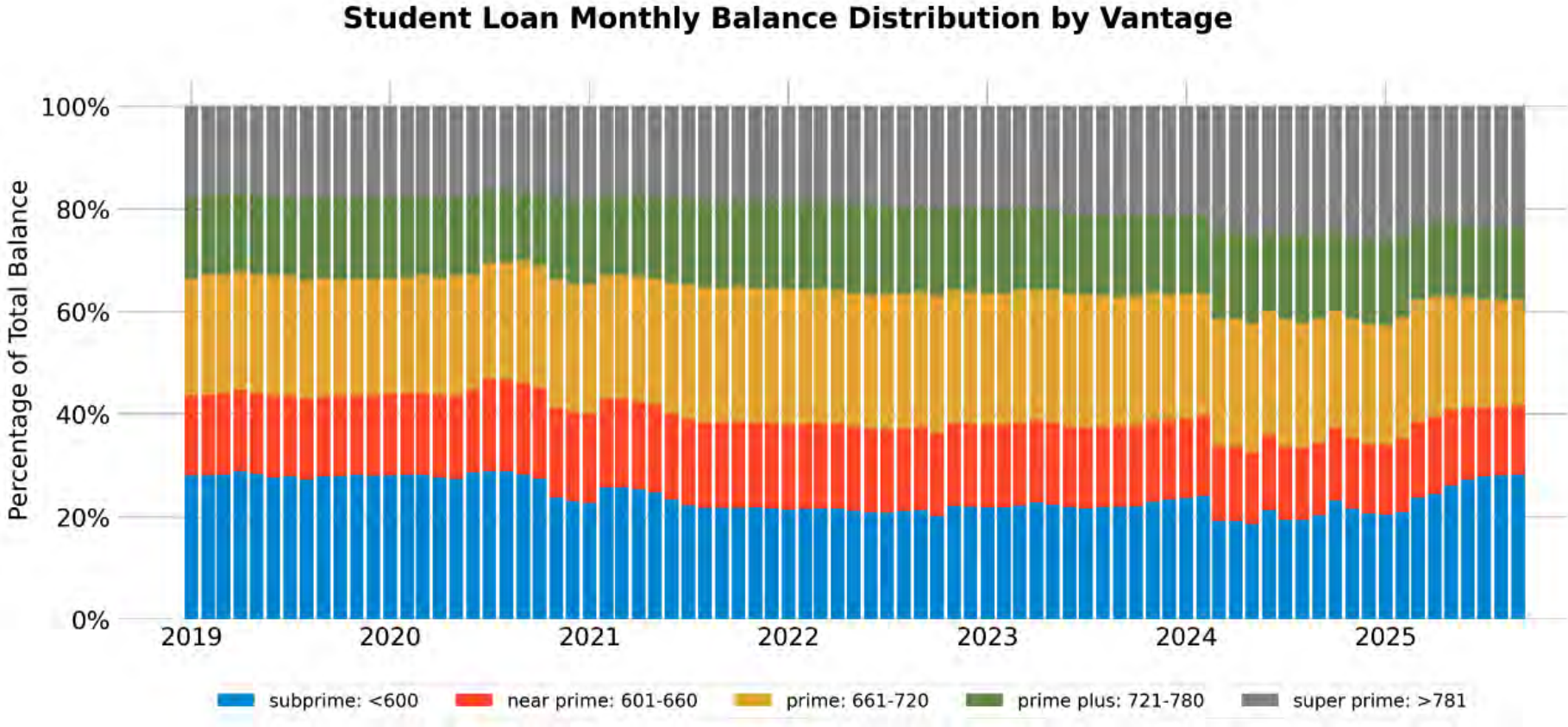
The balance of loans inconsistently reported over a rolling 3-month window remains higher than pre-deferrals, though stabilizing after the volatile on-ramp period



Source: 2OS, Equifax Ignite. Data as of October 20th, 2025

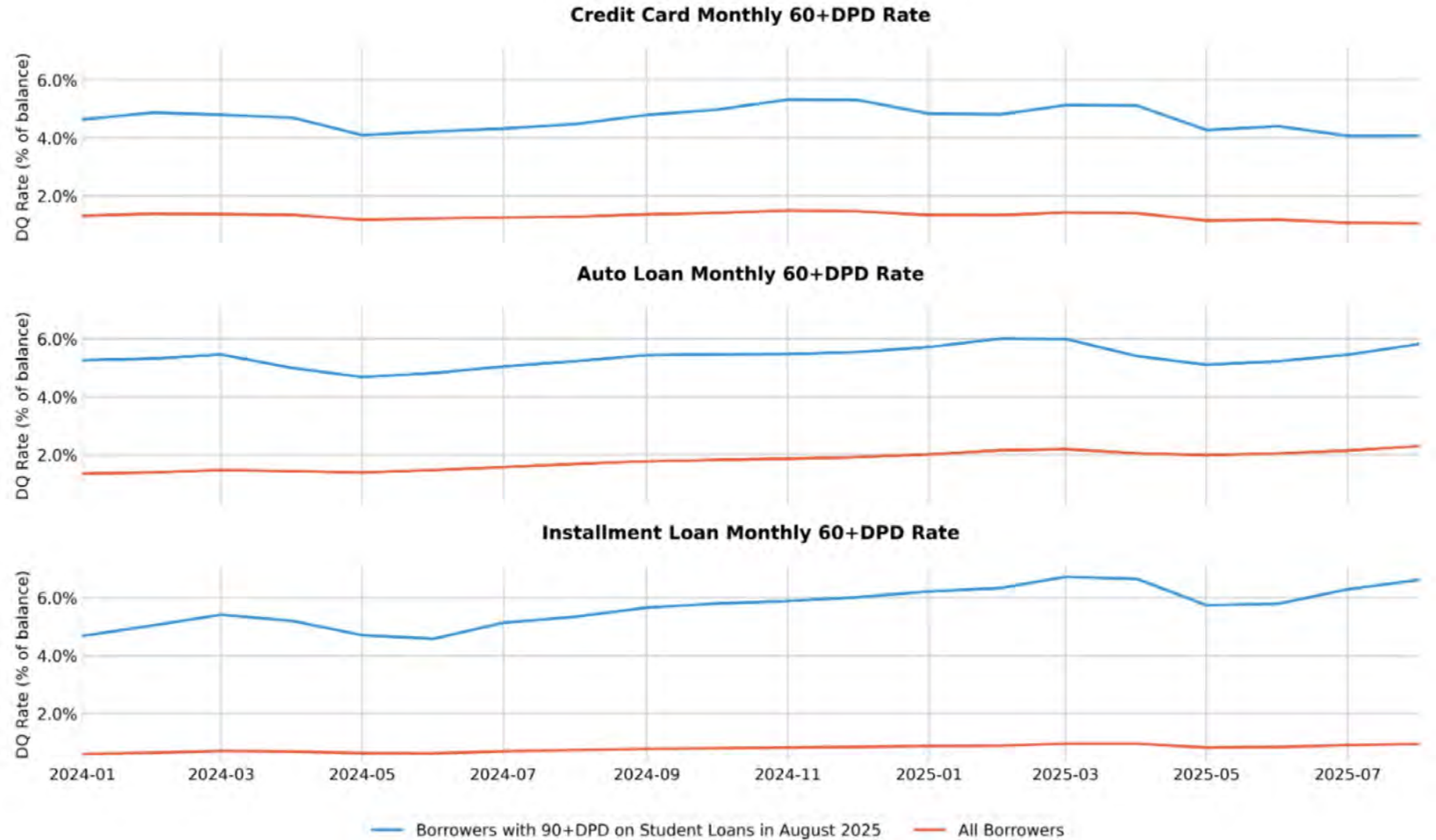
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Large increase in reported delinquencies lowered credit scores, increasing the subprime proportion to pre-pandemic levels



Delinquent student loan performance has not yet spilled over to other asset classes, but wage garnishments could impact this

Monthly 60+ DPD Rate Across Products



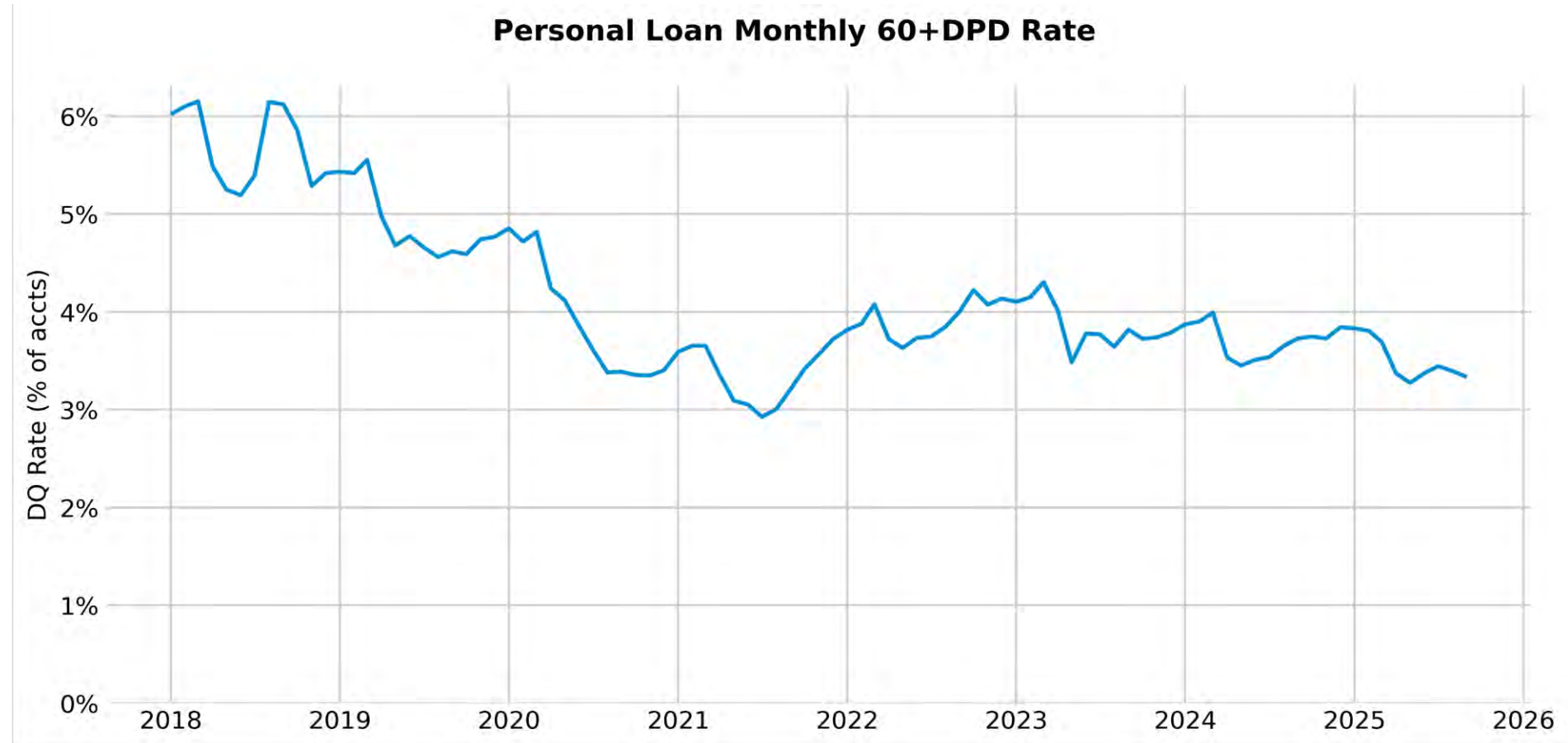
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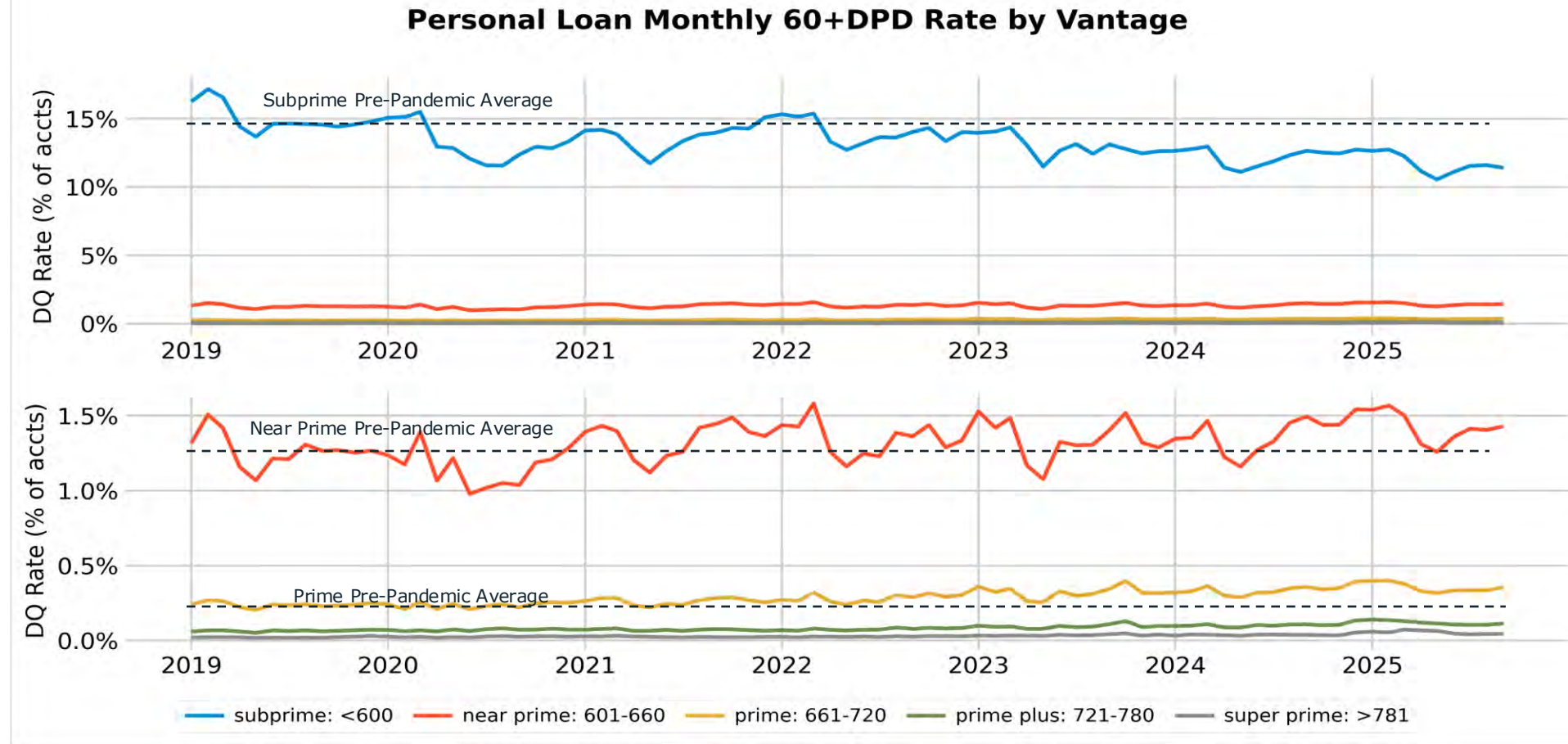
**60+ DPD rate
remained low in
Q3 2025 for
Personal Loans**



