



The Averages Are Lying

What aggregate dashboards miss about consumer stress — and why delinquency data arrives too late



WHITE PAPER



Executive Summary

American household finances look healthy on every aggregate dashboard. Total debt is flat, debt service consumes just over 11% of disposable income, and serious delinquency actually fell over the past year.¹ Yet one in six households is behind on utility bills, a fifth of new-car buyers now pays more than \$1,000 a month, and a record share of credit-card accounts is paying only the minimum.^{2, 3, 12} Both pictures are true. That is the problem.

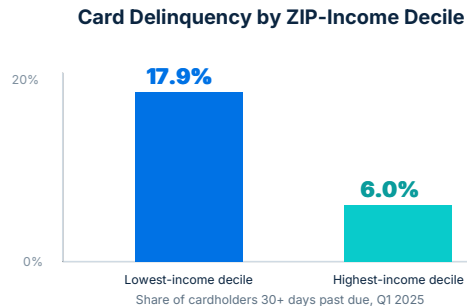
This paper makes four arguments. First, consumer stress has become concentrated rather than widespread, which means averages now actively mislead the executives who rely on them. Second, delinquency is a lagging indicator; the behaviour that predicts default appears one to two years before the missed payment does. Third, credit scores — the industry's primary segmentation tool — have decoupled from behaviour in measurable ways, which makes score bands a shaky foundation for treatment design. Fourth, the response is operational: instrument the early-warning layer, re-segment on behaviour, and move intervention upstream of delinquency, before a recoverable balance decays into one the market prices at pennies.

The evidence below draws on Federal Reserve, bureau, and peer-reviewed research through August 2026. Where Symend's own program data sharpens the point, we flag it.

**The averages will describe almost nobody
— whichever way the cycle turns.**

01 The K-shaped consumer: why every aggregate dashboard is wrong

The New York Fed's latest Household Debt and Credit Report reads like an all-clear. Total household debt slipped to \$18.8 trillion. The share of debt in serious delinquency fell from 2.91% to 2.57% year over year. Credit-card charge-offs at commercial banks declined from 4.19% to 3.82%.^{1,5} An executive skimming these numbers would conclude the consumer is fine.



Federal Reserve Bank of St. Louis, *On the Economy*, "The Broad, Continuing Rise in Delinquent US Credit Card Debt, Revisited," May 2025. Delinquency shares of people, by ZIP-income decile, Q1 2025. Levels, not growth: on a share-of-debt basis, delinquency has grown faster since 2022 in the highest-income ZIPs.

TransUnion's own read of the same period tells a different story, and its title gives the game away: the credit market is "increasingly splitting along a K-shaped path." Since 2019, the share of consumers scoring super prime has grown from 36.9% to 40.7% — fifteen million people moved up — while the prime and near-prime middle shrank. Meanwhile, non-mortgage debt-to-income rose 29 basis points for super prime consumers, 176 for near prime, and 143 for subprime — the largest additions landing on bases already close to three times as leveraged.⁶

The distributional data is starker still. In America's lowest-income ZIP-code decile, 17.9% of people with a credit card were 30 or more days past due in early 2025. In the highest decile, 6.0% were.⁷ The Fed's own well-being survey finds that only 21% of adults earning under \$25,000 could cover three months of expenses from savings, against 75% of those earning over \$100,000.⁸ Roughly a quarter of households now live paycheck to paycheck, and nearly all of the recent growth in that population came from lower-income households.⁹ Utility arrears reached approximately \$25 billion, with about one in six households behind.²

Even the headline delinquency data understates how misleading aggregates have become. The New York Fed spent part of this summer reconciling why two delinquency measures diverge, and found that the alarming one — the share of card balances 90 or more days past due — is inflated "almost entirely" by a reporting artifact: charged-off debt now lingers on credit files far longer than it used to (80% of charge-offs still reported a year later, versus 40% historically).¹⁰ The stock measure is too scary; the flow measure is too calm. Neither tells a credit or collections executive what is happening to which customers.

