

The nCino Research Institute:

Credit Risk Report



A New Benchmark

The nCino Research Institute (nRI) is proud to present our Q3 2025 Credit Risk Report, a comprehensive quarterly analysis designed to provide financial institutions with unparalleled insights into consumer credit health across the United States.

In today's complex and rapidly evolving economic landscape, financial institutions need more than raw data—they need actionable intelligence that illuminates emerging trends and supports strategic decision-making. The Credit Risk Report addresses this need by delivering timely, data-driven insights on consumer credit behavior, delinquency patterns, and charge-off trends across various loan types and geographic regions.

The Credit Risk Report represents a cornerstone offering of the nCino Research Institute, available to members of nCino's Data Community. By combining anonymized data from over 1,356 financial institutions with analysis from our team of distinguished economists—led by Dr. Taylor D. Nadauld and featuring experts from institutions including MIT, Wharton, and the Swiss Finance Institute—we deliver intelligence that simply cannot be found elsewhere.

Highlights

- Aggregate consumer credit risk has increased over the past two years, peaking at an average national delinquency by state of 0.95% in December 2024 before tapering off slightly in the following months, settling at 0.76% in March 2025 and rising in again in the third quarter to 0.85%.
- Lower delinquency levels in both auto and credit card portfolios during 2025 have contributed to lower total portfolio delinquency levels compared with year end 2024.
- Average national auto loan and credit card delinquency rates now stand at 0.95% and 1.52%, respectively at September 30th.
- Subprime borrowers drive portfolio risk with delinquency rates of 8.22% for all auto loans and 9.04% for used auto loans—nearly 200x higher than exceptional credit borrowers (0.04-0.05%). Prime and super-prime segments remain stable below 0.40%, indicating credit stress is concentrated among financially vulnerable consumers rather than systemic across all borrowers.
- Used auto loans in subprime segments present compounded risk due to older collateral, faster depreciation, higher maintenance costs, and elevated interest rates. With unemployment at 4.3% and the BLS jobs revision revealing weaker employment than previously reported, subprime delinquencies are likely to remain elevated or worsen through 2026, particularly as negative equity situations intensify.
- National median net charge-offs reached 2.60% in Q3.

- Total delinquencies, led by credit card delinquencies, continue to be most concentrated in the South and Nevada, whereas auto delinquencies are spread out around the country.
- Charge-offs cluster in Nevada, Colorado, West Virginia, and the Midwest states of Michigan, Ohio, and Illinois.

These insights allow financial institutions to adjust risk management strategies to account for regional differences, anticipate potential shifts in portfolio performance, make informed decisions about lending policies and reserves, and benchmark their performance against national trends.

While total delinquency rates crept back up to 0.85% in September from the March low of 0.73%, they remain lower than 4Q2024 levels and still manageable. The higher delinquency rates compared with the 2020-2022 period are consistent with increased consumer debt levels over the same timeframe and likely reflect some of the economic headwinds consumers are experiencing.

Unemployment has risen to 4.3% as of August 31, 2025, compared with 3.8% on December 31, 2023, while the BLS revised job growth numbers downward by approximately 911,000 jobs, revealing that the labor market was considerably weaker than initially reported.

Sustained inflation continues to erode consumer purchasing power, forcing households to stretch budgets and potentially prioritize essential expenses, such as food, gas, and shelter, over debt payments. Tariff and trade policy headwinds create additional economic uncertainty and may contribute to higher consumer prices, further straining household finances. As households have taken on more debt—particularly in auto loans and credit cards—the absolute risk of delinquency naturally increases even if economic conditions remain stable.

About the nCino Sample

nCino analyzed loan-level data from a sample of 33,730,798 loans sourced directly from 1,356 participating financial institutions across all 50 states for the period January 2020–September 2025. The loan balance outstanding for Q3 2025 totaled \$671 billion.

Loans were analyzed by level of delinquency, with 30–59 days past due considered early delinquency, 60–89 considered mid-delinquency, and 90+ days past due considered severely delinquent.

Loans were segmented by product type and geographic region to allow for comparative analysis. Descriptive statistics were used to measure delinquency incidence and severity across time periods and categories. Trend analysis was applied to monitor changes in delinquency rates over time.

