Q3 2019 Financial Services Industry Insights Report

Chris Huszar
Sr. Manager, FS Research and Consulting

Matt Komos
Vice President, FS Research and Consulting

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

TransUnion Industry Insights Report

Quarterly overview of consumer credit trends released by TransUnion Financial Services
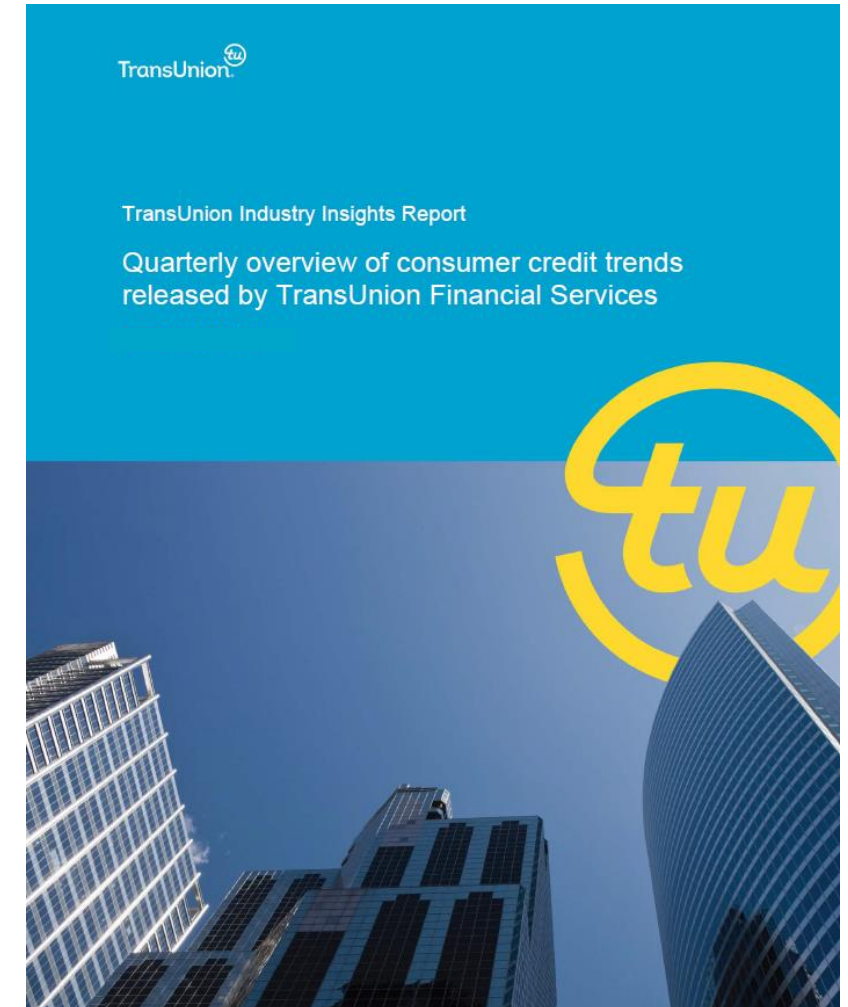
Today's agenda

Market Overview & Insights

- Consumer overview

- Credit card

- Mortgage & HELOC

- Auto loans & leases

- Unsecured personal loans

Today's Special Focus

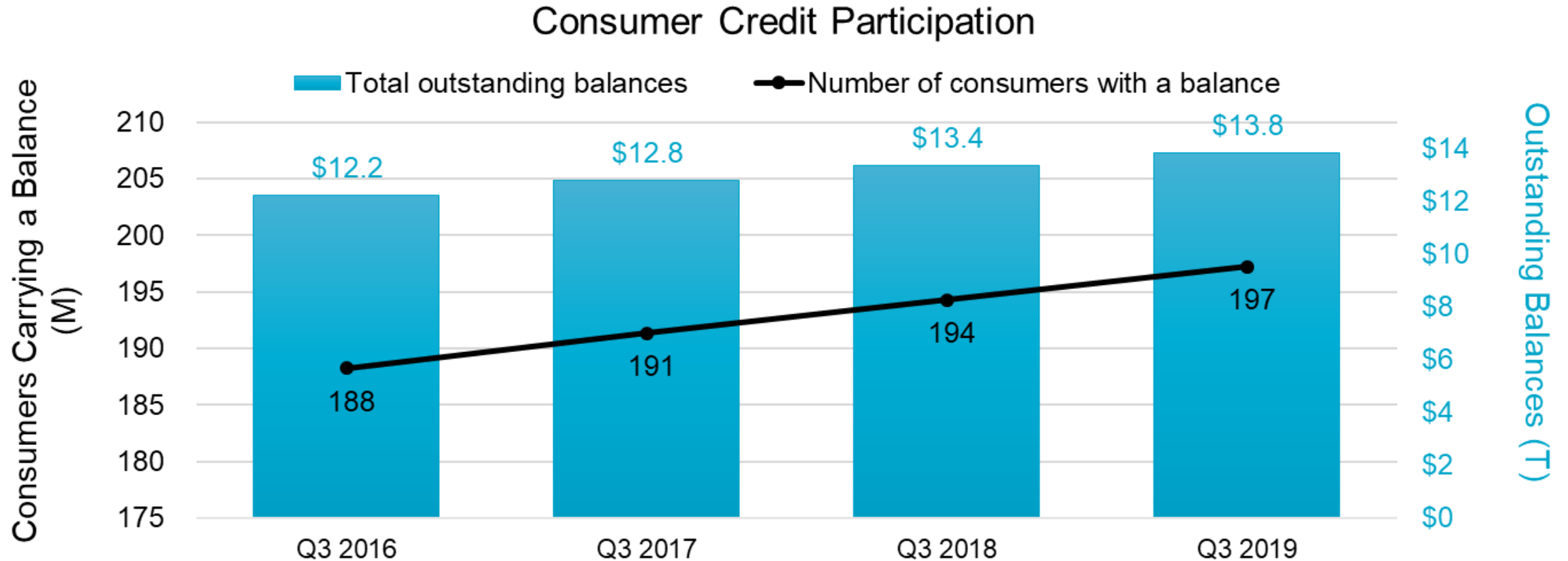**Holiday card spending and 2020 forecasts:**
What seasonal card trends have we experienced in recent years? What should we expect for 2020?
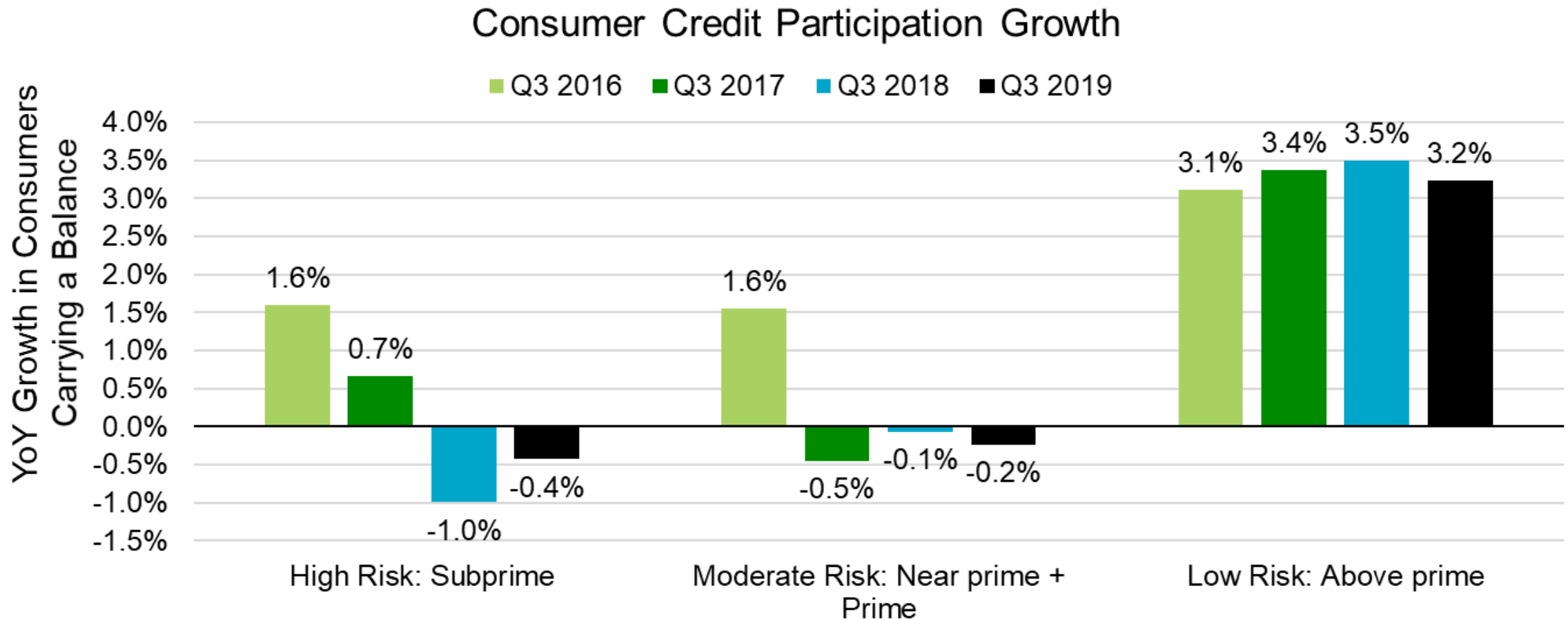
Consumer Credit Overview

