



# Q1 2019 Financial Services Industry Insights Report

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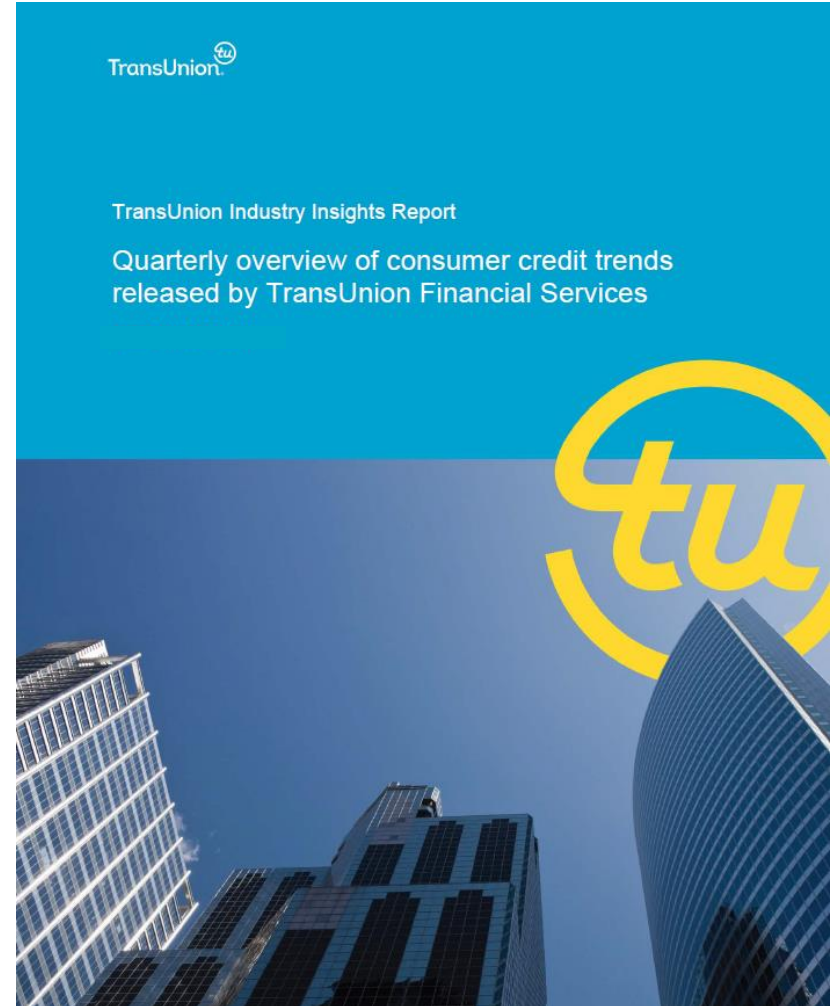




# TransUnion's Industry Insights Report is a quarterly overview summarizing trends within the consumer lending industry

Data pulled from TransUnion's consumer credit database includes:

- Both **account-level** and **consumer-level** views of key metrics and trends
- Data and trends for the national population, as well as breakdowns within consumer credit score risk tiers
- Analysis of consumer loan product types — **credit card, auto, mortgage, home equity line of credit and personal loan** — as well as aggregate views of all **revolving** and all **non-revolving** loans





## Today's agenda

### Market Overview & Insights

- Consumer overview
- Credit card
- Auto loans & leases
- Mortgage & HELOC
- Unsecured personal loans

### Today's Special Focus

#### **Private label/Retail card:**

What are the recent trends in private label and retail?



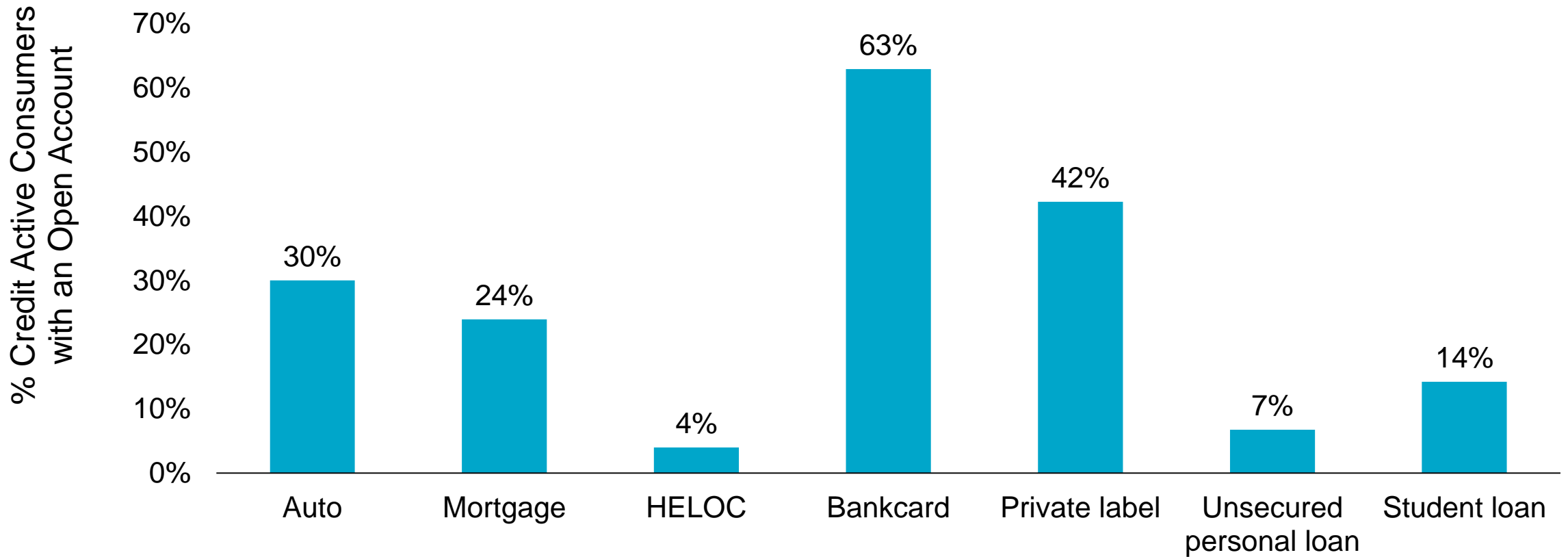
## **Consumer Credit Overview**

A cross-wallet perspective of consumer credit activity



# Credit cards remain the most popular product

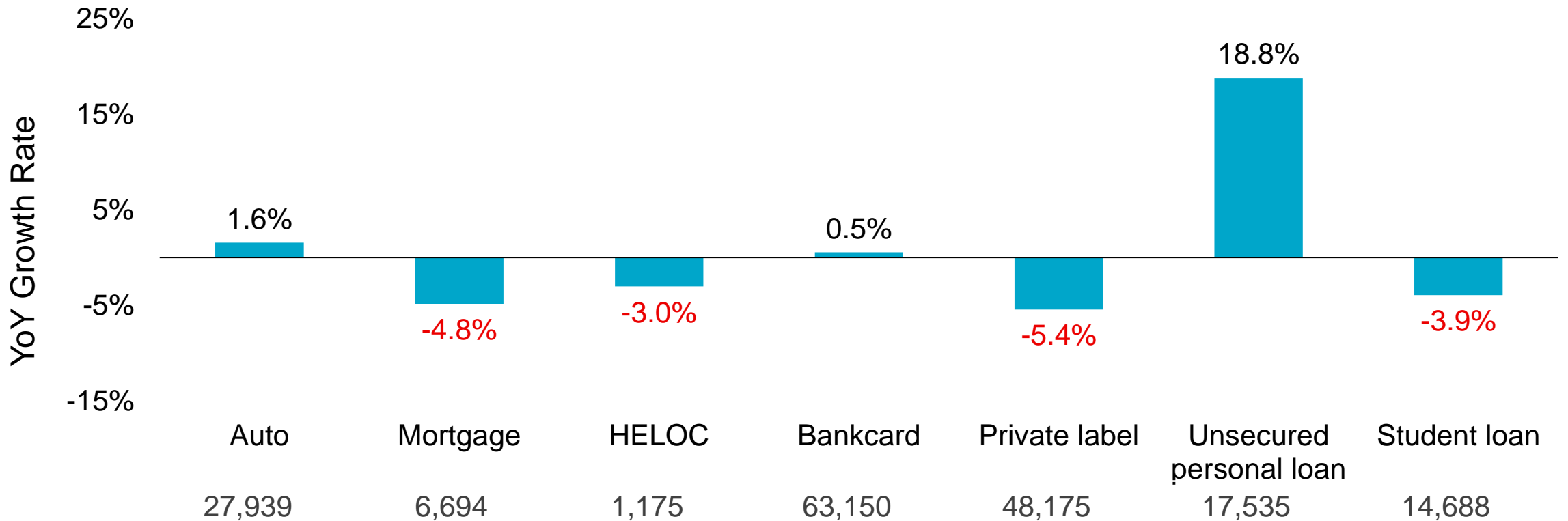
Q1 2019 Product Penetration





# Origination growth slowed outside of consumer lending

## 2018 Origination Growth



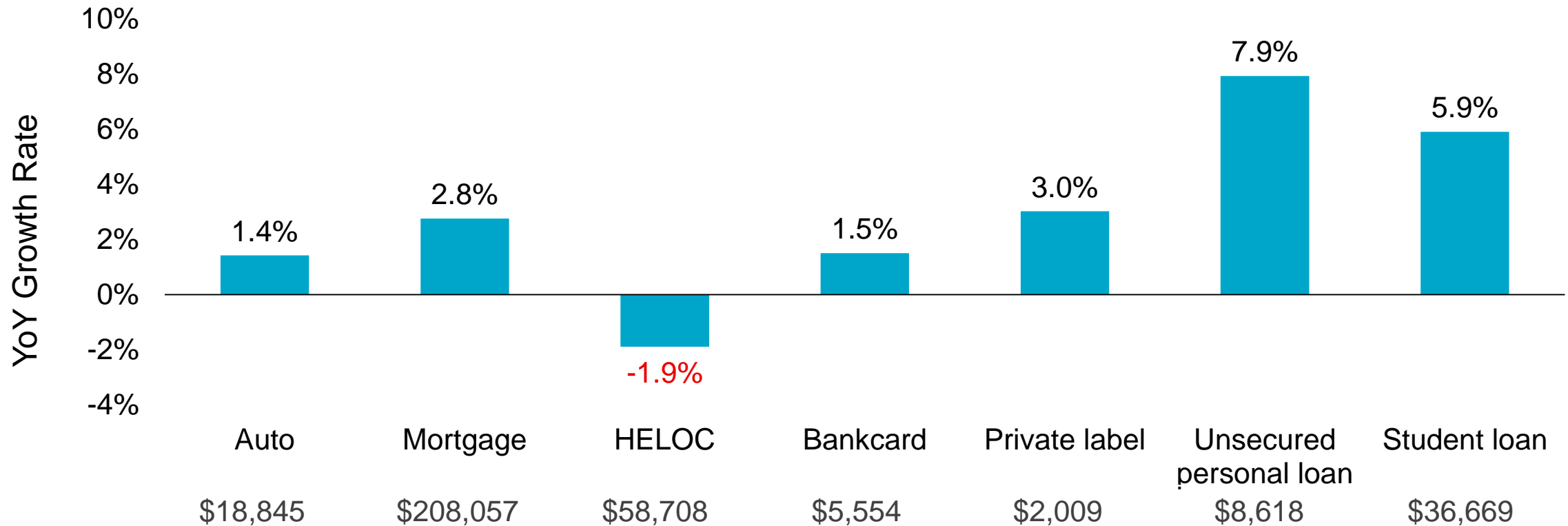
27,939      6,694      1,175      63,150      48,175      17,535      14,688

Originations by Product (K)



# Given increased costs in major goods and services, average balances are increasing as expected

## Q1 2019 Average Consumer Balance Growth

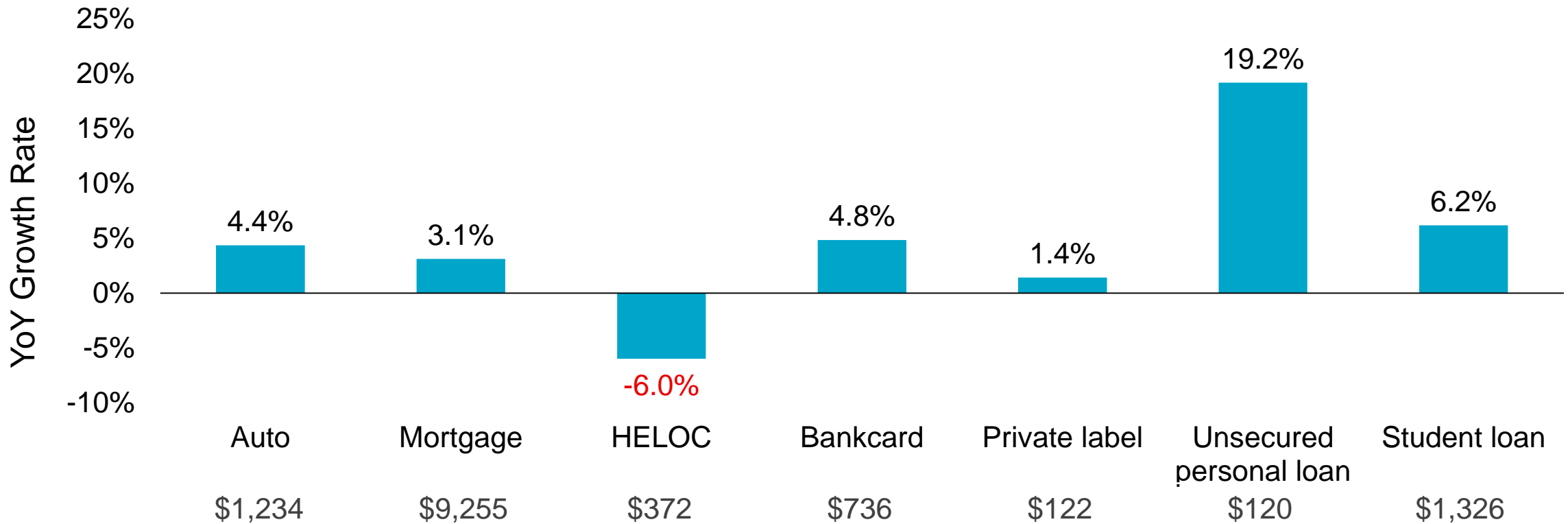


Average Balance per Consumer by Product



# Balances grew across most lines and loans

## Q1 2019 Balance Growth

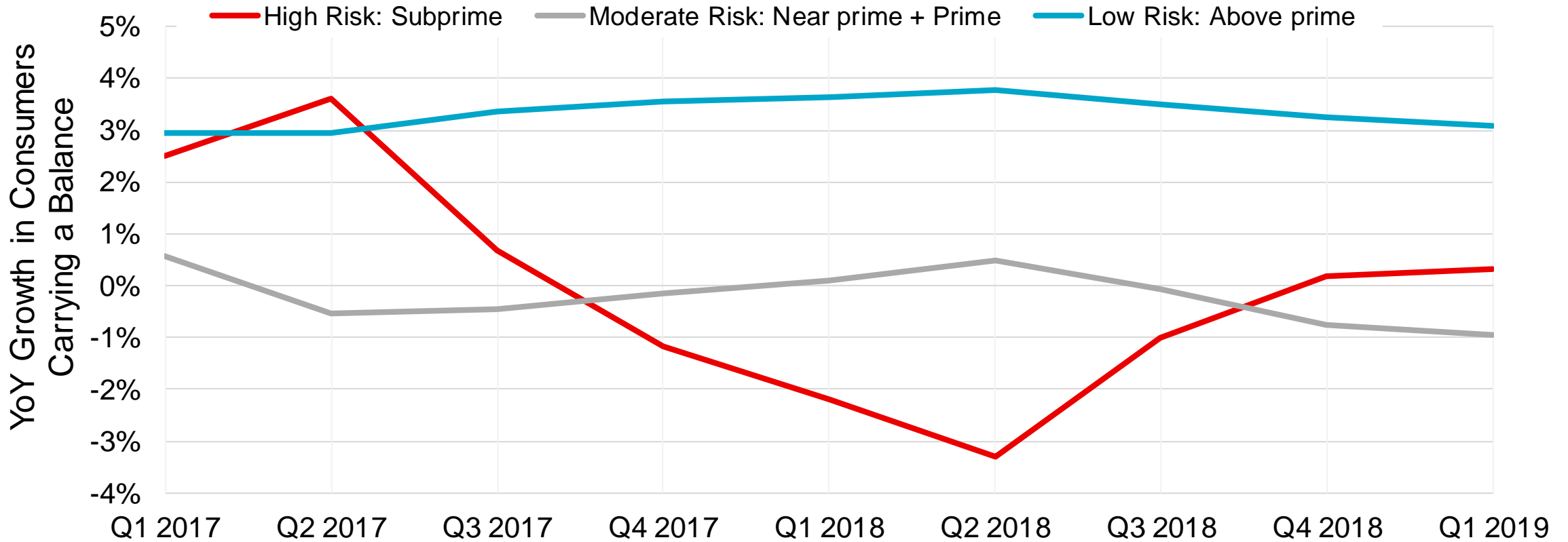


Total Balances by Product (B)



