



US Asset-Backed Securities

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SUMMARY

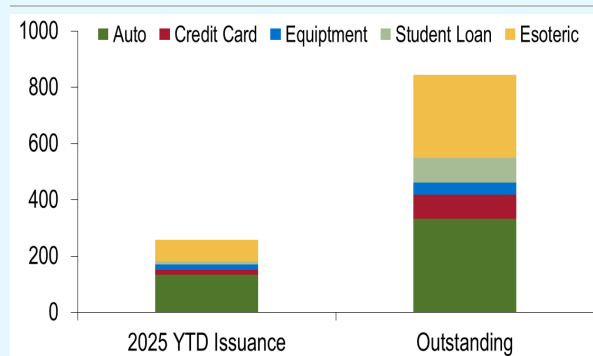
This special feature reports recent developments in select segments within the asset-backed securities markets (ABS) in the United States. The collapse of subprime auto lender Tricolor, and financial distress at auto parts supplier First Brands, raised questions about credit quality, fraud risk, and systemic transparency—key pillars of confidence in the ABS market. These events also highlighted how opaque financing structures can channel losses to banks and investors.

The US ABS market has experienced robust growth in 2025. Year-to-date issuance surged to \$358 billion, marking a 16.8% increase compared to the previous year. Trading activity also accelerated, with average daily volumes climbing 17% to \$2.15 billion, according to SIFMA. Auto ABS led the expansion, representing 34% of total issuance and reaching over \$123 billion (Figure 1). Despite the collapse of a subprime auto lender in early September, issuance in both prime and subprime auto segments remained resilient, totaling approximately \$9.7 billion and \$1.2 billion, respectively.

Investors seem to differentiate among the different segments of the market: Spreads across most ABS categories have remained steady, except for auto ABS (Figure 2). Over the past month, both prime and subprime auto spreads have widened, driven by a wave of negative consumer news and heightened investor scrutiny. This shift followed the collapse of Tricolor and First Brands, and weak earnings released by the largest used car retailer in the U.S. Among ABS segments, BBB-rated subprime auto tranches saw the sharpest movement, widening by 50 basis points over the past month. Third-quarter earnings reports from banks, highlighting improved credit performance in auto and credit card portfolios, eased investor concerns about systemic credit stress.

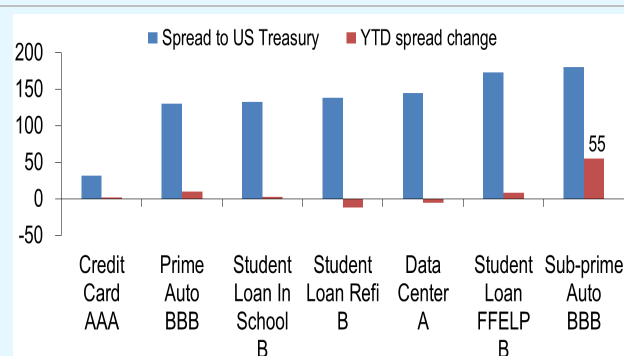
Similarly, collateral performance across ABS markets remained broadly stable. However, subprime auto segments have begun to show signs of credit deterioration. As of September 2025, 30-day-plus delinquencies in prime auto ABS held steady at 1.9%, while subprime auto loan delinquencies climbed to 16%, reflecting stress among lower-credit borrowers.

Figure 1. ABS Issuance and Outstanding
(in USD billions)



Source: Barclays Research.

Figure 2. ABS Spreads as of October 17, 2025
(in basis points)



Source: Bank of America Global Research.

Auto ABS Market Update

Subprime auto ABS spreads have widened over the past month, after auto-related credit stress in this segment.