Source: 2OS, Equifax Ignite. Data as of Oct 20th, 2025

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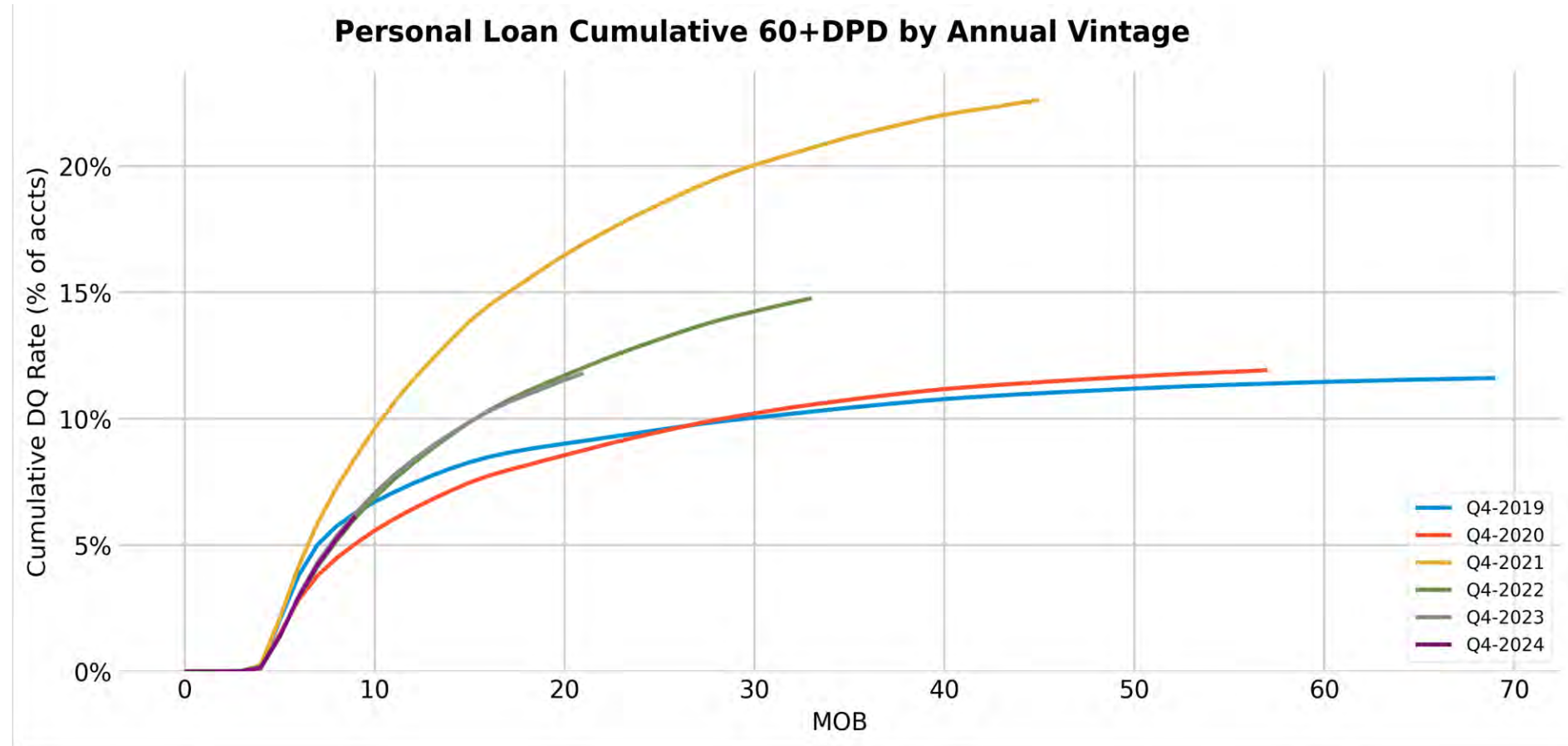
Prime delinquency rates rose in Q3 2025



Source: 20S, Equifax Ignite. Data as of Oct 20th, 2025

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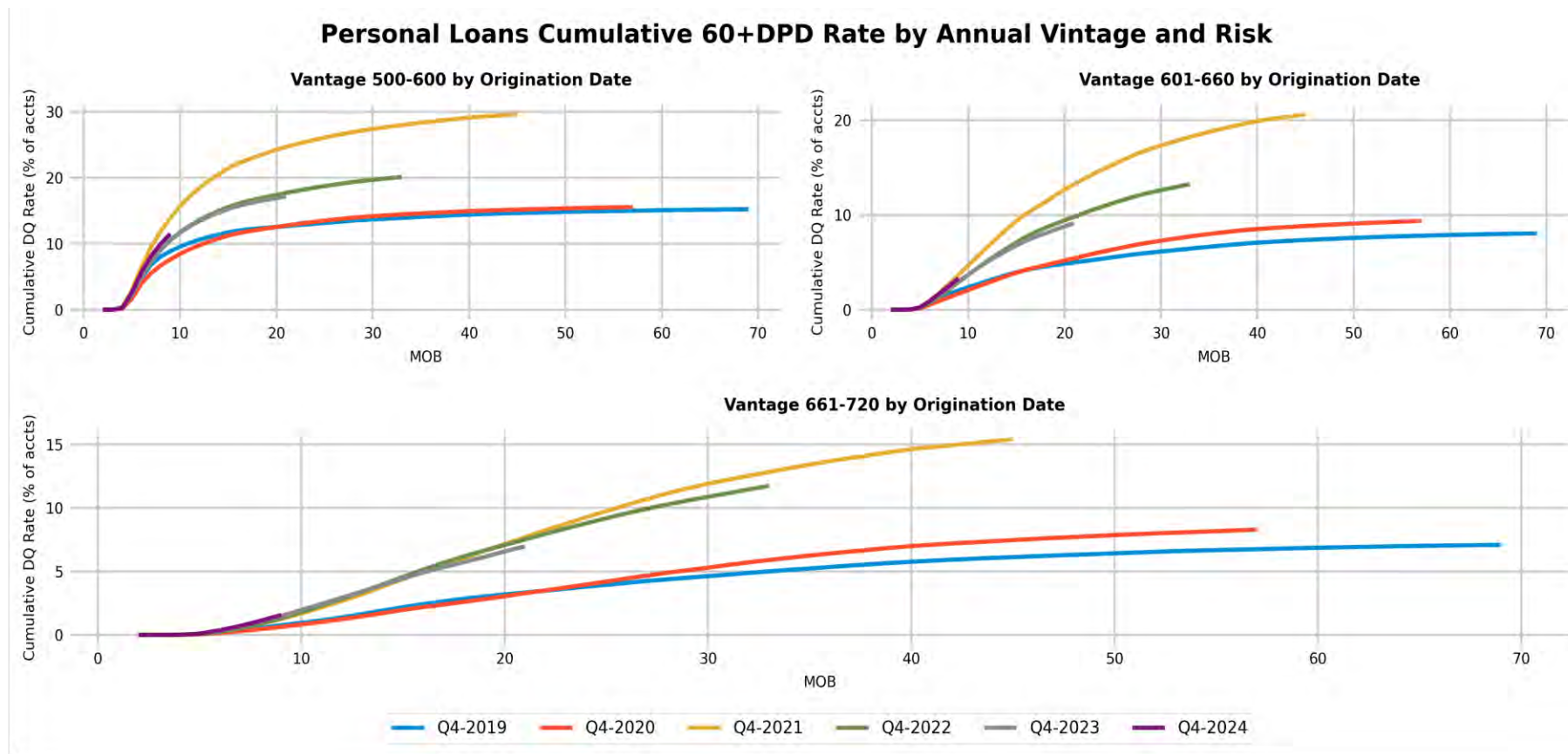
The Q4 2024 vintage performed in line with the prior two years



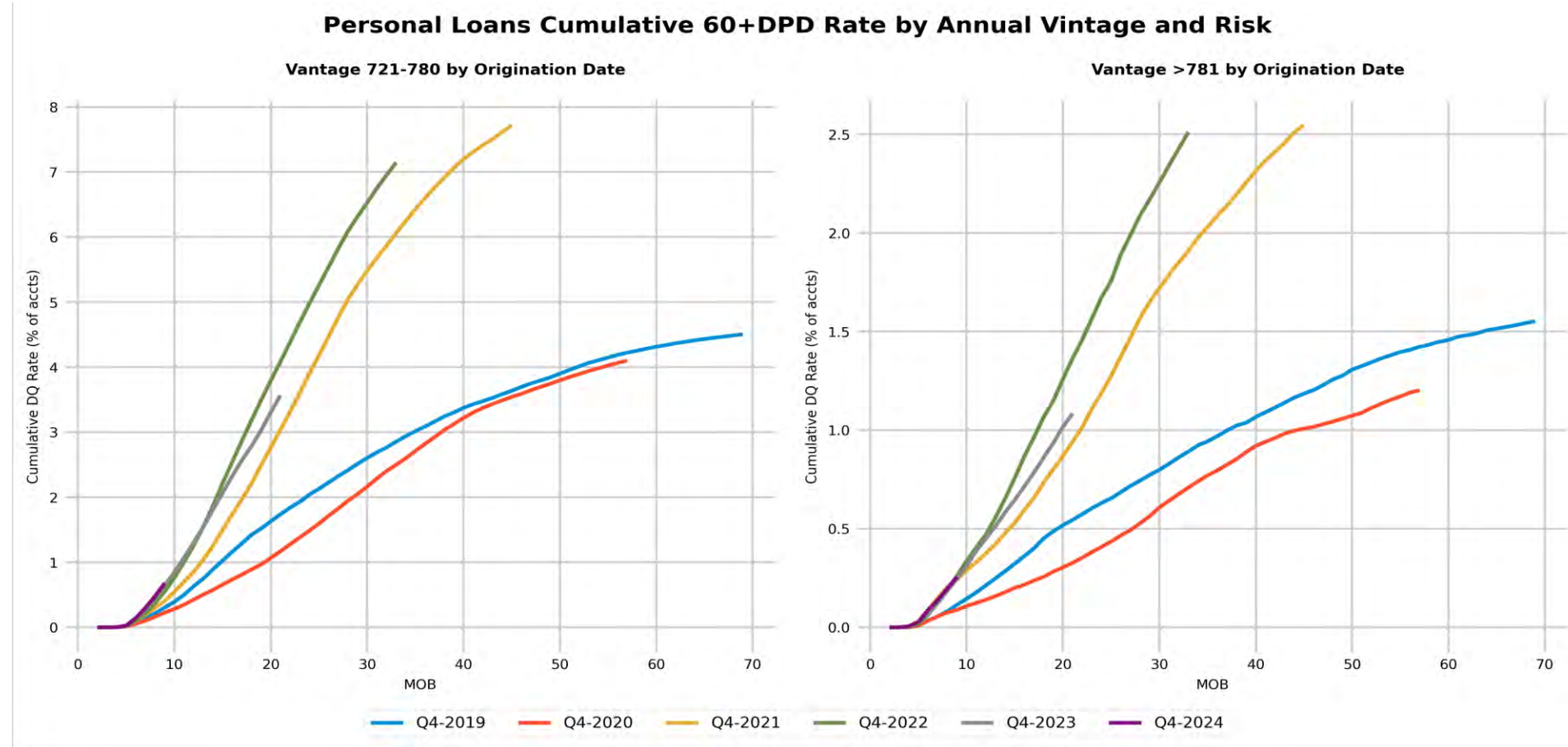
Source: 2OS, Equifax Ignite. Data as of Oct 20th, 2025