A cross-wallet perspective of consumer credit activity

Increased consumer participation contributed to growing outstanding balances to a record $13.8T

Consumer Credit Participation

Low risk consumers drove increased participation while mid and lower tier participation stagnated

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

Score shifts are providing more eligible consumers for lenders
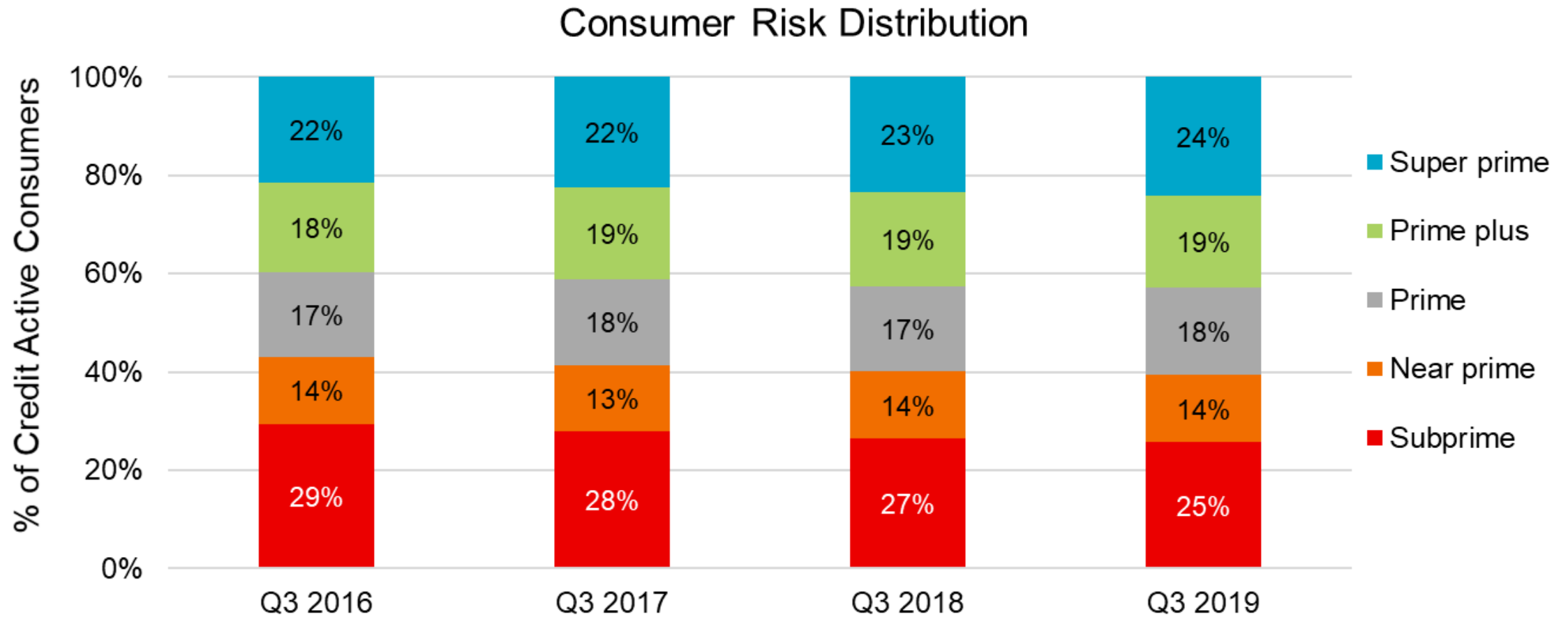
Consumer Risk Distribution

% of Credit Active Consumers

	Q3 2016	Q3 2017	Q3 2018	Q3 2019
Super prime	22%	22%	23%	24%
Prime plus	18%	19%	19%	19%
Prime	17%	18%	17%	18%
Near prime	14%	13%	14%	14%
Subprime	29%	28%	27%	25%

