Research paper · MM-2026-002 · Version 1.0 · Written February 21, 2026 · Published November 2, 2026

# Unsecured Consumer Credit as the Most Probable Origin of the Next U.S. Financial Crisis

Estimative assessment by Jenny Moya

> This assessment was written on February 21, 2026, as part of graduate coursework in intelligence studies, and draws on sources published in 2022 and 2023. Figures have not been updated and should be read as of those dates. For 2026 data on credit card balances and buy now, pay later credit, see Performative Consumption (MM-2026-001).

## Key Judgment

Applying structured analytic techniques including Key Assumptions Check, Analysis of Competing Hypotheses, and scenario-based evaluation, this assessment finds it likely (approximately 60–70 percent probability) that the next major U.S. financial crisis will originate in unsecured consumer credit markets rather than housing. There is a credible possibility that contagion could approach the pace of 2008, although through a different transmission mechanism.

Probability terms are used consistent with intelligence community estimative standards, where “likely” reflects greater than even probability but not near certainty. Overall confidence is moderate, given continued labor market resilience and potential policy intervention.

This judgment is based on elevated revolving balances, rising delinquency trajectories, increasing auto repossessions, historically high interest burdens, expanded access to unsecured credit, and behavioral evidence of shortened financial planning horizons. Collectively, these developments align more closely with the unsecured credit hypothesis than with competing explanations.

## Avoiding Mirror Imaging of 2008

The collapse of Lehman Brothers in 2008 remains the dominant reference point for systemic crisis. However, Heuer and Pherson (2015) caution against anchoring on prior cases and assuming future crises will replicate past patterns. Mortgage underwriting standards and bank capital levels are stronger than pre-2008 conditions (Board of Governors of the Federal Reserve System, 2023b), reducing the likelihood that housing will serve as the primary trigger. Current evidence suggests risk has migrated toward sectors where repayment sensitivity is rising more rapidly, particularly unsecured consumer credit.

## Converging Indicators of Consumer Credit Vulnerability

### Revolving Credit and Delinquency Trends

Credit card balances have surpassed $1 trillion (Federal Reserve Bank of New York, 2023). When debt growth outpaces income, households become more sensitive to economic shocks. Rising 30-, 60-, and 90-day delinquencies indicate increasing repayment strain. Sustained delinquency growth is likely to translate into higher charge-offs and tighter lending conditions, increasing systemic sensitivity.

### Auto Repossessions

Auto loan delinquencies have risen, particularly among subprime borrowers. Because vehicles depreciate rapidly, recovery values are limited, accelerating realized losses (Cox Automotive, 2023). Rising repossessions therefore function as an early indicator of financial stress.

If these trends persist, lender risk tolerance will likely decline, amplifying vulnerability among leveraged households.

### Elevated Interest Rates and Credit Access

Interest rate increases by the Federal Reserve have pushed average credit card APRs above 20 percent (Board of Governors of the Federal Reserve System, 2023a), reducing repayment flexibility.

At the same time, unsecured credit remains widely accessible through digital platforms and alternative lending products (Consumer Financial Protection Bureau, 2022). High interest burdens combined with broad access increase the probability that repayment stress could propagate across institutions.

### Behavioral Compression of Financial Horizons

Consumer sentiment data reflect uncertainty regarding long-term financial stability (University of Michigan, 2023). When households perceive instability, planning horizons shorten and immediate obligations are prioritized.

When high leverage, elevated interest rates, and compressed planning intersect, default probability increases, reinforcing systemic vulnerability.

## Structured Analytic Techniques Applied

Consistent with Heuer and Pherson’s (2015) emphasis on structured reasoning to mitigate cognitive bias, this assessment applied Key Assumptions Check, Analysis of Competing Hypotheses, and Multiple Scenario Generation.

A Key Assumptions Check identified three premises: that low unemployment ensures repayment stability, that post-2008 capitalization prevents contagion, and that dispersed consumer debt cannot generate concentrated stress. Each appears vulnerable if delinquency trends broaden beyond subprime segments.

Analysis of Competing Hypotheses evaluated three alternatives: unsecured consumer credit as the origin, commercial real estate as the origin, or no major disruption. Current evidence aligns most consistently with broad-based stress in unsecured credit markets.

Scenario generation further clarified potential trajectories. One scenario involves stabilization of delinquency growth and reduced risk. A second involves persistent elevated rates and deteriorating repayment performance, increasing crisis probability. A third involves external economic shock accelerating contagion. Present conditions most closely align with the second scenario.

Because estimative analysis is probabilistic, this judgment remains contingent on evolving repayment performance. Sustained increases in serious delinquencies and tighter lending standards would increase confidence in escalation, while stabilization would reduce it.

## Conclusion: Migration of Systemic Vulnerability

Systemic financial risk has likely migrated from mortgage leverage to unsecured consumer credit exposure. Rising balances, upward-trending delinquencies, increasing repossessions, elevated interest burdens, and broad credit access reinforce the assessment that unsecured consumer credit markets are the most probable origin of the next U.S. financial crisis.

Confidence remains moderate and subject to reassessment. While crisis is not inevitable, current trajectories indicate unsecured consumer credit represents the most likely ignition point of the next systemic disruption.

## References


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## Cite this paper


Moya, J. (2026). Unsecured consumer credit as the most probable origin of the next U.S. financial crisis (MM-2026-002). Moya & Moya Research and Consulting. https://moya.money/research/unsecured-consumer-credit/



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