That is the practical point. A portfolio dashboard built on averages will report stability right up until the concentrated cohort inside it breaks. The stress is real, it is large, and it is invisible at the level of aggregation where most executive reporting lives. None of this is a crash call: flows into serious delinquency have been stable since 2024, and several stress measures have stopped worsening. The argument is about distribution, not direction — whichever way the cycle turns, the averages will describe almost nobody.

What this means for issuers: the first question to ask of any portfolio metric is no longer "what is the trend?" but "what is the distribution underneath the trend?"

02 Delinquency is a lagging indicator

By the time a customer appears in a 30-days-past-due queue, the event that put them there is old news. A Bank of Canada study of the full TransUnion Canada credit file found that mortgage holders begin drawing up their credit-card utilization roughly two years before their first missed mortgage payment, start missing payments on other products one to two years out, and deteriorate sharply in the final six months.¹¹ Delinquency is where financial distress ends up, long after it starts.

The leading indicators are behavioural, and they are visible to any issuer willing to look. A record 10.84% of active credit-card accounts at large US banks were making only the minimum payment at the end of 2025 — the highest share in the series' history, though it eased to 10.24% in early 2026.¹² The Consumer Financial Protection Bureau (CFPB) found that card utilization rises before consumers adopt buy-now-pay-later (BNPL) financing, making BNPL adoption itself a trailing marker of tightening cash flow — and 63% of BNPL borrowers hold multiple simultaneous BNPL loans, most of which remain invisible to mainstream credit files.¹³ When stress finally surfaces, it surfaces everywhere at once: among student-loan borrowers who defaulted in early 2026, 56% were simultaneously past due on a credit card and 40% on an auto loan.⁴

The Warning Layer Most Issuers Never Read

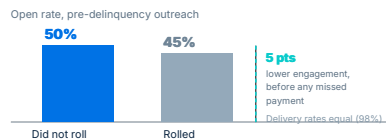


Bank of Canada, Staff Analytical Paper 2026-3, February 2026; TransUnion Canada credit data 2015–2024. Lead-time pattern treated as the transferable finding.

Notice what these signals have in common. Utilization creep, minimum-payment persistence, payment-hierarchy shifts, BNPL stacking — all are changes in behaviour, not changes in score, and all precede the delinquency event by months or years. An issuer whose intervention model triggers at 30 days past due has chosen to act on the oldest possible information.

There is a further signal layer that public research has not yet quantified: how customers engage before they miss a payment — whether they open statements, visit portals, respond to outreach, or go quiet. Practitioner experience says disengagement precedes default, but no Federal Reserve or bureau study yet puts a number on it. Symend's own program data puts a number on it: across 1.79 million pre-delinquency messages sent for a major North American bank, accounts that went on to roll opened at 45%, against 50% for accounts that stayed current, with delivery rates materially equal.

Disengagement Shows Up Before the Missed Payment



Symend program data, a major North American bank, pre-delinquency outreach, January 2024 to date: 1.79M messages sent, 1.75M delivered (97.8%), 875k opened. Accounts split by whether they subsequently rolled to the delinquency stage. Delivery rates materially equal across both groups, so the gap is behavioural rather than a deliverability artefact.

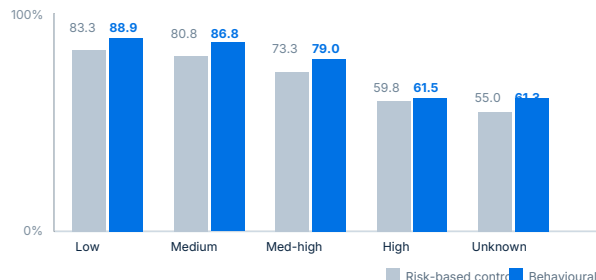
What this means for issuers: the data to see distress coming already sits inside the servicing stack. What is missing at most institutions is the instrumentation to read it and the operating model to act on it before the roll begins.

03 Why identical scores behave differently

The credit score is the industry's load-bearing segmentation tool, and it is carrying more weight than it can bear. Two findings make the point.

