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SFA Research Corner

From Household Financial Health to Consumer ABS Performance: Connecting the Data

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The Federal Reserve's latest *Survey of Consumer Finances* (SCF) presents a mixed picture of U.S. household financial health. Conducted every three years, the survey examines household income, assets, liabilities, debt obligations, and payment behavior, providing insight into the financial circumstances that may influence consumer credit performance.

Between 2022 and 2025, household financial health improved, but payment difficulties became more widespread. Real median family income and net worth increased, while household leverage declined. At the same time, more families reported late payments and elevated debt-service burdens.

Mixed Signals from the Survey of Consumer Finances (From 2022 to 2025)

Improvements in Household Financial Health	*Payment Pressure*
Real Median Family Income (Household earning capacity) ***+7%***	*Families reporting any late payment* ***12.2% → 19.6%***
Real Median Net Worth (A family's assets net of liabilities) ***+2%***	*Families reporting a payment 60+ days late* ***4.9% → 8.2%***
Median debt-to-assets ratio among debtors (Debt relative to assets) ***29.2% → 26.9%***	*Families whose required debt payments exceed 40% of their income* ***6.5% → 8.6%***
Median net housing equity among homeowners ***$218,900 → $230,000***	*Median ratio of required debt payments to income among families with debt* ***13.4% → 15.4%***

Source: Federal Reserve Survey of Consumer Finances, released October 9, 2026.

This divergence highlights an important distinction between household wealth and the financial flexibility needed to meet ongoing obligations. Improvements in income, assets, and leverage do not necessarily mean that households are better positioned to manage monthly expenses or unexpected financial shocks.

More recent economic indicators suggest that these pressures remain relevant. These indicators provide additional context for these household financial pressures. Although relatively low unemployment and positive real income growth continue to support consumer credit performance, slowing wage and income growth, declining savings, and persistent borrowing costs may be limiting financial flexibility, particularly among lower-income borrowers.

Recent Economic Observations and their Implications

Economic Observations	*Implications for Consumer Credit*
Labor market: September payrolls increased to 29,000; Unemployment stood at 4.2%	*Slower hiring may increase vulnerability particularly among borrowers with limited financial flexibility*
Wage Growth: The Atlanta Fed's Wage Growth Tracker edged down to 3.9% in September from 4.1% in August. Lower-wage workers' earlier wage-growth advantage has narrowed.	*Slower wage growth may reduce the cushion available to meet debt obligations*
Income and savings: Real disposable income growth slowed to 0% in August from 0.3% in July. The personal savings rate fell to 4.1% from 4.6%.	*Slower income growth and reduced savings may limit households' ability to meet debt obligations and absorb unexpected expenses*
Emergency liquidity: A Fed 2025 Survey shows only 63% could cover a $400 unexpected expense with cash or equivalent; 12% could not cover it by any means.	*A meaningful share of households has limited immediate liquidity which may increase the risk of missed payments when faced with unexpected expenses*
Interest rates: Household debt carries fixed interest rates and that higher market rates have only partially passed through to household interest expenses	*Higher rates may affect new loan affordability and origination volumes*

Sources: U.S. Bureau of Labor Statistics, Employment Situation (September 2026); Federal Reserve Bank of Atlanta, Wage Growth Tracker (September 2026); U.S. Bureau of Economic Analysis, Personal Income and Outlays (August 2026); Federal Reserve Board, Economic Well-Being of U.S. Households in 2025 and Consumer Credit (G.19); Federal Reserve Board, April 2025 Financial Stability Report, Deutsche Bank Research (September 2026) and Barclays Research (October 2026). Potential implications for consumer credit reflect SFA Research's synthesis of these sources.

For ABS analysts, these household and economic indicators provide additional context for understanding consumer credit risk beyond what can be observed through securitized loan performance alone.

How Can the ABS Market Use the SCF?

ABS collateral disclosures provide information about borrower and loan characteristics at origination and subsequent payment performance. They generally do not, however, capture a borrower's broader household finances, including other debt obligations, liquid savings, or capacity to absorb unexpected expenses. The SCF can complement these disclosures by:

- **Identifying potential vulnerabilities.** Changes in household debt burdens and payment difficulties can highlight financial pressures worth monitoring, particularly among borrowers with limited financial flexibility.
- **Providing context for credit performance.** Household assets, liquidity, and competing financial obligations can help analysts consider why borrowers with similar loan characteristics may experience different repayment outcomes.
- **Informing stress scenarios.** Household income, debt obligations, and financial resources can inform assumptions about borrowers' sensitivity to economic shocks, including how changing interest rates and affordability pressures may affect existing loans differently from new originations.

Recent Collateral Performance in Consumer ABS Sectors

ABS sector	Recent collateral performance observations
Prime auto	September 2026 data showed year-over-year improvements in delinquencies, defaults, and net losses.
Subprime auto	Delinquencies and net losses improved modestly year over year, although loss levels remained elevated relative to prime auto.
Credit cards	Net losses declined year over year, while serious delinquencies were broadly unchanged.
Unsecured consumer loans	Performance was mixed across marketplace and personal consumer loan categories, depending on the measure examined.
Residential solar	Delinquencies and net losses increased year over year, making this a relative area of weakness in the September snapshot.

Sources: Deutsche Bank Research, September 2026 consumer ABS performance review, based on Intex data.

Connecting Household Financial Conditions and Credit Performance

Household surveys, economic indicators, and ABS collateral disclosures offer complementary perspectives on consumer credit risk. The SCF provides insight into household financial conditions, economic indicators help identify evolving pressures on repayment capacity, and ABS disclosures reveal how loans are performing across consumer lending products.

Connecting these sources allows analysts to consider how broader household financial conditions and economic developments may influence credit performance, while recognizing that borrower characteristics, underwriting, and servicing practices can affect outcomes across lending products. Although differences in populations, measures, and reporting periods limit direct comparisons, connecting these sources provides a broader framework for identifying vulnerabilities and interpreting consumer ABS performance.