Data underwent standardization and quality checks to ensure consistency across institutions, including normalization of delinquency reporting standards.

While care was taken to normalize reporting standards and exclude outliers, the analysis does not capture modifications or forbearance agreements, which may understate the full extent of credit risk exposure.

Real disposable income has declined sharply since the peaks in 2020-2022, when most of the loans in the portfolio were originated, as stimulus effects faded and households experienced shrinking financial buffers, which likely contributed to the gradual deterioration in repayment performance.¹

Because delinquencies are a lagging indicator of consumer financial strength, the current data may not yet fully reflect the impact of recent economic deterioration. The weakening labor market, persistent inflation, and elevated debt levels will likely continue to pressure consumers in the coming months.

The national delinquency figure of 0.85% conceals significant geographic divergence, with state-level rates varying by more than 5x. Louisiana (1.54%) and Iowa (1.49%) lead the nation in total delinquencies, while Rhode Island, Connecticut, New Hampshire, Tennessee, and Idaho maintain remarkably low rates below 0.50%—less than one-third the rates of the highest-risk states.

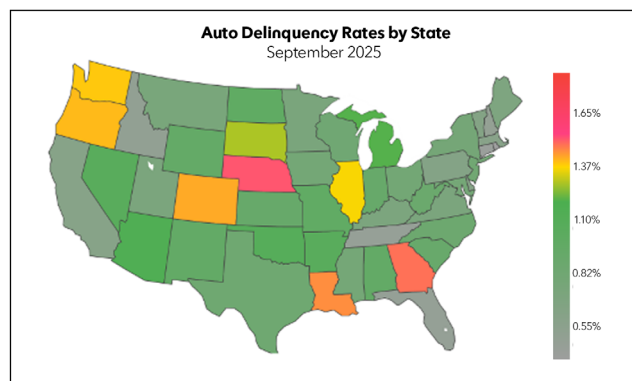
Auto Delinquencies

Auto delinquencies peaked at 1.09% in December 2024 before receding to 0.95% by quarter's end in September 2025. The current rate represents a meaningful increase over the 0.62% median delinquency rate reported in Q1 2023, reflecting both the normalization from pandemic-era lows and mounting consumer financial pressure.

Large increases in the real cost of autos in recent years have resulted in an increase in outstanding auto debt since Q1 2021 and an increase in the average loan balance at origination. Lenders continue to respond to price increases by offering longer maturity loans in an effort to keep monthly debt payments manageable.

The auto loan delinquency heat map reveals elevated delinquencies in the states of Colorado, Nebraska, Washington, Louisiana, and the District of Columbia. In contrast, the Intermountain West, Mid-Atlantic, and Northeast report muted delinquency rates.

Notable Trends (Mar to Sep 2025): The largest increases occurred in Alaska (+50.7%), Hawaii (+47.8%), and Connecticut (+32.5%), while North Carolina (-19.6%) and North Dakota (-14.5%) showed improvement. The sharp increases in Alaska and Hawaii may reflect regional economic pressures or seasonal employment patterns affecting these markets.



Auto Delinquencies by Credit Score: A Tale of Two Borrowers

The relationship between credit scores and delinquency rates reveals a dramatic divergence in portfolio risk, with subprime borrowers driving the vast majority of credit deterioration.

Poor Credit Borrowers Dominate Delinquency Risk

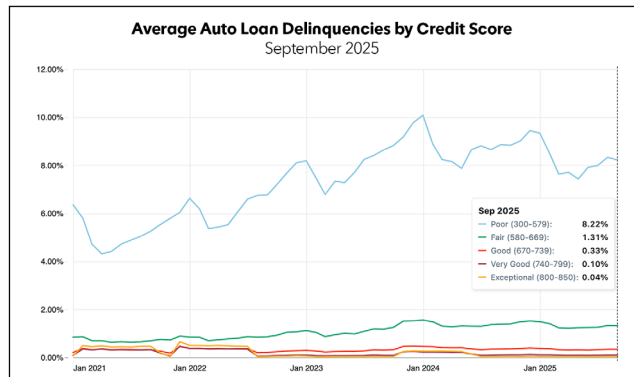
Borrowers with poor credit scores (300-579) registered 8.22% delinquency rates across all auto loans as of September 2025, with used auto loans showing even more acute stress at 9.04%—nearly 6x higher than fair credit borrowers and over 200x higher than exceptional credit borrowers. This segment has shown concerning volatility throughout the period, peaking at 11.1% in early 2024 before moderating to current levels. Despite the recent decline from peak levels, poor credit delinquencies remain elevated at roughly 9%, more than double the rates observed in early 2021 (4.5%).

