

SFA Research Corner

Headline Resilience, Uneven Reality

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For securitization markets, few themes matter more than the health of the U.S. consumer. Consumer borrowing and repayment behavior drive cash flows across more than \$10 trillion of structured finance transactions, from credit cards and auto loans to residential mortgages and consumer lending. While headline economic data continue to point to resilience, a closer look suggests a more nuanced picture is emerging.

According to the Bureau of Labor Statistics, the [Consumer Price Index \(CPI\)](#) increased 0.5% in May, following a 0.6% increase in April. On a year-over-year basis, CPI rose 4.2%, up from 3.8% the previous month. Energy prices were a primary driver, increasing 23.5% over the past year, while food prices rose 3.1%. Shelter costs also continued to climb.

Although inflation remains well below the peaks reached during the post-pandemic surge, rising living costs continue to pressure household budgets. [Gallup's](#) latest survey found that the cost of living remains Americans' top financial concern, reflecting ongoing strain from housing, food, healthcare, transportation, and other everyday expenses.

Part of the strain is that wage growth has begun to lag inflation. According to the [Atlanta Fed's Wage Growth Tracker](#), median wage growth slowed to 3.6% in April, down from 4.4% a year earlier. With inflation running above wage growth, households are experiencing a decline in real purchasing power despite a relatively healthy labor market. The impact is likely to be felt most acutely by middle- and lower-income households.

For now, households appear to be adapting. According to the [Bureau of Economic Analysis](#), personal consumption expenditures continued to rise in April. That does not necessarily mean consumers are buying more, as part of the increase likely reflects higher prices for necessities such as housing, food, and energy.

Consumers also appear to be relying more heavily on existing financial resources to maintain spending. The personal saving rate fell to 2.6% in April, down from 4.3% in January, while real disposable income declined on a year-over-year basis. In other words, spending has remained resilient, but the financial cushion supporting that resilience has become thinner.

The aggregate data, however, mask important differences beneath the surface. While many households continue to manage through higher costs, [TransUnion's Q1 2026 Consumer Indicator Report](#) suggest that the burden is increasingly concentrated among near-prime and subprime borrowers. Between Q4 2019 and Q4 2025, the ratio of debt-to-income for non-mortgage debt increased by just 29 basis points among super-prime consumers, compared with 176 basis points for near-prime borrowers and 143 basis points for subprime borrowers. In practical terms, this means many lower-credit-quality consumers are devoting a larger portion of each paycheck to servicing debt, leaving less financial flexibility to absorb rising living costs or unexpected expenses.

That divergence is also shaping lending behavior. TransUnion reports continued growth in subprime credit card originations, while the [Federal Reserve's latest Senior Loan Officer Opinion Survey](#) shows banks tightening lending standards across consumer credit categories. Taken together, the data suggest that lenders are calibrating risk through more selective underwriting and lower credit line assignments.

For securitization investors, the takeaway is that headline measures of consumer health may mask important differences across borrower groups. While many households continue to adapt to higher living costs, others are seeing their financial flexibility erode. As a result, collateral composition, borrower mix, underwriting quality, and transaction structure may matter more than broad economic averages when assessing future performance across consumer ABS markets.