VantageScore® 3.0 risk ranges
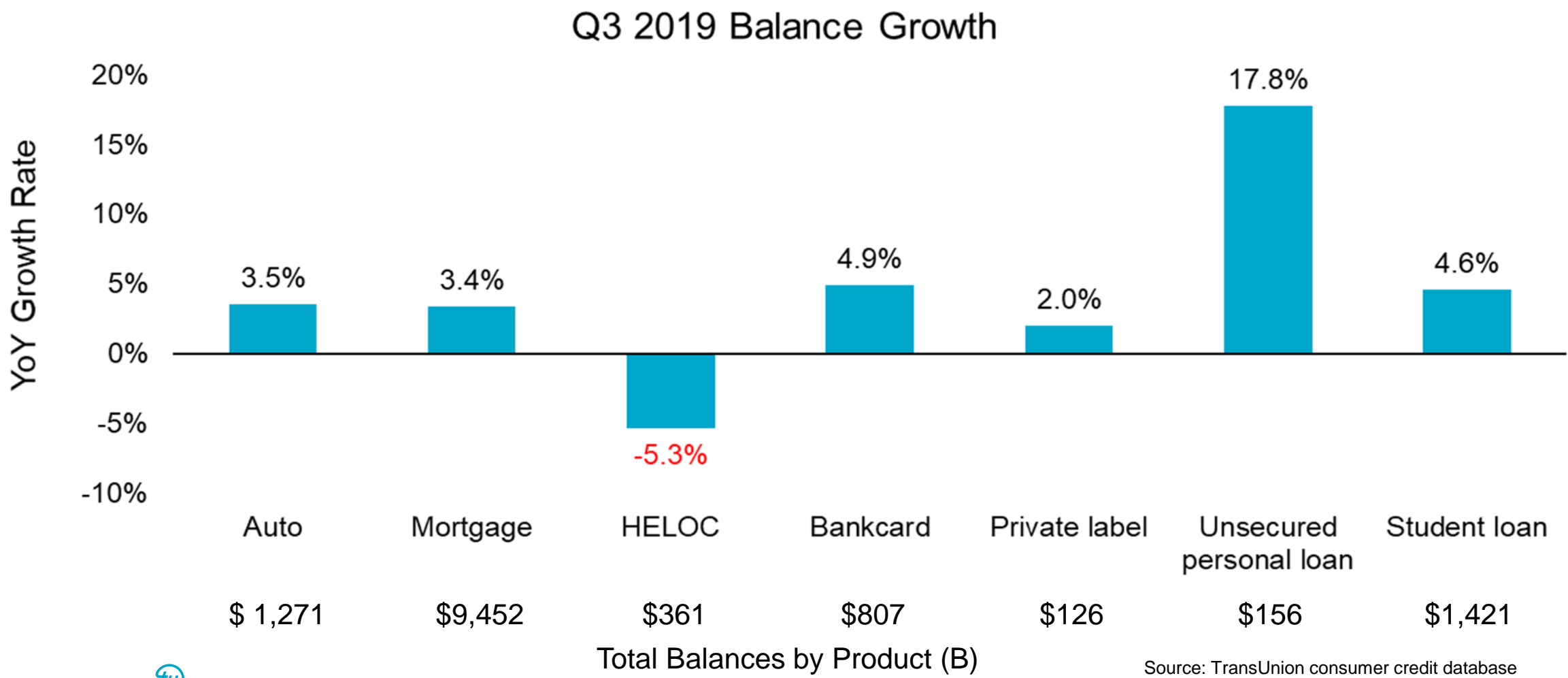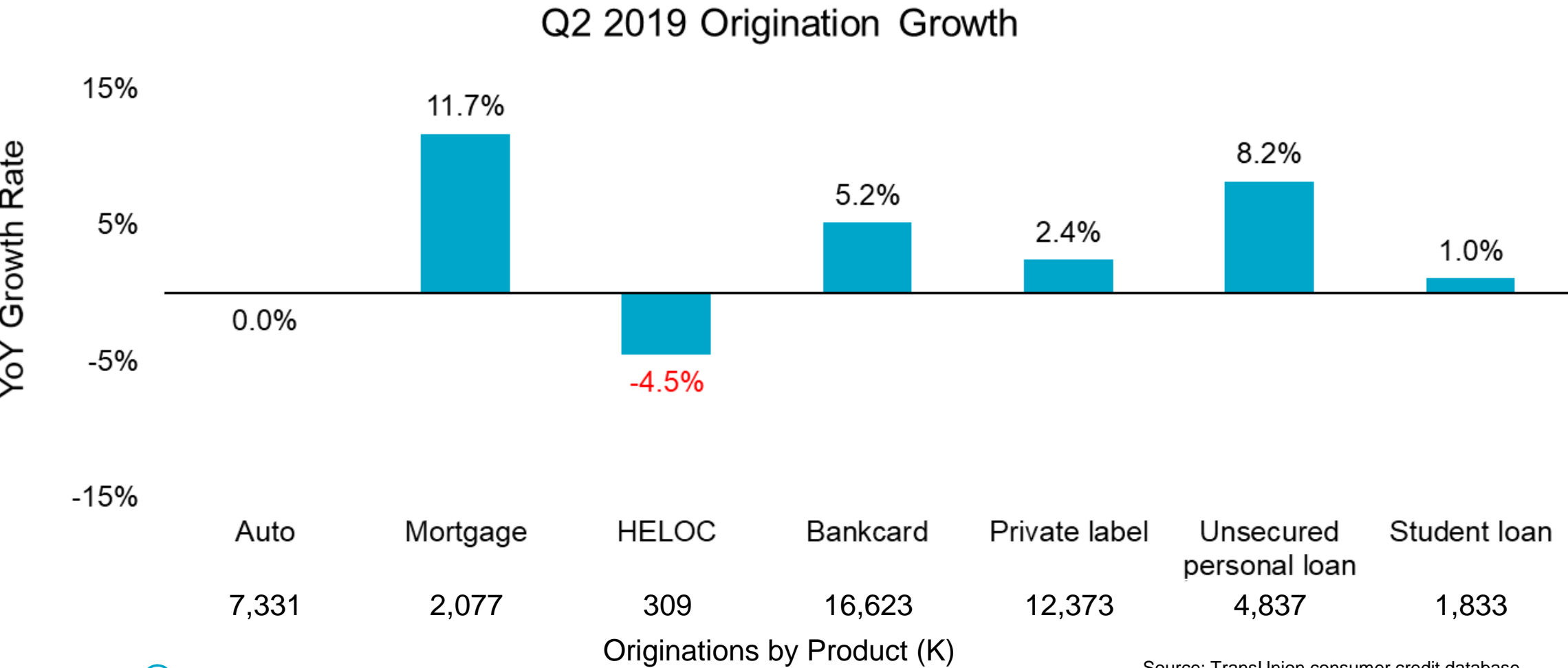Subprime = 300–600; Near prime = 601–660; Prime = 661–720; Prime plus = 721–780; Super prime = 781-850

Source: TransUnion consumer credit database

Balances grew across most lines and loans in Q3 2019

Q3 2019 Balance Growth

Product	Auto	Mortgage	HELOC	Bankcard	Private label	Unsecured personal loan	Student loan
YoY Growth Rate	3.5%	3.4%	-5.3%	4.9%	2.0%	17.8%	4.6%
Total Balances by Product (B)	$ 1,271	$9,452	$361	$807	$126	$156	$1,421

Mortgage and personal loans drove origination growth in Q2 2019

Q2 2019 Origination Growth

YoY Growth Rate

Auto	Mortgage	HELOC	Bankcard	Private label	Unsecured personal loan	Student loan
7,331	2,077	309	16,623	12,373	4,837	1,833

Originations by Product (K)

Average balances increased across most lines and loans

Q3 2019 Average Consumer Balance Growth

YoY Growth Rate

	Auto	Mortgage	HELOC	Bankcard	Private label	Unsecured personal loan	Student loan
Growth	1.6%	2.3%	-1.7%	1.6%	2.2%	7.9%	4.7%
Average Consumer Balance	$19,144	$210,456	$58,015	$5,667	$2,002	$8,998	$37,419

