



Track Twists to Consumer Debt Prioritization

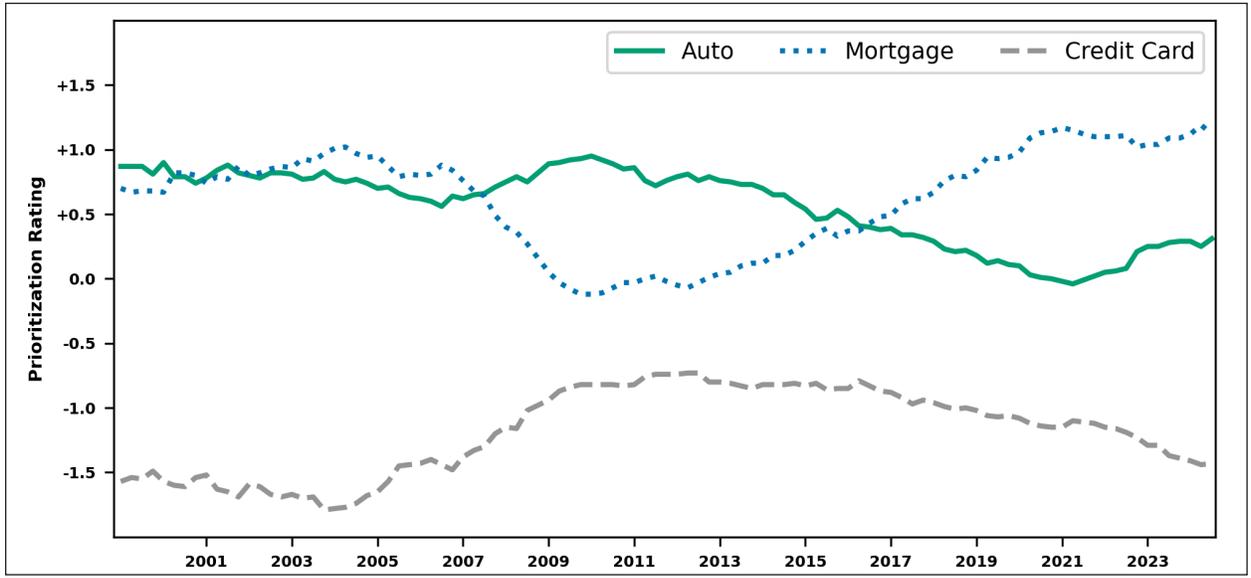
Consumer payment priorities are getting more complicated. Recurring and rising bills and debts, such as electricity charges and mobile plan payments, are joining more traditional consumer debt types (mortgage, credit cards, auto loans), in competing on strained household budgets. This should have implications on the underwriting and relative value of a broad range of segments such as [device payment ABS](#) and [ratepayer securitization](#), as well as the mainstream card, auto, and resi transactions.¹

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Household debt prioritization has been surprisingly dynamic even across the narrow set of core debt categories. Mortgage, auto, and credit card prioritization fluctuated quite a bit, based on Federal Reserve data (Figure 1). Unsecured credit card debt expectedly has the lowest priority, according to the Fed’s calculations. But mortgage and auto debt priority measures crisscross over time, potentially reflecting trends in home equity values or auto prices. Now rapidly rising electricity prices, or pricier smartphones because chip demand is outstripping supply, can introduce new dynamics into consumer priorities.

Figure 1. Debt Prioritization Over Time



Source: New York Fed Consumer Credit Panel, Equifax, and Academy Securities

¹ “Device Payment ABS: Expect Stable Performance as Collateral Evolves,” Securitized Products Special Topics, Academy Securities, October 26, 2023; “Utility Rates: Rising Bills Can Bolster RRB Deals,” Securitized Products Special Topics, Academy Securities, July 21, 2025

Payment Priorities: Mobile and Electricity Bills Upend Consumer Waterfalls

Deal Sponsor Disconnection Practices Spur Payments

Service providers’ disconnection practices can drive consumer payment priorities. For example, disconnecting service is a key servicing technique that wireless service firms employ with delinquent borrowers. As a result, handset receivables are benefitting from obligors’ high payment priority, according to rating agencies. Because the device payment and the service fee are included in the same monthly customer bill, servicers likely can quickly mitigate failures to pay.

We see some differences in disconnection practices across device payment plan (DPP) ABS issuers. Verizon disconnects service between 43 and 46 days, on average, after an account is suspended, based on deal documents (Figure 2). T-Mobile usually disconnects 35 days after suspension. Interestingly, Verizon may also resolve past due balances of an obligor using the credit card or debit card used in the original device order transaction. Verizon kicked off this practice in early 2022.