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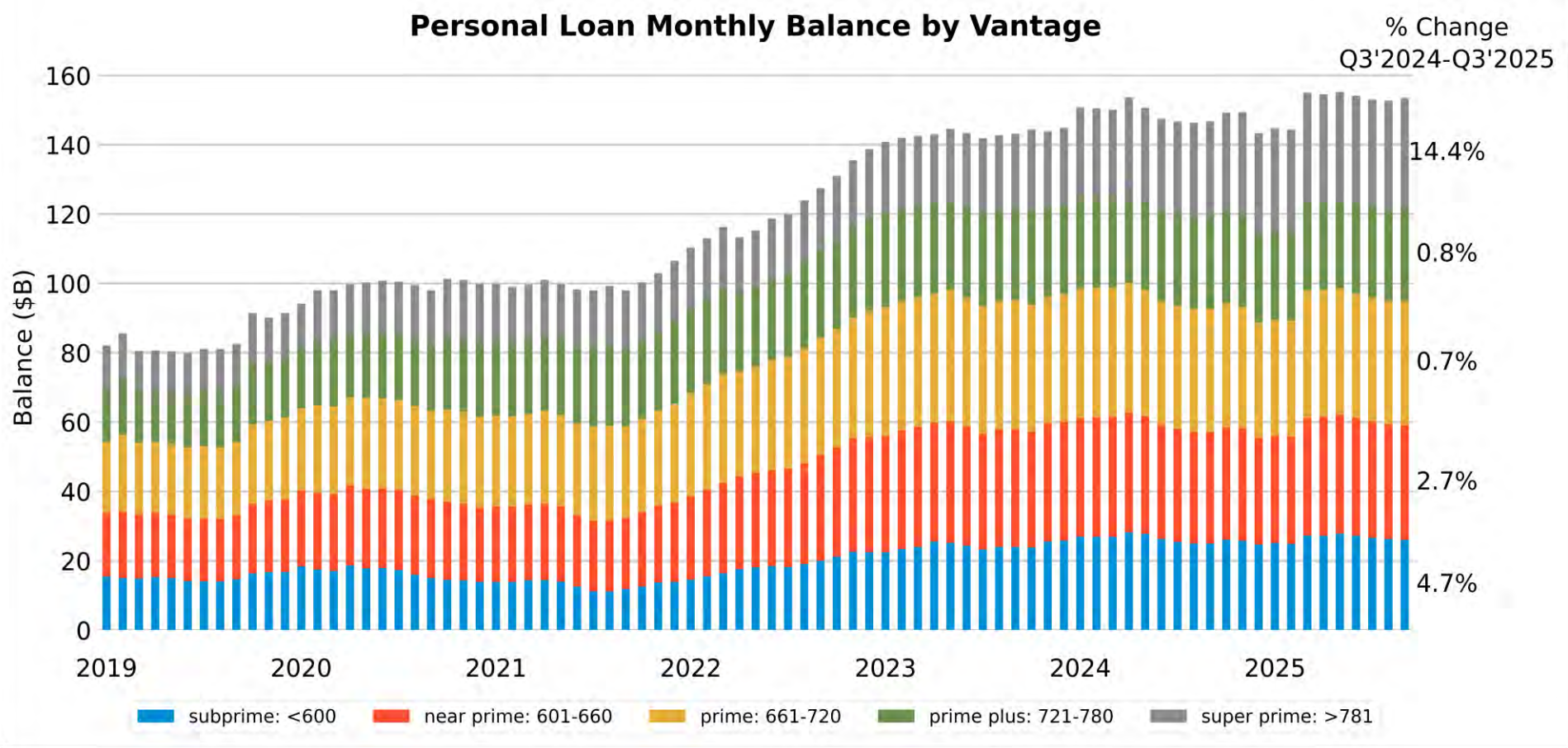
**Q4 2024
performance is
slightly worse
than 2022 and
2023 vintages
for higher risk
bands (Slide 1
of 2)**



For lower risk bands, Q4 2024 performance is in-line, or worse than, 2022 and 2023 (Slide 2 of 2)

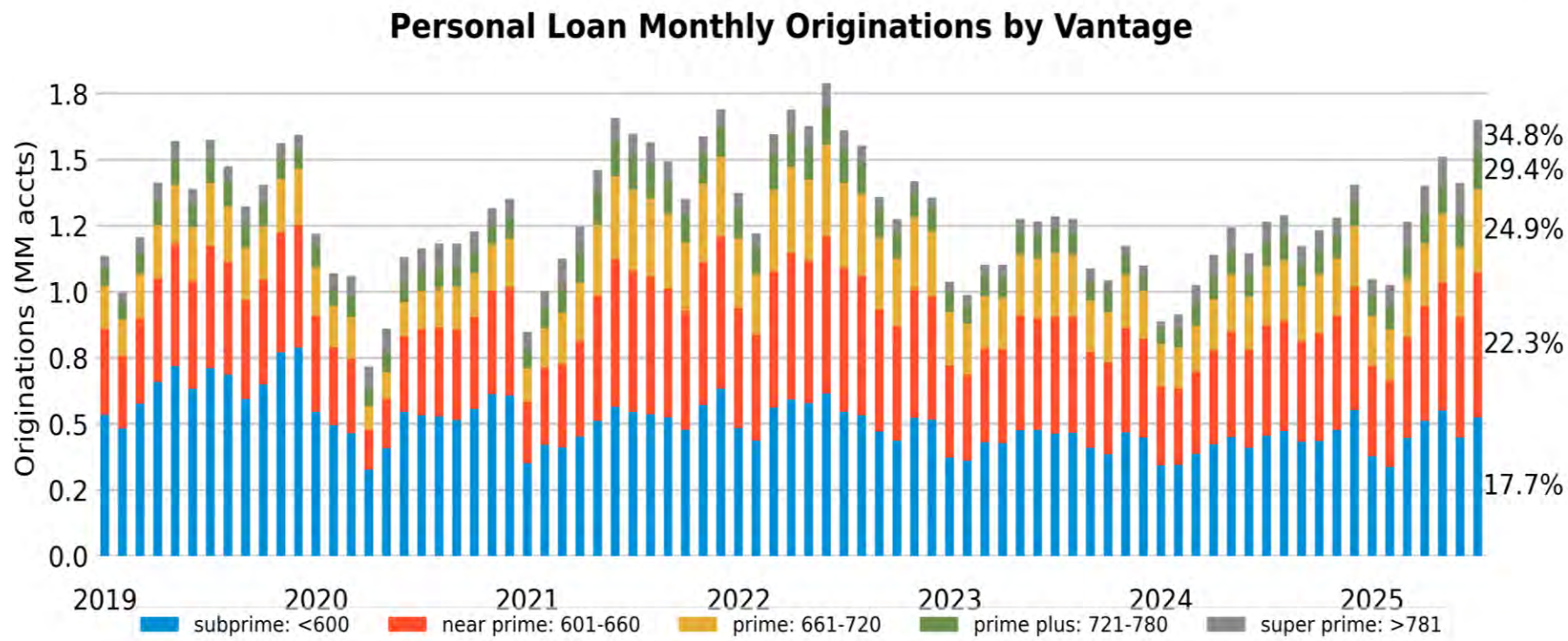


Across risk bands, personal loan balances increased year-over-year, with super prime borrowers' balances up nearly 15%



Year-over-year PL originations grew at double-digit rates across risk tiers, most significantly in higher Vantage bands

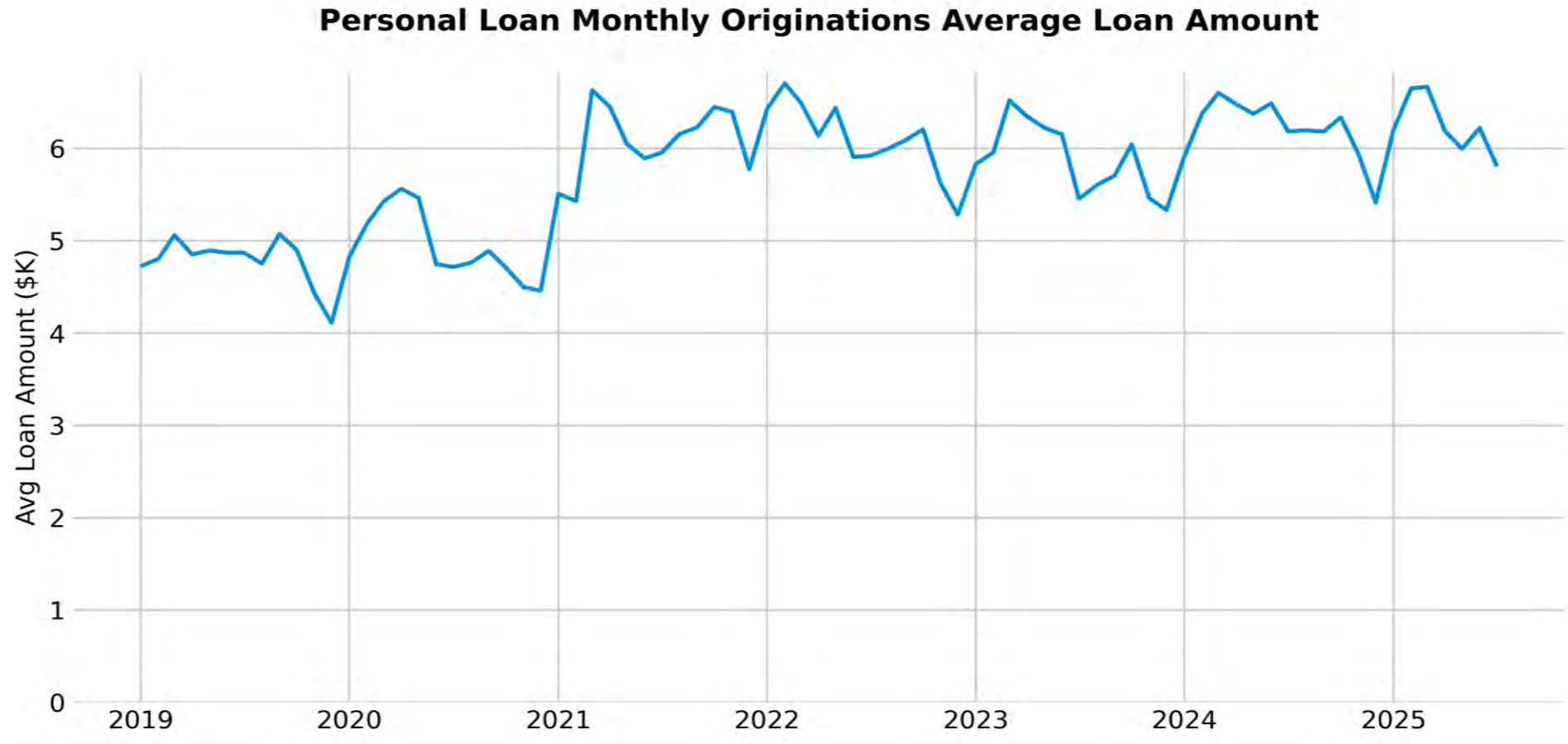
% Change
Q2'2024-Q2'2025



Source: 2OS, Equifax Ignite. Data as of Oct 20th, 2025

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**Average loan
amounts
remained
constant**