Source: TransUnion consumer credit database

TransUnion
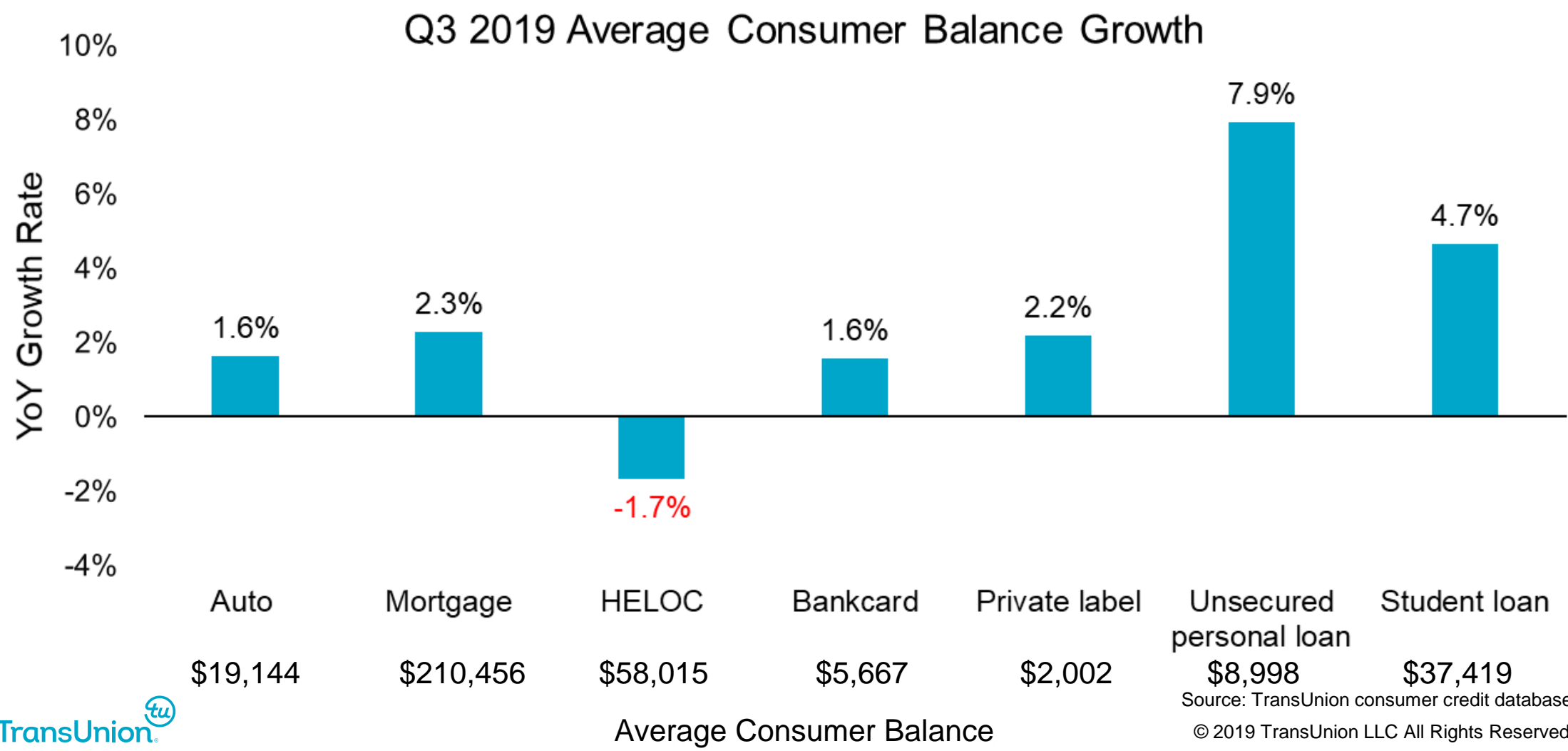
Serious delinquency remains low in spite of upticks in credit card

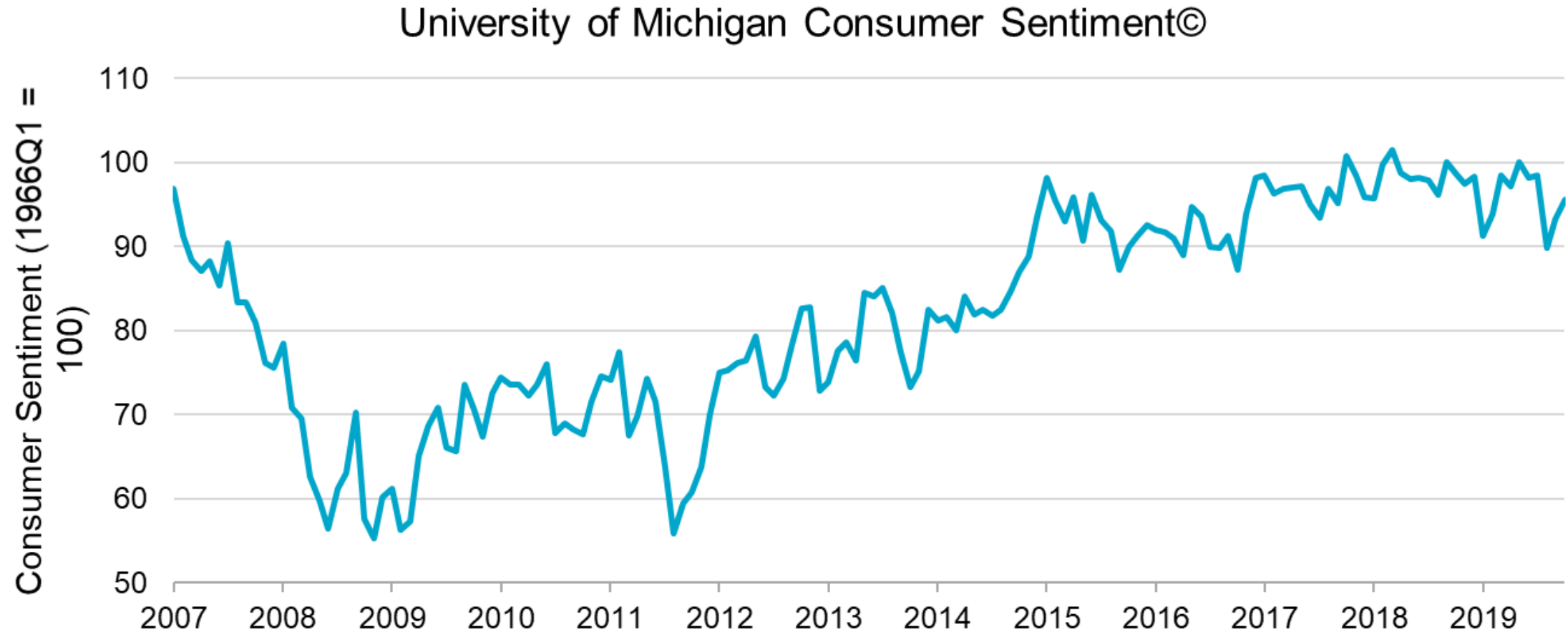Serious* Consumer-Level Delinquency Rates
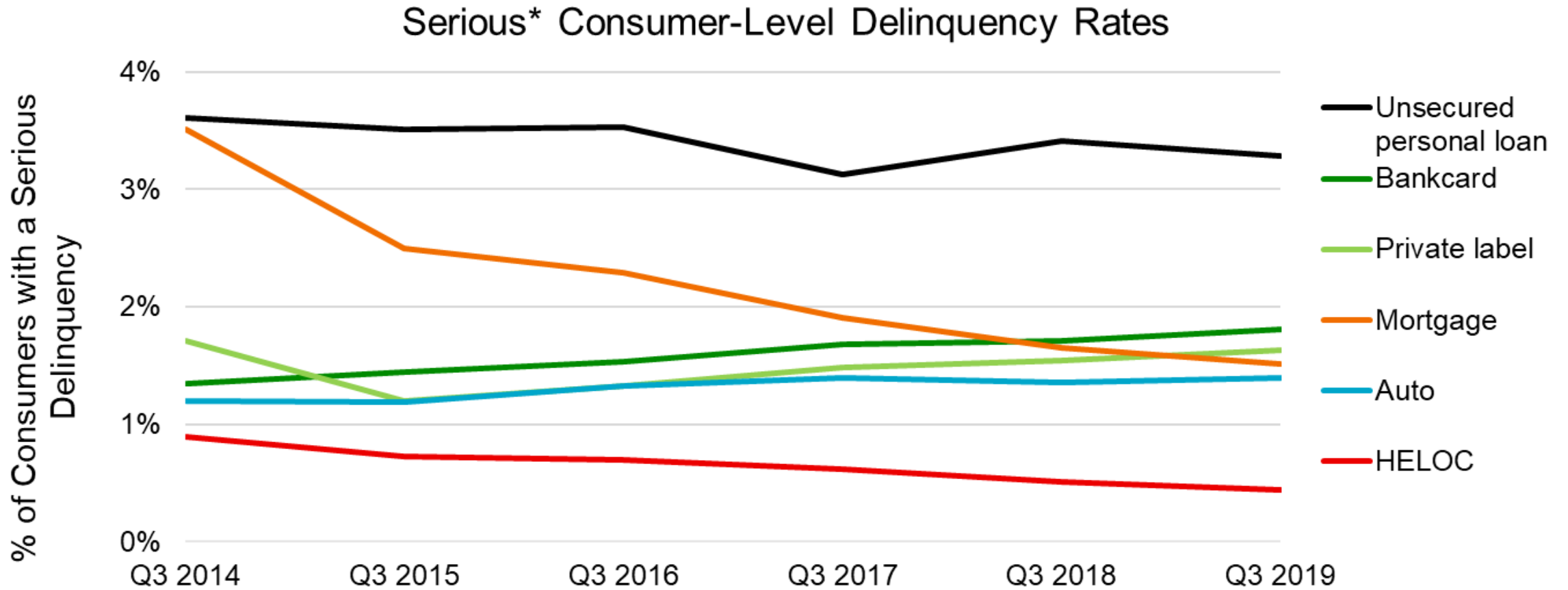
*Seriously delinquent considered as 90+DPD for card, 60+ DPD for all other products