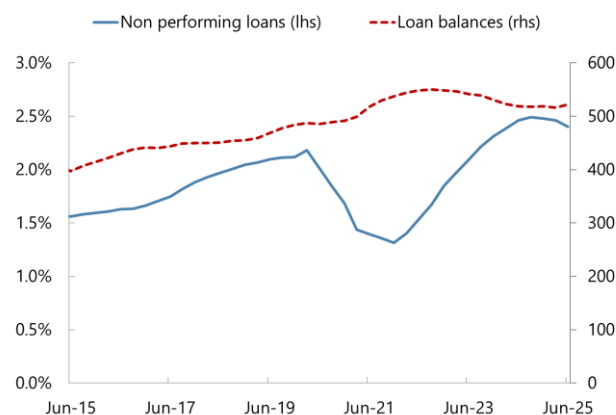
Figure 3. Auto ABS Spread History
(Basis points)

Type	Rating	Current Oct 10, 2025	Change vs.		
			One Week	One Month	One Year
Prime	AA	75	5	13	-5
	A	100	5	15	0
	BBB	130	5	15	-20
Subprime	AA	80	0	15	0
	A	120	5	30	20
	BBB	180	10	50	40

Source: Bank of America Global Research and IMF staff estimates.

Banks' nonperforming auto loans remain elevated but stable.

Figure 4. Banks' Auto Loans
(in USD billions and percent)



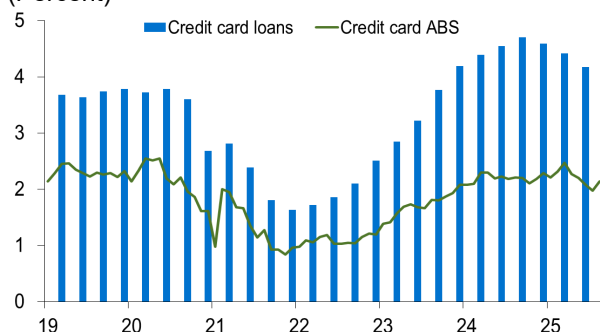
Sources: FDIC.

- The market is showing a clear divergence between prime and subprime segments—while recent events impacted the whole market, subprime A and BBB-rated ABS spreads widened the most over the past month (Figure 3).
- The collateral performance for prime auto loan ABS has been stable, with 30+ days past due delinquencies around 1.9% in September.
- In contrast, subprime auto loan ABS delinquencies have spiked, with 30+ day delinquency rates climbing to 16% in September—an increase of approximately 164 basis points year-over-year, according to Barclays Research. This deterioration was attributed to mounting economic pressures and weaker borrower profiles.
- Aggregate bank auto lending for new and used vehicles totaled \$523 billion in the second quarter of 2025, unchanged from a year ago. Nonperforming auto loans—defined as those 90 days past due or in nonaccrual status—remained elevated at 2.26% in the second quarter, though this marks an improvement from 2.50% a year earlier (Figure 4).

Credit Card ABS Market Update

Performance of ABS credit card loans remain stable and is better than that of banks

Figure 5. Credit Card Net Charge-off.
(Percent)



Source: FRED, and Bloomberg.

- Credit card ABS issuance reached an estimated \$18.4 billion year-to-date, with total outstanding of \$85 billion.
- The cost of credit associated with the difference in exposure between the bank's credit card portfolio and credit card ABS is 200 basis points lower, reflecting the higher quality of borrowers in securitized pools—an approach designed to uphold investor confidence and preserve high credit ratings (Figure 5).
- AAA-rated credit card ABS spreads are currently at 32 basis points and have remained stable over the past two months. In contrast to auto subprime ABS, which were impacted by recent credit events.

Data Center ABS

Data center ABS spreads have tightened over the past year due to investor demand for hyperscale deals.