# Increased credit participation was driven by lower-risk borrowers

## Consumer Credit Participation Growth

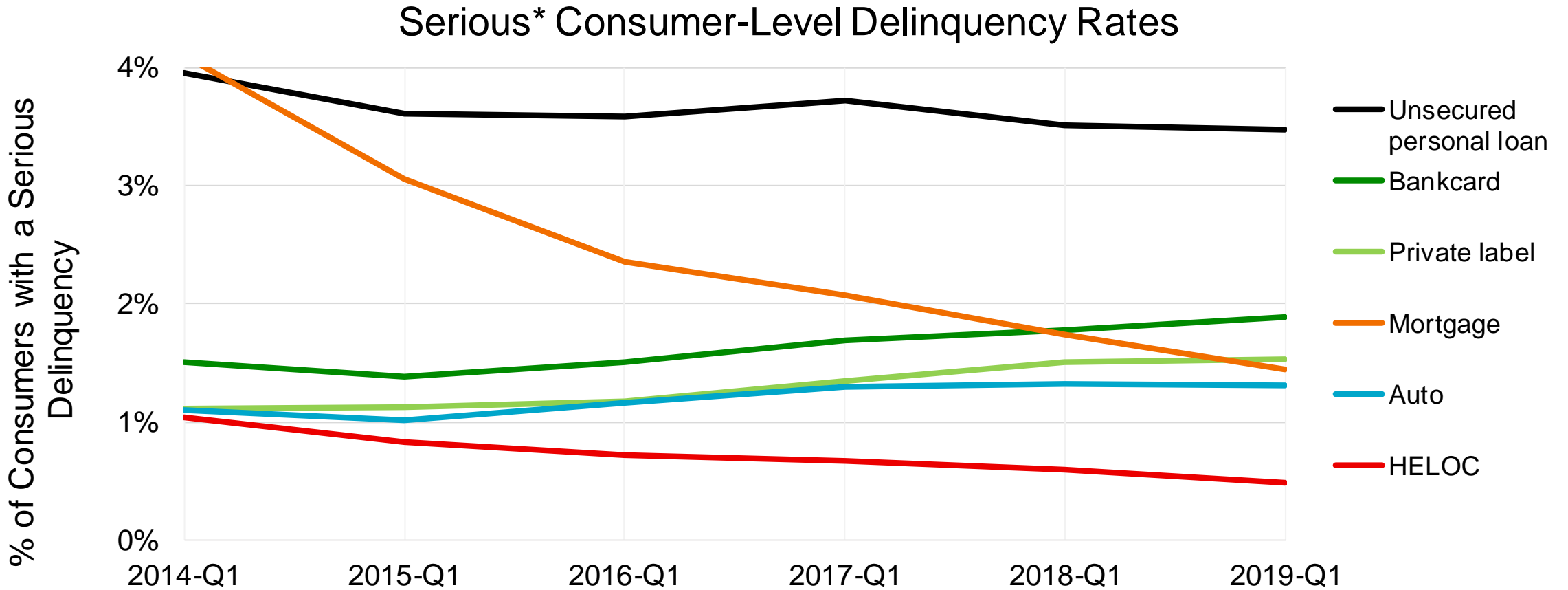


VantageScore® 3.0 risk ranges

Subprime = 300–600; Near prime = 601–660; Prime = 661–720; Prime plus = 721–780; Super prime = 781–850



# Delinquency remains low in spite of an uptick in card and auto



\*Seriously delinquent considered as 90+DPD for card, 60+ DPD for all other products



## In summary:

Originations have slowed outside of unsecured personal loans, card, and auto

Average consumer-level balances and total balances increased for all products except HELOC

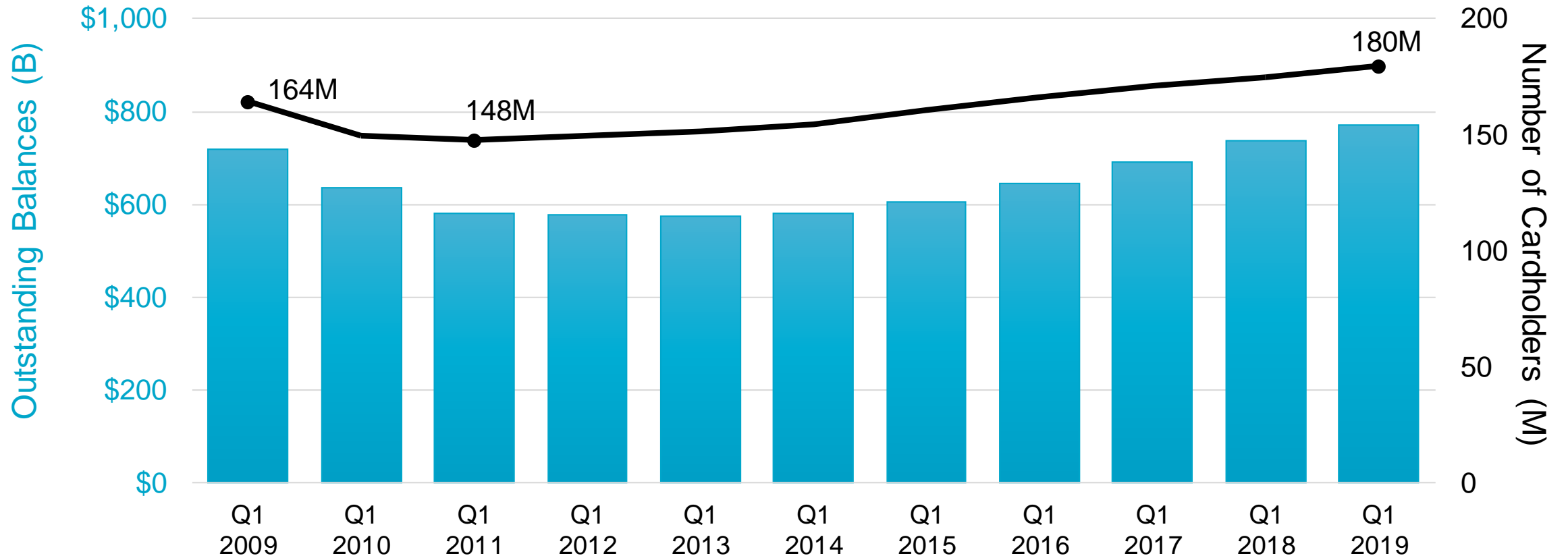
Delinquency remains low in spite of an uptick in card and auto

Bankcard



# A record high of 180M cardholders propelled balance growth

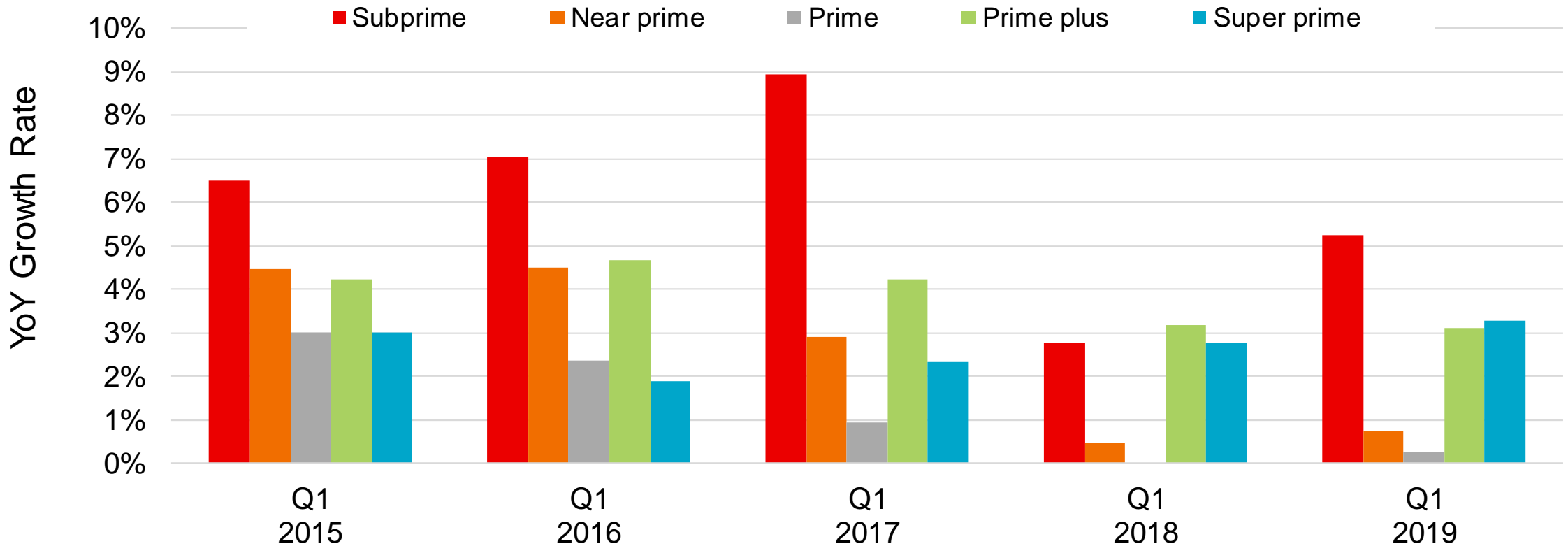
## Total Bankcard Balances and Cardholders





# Cardholder growth reflected a straddle pattern across tiers

## Growth in Bankcard Access



VantageScore® 3.0 risk ranges

Subprime = 300–600; Near prime = 601–660; Prime = 661–720; Prime plus = 721–780; Super prime = 781–850

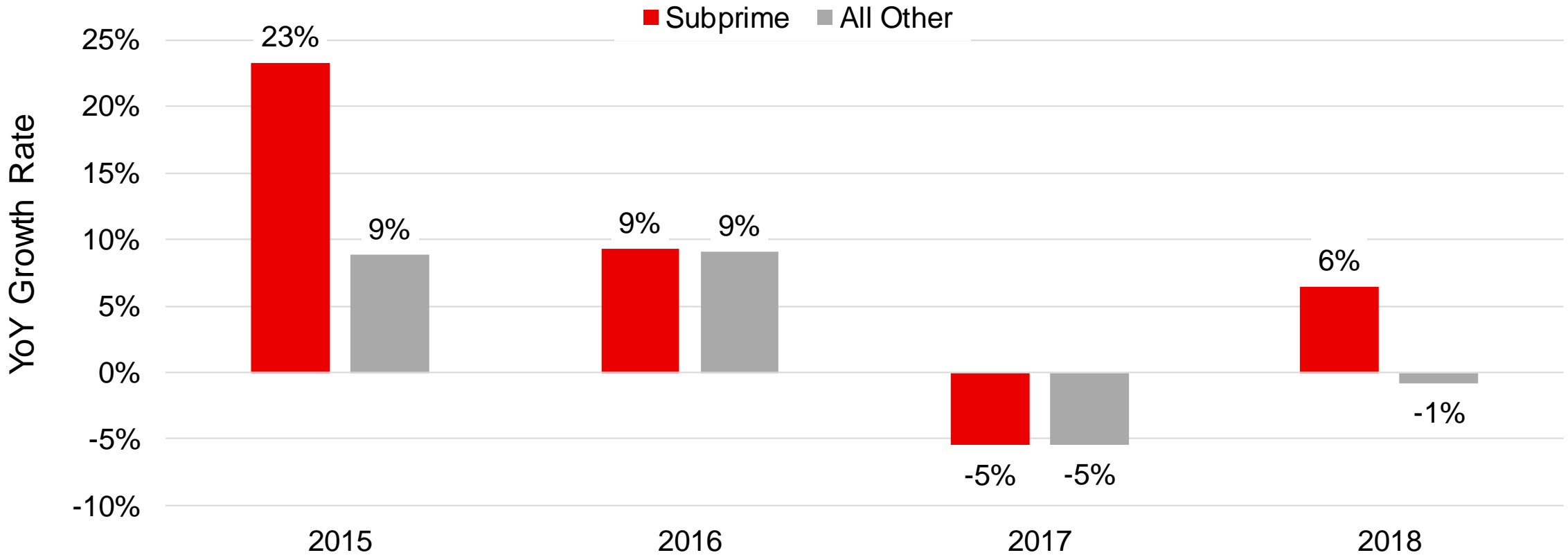


Source: TransUnion consumer credit database

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# Subprime origination growth strengthened in 2018

## Growth in Annual Bankcard Originations



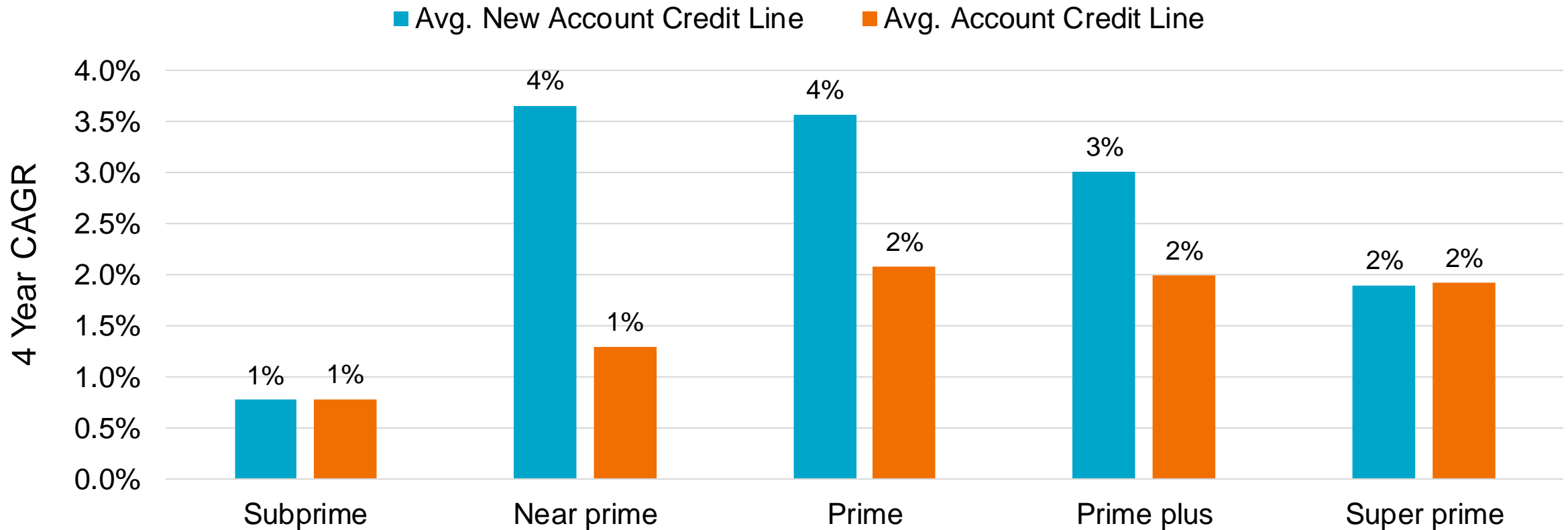
VantageScore® 3.0 risk ranges

Subprime = 300–600; Near prime = 601–660; Prime = 661–720; Prime plus = 721–780; Super prime = 781–850



# Average new bankcard credit lines for mid-tiers exceeded increases in average credit lines as issuers respond to a competitive market

## Growth in Average Bankcard Credit Lines from Q4 2014 - Q4 2018



VantageScore® 3.0 risk ranges

Subprime = 300–600; Near prime = 601–660; Prime = 661–720; Prime plus = 721–780; Super prime = 781–850