Holiday Spend

A seasonal perspective of consumer card activity
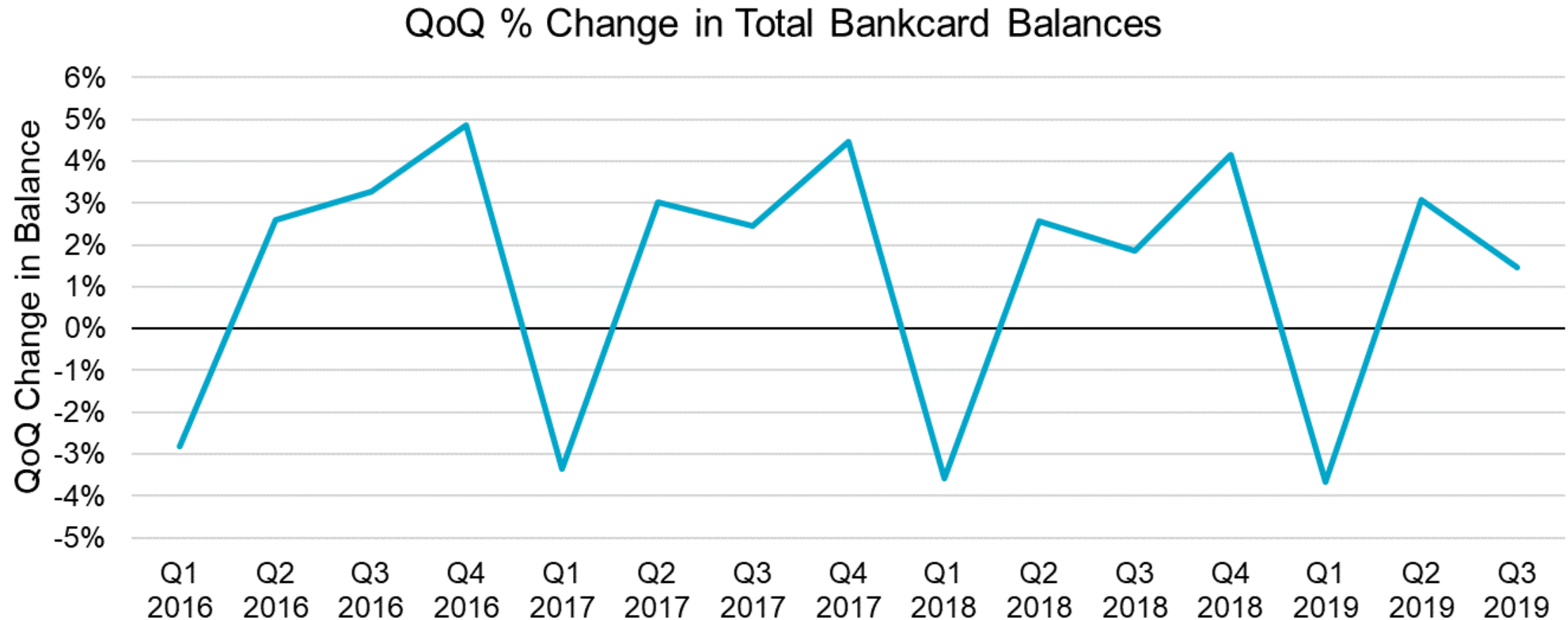
Consumer sentiment remains elevated, but not rising

University of Michigan Consumer Sentiment©

Private label originations spike during the holiday season as consumers respond to store promotions

Private Label Origination Lift (November/December)

■ 2016 Lift ■ 2018 Lift
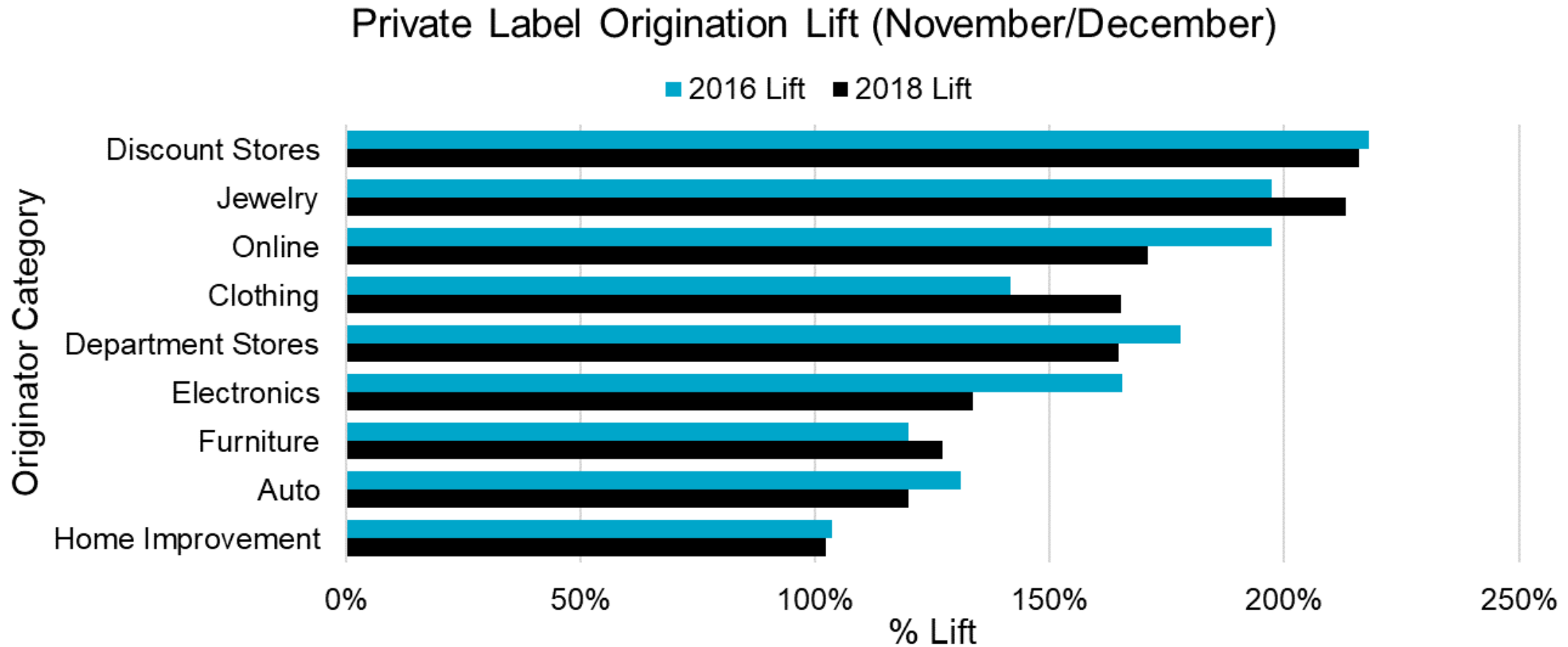
Bankcard balances show strong seasonality