Industry experts point to a perfect storm affecting subprime borrowers: elevated vehicle prices have pushed average loan amounts higher, while rising interest rates—particularly punishing for subprime borrowers who may face APRs of 15-20% or higher—have made monthly payments increasingly unmanageable.

Middle-Tier Performance Remains Stable

Fair credit borrowers (580-669) maintained relatively stable delinquency rates at 1.31% for all autos and 1.51% for used autos, showing a gradual increase from roughly 0.8% in 2021 but without the dramatic spikes seen in subprime segments. Good credit borrowers (670-739) perform significantly better at just 0.33% (all autos) and 0.40% (used autos), while very good (740-799) and exceptional (800-850) credit score holders maintain delinquency rates below 0.15%—essentially negligible levels that have remained flat throughout the economic cycle.

This stability in prime and super-prime segments is notable and suggests that the economic headwinds affecting consumers are having vastly different impacts based on financial resilience. Prime borrowers appear largely insulated from the pressures crushing subprime segments, creating a bifurcated market where aggregate statistics mask the true distress in vulnerable populations.



The Subprime Auto Lending Trap

The concentration of delinquencies in subprime segments reflects structural vulnerabilities in this market. Many subprime borrowers are taking out longer-term loans (60-84 months) to afford monthly payments, which increases both the risk of negative equity and the likelihood of default over the loan's life. When combined with higher depreciation on vehicles—especially used vehicles—and elevated loss severity in repossessions, subprime auto lending represents an increasingly risky proposition, especially as LTVs commonly exceed 100%.

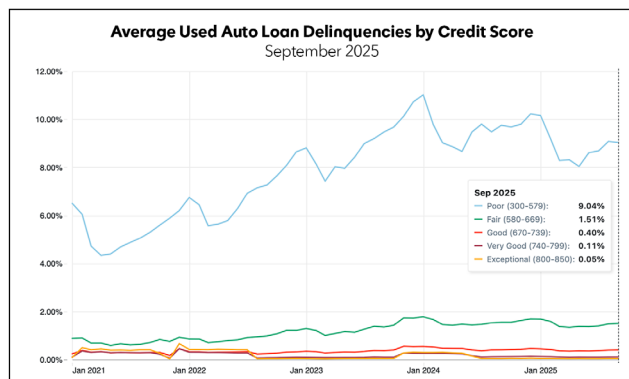
Recent data suggests that subprime delinquencies may worsen before they improve. The 911,000-job revision by the BLS indicates that employment was weaker than reported throughout much of 2024-2025, meaning subprime borrowers—who are most vulnerable to job loss—may have been under financial stress longer than initially understood. With unemployment at 4.3% and rising, and inflation continuing to erode purchasing power, subprime borrowers face limited options when choosing between car payments and essentials like food and rent.

Used Auto Loans: Amplified Risk in Subprime Segments

The consistently higher delinquency rates in used auto loans across all credit tiers, but especially in subprime segments, highlight the compounding risks in this market. Used vehicle borrowers face greater uncertainty about vehicle reliability and higher maintenance costs, which can trigger a financial cascade for borrowers already operating on thin margins. A \$1,000 repair bill can be the difference between staying current and falling into delinquency for a subprime borrower,

and used vehicles are far more likely to require such unexpected expenses.

Moreover, used auto loans typically carry higher interest rates than new auto loans, even within the same credit tier, further straining borrower finances. The combination of higher rates, older collateral with faster depreciation, and financially constrained borrowers creates a risk profile that requires particularly careful management.



Key Implications for Lenders

The data reveals that credit risk in auto lending is highly concentrated in subprime segments. While subprime borrowers represent a smaller portion of most portfolios, they account for a disproportionate share of credit losses. The 9.04% delinquency rate in the poor credit Used Auto segment, combined with higher loss severity typical in used auto loans, suggests that origination standards and pricing for subprime used auto loans require careful calibration.