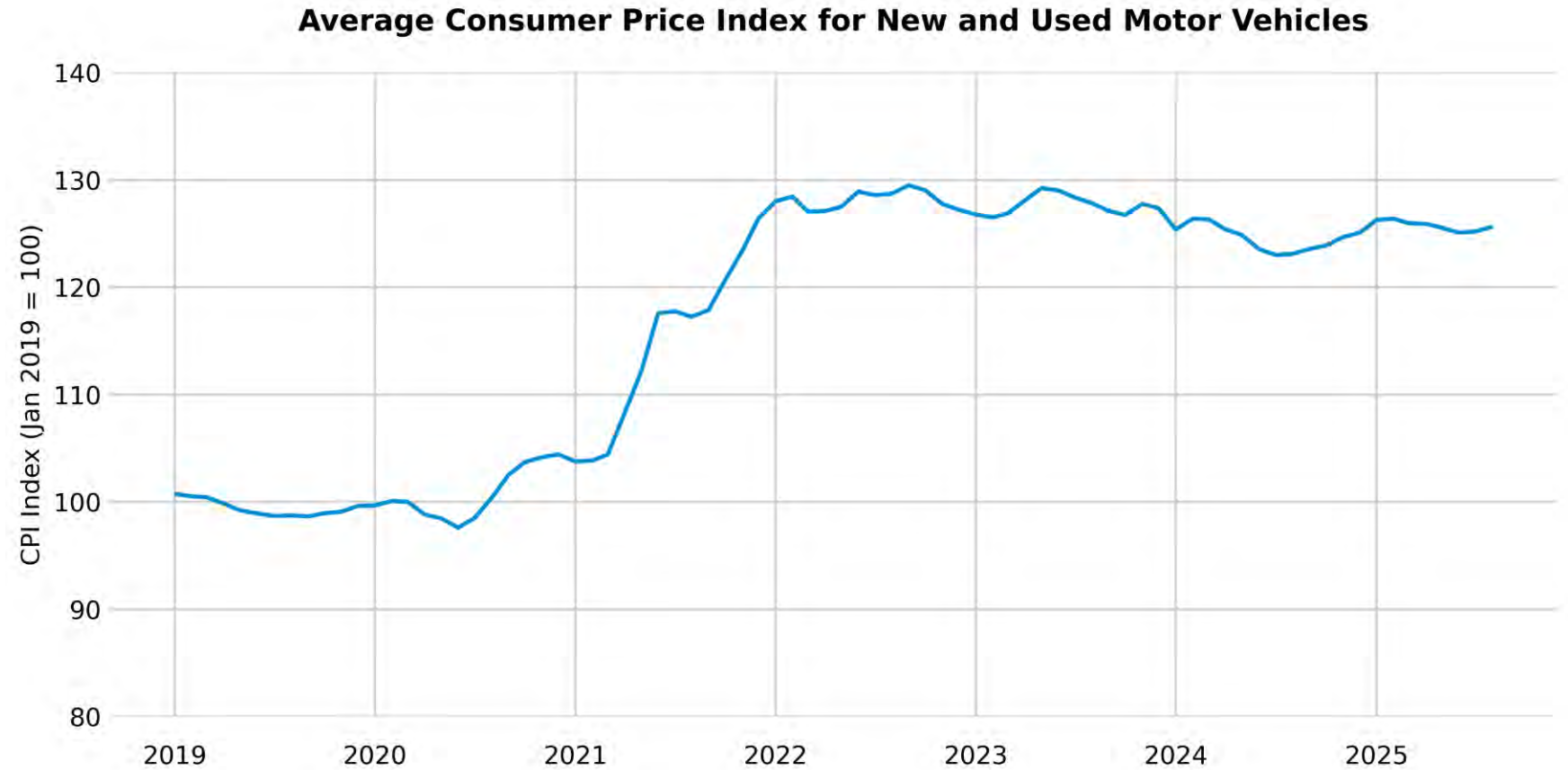
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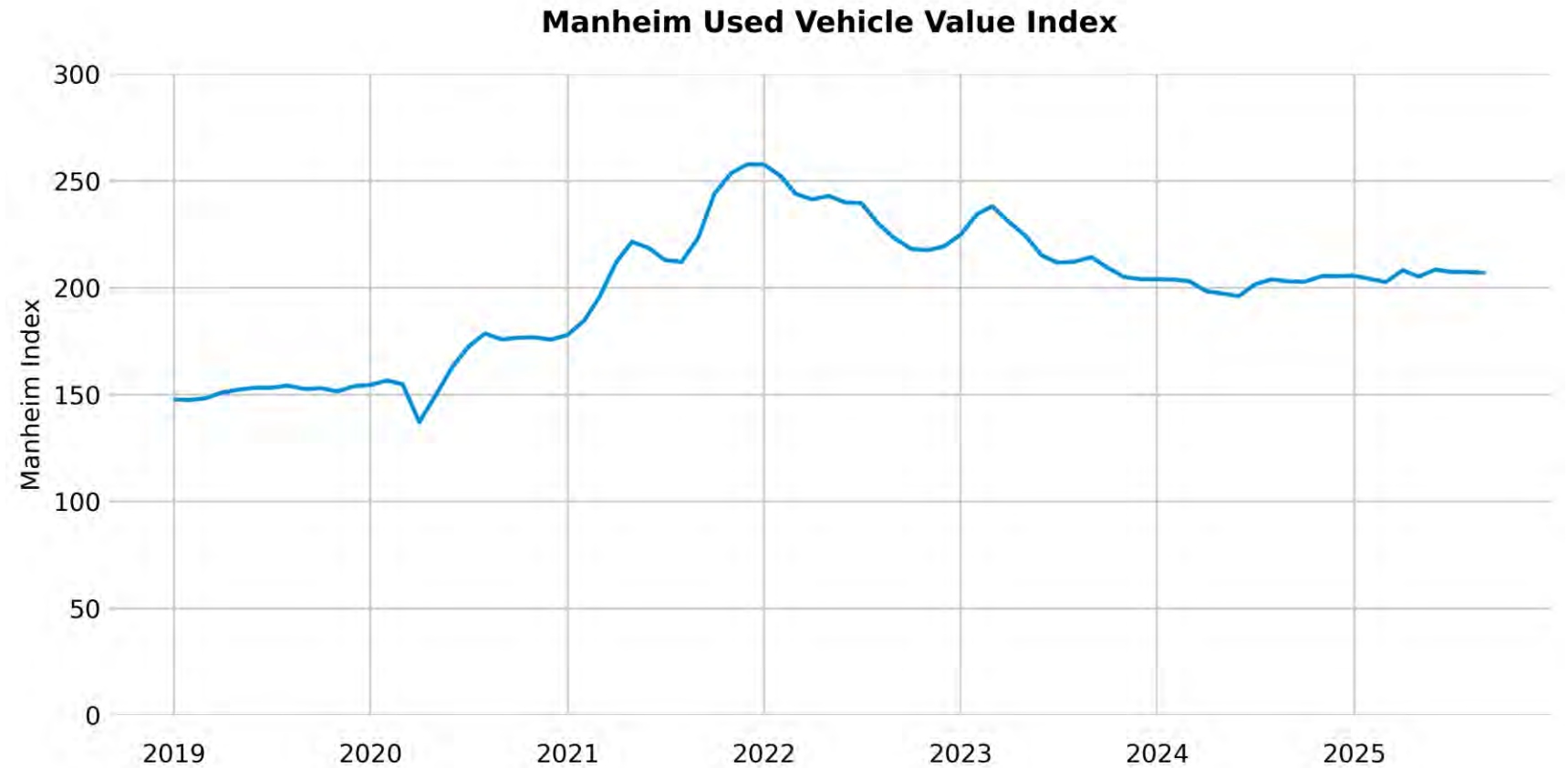
After easing in early 2025, vehicle prices rose again in Q3 for new cars



Source: 20S, [FRED](#). Data as of Sep 11th, 2025

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**Used vehicle
prices remained
relatively flat in
Q3 2025**

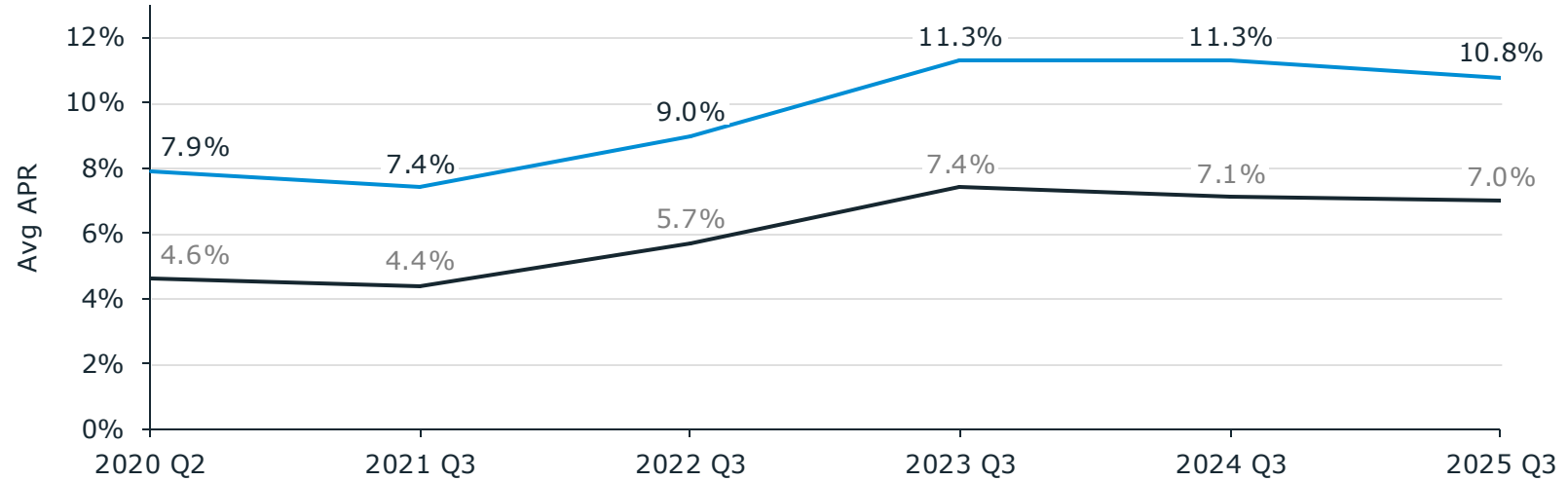


Source: 2OS, [Manheim](#). Data as of Oct 17th, 2025

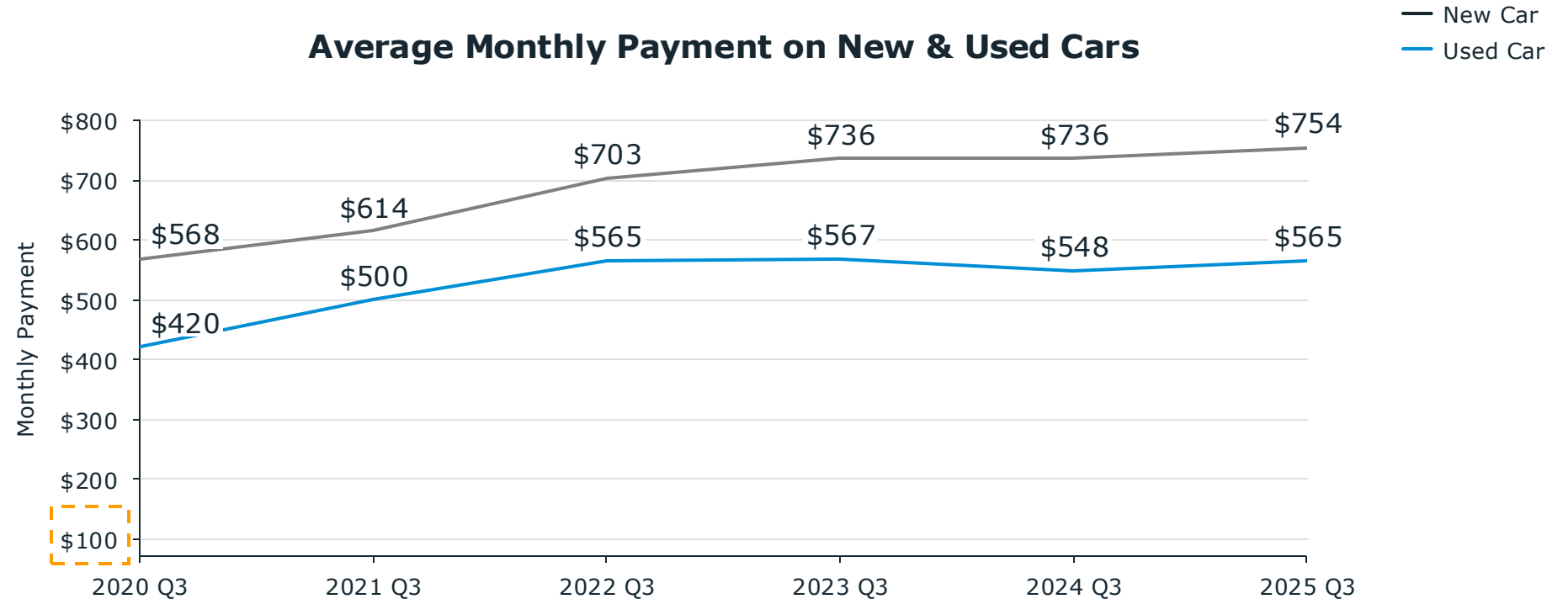
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Despite a slight decrease in APRs, average Auto Loan payments rose in Q3