QoQ % Change in Total Bankcard Balances

Bankcard balances have shown lower fourth quarter increases and consumers have paid more back by the end of the first quarter

Bankcard Q4 Balance Increases and Q1 Paydown
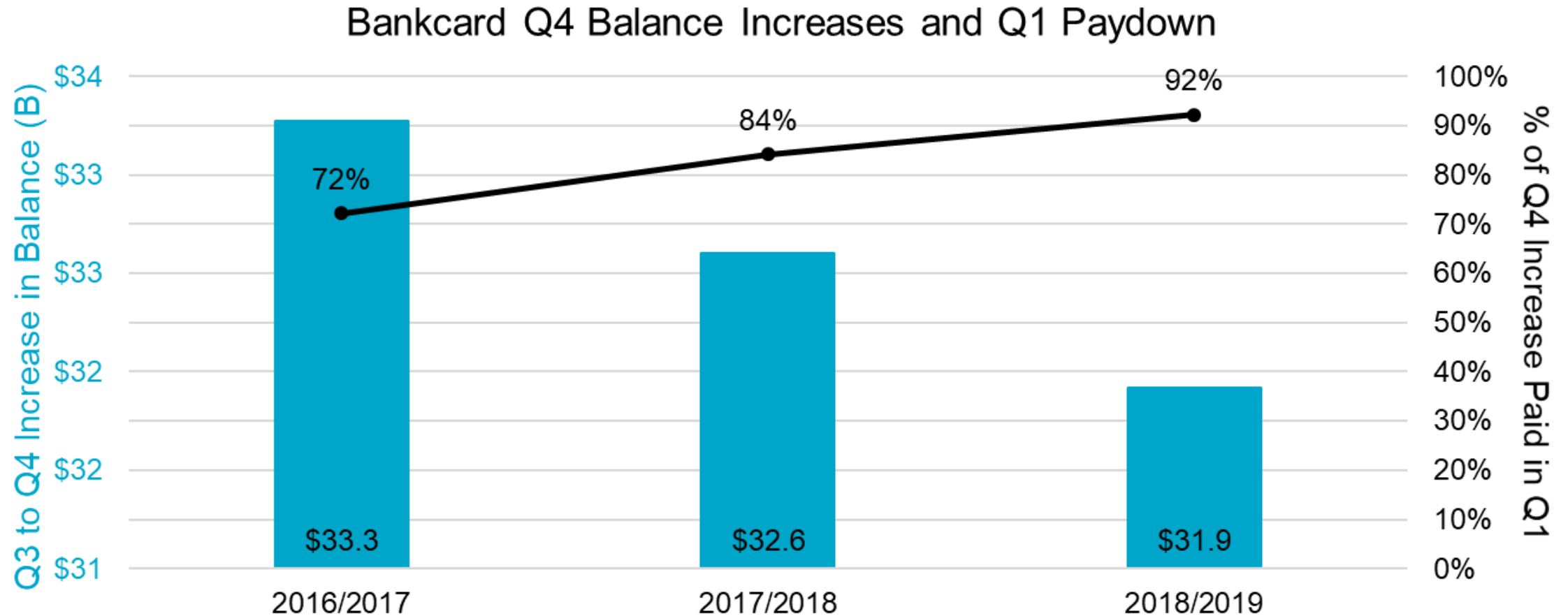
Private label balances also show strong seasonality with higher peaks in Q4

QoQ % Change in Total Private Label Balances
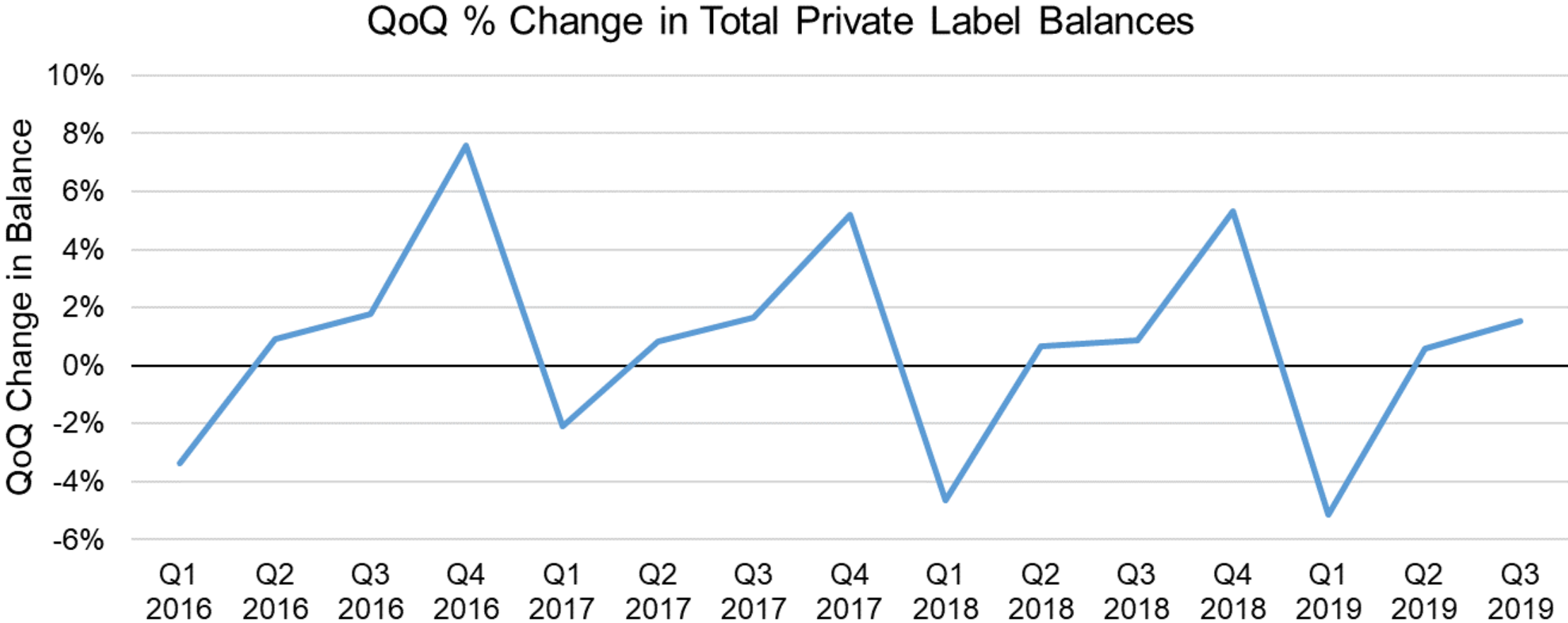
Private label pay downs in Q1 continue to increase as lenders shift to lower risk consumers