Source: TransUnion consumer credit database

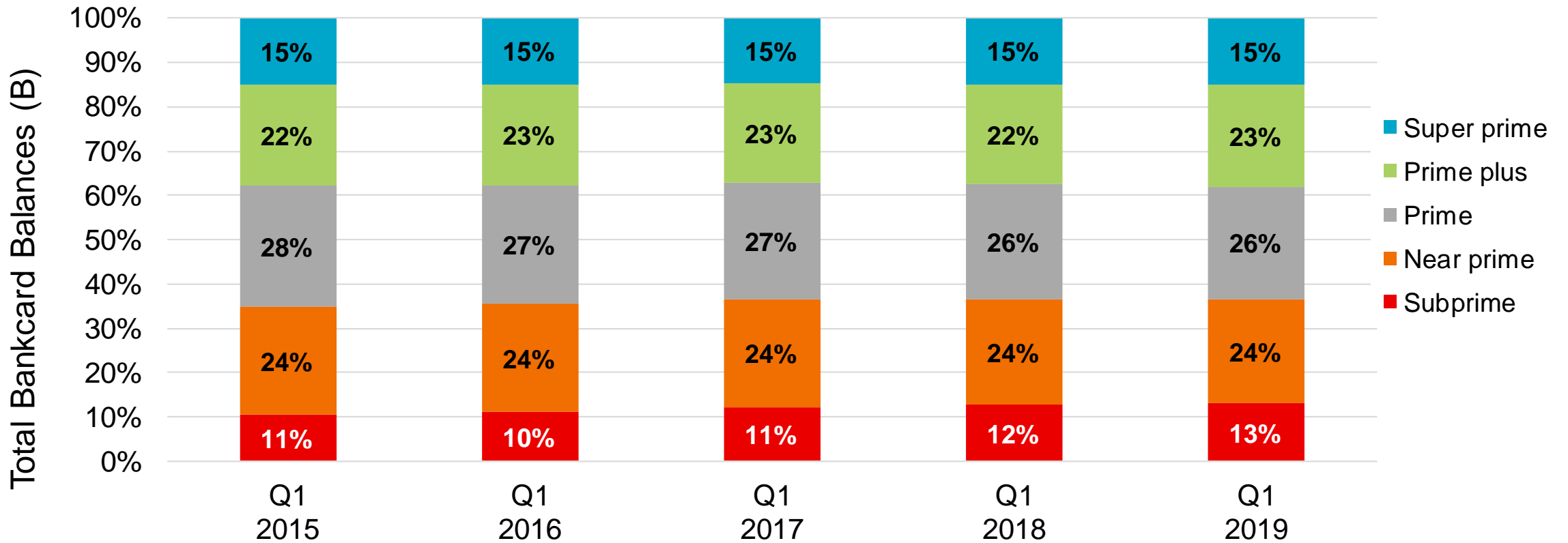
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# While still growing, balances held by prime cardholders did not keep pace with riskier tiers

## Growth in Total Bankcard Balances



VantageScore® 3.0 risk ranges

Subprime = 300–600; Near prime = 601–660; Prime = 661–720; Prime plus = 721–780; Super prime = 781–850



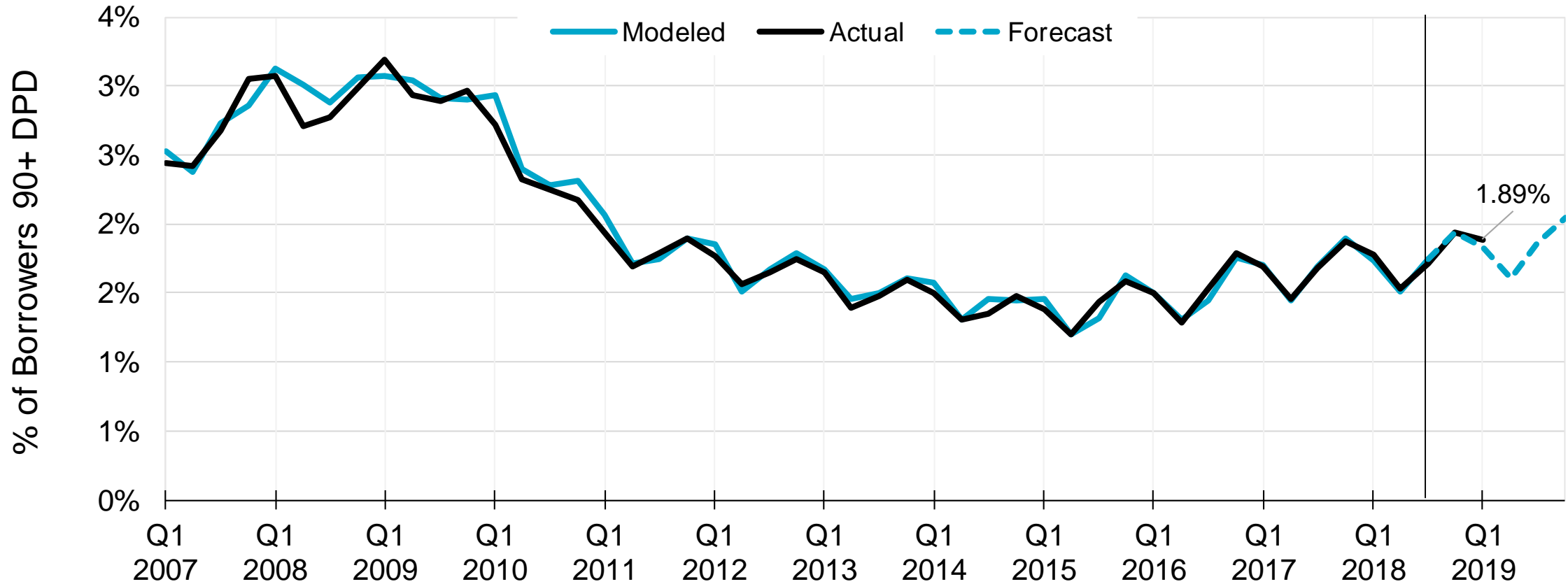
Source: TransUnion consumer credit database

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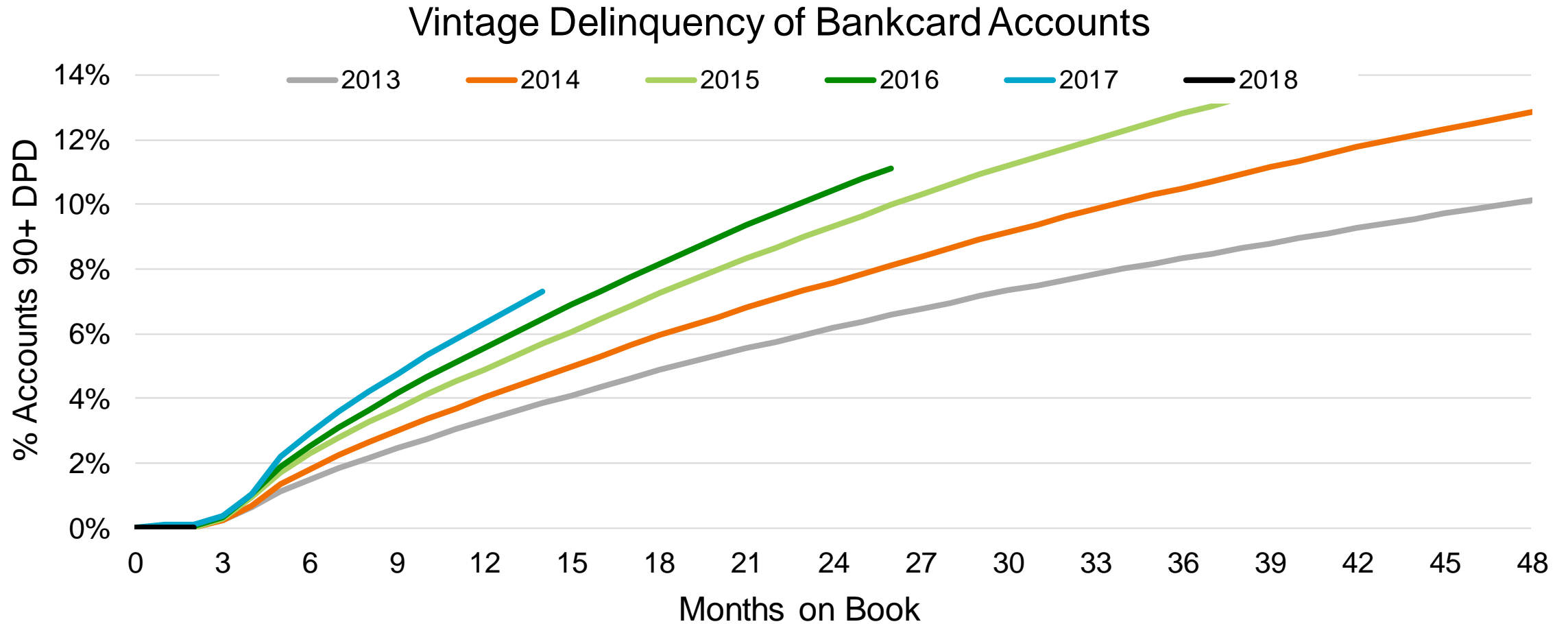
# Delinquencies rose slightly in 2019

## Bankcard Delinquency





# While still deteriorating, recent vintages demonstrate potential signs of stabilization

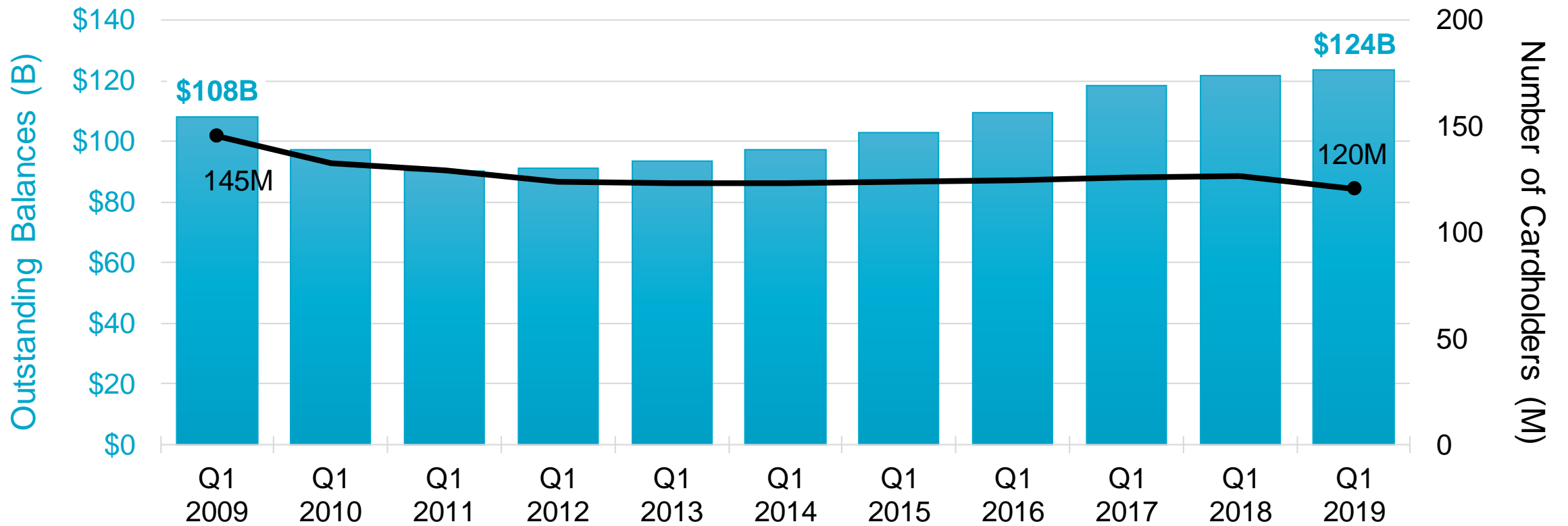


# Private Label Cards



# Despite a declining number of cardholders, retail cards continue to be a growing business

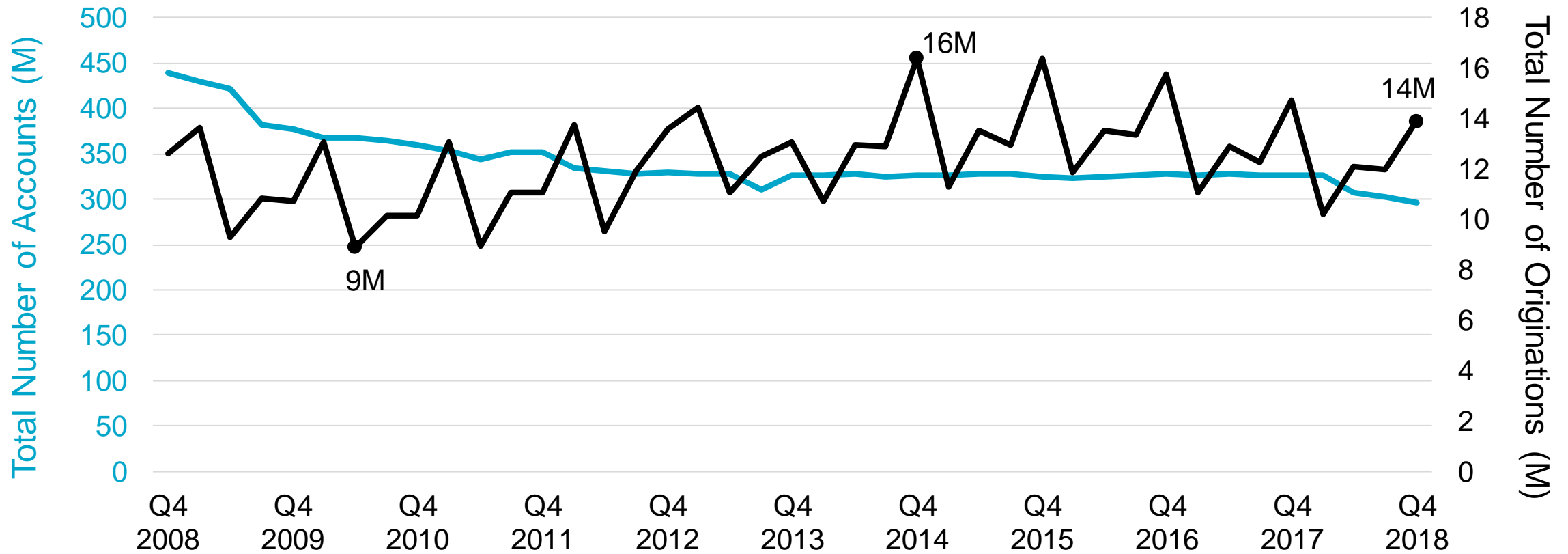
## Private Label Card Market





# Retail card volume declined given slowing originations

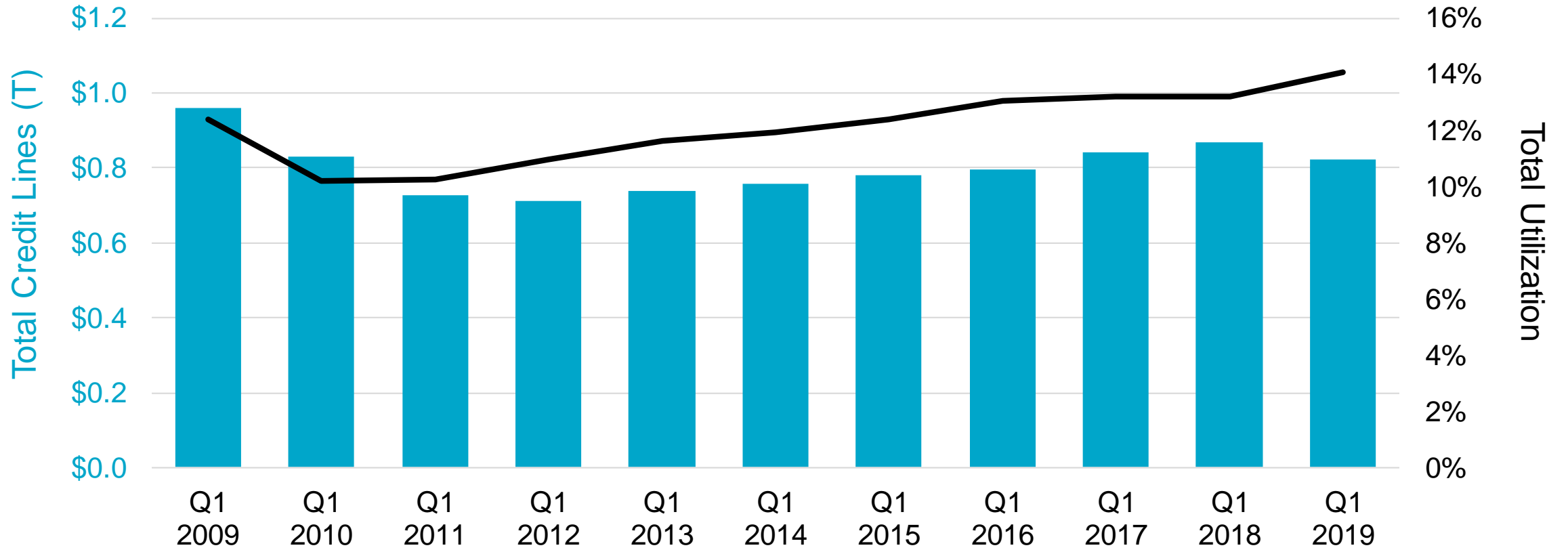
## Private Label Accounts and Originations