Average APR on New & Used Cars



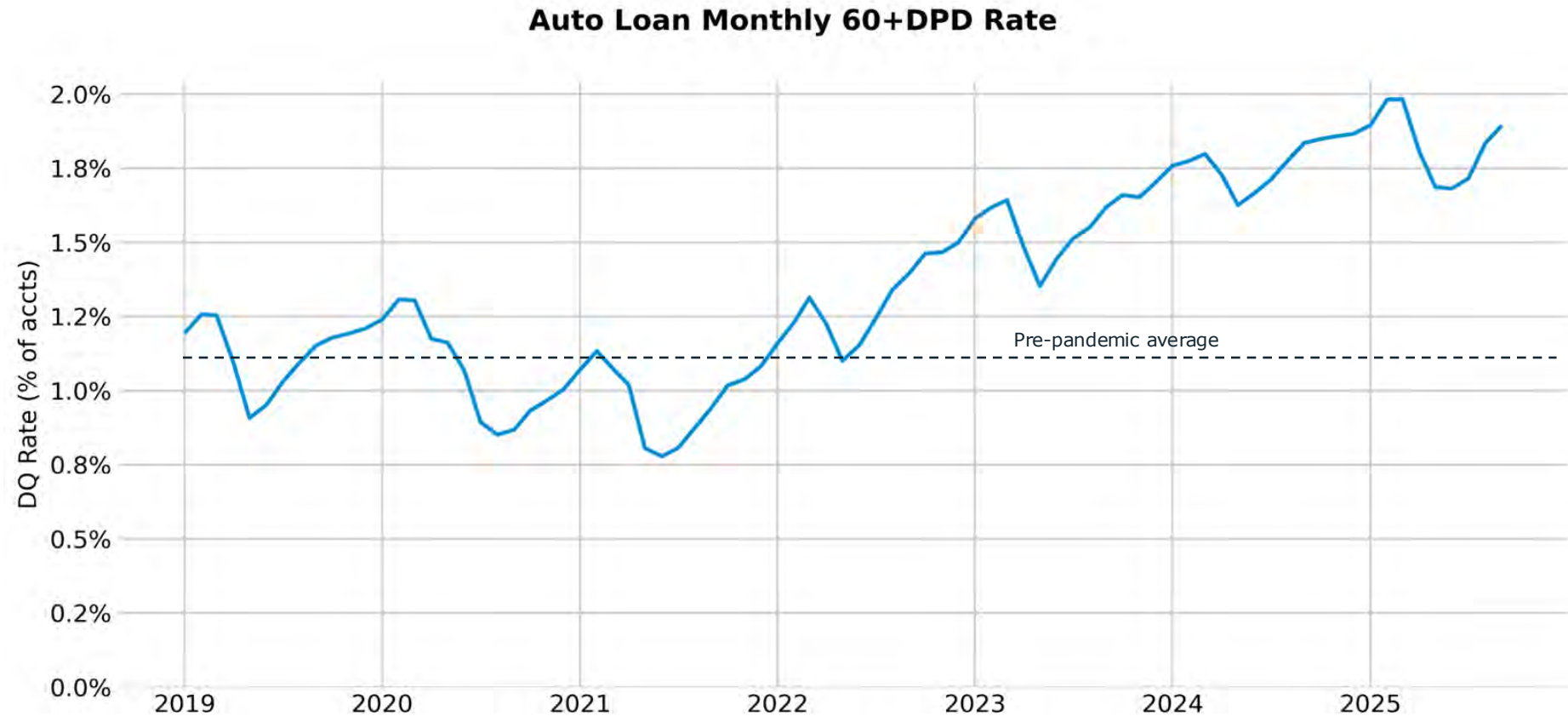
Average Monthly Payment on New & Used Cars



Source: [Edmunds](#) reports 2019-2025. Data as of Oct 03rd, 2025

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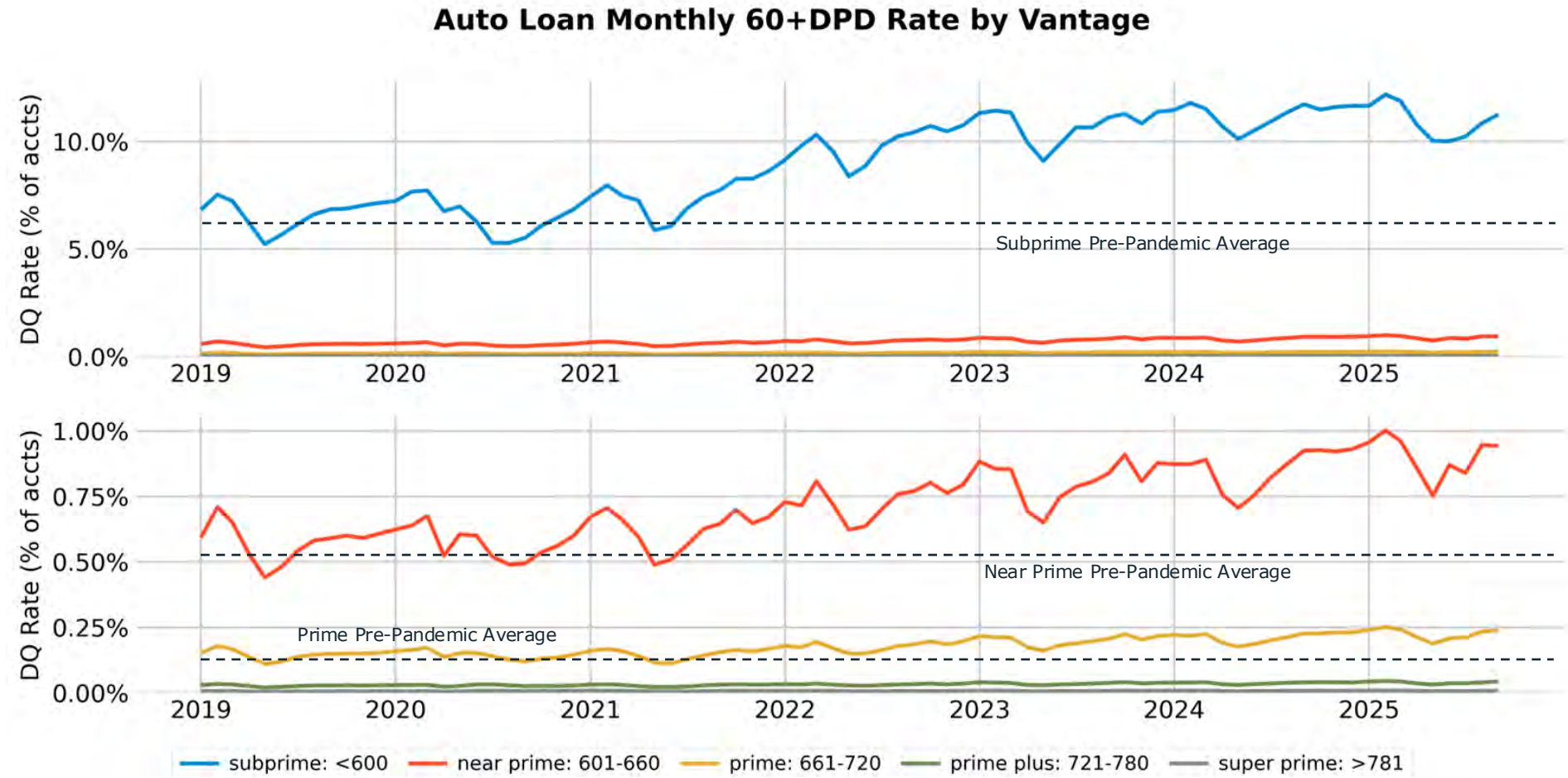
**In-line with
seasonal trends,
auto loan
delinquency
rates increased
in Q3 2025**



Source: 2OS, Equifax Ignite. Data as of Oct 20th, 2025

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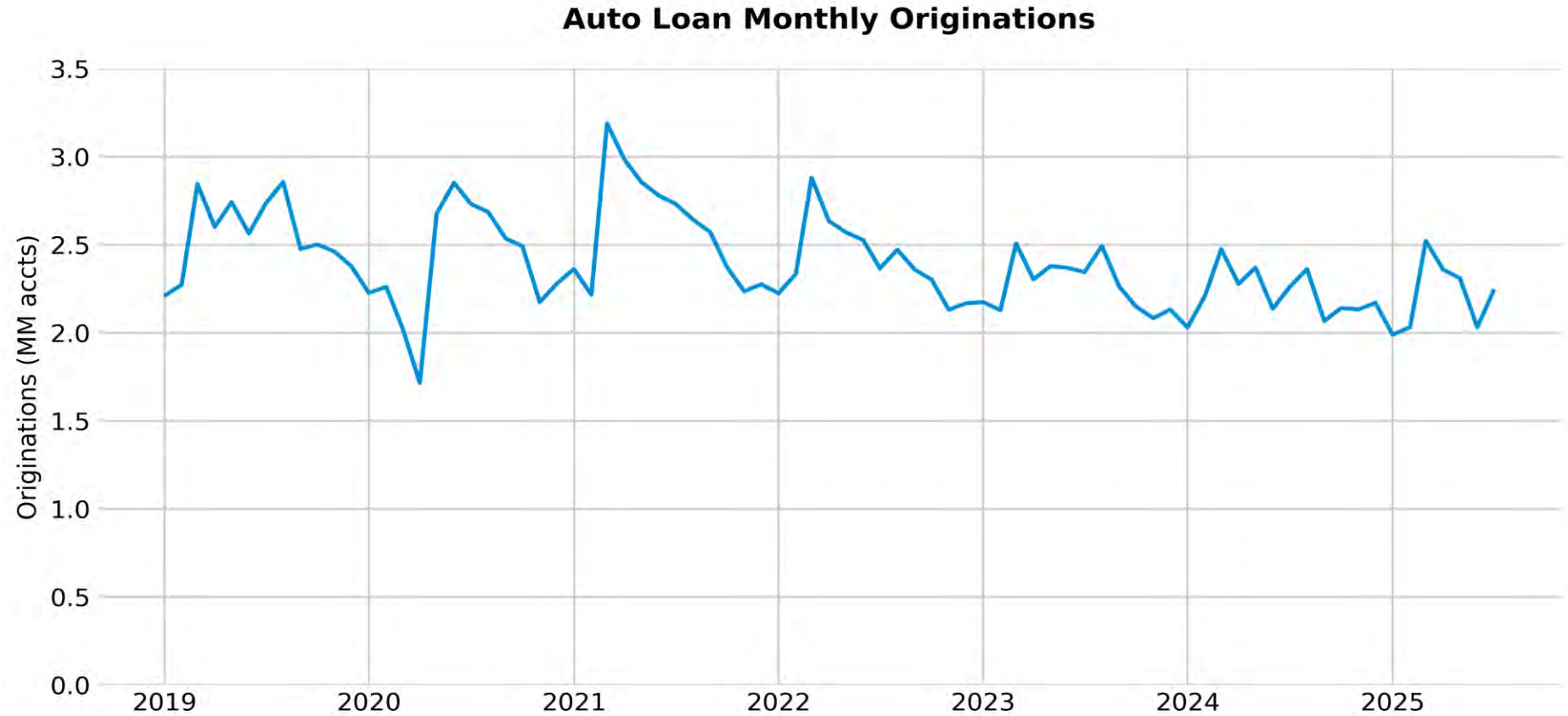
Delinquency rates grew across all risk bands, consistent with seasonal trends