First, scores have migrated in ways that changed what a given number means. Federal Reserve researchers found that pandemic-era score migration alone added roughly five to six percentage points to measured subprime delinquency rates — borrowers who moved up the score distribution carried their old risk with them into new bands.¹⁴ TransUnion measured it directly: consumers who migrated to higher score tiers performed like borrowers about 25 points lower than their new score suggested.¹⁵ The middle of the distribution is meanwhile hollowing out — the 600–749 band shrank from 38.1% of consumers in 2021 to 33.8% in 2025 — and the average FICO score has posted its first multi-point decline in over a decade, driven partly by a reporting event (resumed student-loan delinquency reporting) rather than by any change in behaviour.¹⁶ When 3.6 million borrowers default in two quarters and their scores drop 91 points on a policy change, the score is describing the policy, not the person.⁴

Cure Rate by Risk Band: Risk vs. Behavioural Segmentation



Symend program data, a major North American bank, credit card portfolio, 2025. Control group ran legacy risk-based segmentation; treatment ran behavioural segmentation derived from a supervised machine-learning model. Results validated as statistically significant.

Second — and this is the deeper problem — the score was never designed to predict how a customer behaves under stress or treatment. It predicts default probability, coarsely and retrospectively. It says nothing about whether this customer responds to a payment plan or ignores it, self-serves at 11 p.m. or answers a 2 p.m. call, needs a reminder or needs a restructure. Peer-reviewed evidence now shows that 94% of mortgage defaults are triggered by cash-flow shocks and life events, and that 70% of all defaults trace to cash flow alone; strategic default, even among underwater borrowers, is rare.¹⁷ Most delinquency is an ability and timing problem. Yet score-band treatment waterfalls implicitly assume a willingness problem, and apply escalating pressure to customers who needed a different payment structure, not a sterner letter.

The natural experiment hiding in the BNPL data shows how much structure can matter. The Richmond Fed found that deep-subprime consumers — the same people showing double-digit card delinquency — repaid their BNPL instalments 96% of the time.¹⁸ Identical humans, identical scores, radically different outcomes, because small, paycheck-aligned instalments fit their cash flow and the product's friction was near zero. Autopay defaults, small balances, and the wish to keep access all played a part; none of them rescues the score as a predictor of who pays.

Friction compounds the same way in the other direction. A confusing statement, a portal that requires a password reset, a payment plan that takes three calls to establish — each is small alone; together, in our program experience, they convert recoverable customers into rolling balances.

What this means for issuers: two customers with the same score are not the same customer. Segmentation built on behavioural response — how people actually engage, pay, and react to treatment — is where cure-rate improvement now lives. Scores tell you whom to underwrite. They do not tell you how to treat.

04 The playbook: instrument, re-segment, move upstream

No public study runs prevention against collection head-to-head, but the components all point the same way. The Federal Trade Commission's canonical study of the debt-buying industry found charged-off debt sells for about four cents on the dollar — 7.9 cents when fresh, 3.1 cents at three to six years, 2.2 beyond that.¹⁹ Resale price is not recovery value, but it is the market's verdict on what an aged claim is worth, and the verdict is that every stage a balance rolls destroys most of what remains. Conversely, McKinsey's work on digital-first collections found pre-delinquency contact strategies cut charge-off losses 8% at a North American lender, with digital-first programs delivering 20–25% reductions in non-performing loans and customers reached digitally making 12% more payments than traditionally contacted ones.²⁰ The cheapest dollar to protect is the one that never rolls.

The response we recommend is a sequence, not a project.

First, instrument the early-warning layer. Utilization creep, minimum-payment persistence, engagement decay, payment-hierarchy shifts — these signals exist in every issuer's data today. Build the layer that reads them continuously, because you cannot intervene on what you cannot see. The next stress leg will show up in these signals before it shows up in the loss line.

Second, re-segment on behaviour. Replace score-band treatment waterfalls with segmentation built on behavioural response: how a customer engages, what resolves them, what backfires. Measure the program on cure rates and roll rates, never on contact volumes.

Third, move upstream. Shift budget and capability from post-delinquency collection toward pre-delinquency intervention. For most delinquent customers the problem is cash flow. They do not need pressure; they need a path — the right structure, offered with dignity, before the first missed payment. The BNPL repayment evidence shows the same consumer will perform when the structure fits.