Figure 6. Data Center ABS Spread History Basis points

Type	Rating	Current Oct 10, 2025	Change vs.		
			One Week	One Month	One Year
Data Center	A	145	5	0	-55

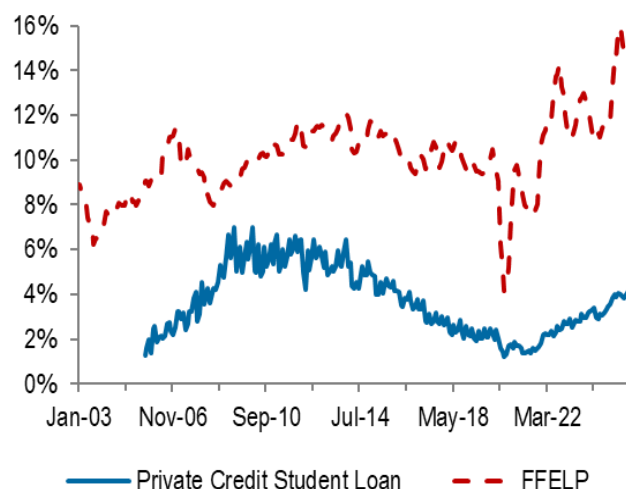
Source: Bank of America Global Research and IMF staff estimates.

- Data center securitization issuance continues to grow due to continued digitization of the economy and proliferation of AI. Both the ABS and CMBS markets have financed data centers.
- For data center securitization investors, obsolescence risk is key given the rapid advancement in the technology required to operate data centers. The ABS market funds a range of data center types (wholesale, retail, hybrid) with multiple tenants, while the CMBS market has primarily funded hyperscale infrastructure (large facilities designed to support large-scale IT infrastructure).
- ABS data center securitization is done in a Master Trust format, which allows for active management of the collateral, including substitutions.
- Data center ABS issued total was \$11 billion across 23 deals and data center CMBS issued totaled \$8 billion so far in 2025, according to Bank of America and JPMorgan Research. An estimated \$30-\$40 billion in ABS and CMBS issuance is expected between 2026 and 2027. Data center single-A ABS has widened by 5 bps from a month ago, and traded at 140 bps, above similarly rated subprime auto ABS (Figure 6).

Student Loan ABS Market Update

Delinquencies for private credit student ABS are more stable than for federal student loan ABS, though they are also inching up.

Figure 7. Student Loan ABS Delinquencies (30+ Days) (Percent)



Source: JPMorgan

- Student loan (SL) ABS has been in focus among market participants, with investors looking for signs of distress within a segment that sees \$1.64 trillion debt outstanding. Delinquencies 90 days + for student loans shot up between Q4 2024 and Q2 2025 by 12.08 ppts, as missed federal student loan payments not previously reported to credit bureaus are now appearing (Figure 8).
- Despite the rise in student loan delinquencies, analysts expect the impact on SL ABS may be minimal, given the differing credit risk profiles of the underlying collateral backing the pools (Figure 7). Some analysts point to personal loan ABS (e.g., buy now pay later) as being more impacted by deteriorating credit scores from missed student loan payments.
- Federally backed Federal Family Education Loan Program (FFELP) ABS spreads have remained relatively unchanged recently, while spreads for private credit ABS (student loans originated by private lenders like Sallie Mae) have widened modestly by 5 basis points, according to JPMorgan research. Nonetheless, analysts note that the latter has maintained more consistent underwriting conditions, with a focus on prime borrowers and lower delinquency rates, though they are also inching up.

Student loan delinquencies have jumped from the end of 2024 to Q2 2025.

Figure 8. Consumer Loan Delinquencies (90+ Days) (Percent)

Flow into Serious Delinquency (90 days +)			
	Q2 2024	Q2 2025	Change
Student Loan Debt	0.80%	12.88%	12.08%
Credit Card Debt	7.18%	6.93%	-0.25%
Other	5.42%	5.42%	0.00%
Auto Loan Debt	2.88%	2.93%	0.05%
Mortgage Debt	0.95%	1.29%	0.34%
Home Equity Line of Credit	0.51%	1.15%	0.64%
ALL	1.59%	2.91%	1.32%

Source: FRBNY

- FFELP ABS, despite experiencing a jump in delinquencies, is guaranteed by the federal government against credit losses (about 97%), with defaults resulting in involuntary prepayments. No recent new issuance and a long-term investor base also likely contribute to contained spreads.