Source: 2OS, Equifax Ignite. Data as of Oct 20th, 2025

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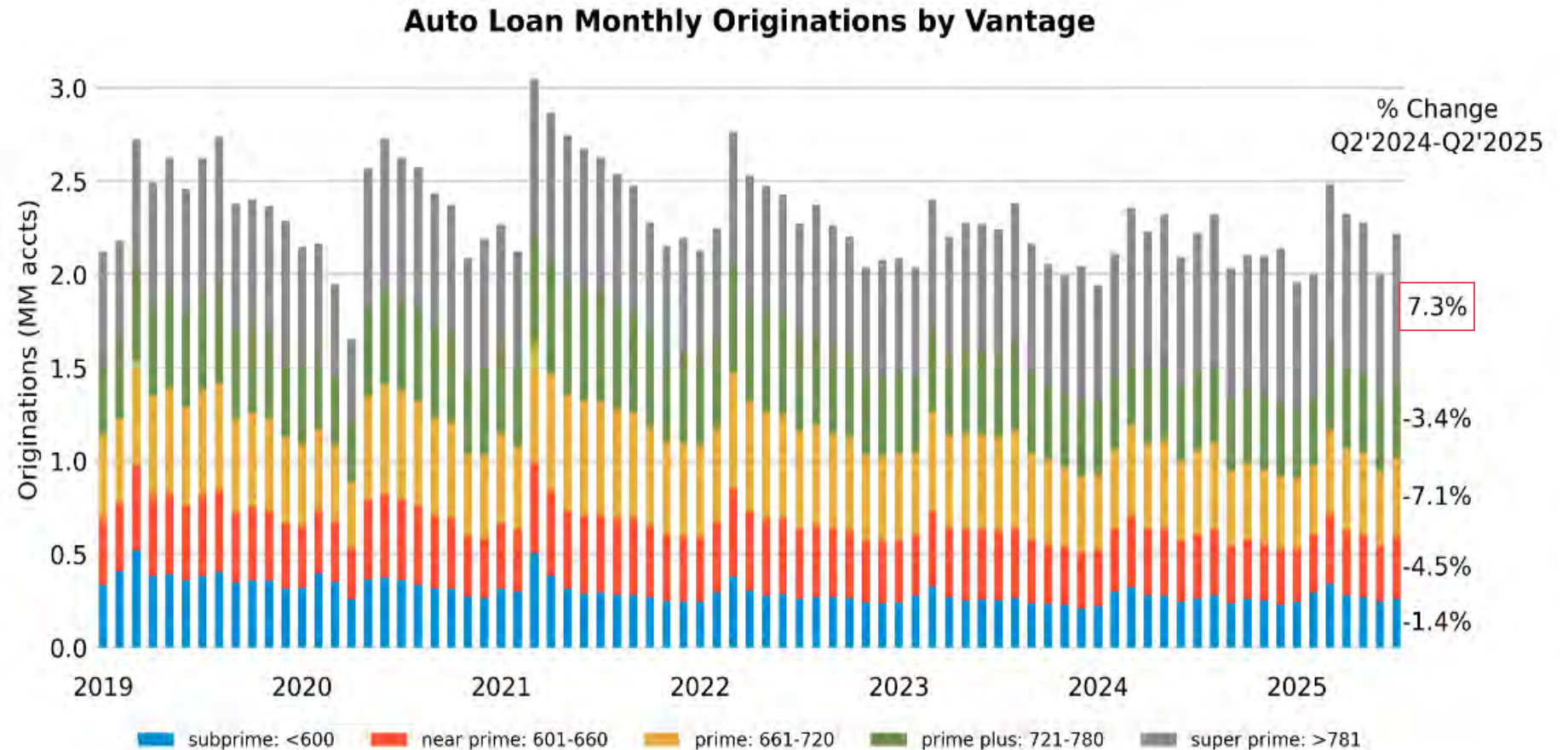
Overall, auto loan originations remained broadly constant after peaking in early 2025



Source: 2OS, Equifax Ignite. Data as of Oct 20th, 2025

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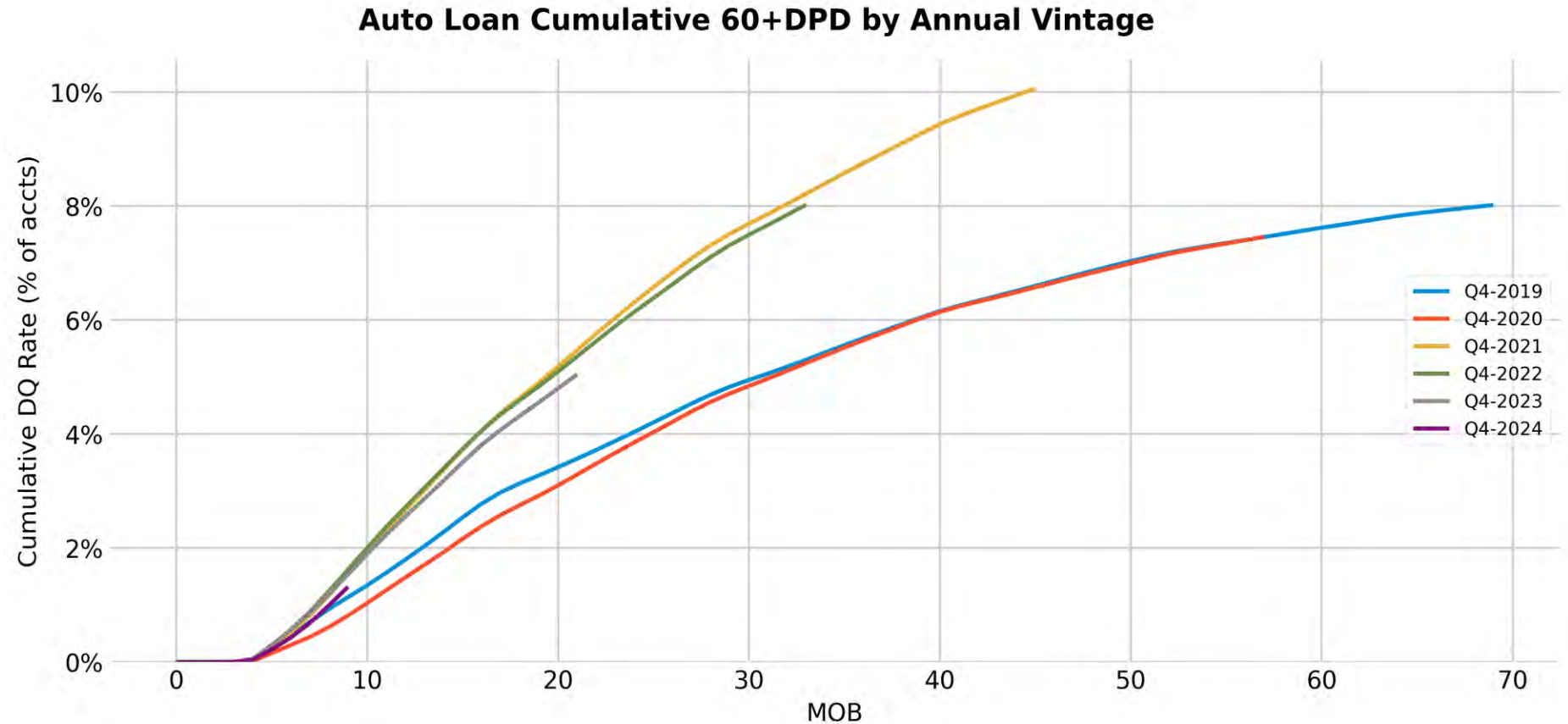
**Originations
grew in Q2 2025
year-over-year,
driven
exclusively by
super prime**



Source: 20S, Equifax Ignite. Data as of Oct 20th, 2025

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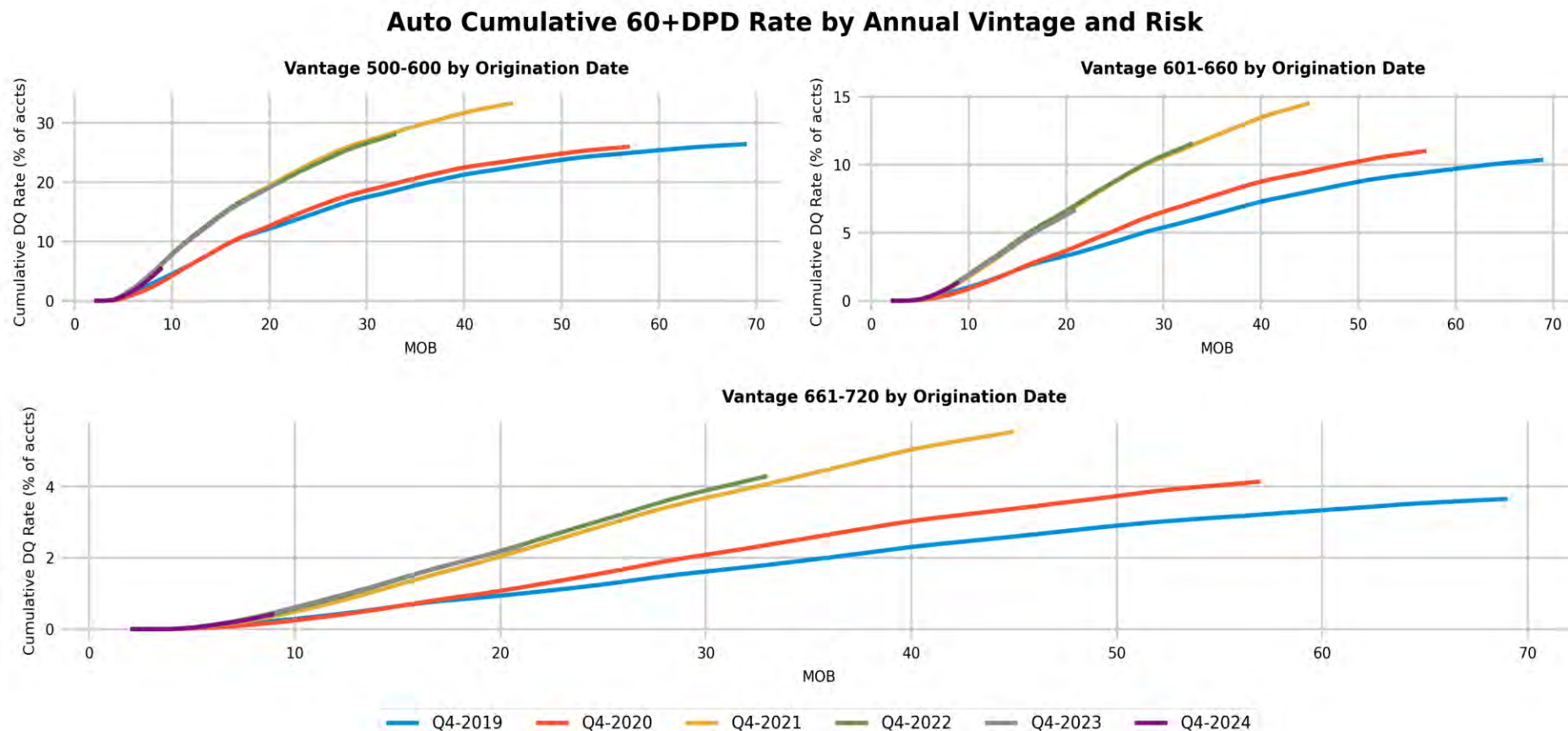
Delinquency rates for Q4 2024 originations improved relative to the prior three years, supported by a shift towards super prime borrowers



Source: 2OS, Equifax Ignite. Data as of Oct 20th, 2025

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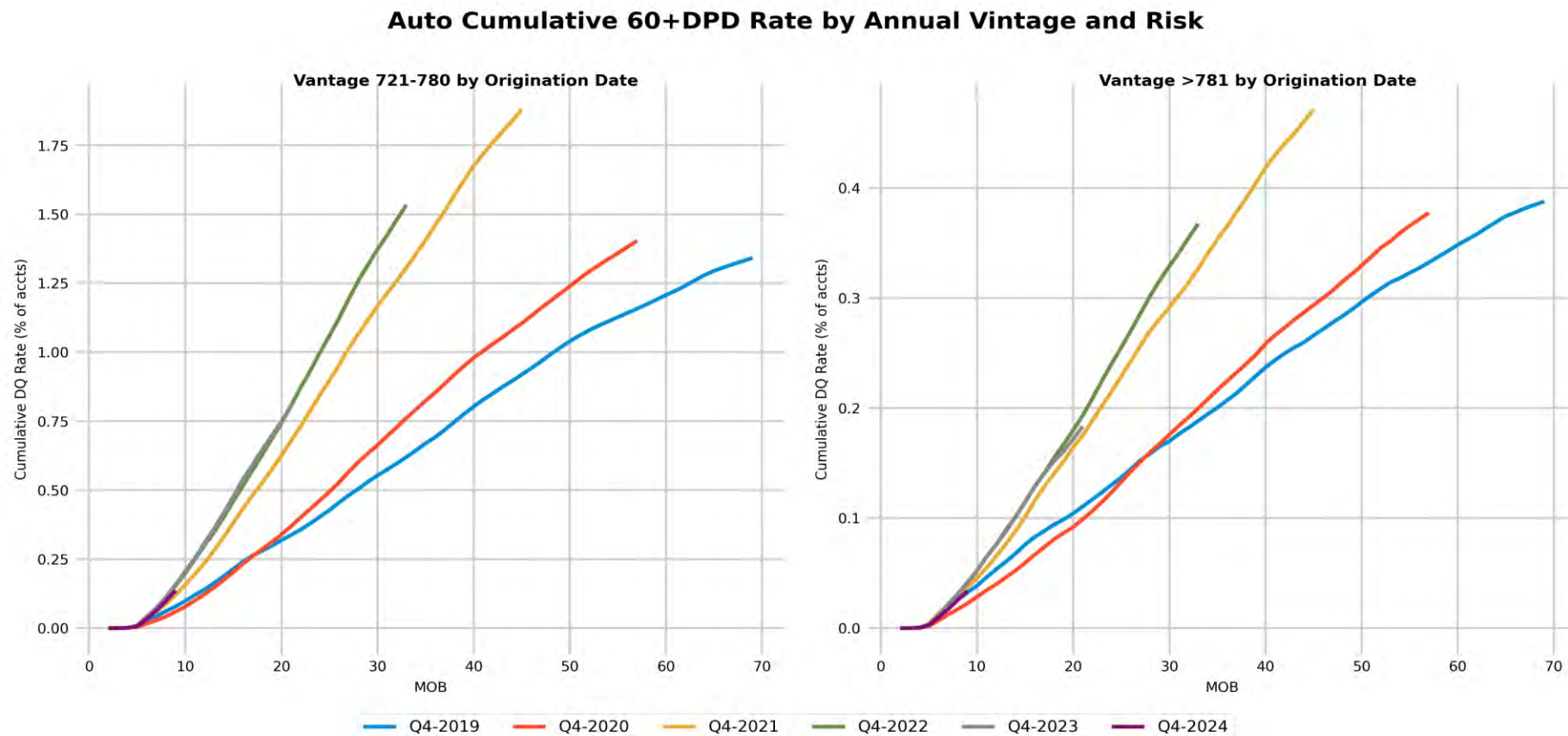
Subprime Q4 2024 vintages slightly outperformed those from 2023 and 2022, while other risk bands maintained similar performance (Slide 1 of 2)



