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SFA Research Corner

Shifting Gears in a Two-Speed Market: Credit Transmission and Auto ABS Performance

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The Federal Reserve's October 2025 Senior Loan Officer Opinion Survey (SLOOS) points to stable household credit conditions but an increasingly stratified lending landscape. Lending standards were largely unchanged across most consumer segments, with modest strengthening in demand for residential mortgages and home-equity lines of credit (HELOCs), softer demand for auto loans, and steady credit-card lending. Yet SLOOS responses highlight a growing divide by credit tier: banks reported being more willing to approve applications from prime and super-prime borrowers and less likely to extend credit to near-prime and subprime applicants—a group that still represents a large share of U.S. consumers. As of mid-2025, as reported by Experian, roughly one in five Americans had a subprime credit score according to VantageScore (18.7%), while FICO's broader definition placed the share closer to three in ten (29.1%). The gap, according to Experian, reflects methodological differences. FICO classifies a wider range of lower scores as subprime—though both measures show a modest rise in subprime borrowers since 2023—whereas Equifax's measure relies on its proprietary Equifax Risk Score, which is broadly comparable to the FICO® Score. As a general rule, subprime borrowers are individuals with lower credit scores—typically a VantageScore® between 300 and 600 or a FICO® ScoreΘ between 300 and 670. They often share similar characteristics: recent missed or late payments on credit accounts, a history of charge-offs, repossessions, or foreclosures, and in some cases a prior bankruptcy within the past several years. Many also carry a high debt-to-income ratio or are new to credit and have yet to establish a solid credit record. Collectively, these factors signal higher credit risk and contribute to lower overall credit scores.

VantageScore 4.0: Prime vs. Subprime

Credit Score Ranges		
Score Range	**Industry Terms**	**Common Terms**
781 - 850	Super prime	Excellent
661 - 780	Prime	Good
601 - 660	Near prime	Fair
501 - 600	Subprime	Poor
300 - 500	Deep subprime	Very poor

Source: Experiaan, based on VantageScore 4.0 credit scores. VantageScore is a credit score jointly developed by the three major credit bureaus—Experian, Equifax, and TransUnion

This bifurcation has increased according to TransUnion's Q3 2025 Credit Industry Insights Report, which shows the share of super-prime borrowers rising from 37.1 percent in 2019 to 40.9 percent in 2025—an increase of about 16 million consumers—while the middle tier has thinned and the subprime share has only partially recovered from pandemic-era deleveraging. Together, these data confirm a two-speed credit market: ample liquidity and access for higher-score, asset-rich households, but tightening credit for those with weaker credit profiles, particularly in auto and unsecured lending.

Super Prime Consumer Share Continues to Rise as Subprime Returns to Pre-Pandemic Levels

	Q3 2019	Q3 2020	Q3 2021	Q3 2022	Q3 2023	Q3 2024	Q3 2025
Super prime	37.1%	38.9%	38.4%	38.3%	39.3%	40.3%	40.9%
Prime plus	17.6%	17.9%	19.2%	18.9%	18.0%	17.4%	16.9%
Prime	17.4%	17.5%	18.0%	17.6%	17.0%	16.3%	15.6%
Near prime	13.5%	13.2%	12.7%	12.4%	12.3%	12.1%	12.2%
Subprime	14.5%	12.5%	11.8%	12.8%	13.4%	13.9%	14.4%