Private Label Q4 Balance Increases and Q1 Paydown
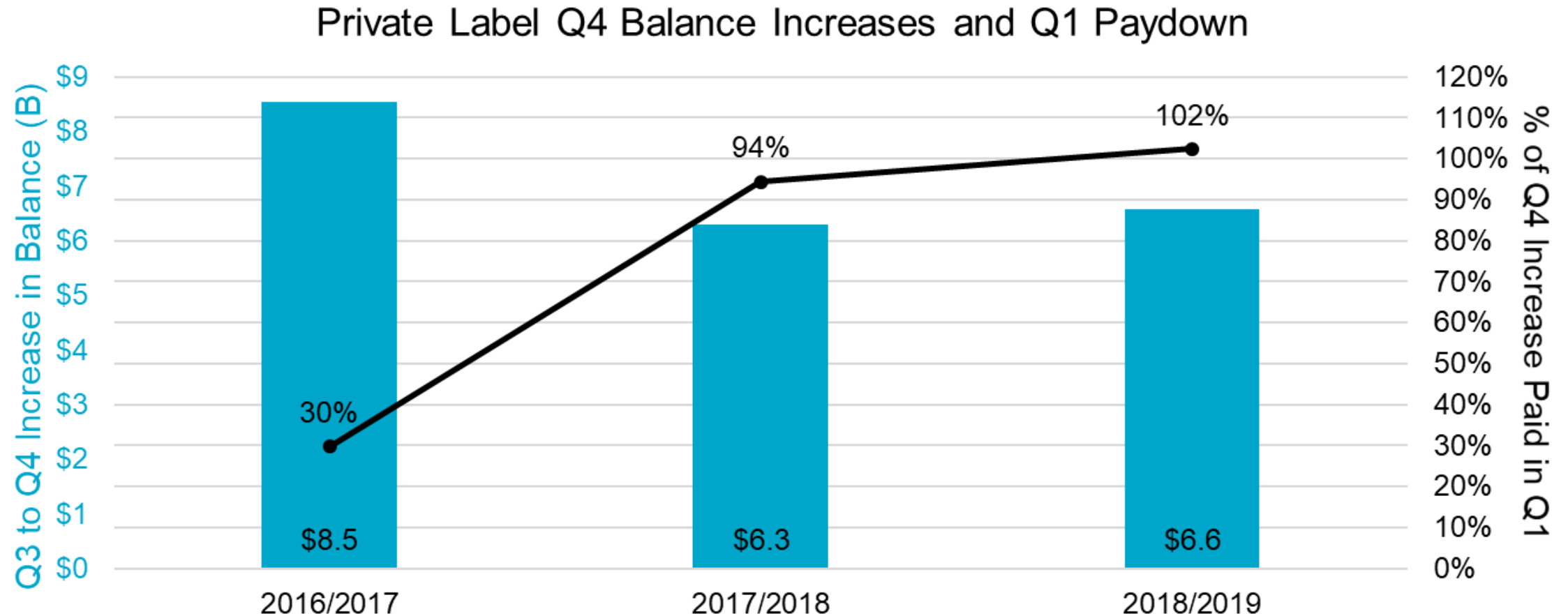
Credit Card

A record high of 182M cardholders propelled balance growth

Total Bankcard Balances and Cardholders
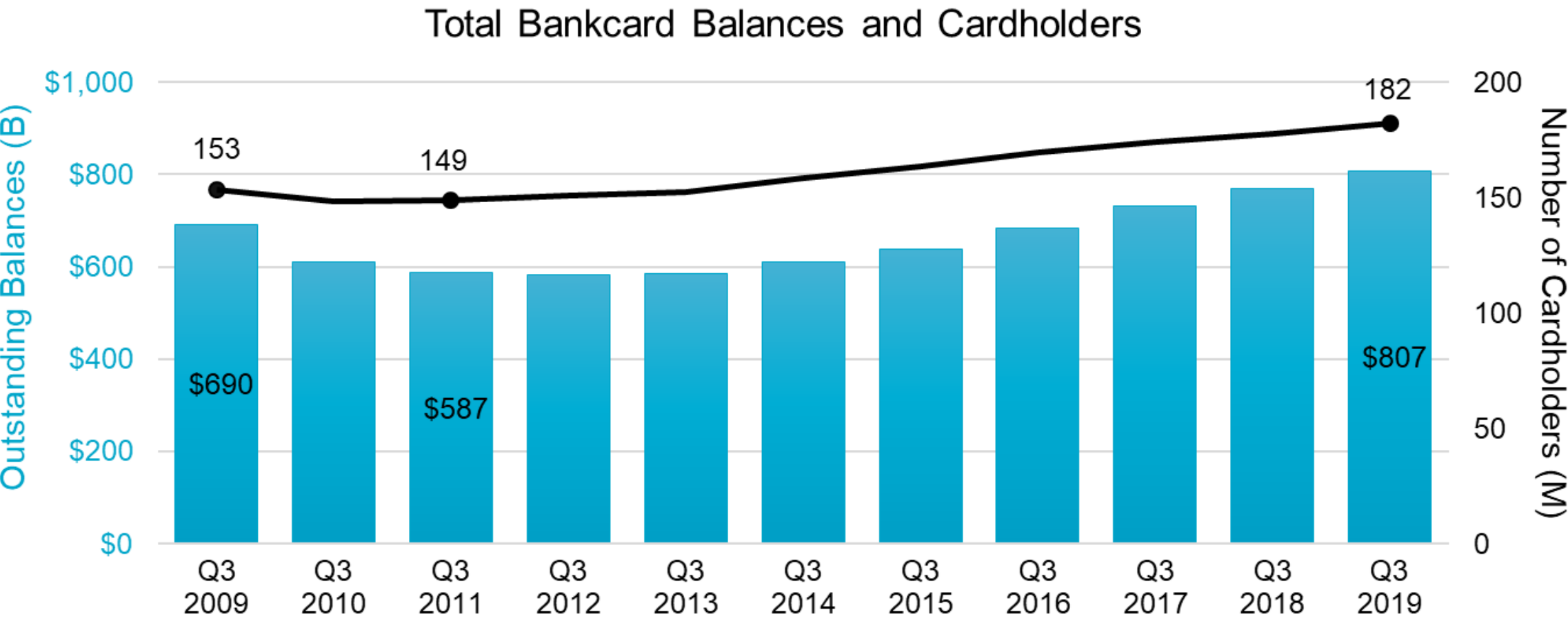
Origination growth for prime and below borrowers is picking back up following a pullback in 2017

Growth in Bankcard Originations

■ Subprime ■ Near prime ■ Prime ■ Prime plus ■ Super prime

Q2 2017
- Subprime: -11%
- Near prime: -14%
- Prime: -12%
- Prime plus: -9%
- Super prime: -15%

Q2 2018
- Subprime: 4%
- Near prime: -2%
- Prime: -1%
- Prime plus: 4%
- Super prime: 6%

Q2 2019
- Subprime: 10%
- Near prime: 5%
- Prime: 4%
- Prime plus: 5%
- Super prime: 2%

