Trends in Consumer Credit Markets During the COVID-19 Pandemic

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In this *Supervisory Research Forum* (*SURF*) brief, the salient findings from our review of recent trends in consumer credit are highlighted. The report leverages several data sources. The primary sources include the FRBNY Consumer Credit Panel/Equifax (FRBNY CCP/Equifax), complemented with monthly tradeline data. We also analyze data from the Board of Governors Senior Loan Officer Opinion Survey on Bank Lending Practices and U.S. Census Bureau Pulse Surveys data. Recent data highlight several emerging trends:[1]

- **After spiking dramatically in the early days of the pandemic, forbearance activity continued to decrease marginally across all products in early 2021.** Auto and mortgage accounts in possible accommodations represent around 2.2 percent and 5.5 percent of total accounts in each sector, respectively, down from the 2020Q4 averages of 3 percent for auto loans and 6.4 percent for mortgages.
- **The vast majority of auto and mortgage accounts exiting forbearance remained current, even up to three months post-forbearance.**
- **Elevated forbearance rates in mortgage loans remain a concern,** especially for loans in the riskier segments.
- **Delinquencies increased marginally in the credit card and auto markets** to 1.9 percent and 3 percent, respectively, relative to the 2020Q4 average.
- **Almost one-third of subprime borrowers had at least one account in nonpayment status in February 2021.** This is up from 25 percent of borrowers in summer 2020. Card and auto accounts were the most affected with around 14 percent and 6.5 percent of subprime borrowers in non-payment in each market, respectively. Subprime borrowers are also more likely to have multiple accounts in nonpayment status.
- **The majority of auto and mortgage accounts still in forbearance have been in forbearance for more than six months.** This represents another potential risk.
- **Signs of stress in housing among low-income households remain a concern in first quarter 2021.** Census Pulse data show signs of housing stress among low-income households, with about one-fourth of households not up to date on their mortgage or rent payments.
- **Auto and card originations decreased significantly in February 2021** (year over year) after a relatively strong month in January. The decrease may be related to severe weather in large parts of the country in February. Note that February data may be subject to updates.
- **Average credit limits on card originations picked up for the subprime and near-prime segments** are now close to prepandemic levels. Prime and super-prime limits remain depressed, however.

[1] At times in the report, we have attempted to minimize the impact of a lag in reporting by applying simple imputation strategies.