Source: TransUnion U.S. Consumer Credit Database

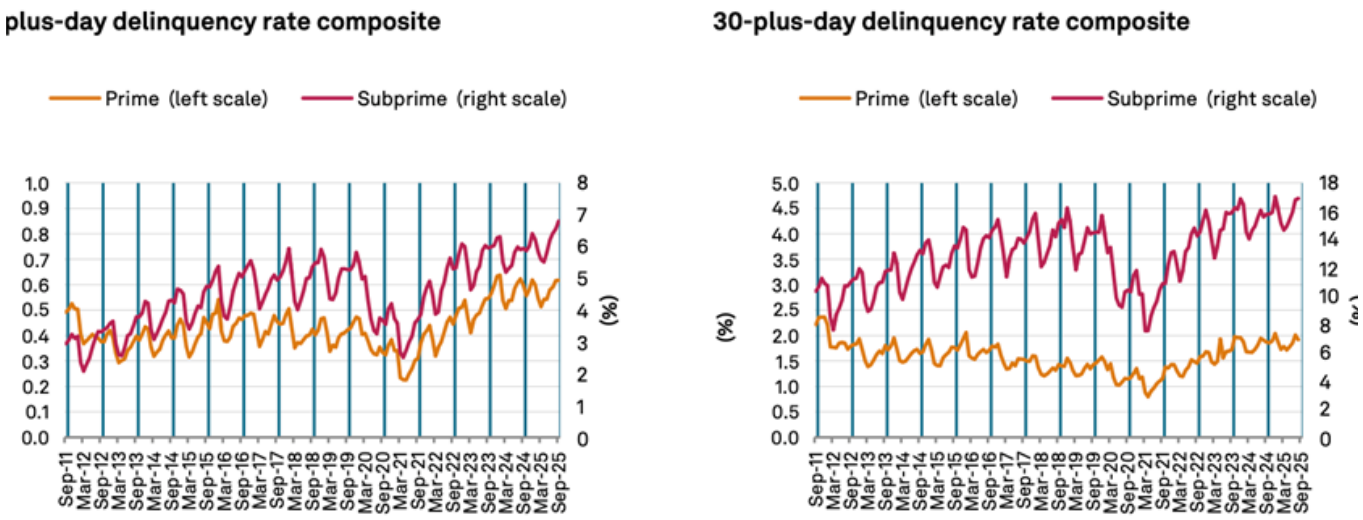
Transmission to Auto ABS Performance

How has this transmitted to Auto ABS Performance? According to September remittance data, U.S. auto loan performance reinforced the growing bifurcation between prime and subprime credit segments, according to S&P's U.S. Auto Loan ABS Tracker: September 2025 Performance Report, released in November. While both groups are facing affordability headwinds, their trajectories are moving in opposite directions: prime loans remain largely stable, whereas subprime credit continues to deteriorate.

Prime auto loans showed resilience, according to S&P data, with annualized losses holding steady at 0.79% and recoveries improving to 56.5%. Delinquencies were unchanged at 0.62%, suggesting that higher-quality borrowers are still managing to meet payments despite inflationary pressures.

In contrast, subprime credit continues to weaken. S&P notes that annualized losses rose to 9.4%, and while recoveries improved modestly to 37.8%, 60-plus-day delinquencies climbed to 6.8%, with combined 30- and 60-day delinquencies reaching a record 17.7%. This trend points to rising financial stress among lower-income borrowers, where limited savings buffers and higher payment burdens are pushing delinquency rates to multi-year highs.

Auto Loan ABS Delinquency Rates



Source: Standard & Poor's Financial Services LLC

The deterioration in some subprime auto ABS has led to negative rating actions. Recently, S&P placed 26 subprime classes across nine deals on CreditWatch Negative. The actions centered on issuers—FHF, Lendbuzz, SAFCO, and Tricolor—whose borrower bases include a high proportion of immigrant or non-citizen obligors. The agency noted, "[g]iven this composition and the cumulative effect of immigration law enforcement actions, we are reassessing our projections for future losses on these transactions."

Overall, the data portray an auto ABS market that remains fundamentally sound but increasingly segmented. Prime performance continues to anchor stability, while subprime collateral faces heightened surveillance tied to borrower composition, data transparency, and shifting macro conditions—a clear sign that credit transmission through the auto sector is still in motion.

Conclusion

Together, the SLOOS and TransUnion data portray a market that remains fundamentally healthy but increasingly segmented by credit tier. Prime borrowers continue to support stable collateral performance and steady ABS issuance, while subprime borrowers continues to struggle. The resulting pattern is one of credit bifurcation rather than broad deterioration: risk is concentrating at the margins, not spreading across the market. For issuers, this means tighter loan selection and enhanced structural protection; for investors, greater emphasis on servicer quality, underwriting discipline, and borrower composition.