# Utilization grew as outstanding credit lines fell

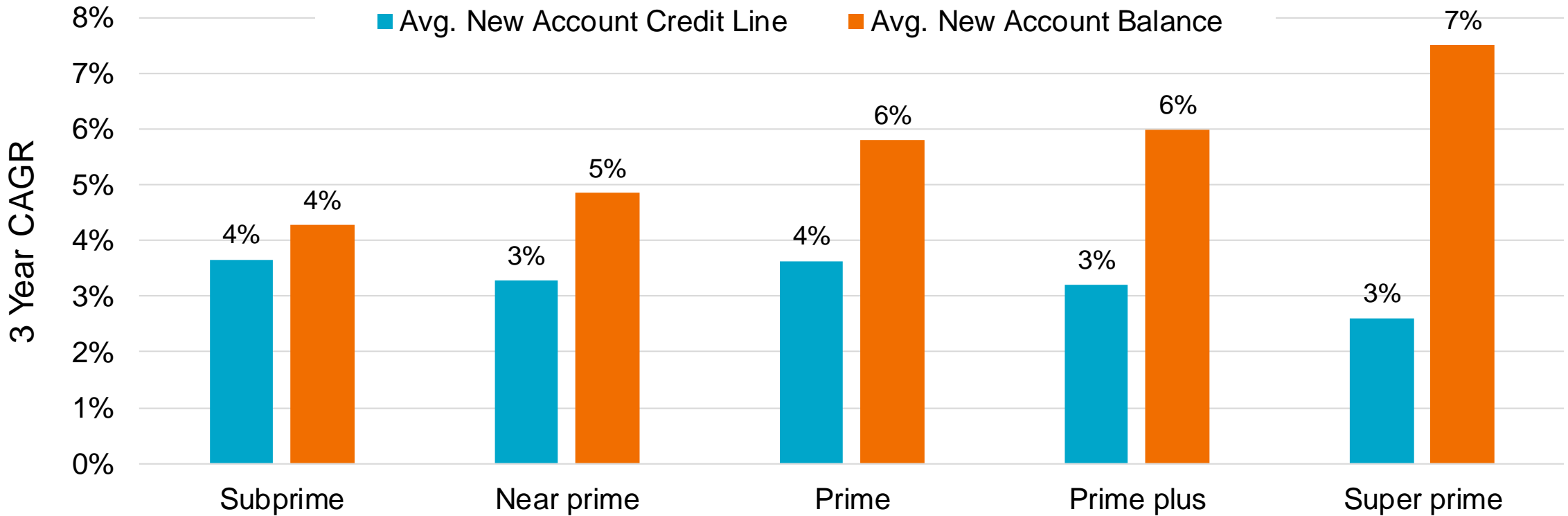
## Private Label Utilization





# Consumer spend on new retail cards outpaced the growth in new credit lines

## Average New Account Balance and Credit Line Growth for Private Label Q4 2015 - Q4 2018



VantageScore® 3.0 risk ranges

Subprime = 300–600; Near prime = 601–660; Prime = 661–720; Prime plus = 721–780; Super prime = 781–850



Source: TransUnion consumer credit database

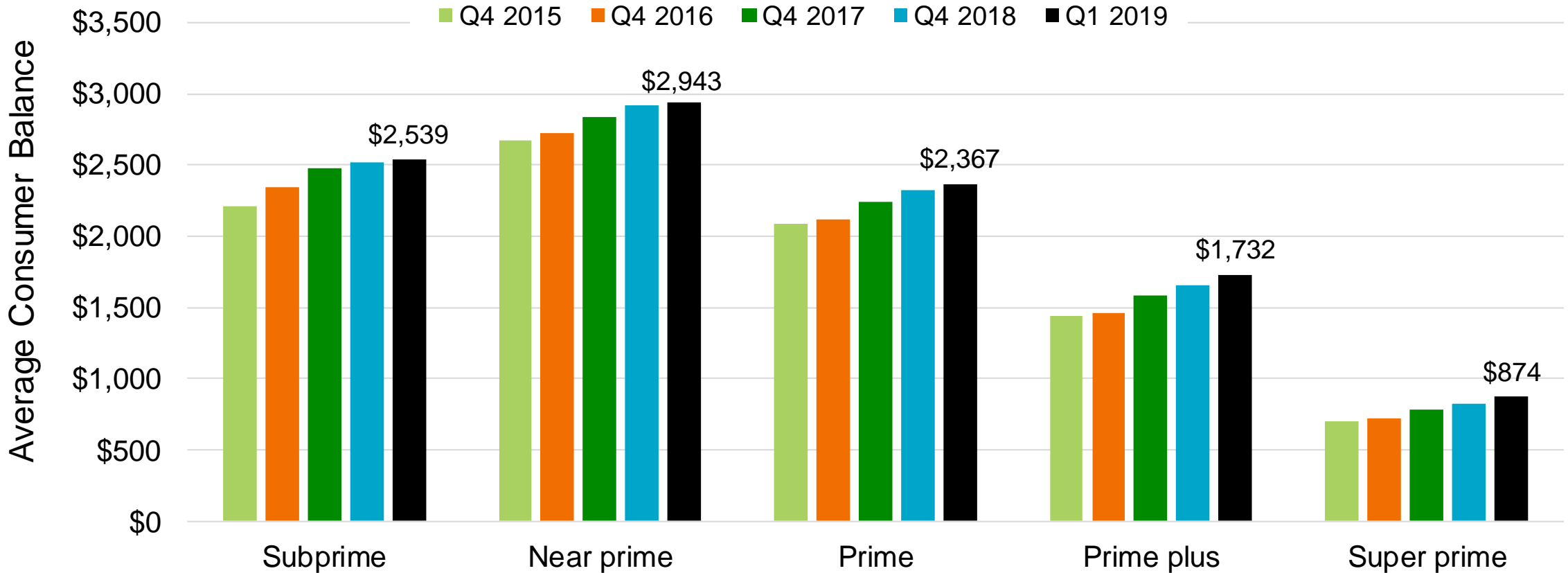
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# Average card balances are growing for prime and above

## Private Label Average Balances



VantageScore® 3.0 risk ranges

Subprime = 300–600; Near prime = 601–660; Prime = 661–720; Prime plus = 721–780; Super prime = 781–850



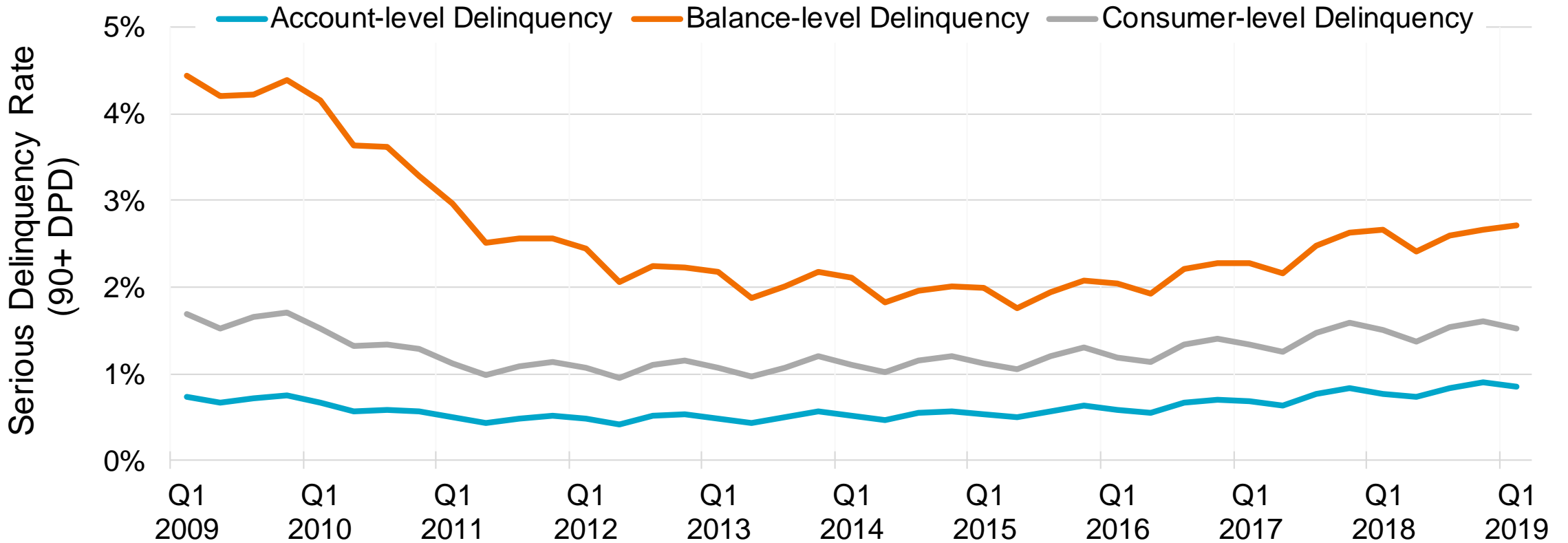
Source: TransUnion consumer credit database

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# Dollars seriously delinquent on private label cards remains below recessionary levels

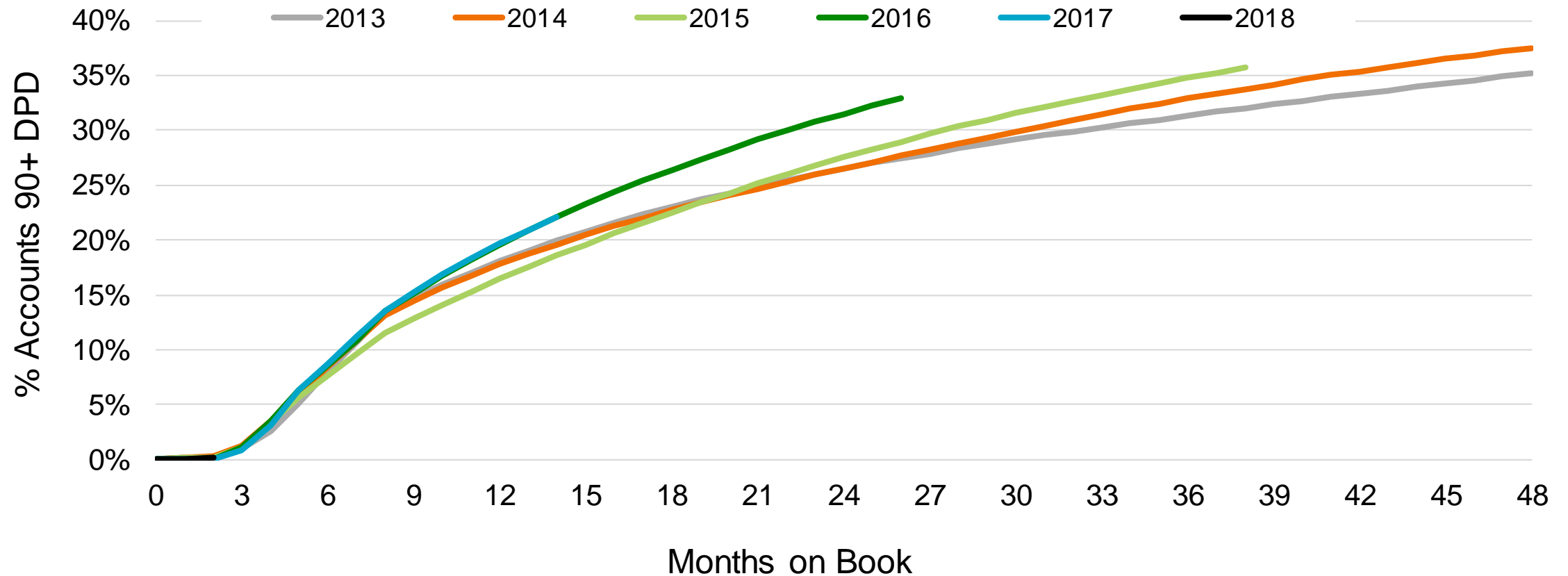
## Private Label Performance





# Recent vintages are aligned for subprime consumers

## Vintage Delinquency of Subprime Private Label Accounts



VantageScore® 3.0 Risk Score  
Subprime: 300-600



Source: TransUnion Prama<sup>SM</sup> Vintage Analysis

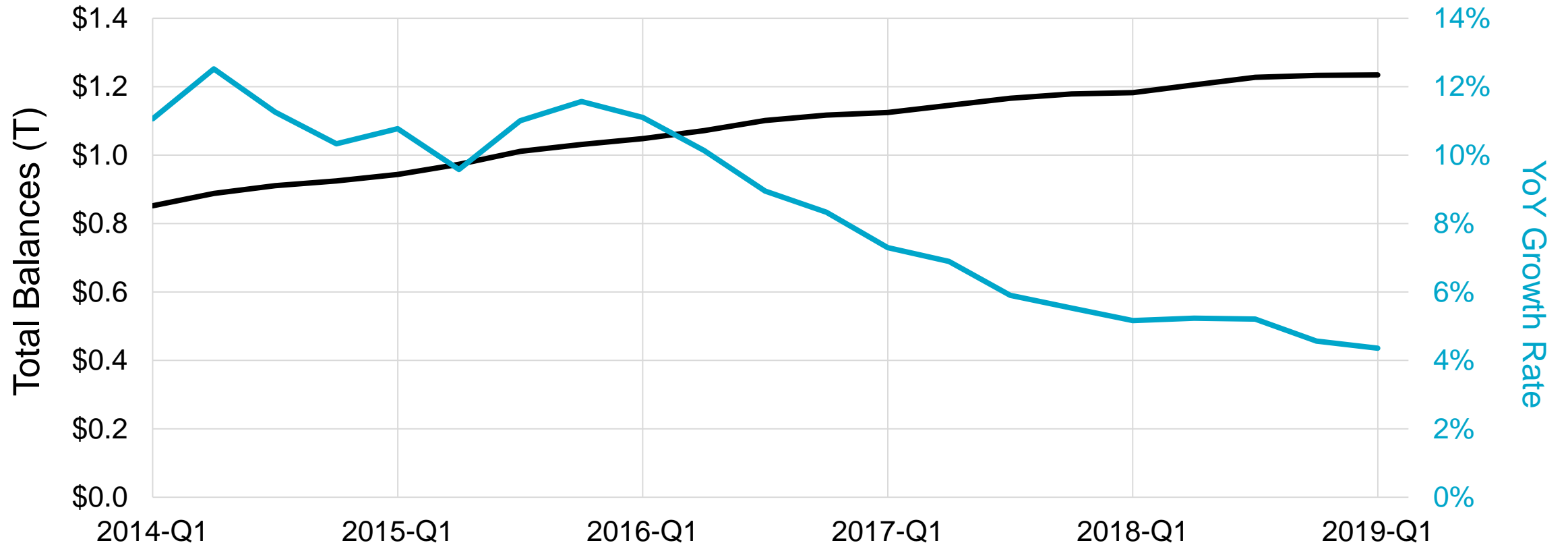
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# Auto Financing