Figure 2. Select Disconnection Practices

	Service Type	Disconnection Practices	Sample Deal
Verizon	Device payment plans	<ul style="list-style-type: none"> Service is disconnected on average between 43 days and 46 days after an account is suspended Beginning April 13, 2022, following collection efforts and service disconnection, Verizon Wireless reserves the right to resolve past due balances of an obligor using the credit card or debit card, if any, designated by such obligor during the related original device order transaction 	VZMT 2025-9/10, \$1.3 billion
T-Mobile	Equipment installment plans	<ul style="list-style-type: none"> Contacting customers via e-mail, text message, phone calls to their wireless device and mail service Following up with customers to notify them of a pending service interruption Redirecting outgoing calls from the customer’s mobile device to a collections representative while also suspending the related data plan if the device is a smartphone Following up with customers to notify them of pending suspension of the related account Suspending the account (service is usually disconnected 35 days after suspension) 	TMUST 2025-2, \$561.3 million
Duke Energy Carolinas	Electricity	<ul style="list-style-type: none"> Bills are due 25 calendar days after the issue date at which time they are considered delinquent Delinquent customers are sent an “important notice” to encourage payment within 7 business days Accounts become eligible for disconnect after the passage of these 7 business days Disconnect orders are issued after the 7 business day period and are executed within 7 business days 	Duke Energy Carolinas SC Storm Funding, \$561.4 million
CenterPoint Energy Houston Electric	Electricity	<ul style="list-style-type: none"> Any non-paying residential or small non-residential retail customers are subject to disconnection Texas statutory requirements and the rules and regulations of the PUCT regulate and control the right of to disconnect service Retail electric provider generally cannot terminate service to a retail customer (1) on a holiday or weekend day or the day immediately preceding a holiday or weekend, (2) during certain extreme weather conditions, (3) if such disconnection would cause a person to become seriously ill or more seriously ill, (4) if such customer is an energy assistance client under certain circumstances, or (5) if such customer is a master-metered apartment complex unless certain notices are given 	CenterPoint Energy Restoration Bond Company II, \$401.5 million

Source: Deal documents and Academy Securities

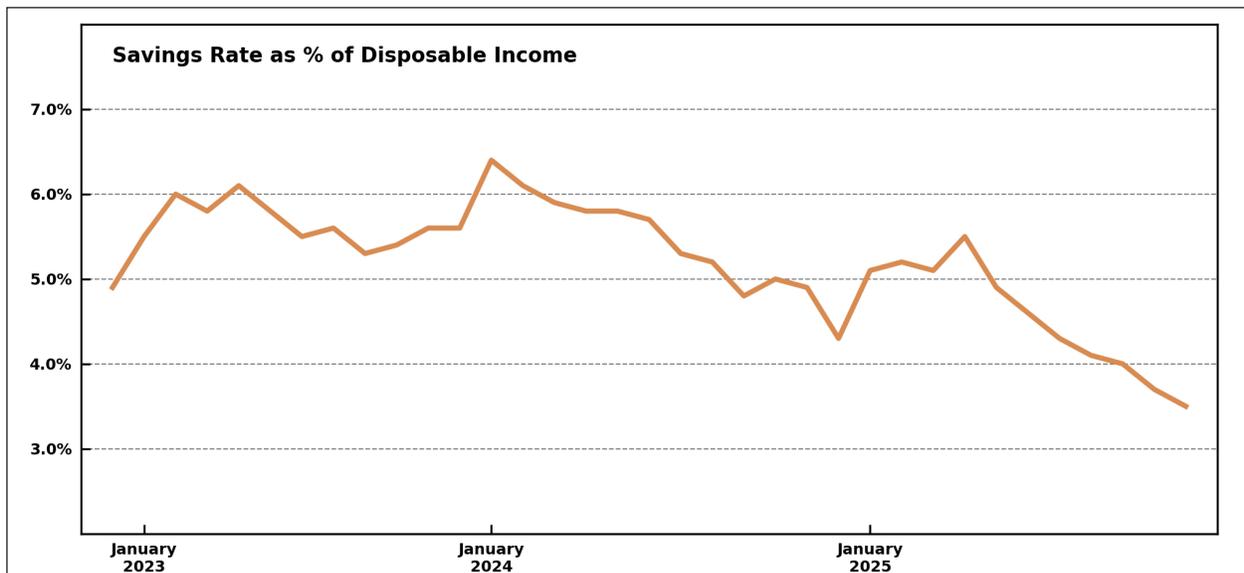
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In turn, the possibility of electricity service disconnection likely remains a powerful incentive for ratepayers to stay current on their electric bills. To be sure, we find varying and nuanced disconnection practices across utilities, based ratepayer securitization deal documents. For example, Duke Energy Carolinas sends delinquent customers “important notice” to encourage payment within seven business days. Accounts become eligible for disconnect after this period. Disconnect orders are issued and executed within another seven business days. About 0.63% of total billed retail revenue became eligible for disconnect in 2024, and 70% was disconnected. Approximately 71% of the accounts disconnected for nonpayment ultimately make full payment and have service restored.

Utilities do cite limits on their ability to terminate service. This could make it more difficult to collect charges that back ratepayer securitization deals. For example, CenterPoint Energy Houston Electric has a long list of restrictions on service terminations, that Texas statues and the Public Utility Commission of Texas impose. But many of these restrictions appear related to hardships, extreme weather conditions, or other unique situations. As such, we believe the limits on disconnecting delinquent ratepayers may temporarily affect consumer debt priorities. But the limits should not permanently alter the high priority consumers place on paying their electric bills.

Still, as the so-called “affordability crisis” takes center stage, and the personal saving rate recently has been sliding, traditional credit models may no longer fully reflect how distressed borrowers behave, according to credit-counseling agencies (Figure 3). Borrowers may fall behind on their utility bills, while staying current on revolving credit, as consumers prioritize access to such credit. Affordability proposals may also impact consumer priorities. Legislators, governors, public utility commissions, and other stakeholders are urgently focused on rapidly rising consumer electric bills, as we recently [discussed](#).²

Figure 3. Personal Saving Rate



Source: FRED and Academy Securities

² “Stranded Assets: Intertwining Power Plants and Data Centers Performance,” Securitized Products Special Topics, Academy Securities, February 5, 2026

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