Source: 2OS, Equifax Ignite. Data as of Oct 20th, 2025

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Prime plus and super prime Q4 2024 vintages outperformed those from 2023 and 2022 (Slide 2 of 2)



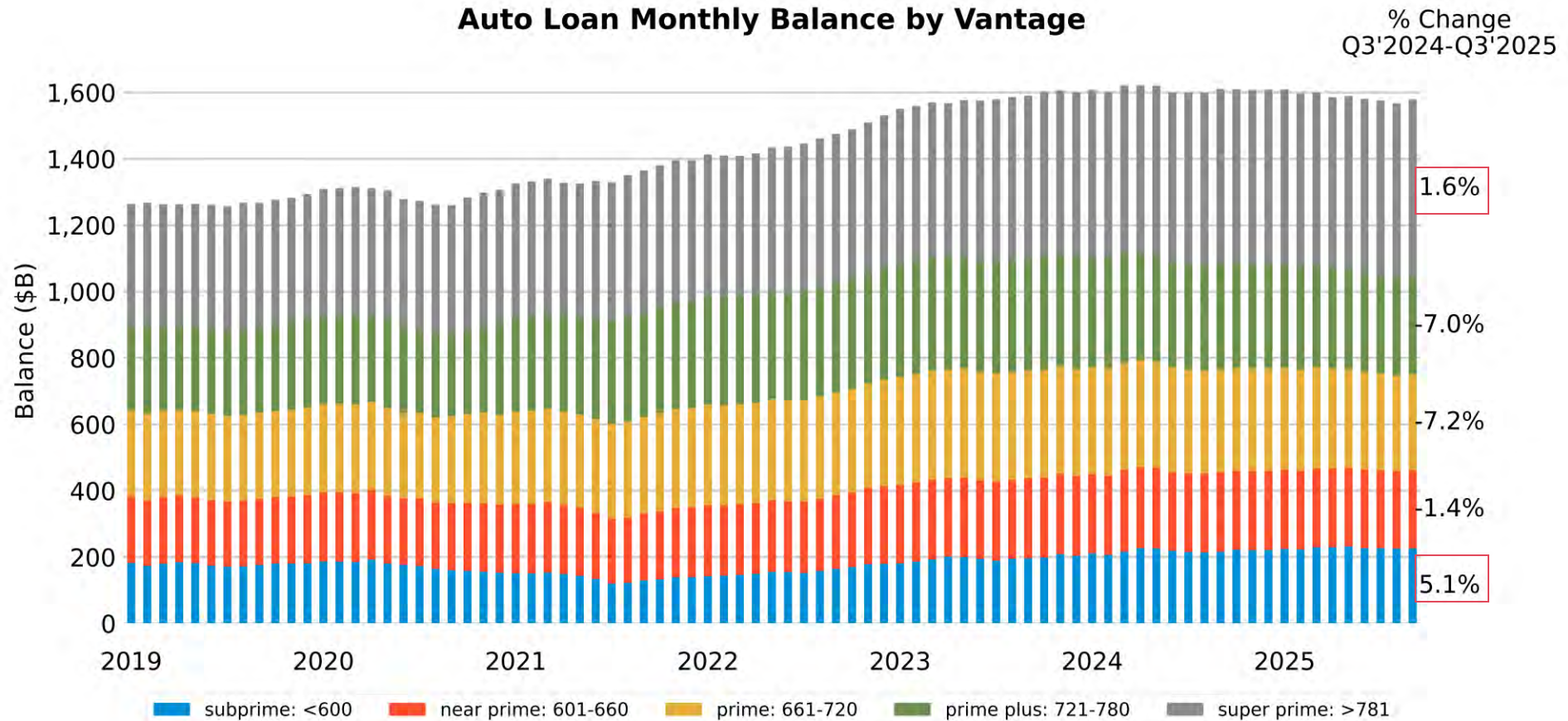
**Average auto
loan amount
increased year-
over-year,
contributing to
higher monthly
payments
despite lower
APRs**



Source: 20S, Equifax Ignite. Data as of Oct 20th, 2025

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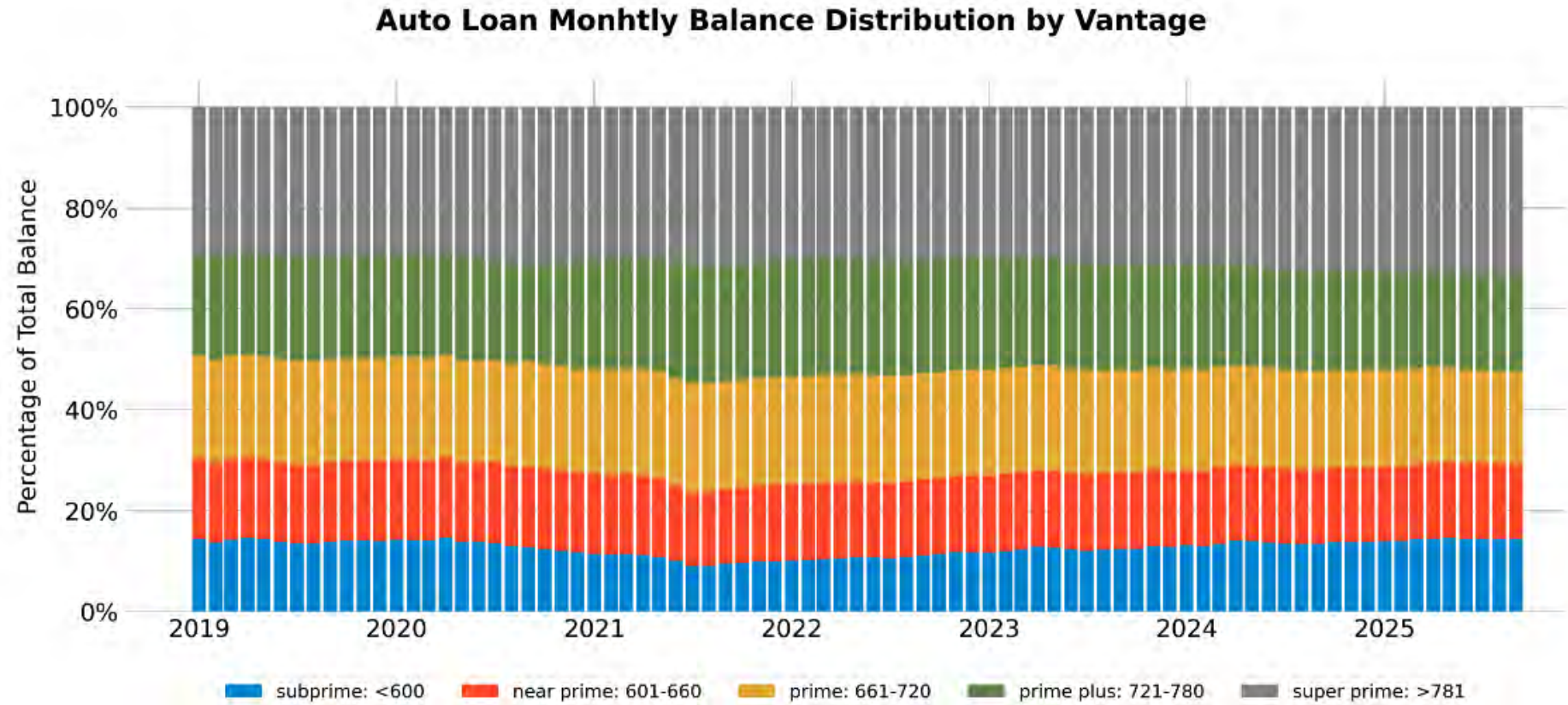
Total loan balances remained relatively stable compared to Q3 2024 with continued growth in super prime and subprime



Source: 20S, Equifax Ignite. Data as of Oct 20th, 2025

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**Super prime's
share of total
auto loan
balances
increased
through Q3
2025**



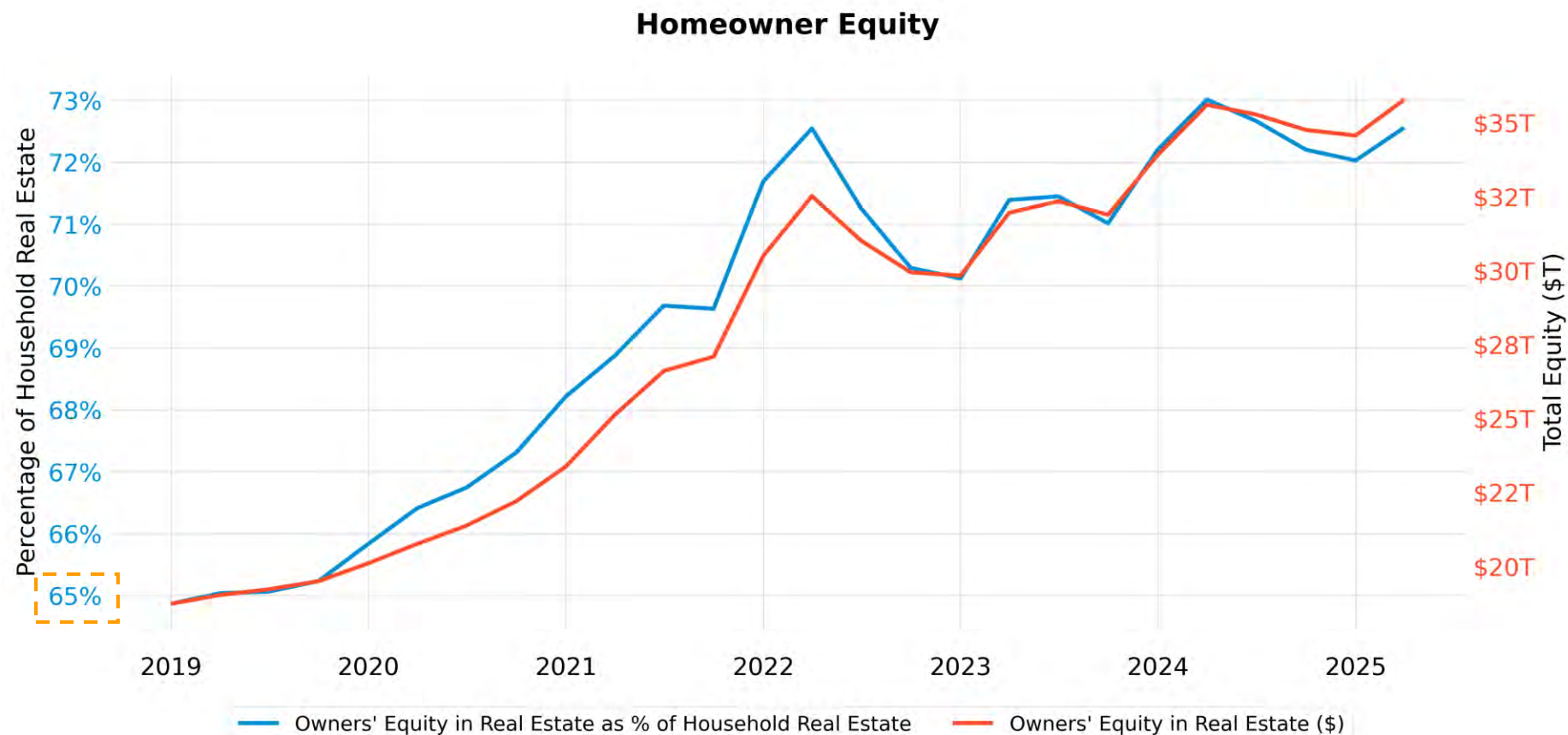
Source: 20S, Equifax Ignite. Data as of Oct 20th, 2025