# Total auto balances continue to reach new heights, but at a declining rate of growth

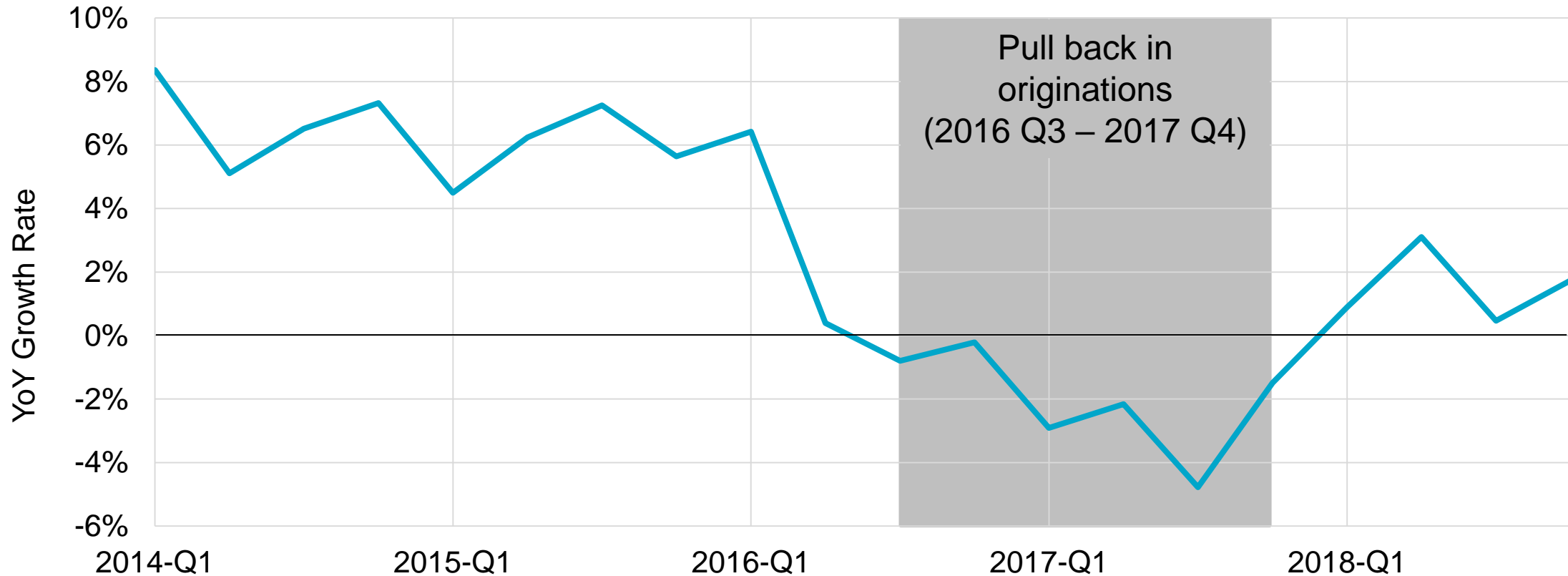
## Total Auto Financing Balances





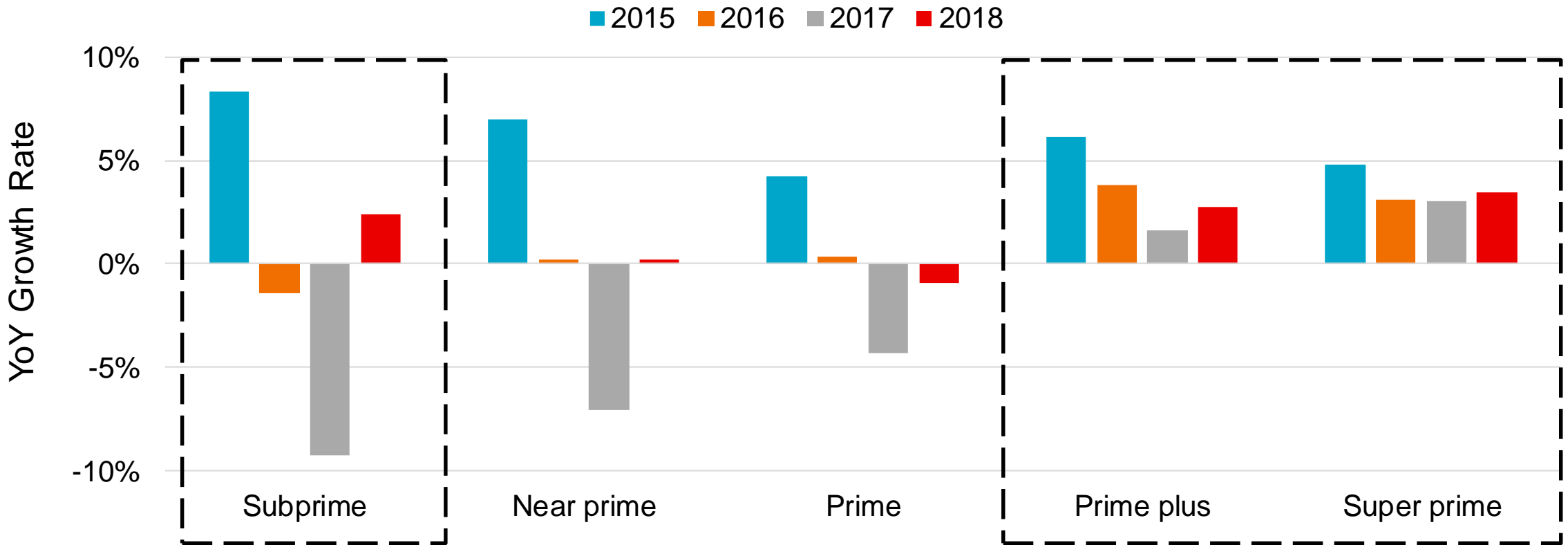
# Originations grew year-over-year over the past four quarters, following the pullback from 2016 Q3 to 2017 Q4

## Growth in Auto Accounts Originated



# Lenders continue to focus on prime plus and super prime as they start to reengage in subprime

## Growth in Auto Accounts Originated



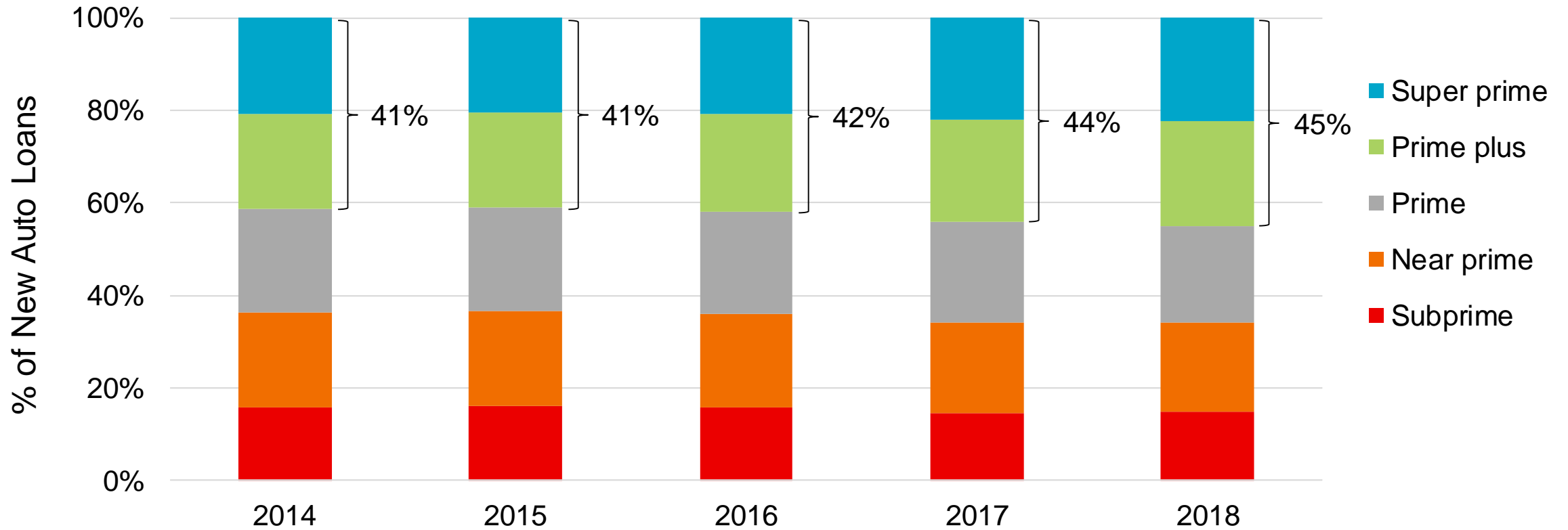
VantageScore® 3.0 risk ranges

Subprime = 300–600; Near prime = 601–660; Prime = 661–720; Prime plus = 721–780; Super prime = 781–850



# Overall loan stability is partly due to the market's shift to prime plus and super prime originations

## Auto Originations by Risk Tier



VantageScore® 3.0 risk ranges

Subprime = 300–600; Near prime = 601–660; Prime = 661–720; Prime plus = 721–780; Super prime = 781–850



Source: TransUnion consumer credit database

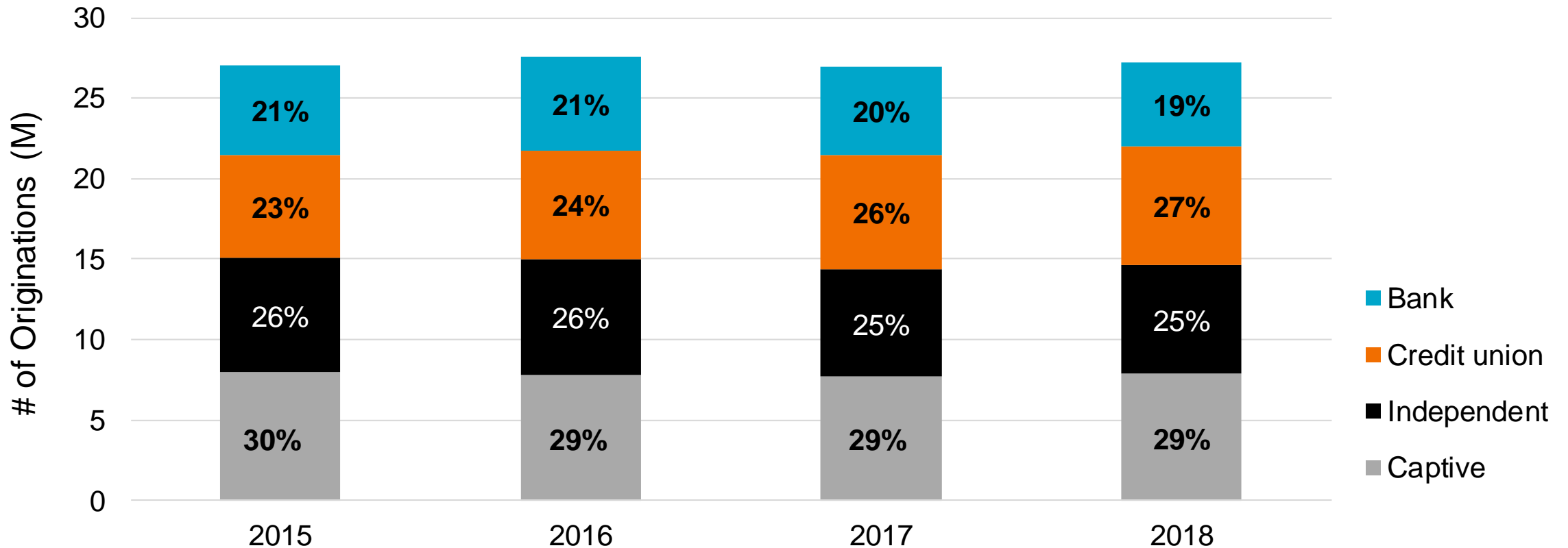
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# Credit unions have gained market share during the time in which captives and banks pulled back on auto originations

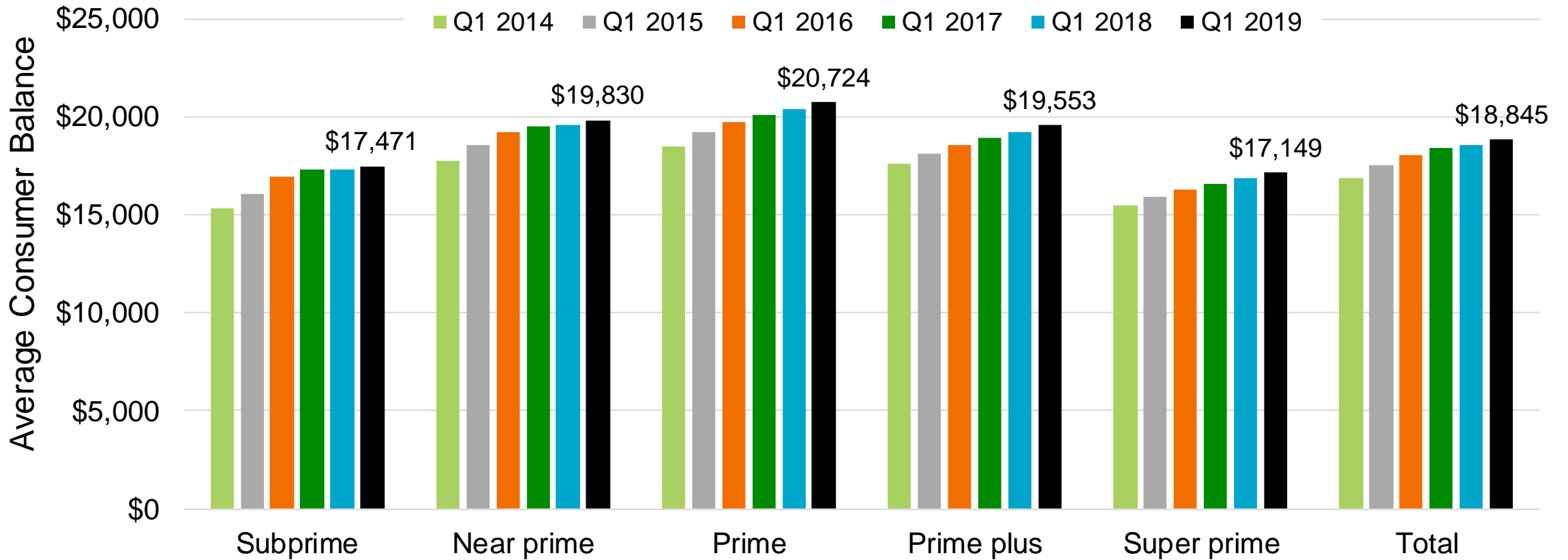
## Distribution of Auto Originations





# Average balances continue to grow across risk tiers

## Auto Average Balances



VantageScore® 3.0 risk ranges

Subprime = 300–600; Near prime = 601–660; Prime = 661–720; Prime plus = 721–780; Super prime = 781–850



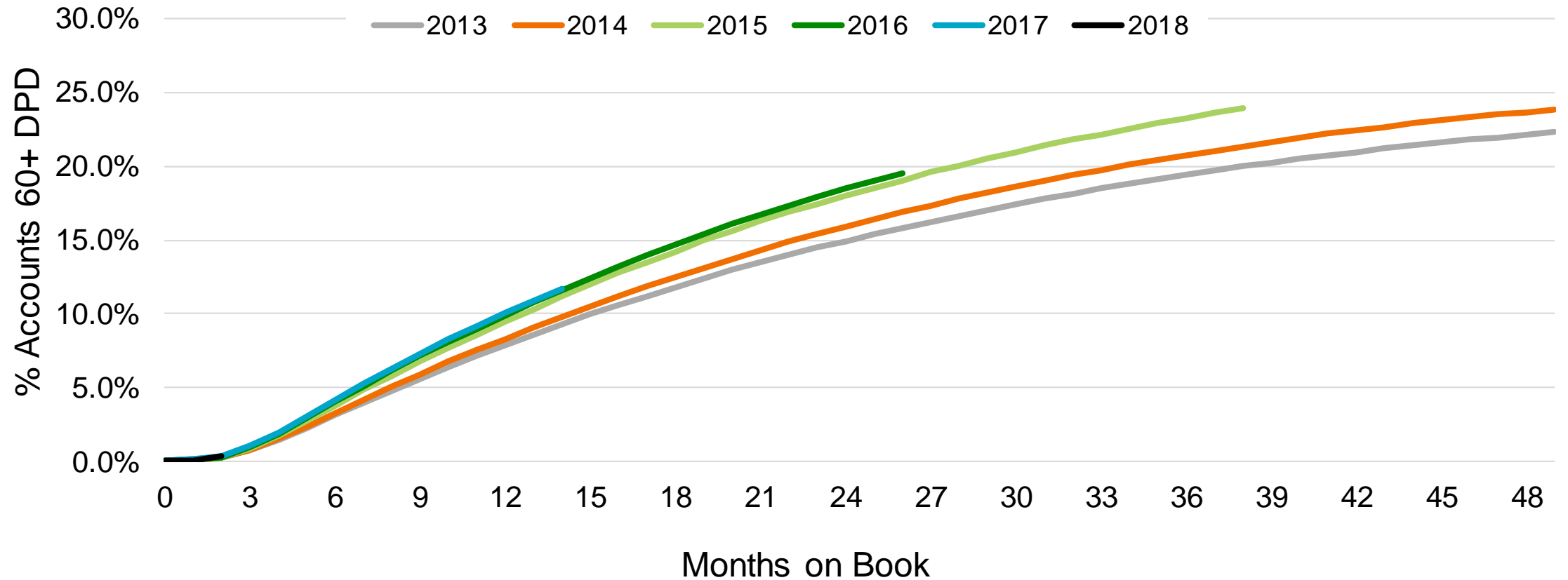
Source: TransUnion consumer credit database

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# Loan performance for non-prime segments held steady