Some lenders are already responding by tightening subprime underwriting standards or exiting the segment entirely, which could create a negative feedback loop: as credit becomes less available to subprime borrowers, those who do receive loans may be even riskier, further concentrating portfolio risk. This dynamic suggests that subprime auto delinquencies could remain elevated or potentially worsen through 2026, particularly if unemployment continues to rise or if the used car market softens further, trapping borrowers in negative equity situations.

The stability in prime and super-prime segments (good through exceptional credit scores) indicates that credit quality deterioration is not a systemic issue across all borrowers, but rather reflects specific stress among consumers who entered the auto lending market with already-compromised credit profiles. This concentration of risk suggests that portfolio performance will largely depend on the mix of credit scores at origination and the effectiveness of subprime underwriting standards.

The Subprime Bottom Line

Subprime auto lending, particularly in the used vehicle segment, is experiencing significant stress that stands in stark contrast to the stability in prime segments, suggesting a two-tiered market where financial hardship is concentrated among the most vulnerable consumers. The 9.04% delinquency rate for used auto loans in the subprime segment—compared to just 0.05% for exceptional credit borrowers—represents a nearly 200x difference in risk that underscores the critical importance of credit-based pricing and underwriting discipline.

Credit Cards

National median credit card delinquencies ended Q3 2025 at 1.52%, a decrease from 1.68% in January 2025 and well above the lower rates observed in 2020-2022. Similar to auto debt, the increase in credit card delinquency rates is also a reflection of substantial increases in outstanding credit card debt over recent years.

We expect credit card delinquencies to continue to be a hotspot in the credit landscape as consumers grapple with making payments on ballooning debt amid persistent inflation and elevated interest rates.

Relative Delinquency Rates by State

Delinquencies are highest in:

Louisiana (2.82%), Nevada (2.47%), Georgia (2.41%), New York (2.18%), Delaware (2.17%), North Carolina (2.13%), and Texas (2.07%)

In contrast, several states maintain strong credit card performance, with the lowest delinquency rates:

New Hampshire (0.83%), Maine (0.87%), Vermont (0.91%), Iowa (0.94%), and Tennessee (0.98%)

Net Charge-Offs

nCino data reveals a national median net charge off rate of 2.60%, an increase from the 0.22% and 0.14% in 1Q and 2Q 2025, respectively. The increased charge-off rate mirrors increased delinquency rates and will likely trend higher given the observed increases in delinquencies. The Upper Midwest states of North and South Dakota and Montana reported the lowest rates while the Southeast and Pacific regions of the U.S. report the largest, highlighted by a nation-leading 0.39% rate in North Carolina. The Upper Midwest states of North and South Dakota and Montana report the lowest rates.

Outlook for 2026

We anticipate that the following factors will continue to nudge delinquencies higher over the coming year:

- **Continued labor market softening:** As unemployment stabilizes at elevated levels or potentially increases further
- **Persistent inflationary pressures:** Ongoing erosion of real purchasing power
- **Debt service burden:** Growing challenge as interest rates remain elevated and debt levels stay high
- **Policy uncertainty:** Tariff and trade policy headwinds creating additional consumer anxiety
- **Normalization from pandemic support:** Continued adjustment as the effects of stimulus programs fully dissipate

What to Expect

nRI Quarterly Credit Risk Reports combine rigorous statistical analysis with expert economic interpretation to deliver:

- **Comprehensive Delinquency Tracking:** Monitor median delinquency rates across total portfolios (currently 0.85%), auto loans (0.95%), and credit cards (1.52%)
- **Multi-Year Trend Analysis:** Understand how current metrics compare to previous years and identify emerging patterns
- **Geographic Intelligence:** Visualize regional variations in credit risk with detailed heat maps revealing where delinquencies and charge-offs cluster, with unprecedented granularity
- **Economic Context:** Connect delinquency trends to broader economic factors including inflation, labor market dynamics, and consumer debt levels
- **Forward-Looking Assessments:** Gain insights into anticipated credit risk developments based on current economic indicators