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- AI Snapshot
- State of the Consumer
- Credit Card
- Student Loan
- Personal Loan
- Auto Loan
- Mortgage



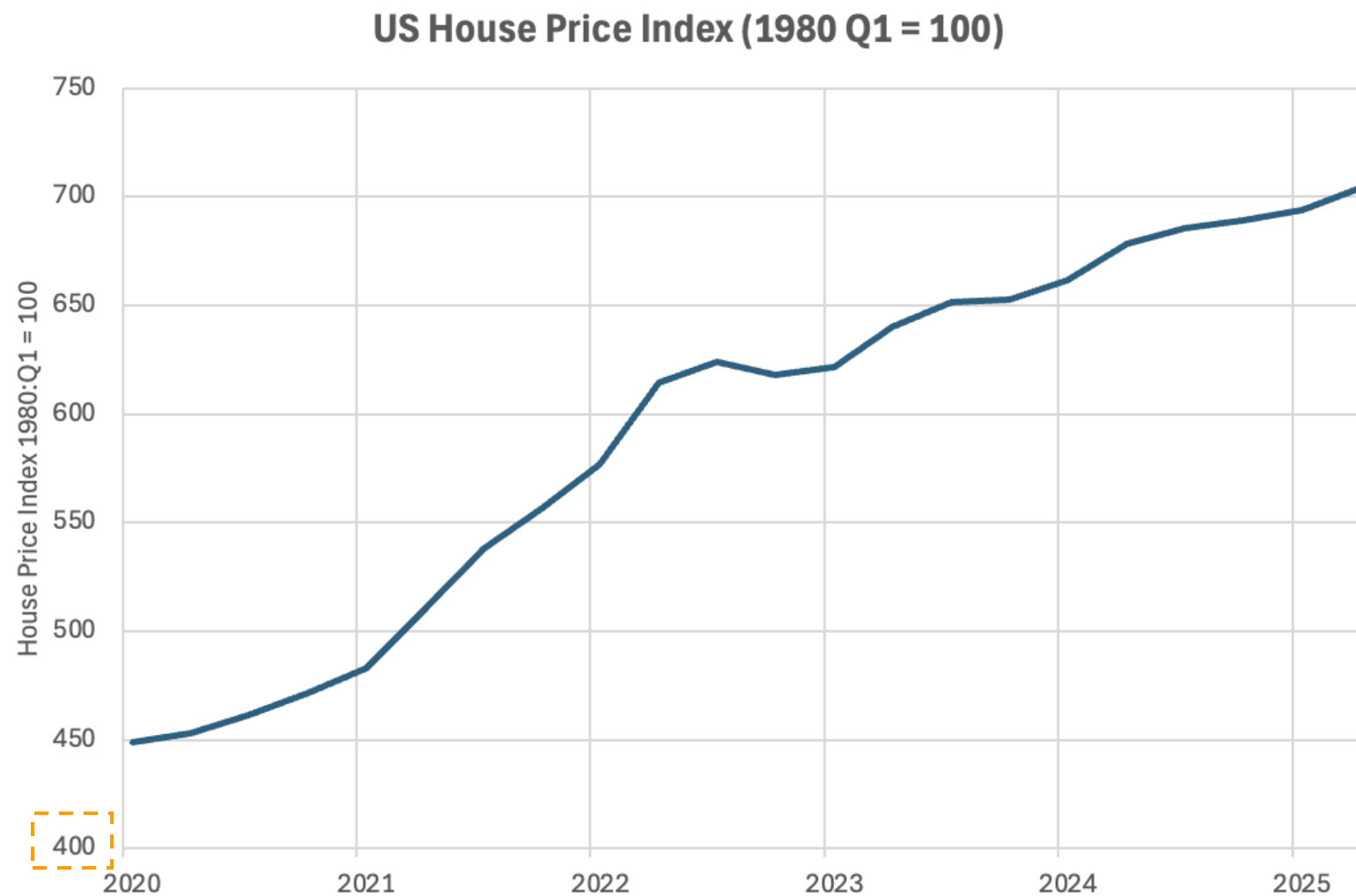
Homeowner equity increased throughout 2025 to record levels again, but mortgage balances remained stable



Source: 2OS, FRED ([blue line](#), [red line](#)). Data as of October 21st, 2025

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**US Housing
Prices continued
steady growth
in Q1 2025**



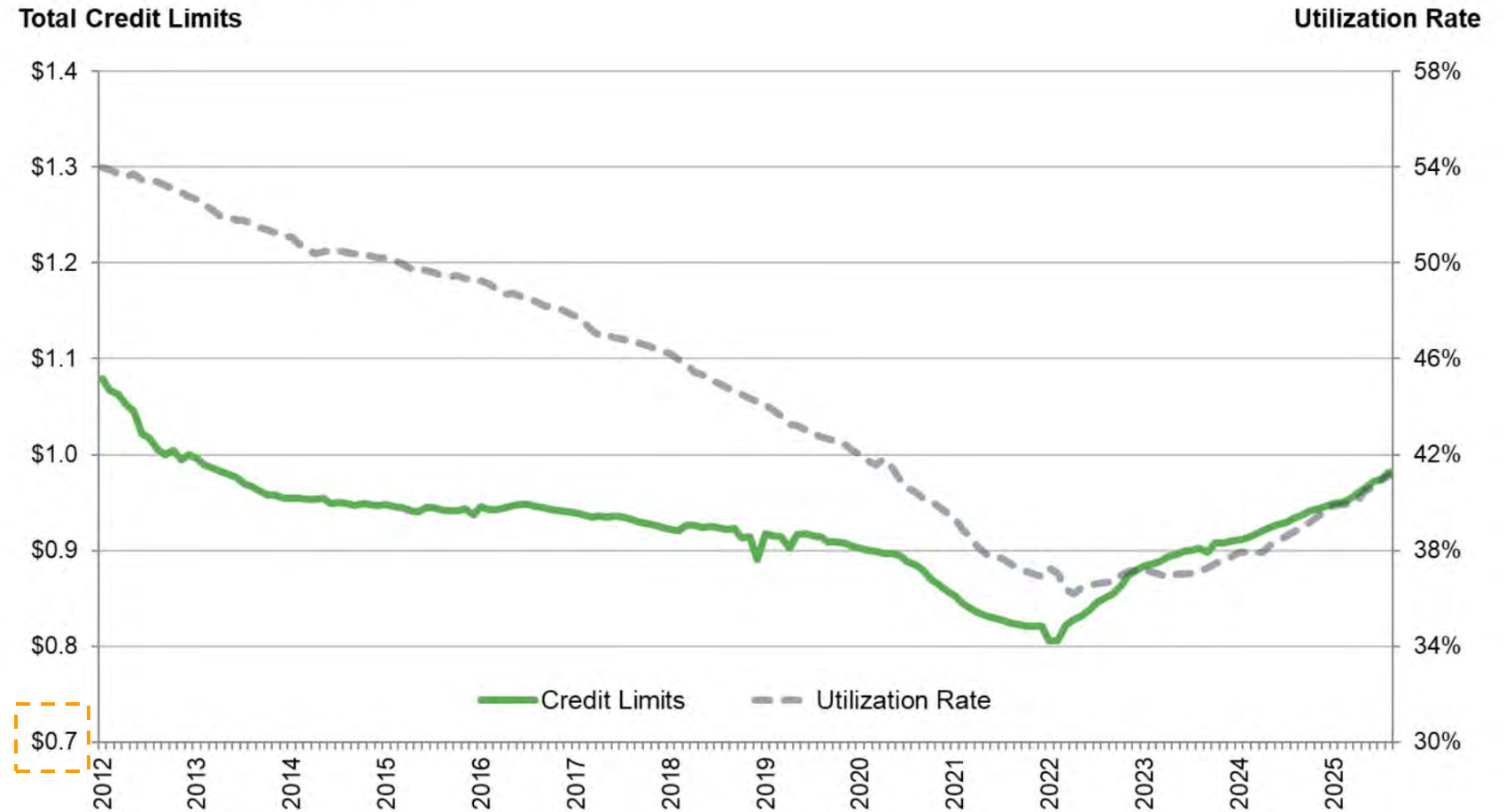
Source: 20S, [FRED](#). Data as of October 21st, 2025

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Utilization and Credit Limit

Utilization Rate in %; NSA
Credit Limit in \$Trillions; NSA

HELOC total credit limit and utilization continued to increase due to rising home equity and value levels



Source: [Equifax](#). Data as of October 21st, 2025

The average mortgage rate remained stable, decreasing slightly in Q3 2025



Source: 20S, [FRED](#). Data as of October 21st, 2025

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**Mortgage
account
originations in
2025 are on
pace with
recent years,
since the 2020
boom settled**

First Mortgage Originations: Accounts

Number of Accounts in Millions; NSA



Source: [Equifax](#). Data as of October 21st, 2025

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Acknowledgments

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About 2OS

2nd Order Solutions (2OS) is a boutique credit risk advisory firm that specializes in solving the world's most challenging credit problems. 2OS was founded 12 years ago and consults to a wide range of banks, card issuers, fintechs, and specialty finance companies in the US and abroad.

2OS has deep experience with lending businesses across Card, Auto, Small Business, and Personal Loans, at all points in the credit lifecycle. 2OS partners have vast expertise in all aspects of Collections, both as operating executives and as consultants.

For more insights and commentary on the lending industry, visit us at <https://2os.com/insights/>



Equifax Ignite Definitions

Active Accounts: This includes all accounts that have a reported status in the most recent three months. Accounts categorized as closed are included in the month in which that status was first reported and are excluded from active accounts thereafter.

Credit Cards: Our credit card cohort is limited to what Equifax Ignite categorizes as general-purpose bankcards, which excludes Private Label Credit Cards.

Definition of delinquency: For credit car, auto loans, and personal loans, accounts are classified as delinquent at 60+ days past due. Specifically, they are included in 60-90 DPD, 90-120 DPD, and 120+ DPD buckets; charged off/severe derogatory and bankrupt accounts are excluded. For student loans, accounts are classified as delinquent at 90+ DPD. These accounts are included in 90-120 DPD, 120+ DPD, and bankruptcy buckets; charged off accounts are excluded. Vintage performance views are cumulative. Due to reporting lags, slight variations in DQ rate may occur between quarterly reports as data is updated.

Definition of Personal Loans: Personal finance installment trades that are non-revolving, non-HELOC, and non-mortgage related are classified as personal loans.

Origination timing: Originations are lagged by 2 months from the current archive date. Hence, the most recent origination datapoint is from January 31st, 2025.

Pre-pandemic average: Where specified on charts, pre-pandemic average is the average from January to December 2019.

Vantage bucket: In any charts where borrowers are split out by Vantage bucket, borrowers without a Vantage score are excluded. They are included in overall views. We did not observe any notable correlation between missing Vantage score and performance.

Vantage bucket timing: To better observe movements within Vantage buckets (and reduce the effect of re-classification of accounts across buckets), the vantage score is observed at a 3-month lag from the current archive date.

Student Loan Mass Deferral: suspension of interest accrual and the requirement that borrowers make monthly payments on their loans. ([Congress.Gov](https://www.congress.gov))

“On-ramp” period: A one-year transitory period where interest began to accrue and delinquencies were not reported to bureaus.

Vantage 4.0 Overview

In Q3 2024, 2OS quarterly reports began using Vantage 4.0 instead of Vantage 3.0 as the consumer credit score metric. Despite the score shift between Vantage 4.0 and Vantage 3.0, the credit tiers and their corresponding scores were not changed. We did not observe significant changes to our analysis using Vantage 4.0.

The official statistics on score shift between Vantage 3.0 and Vantage 4.0 is as follows:

Score Range	VantageScore 4.0								
VantageScore 3.0	300-450	451-500	501-550	551-600	601-650	651-700	701-750	751-800	801-850
300-450	51.5%	38.4%	8.9%	1.1%	0.1%	0.0%	0.0%	0.0%	0.0%
451-500	7.5%	41.1%	41.8%	8.8%	0.7%	0.0%	0.0%	0.0%	0.0%
501-550	0.7%	11.7%	45.6%	36.0%	5.7%	0.3%	0.0%	0.0%	0.0%
551-600	0.0%	1.1%	14.6%	48.0%	32.1%	4.1%	0.1%	0.0%	0.0%
601-650	0.0%	0.0%	0.9%	13.6%	48.4%	31.5%	5.3%	0.2%	0.0%
651-700	0.0%	0.0%	0.1%	1.7%	16.2%	47.1%	30.7%	4.0%	0.1%
701-750	0.0%	0.0%	0.0%	0.0%	1.0%	16.6%	52.4%	26.3%	3.7%
751-800	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	15.5%	51.5%	32.0%
801-850	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	23.1%	76.6%



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Solutions to Financial Institutions