## Vintage Delinquency of Non-prime Loans and Leases



VantageScore® 3.0 risk ranges  
Non-prime = 300-660



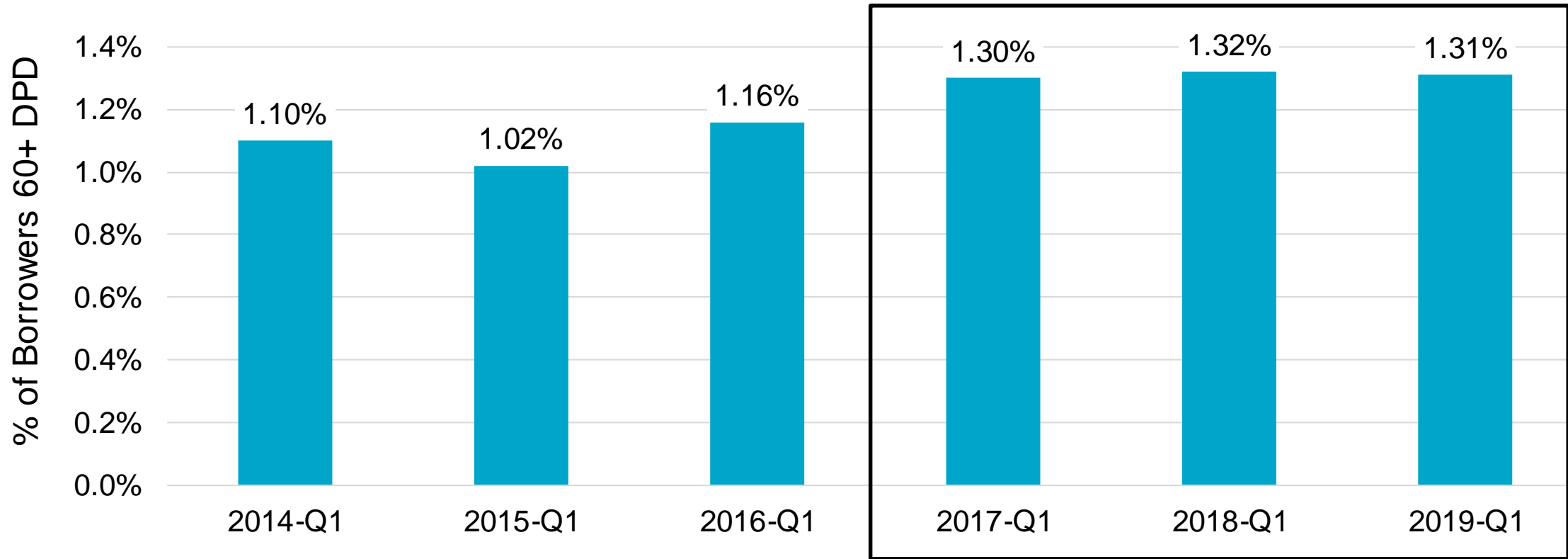
Source: TransUnion Prama<sup>SM</sup> Vintage Analysis

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# As a result, overall auto loan performance remains stable

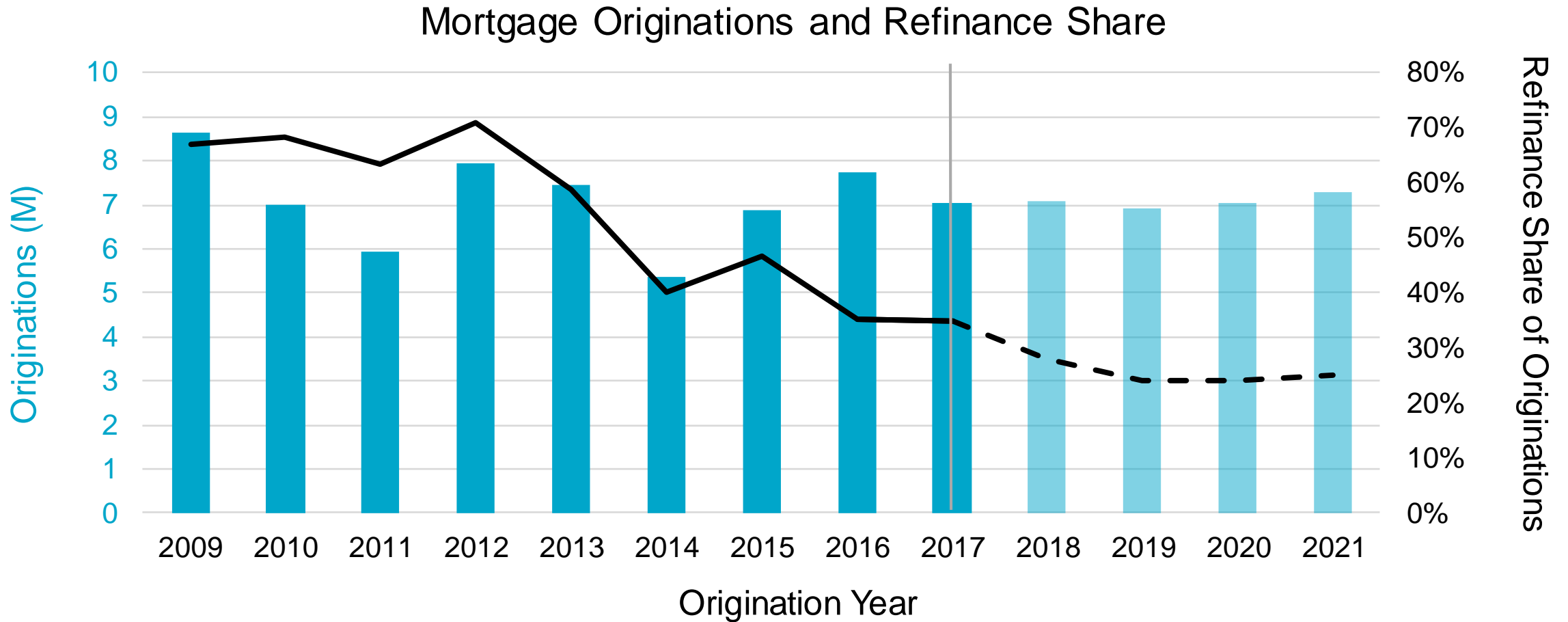
## Auto Serious Delinquency Rates



# Mortgage



# Mortgage origination growth will likely remain relatively flat for the next few years

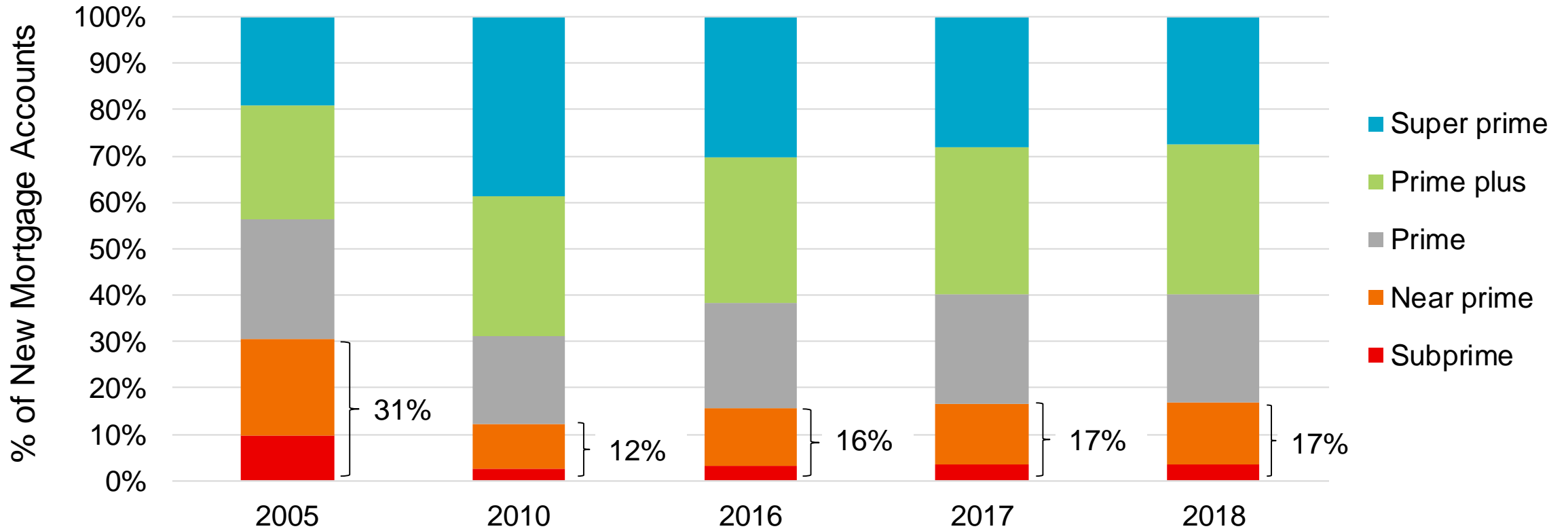


Source: TransUnion consumer credit database, Mortgage Bankers Association



# Though still small, non-prime origination share is ticking upwards

## Risk Distribution of Mortgage Originations



VantageScore® 3.0 risk ranges

Subprime = 300–600; Near prime = 601–660; Prime = 661–720; Prime plus = 721–780; Super prime = 781–850



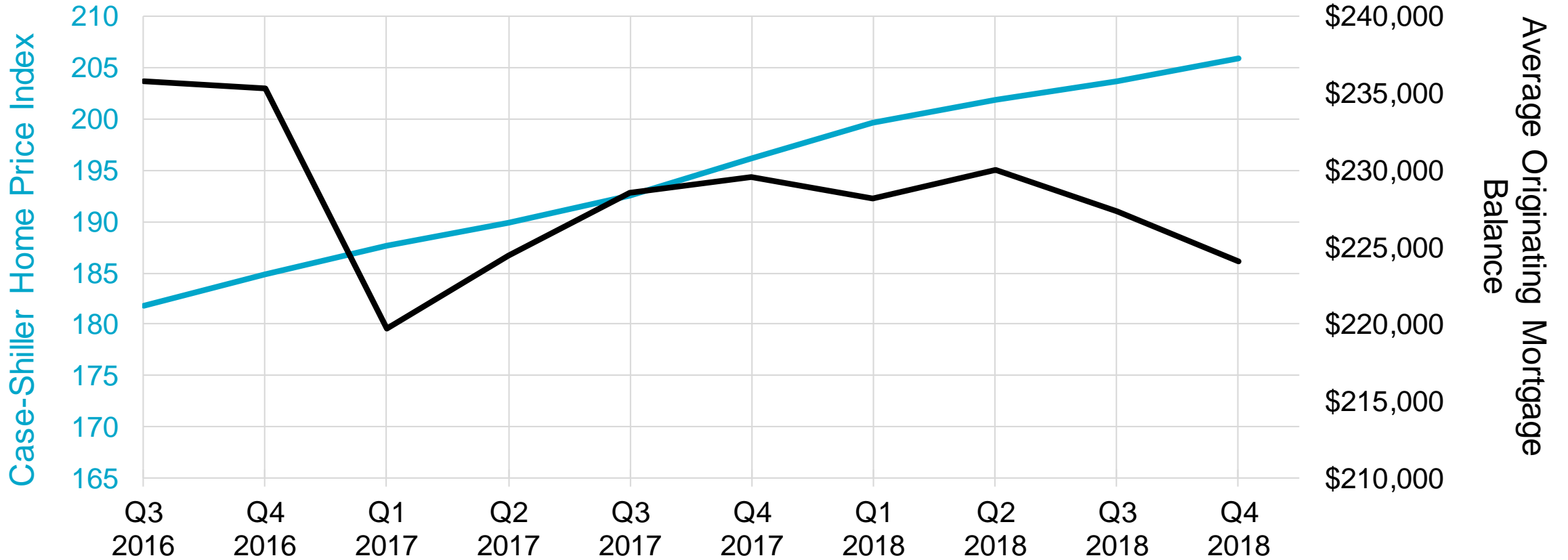
Source: TransUnion consumer credit database

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# Rate increases and climbing home prices were met with declining new mortgage account balances

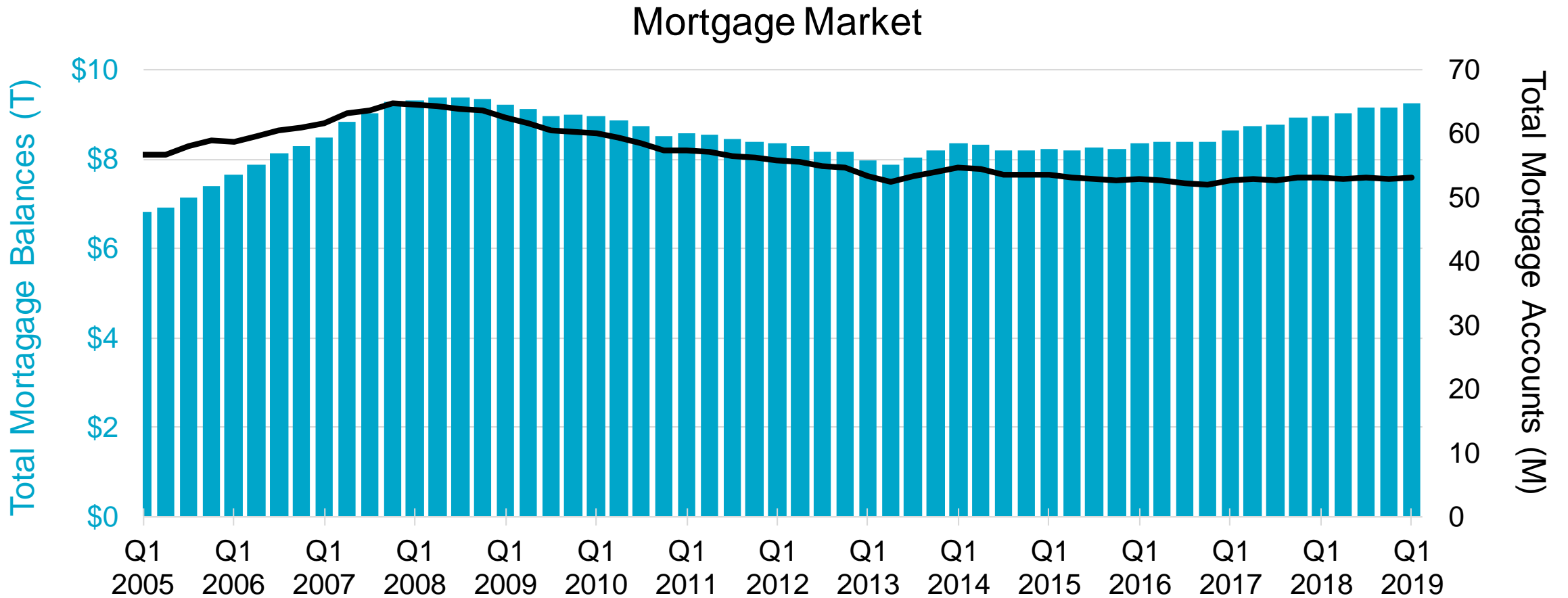
## Growth in Average New Mortgage Balances