A maturity curve, in other words: see earlier, treat smarter, act sooner. Each step compounds the last.

One caution as you build it. The instinct across the industry right now is to hand this entire problem to artificial intelligence — to assume that a sufficiently powerful model pointed at collections will fix it. It will not, for a reason this paper has already established: most of what exists in collections practice today is built on the wrong assumptions — lagging indicators, score-based segmentation, willingness framing. An engine is only as good as the map it is given. AI applied to an incomplete playbook automates the incompleteness. What the engine needs — and what separates the deployments that move portfolios from the many that stall — is the philosophy that steers it.

The Averages Are Lying What aggregate dashboards miss about consumer stress

That is the subject of the second paper in this series, "AI Is an Engine: why collections AI only works when a behavioural philosophy steers it," available alongside this paper at symend.com.

Endnotes

1. Federal Reserve Bank of New York, Quarterly Report on Household Debt and Credit, Q2 2026 (released 2026-08-11).

newyorkfed.org/newsevents/news/research/2026/20260811. Debt-service ratio: Federal Reserve Board, via FRED series TDSP — 11.16% of disposable income, Q1 2026, essentially flat for five quarters.

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4. Federal Reserve Bank of New York, Liberty Street Economics, "Federal Student Loan Defaults Return After Pandemic Pause," May 2026. Simultaneity measured at default, not lead time. Student-loan serious delinquency subsequently fell from 12.88% to 7.83% year over year (Q2 2026), partly mechanically as defaults left the delinquent stock.

5. Federal Reserve, charge-off rate on credit-card loans, all commercial banks (FRED series CORCCACBS), Q2 2026.

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7. Federal Reserve Bank of St. Louis, On the Economy, "The Broad, Continuing Rise in Delinquent US Credit Card Debt, Revisited," May 2025. Delinquency shares of people, by ZIP-income decile, Q1 2025. Levels, not growth: on a share-of-debt basis, delinquency has grown faster since 2022 in the highest-income ZIPs. The K describes where stress sits, not where it is spreading fastest.

8. Federal Reserve, Economic Well-Being of US Households in 2025 (SHED), published May 2026. The share able to cover a \$400 emergency was unchanged year over year.

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13. Consumer Financial Protection Bureau, BNPL borrower report, January 2025 (2021–2022 data).

14. Federal Reserve, FEDS Notes, "The Effects of Credit Score Migration on Subprime Auto Loan and Credit Card Delinquencies," January 2024.

15. TransUnion, "Score Migration Impact to the Credit Ecosystem," July 2023 (Q3 2021 pandemic-era cohort; the effect may have faded since). VantageScore disputes "score inflation" framing (June 2023); the claim here is about migration cohorts' performance, not a broken scale.

16. FICO, inaugural FICO Score Credit Insights Report, September 2025.

17. Ganong, P., and P. Noel, "Why Do Borrowers Default on Mortgages?" Quarterly Journal of Economics 138(2), 2023. Mortgage-specific; extension to other products is our inference.

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20. McKinsey & Company, "Holistic Customer Assistance Through Digital-First Collections," 2021. Consulting case data; pre-generative-AI.



About Symend

Symend is a **collection strategy platform** that has cured over 250 million delinquencies and recovered over \$50 billion in payments.

+10%

Recovery rate
improvement

−50%

Operational cost
reduction

10x

Return on
investment

Meet with our team for a tailored demo

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THE SYMEND PLATFORM

SymendCure

The debt recovery platform that combines behavioral science with AI to deliver deeply personalized engagement journeys — improving recovery rates while strengthening customer relationships.

SymendConverse

The same collection strategy extended to voice. Behavioral science-powered conversations that read each customer's situation and adapt in real time, so routine resolutions complete without a human and agents reach the accounts where they change the outcome.

SymendPrevent

Bill protection that keeps cured customers cured. Covers a customer's bill for up to six months in the event of job loss, disability, critical illness or death — protecting the relationship, not just the balance.