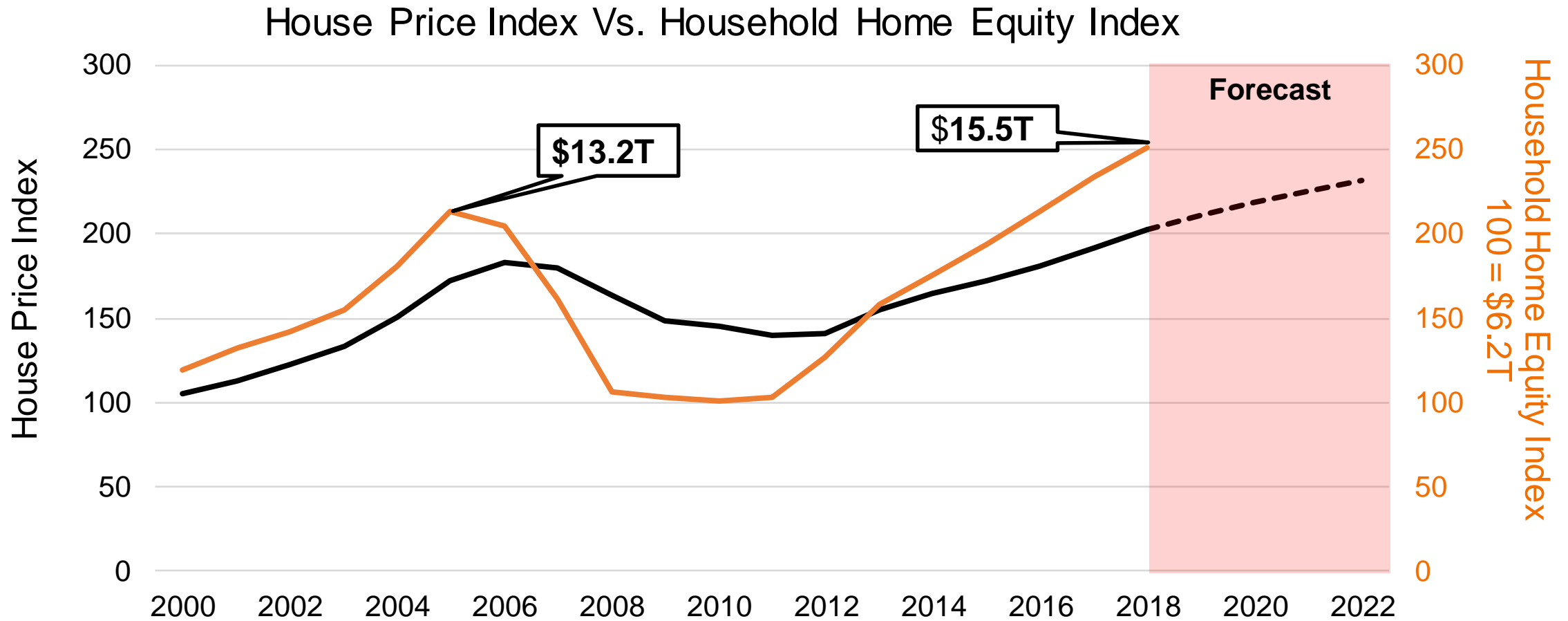


**While total mortgage balances are only 2% lower than their 2008 high, they are spread across 20% fewer accounts**





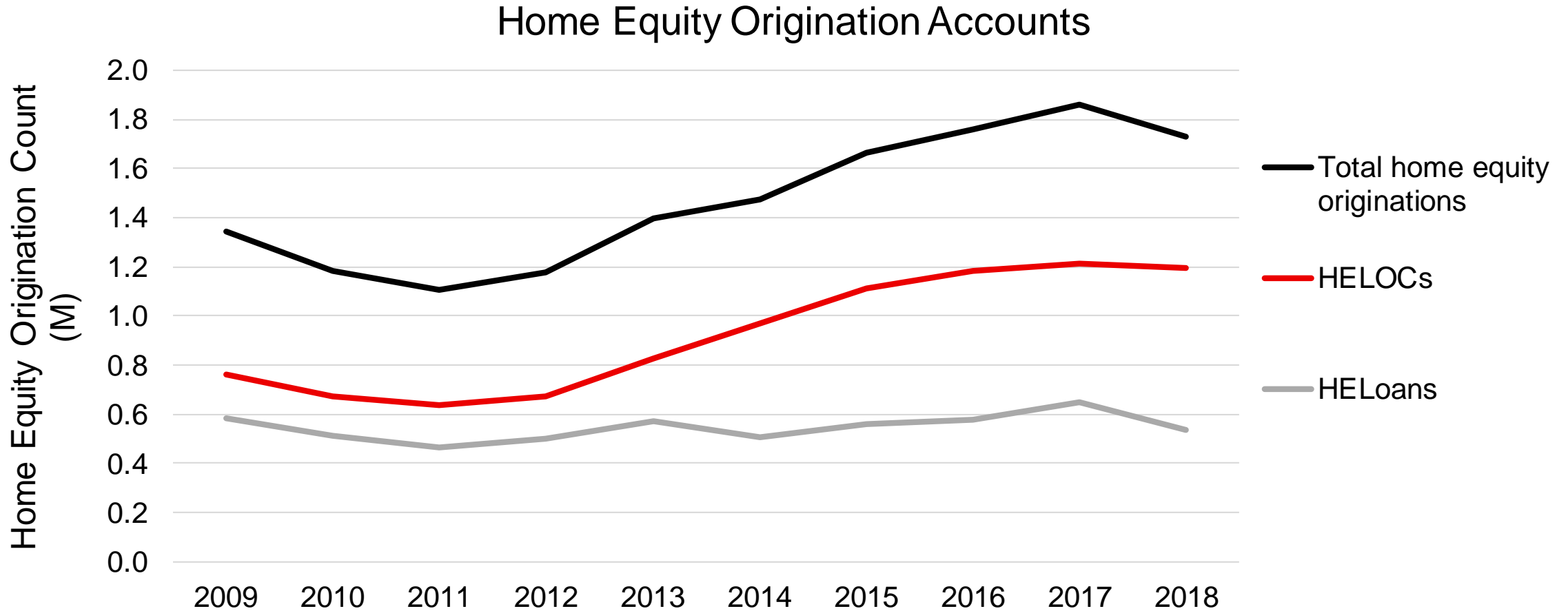
# Household home equity has grown faster than home prices



Source: 2000 – 2018: Federal Reserve, 2019 – 2022: Oxford Economics(HPI)



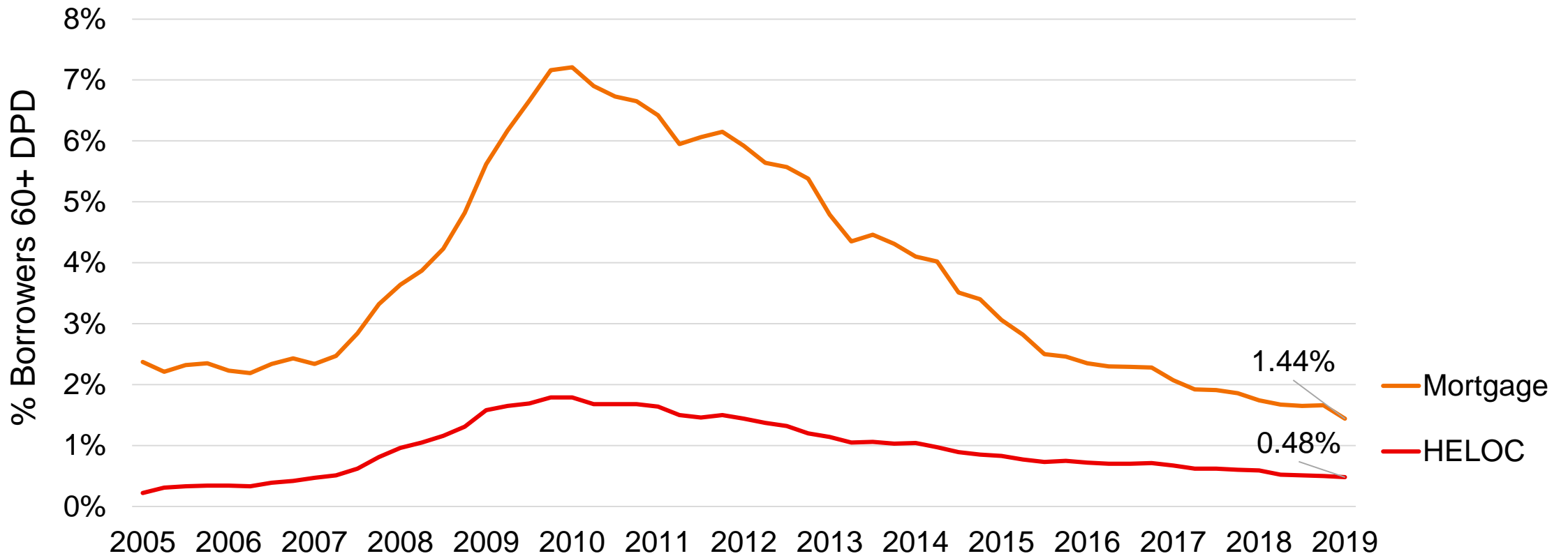
# In spite of this, home equity originations have tapered somewhat





# Delinquencies in the mortgage market are at historic lows

## Serious Consumer-Level Delinquency

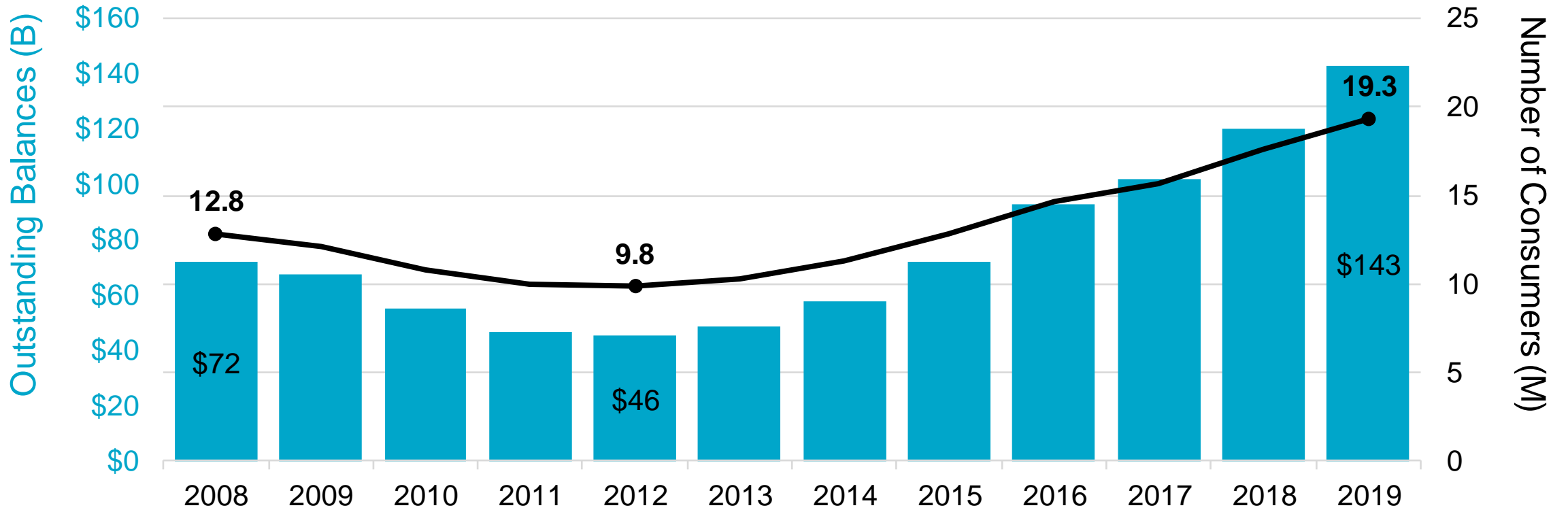


# Unsecured Personal Loans



# A record 19.3M consumers hold an unsecured personal loan

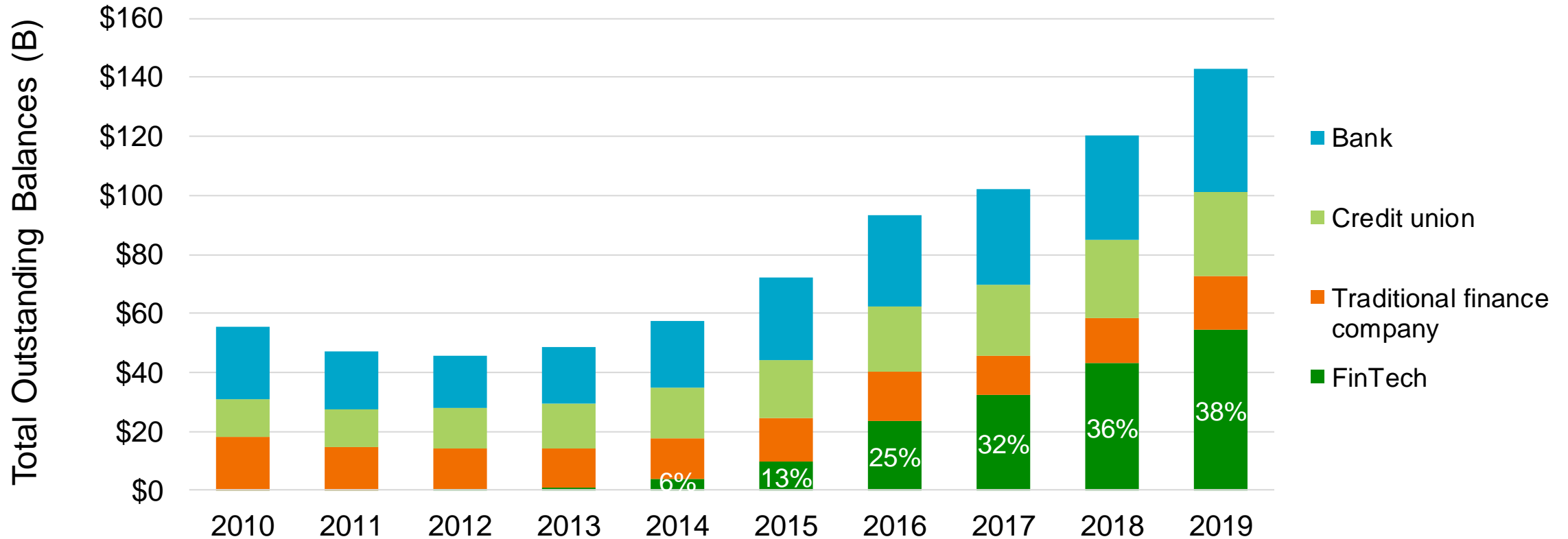
## Total Unsecured Personal Loan Balances and Consumers, Q1 Each Year





# As the personal loan market grows, FinTech lenders have an increasing share of balances

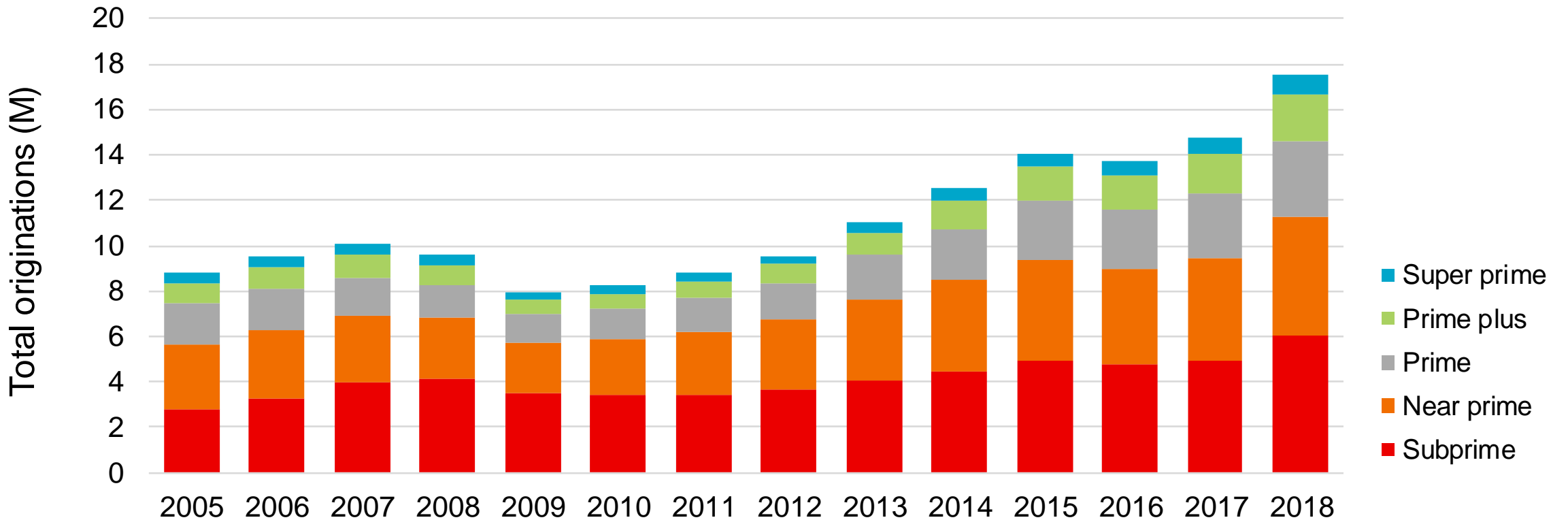
## Unsecured Personal Loan Balances, Q1 Each Year





# Large increases in new subprime and near prime loans have propelled the rebound in originations since 2016

## Unsecured Personal Loan Originations



VantageScore® 3.0 risk ranges

Subprime = 300–600; Near prime = 601–660; Prime = 661–720; Prime plus = 721–780; Super prime = 781–850



Source: TransUnion consumer credit database

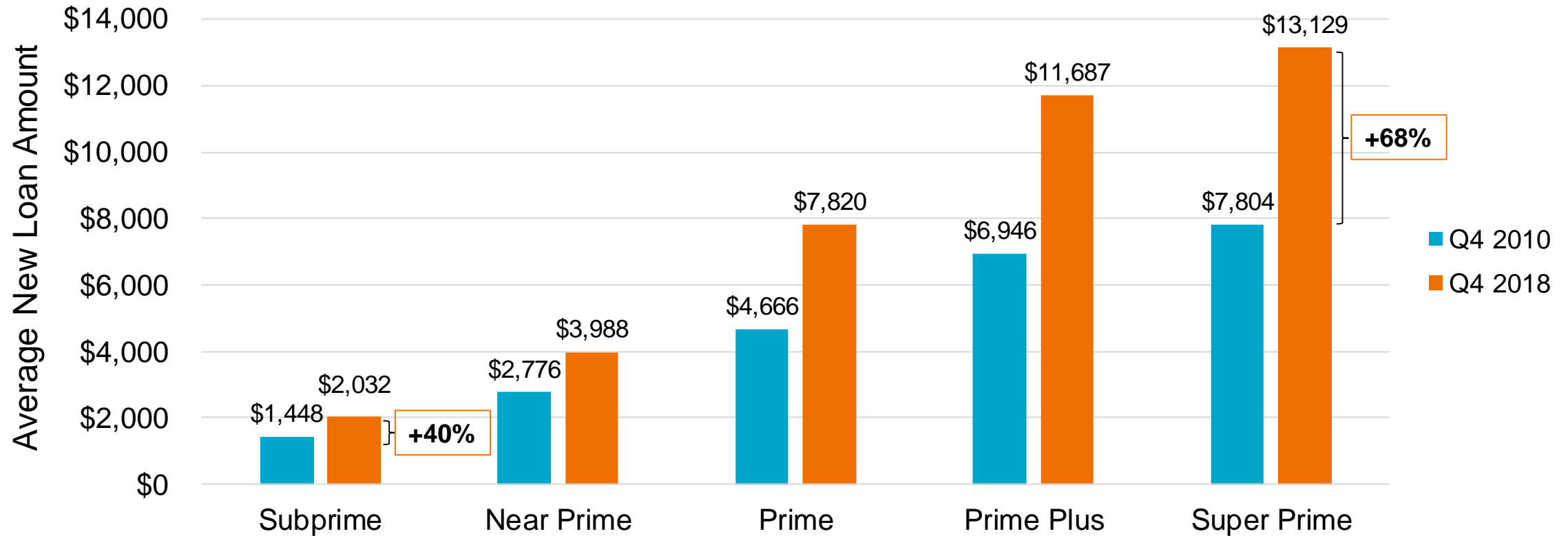
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# From Q4 2010 to Q4 2018, new personal loan size increased for all risk tiers

## Average New Loan Amount for Unsecured Personal Loans, by Risk Tier



VantageScore® 3.0 risk ranges

Subprime = 300–600; Near prime = 601–660; Prime = 661–720; Prime plus = 721–780; Super prime = 781–850



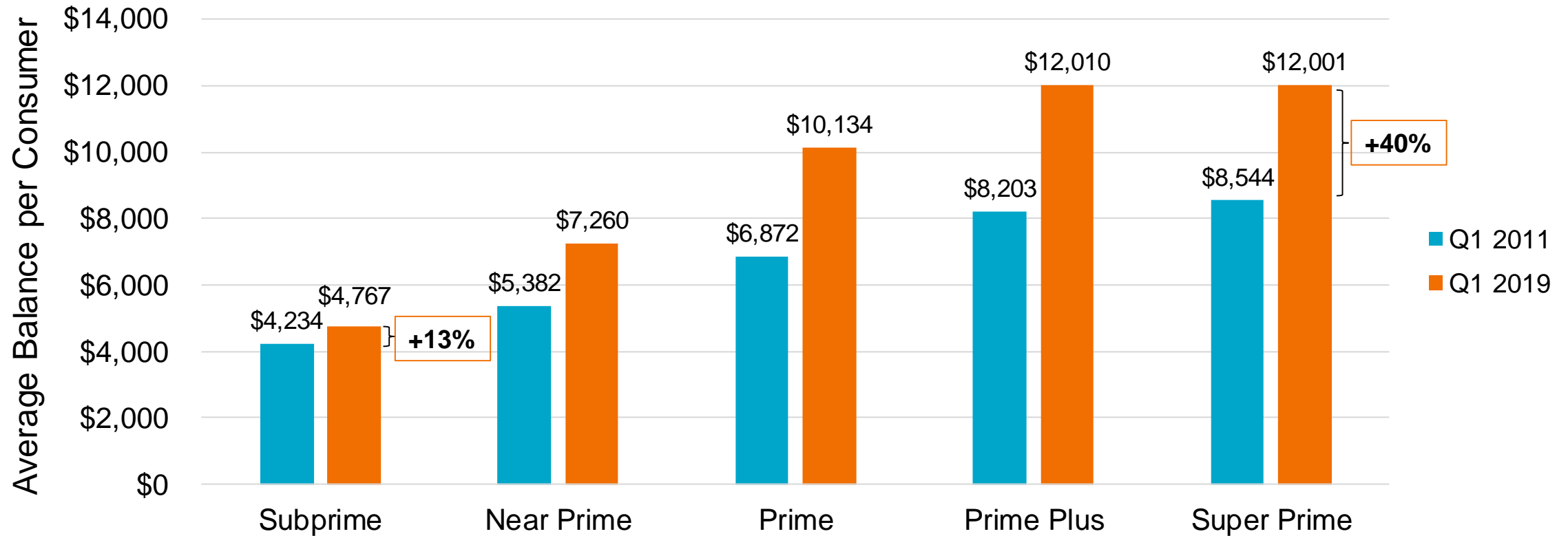
Source: TransUnion consumer credit database

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# Over the past eight years, subprime consumers saw balances increase 13%, versus 40% for super prime

## Average Unsecured Personal Loan Balance per Consumer, by Risk Tier



VantageScore® 3.0 risk ranges

Subprime = 300–600; Near prime = 601–660; Prime = 661–720; Prime plus = 721–780; Super prime = 781–850



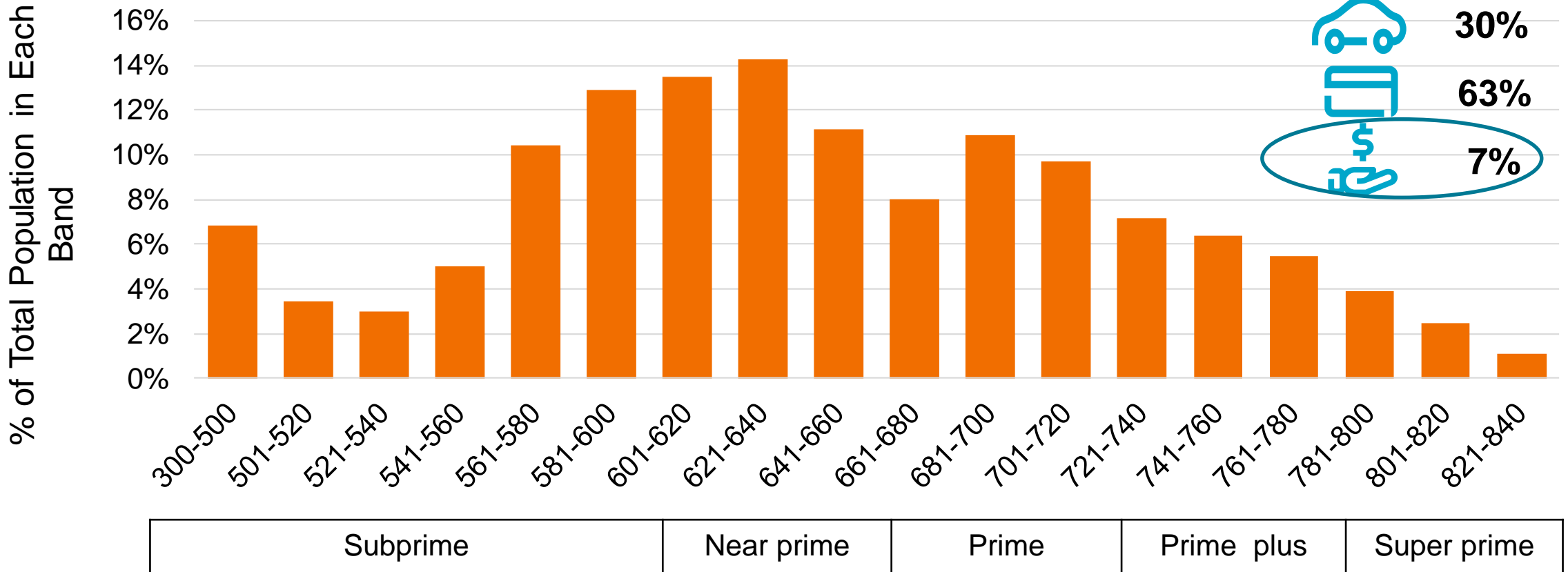
Source: TransUnion consumer credit database

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# With just 7% of consumers holding personal loans, there still appears to be runway for growth relative to other credit products

## Q1 2019 Unsecured Personal Loan Consumer Penetration



VantageScore® 3.0 risk ranges

Subprime = 300–600; Near prime = 601–660; Prime = 661–720; Prime plus = 721–780; Super prime = 781-850



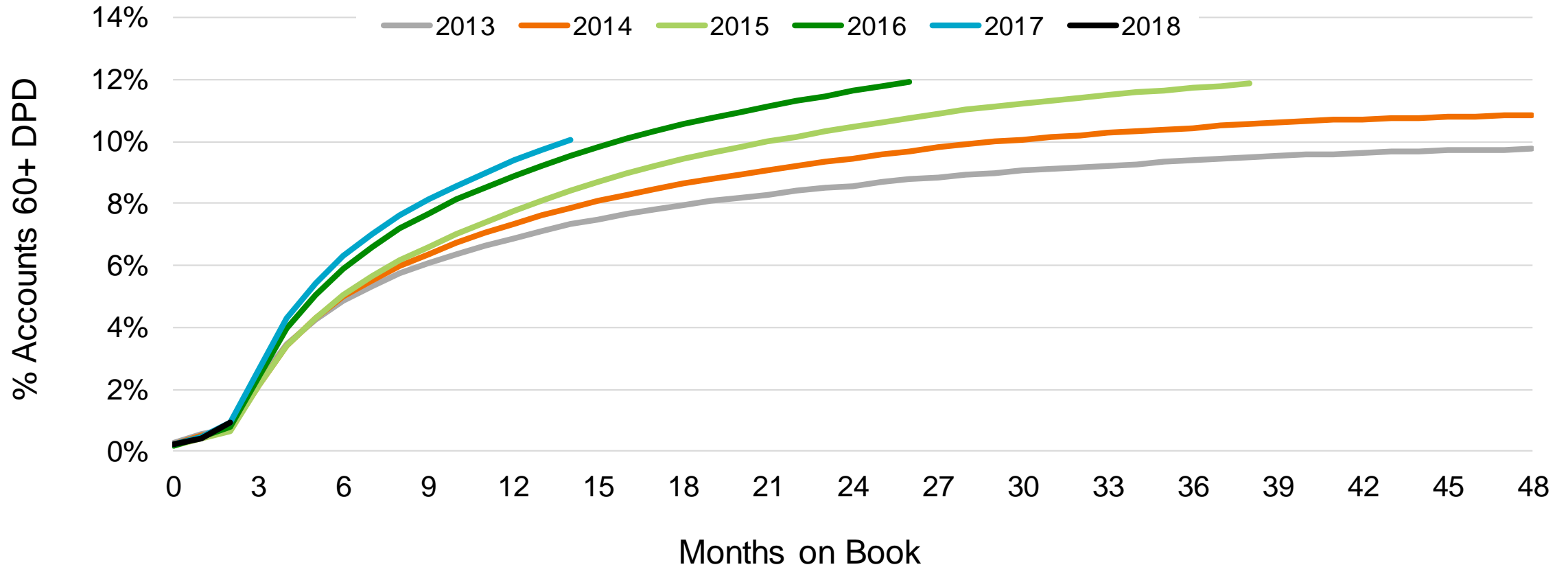
Source: TransUnion consumer credit database

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# Personal loan vintage delinquency increased every year since 2013

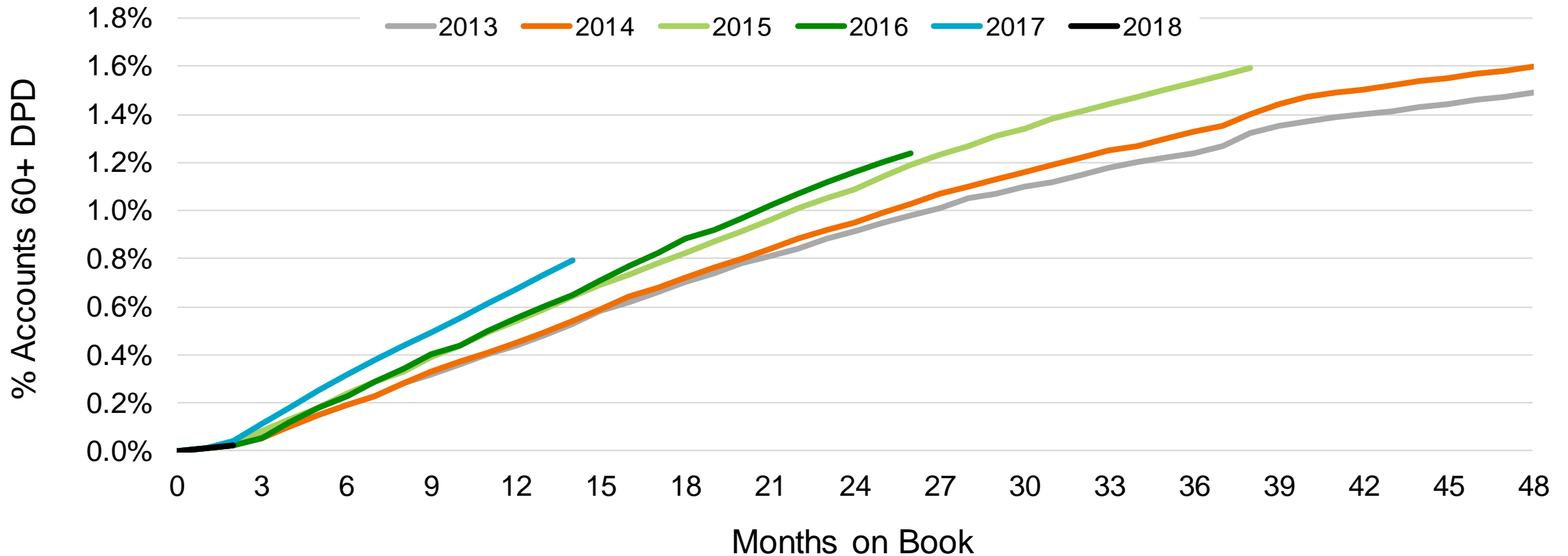
## Vintage Delinquency of Unsecured Personal Loans





# Super prime loans from 2017 show a noticeable increase in serious delinquency following a minimal increase in 2016

## Vintage Delinquency of Super Prime Unsecured Personal Loans



VantageScore® 3.0 risk ranges  
Super prime = 781-850



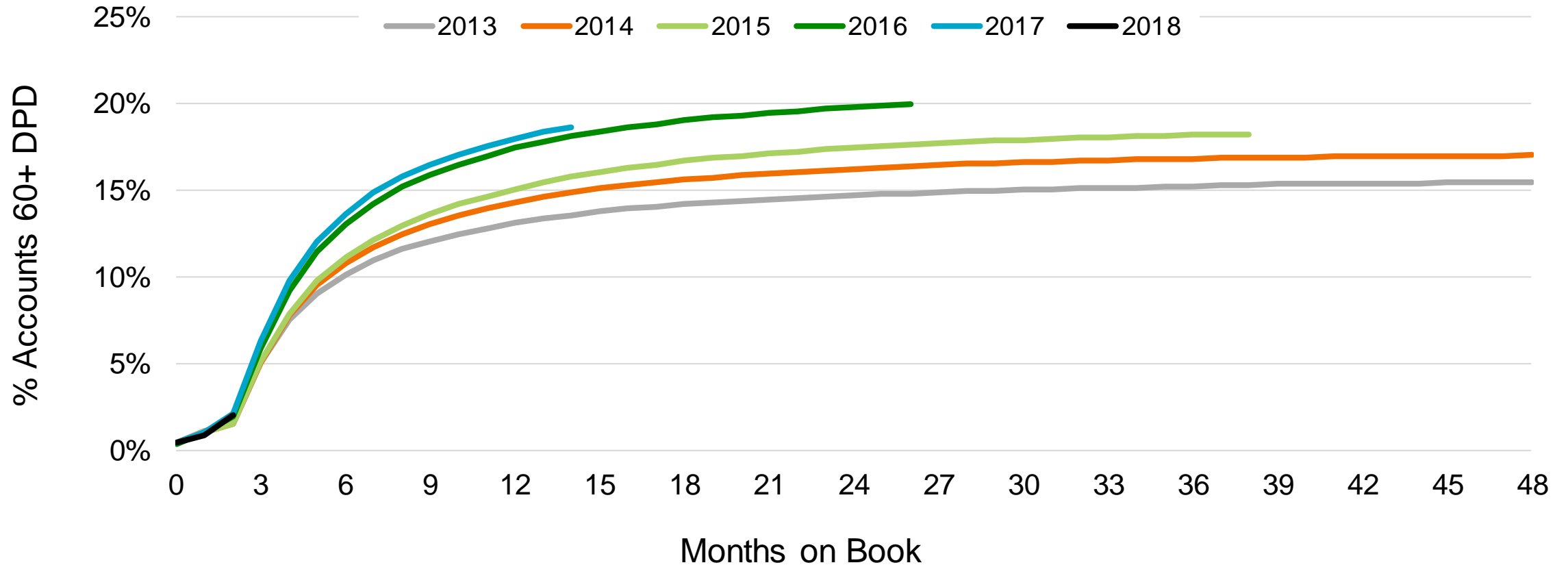
Source: TransUnion Prama<sup>SM</sup> Vintage Analysis

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# The 2017 subprime vintage is performing similarly to 2016

## Vintage Delinquency of Subprime Unsecured Personal Loans



VantageScore® 3.0 risk ranges  
Subprime = 300-600



Source: TransUnion Prama<sup>SM</sup> Vintage Analysis

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**Thank you!**

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