Y-axis: YoY Unit Growth (-20% to 15%)

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

Bankcard originations are forecasted to remain steady and climbing

Forecasted Bankcard Originations

—Actual —Modeled ---Forecast

Bankcard originatinos (M)

Period	Forecasted Originations	Actual Originations	Diff
2018-Q4	15,844,351	16,451,608	-3.69%
2019-Q1	15,038,383	15,311,355	-1.78%
2019-Q2	15,763,049	16,623,190	-5.17%
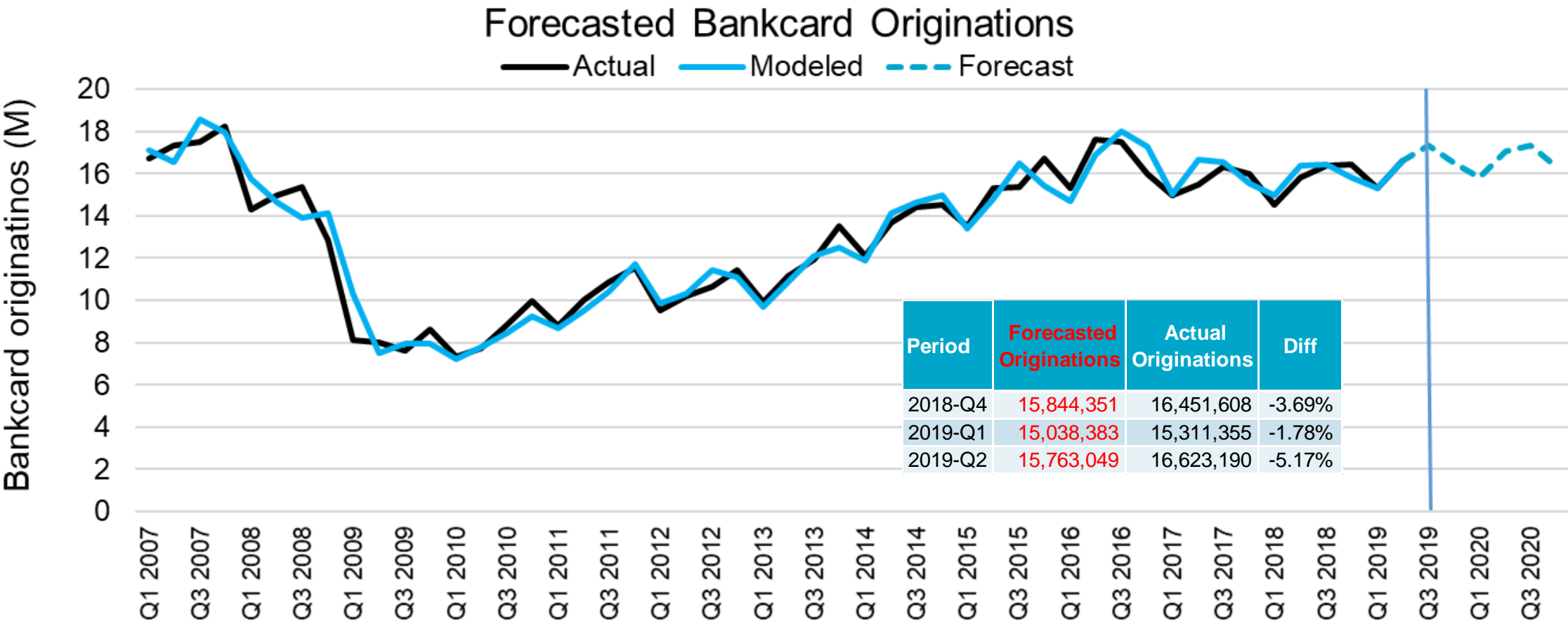
Average consumer credit lines continue to grow across all tiers, and remains the highest for lower risk consumers

Bankcard Average Credit Line

Legend: ■ Q3 2015 ■ Q3 2016 ■ Q3 2017 ■ Q3 2018 ■ Q3 2019

Chart categories (x-axis): Subprime, Near prime, Prime, Prime plus, Super prime

Labeled values (Q3 2019):
- Subprime: $6,072
- Near prime: $13,794
- Prime: $17,541
- Prime plus: $23,597
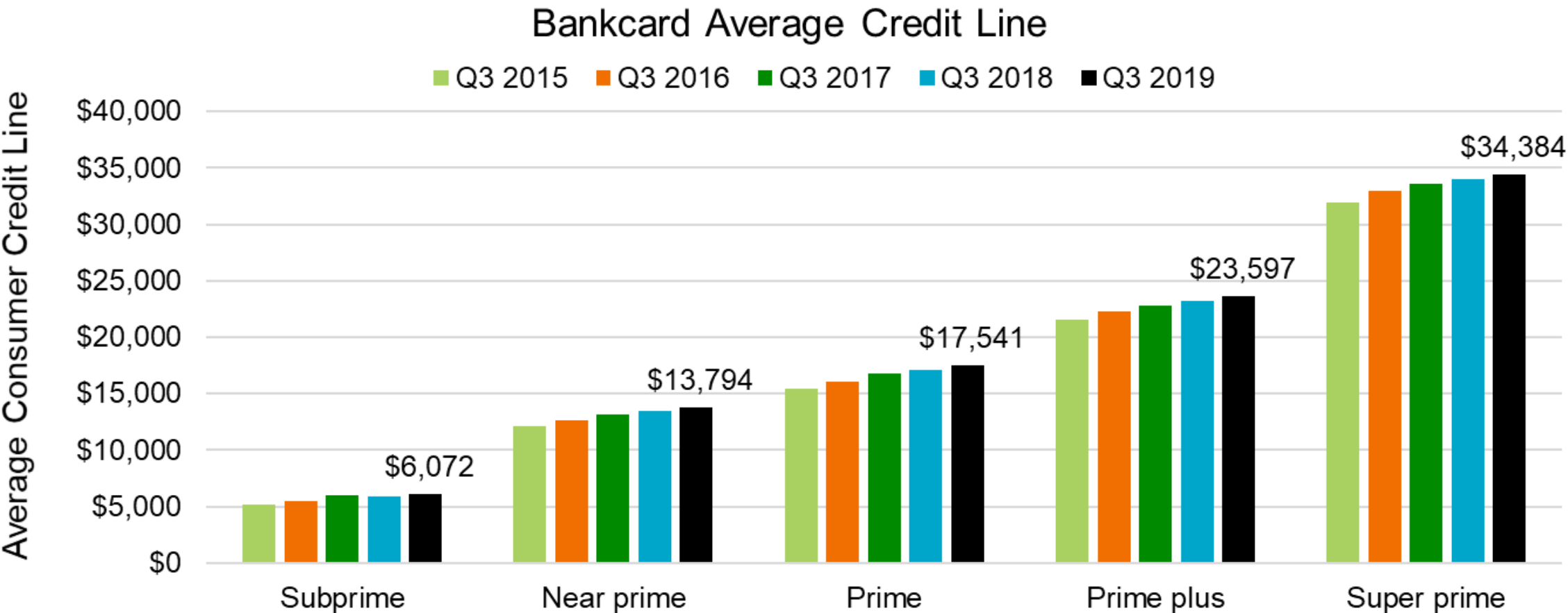- Super prime: $34,384

Y-axis: Average Consumer Credit Line, $0 to $40,000

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

Utilization was stable even as credit lines increased by 4.8% YoY

Bankcard Utilization

Q3 2019: 4.8% YoY
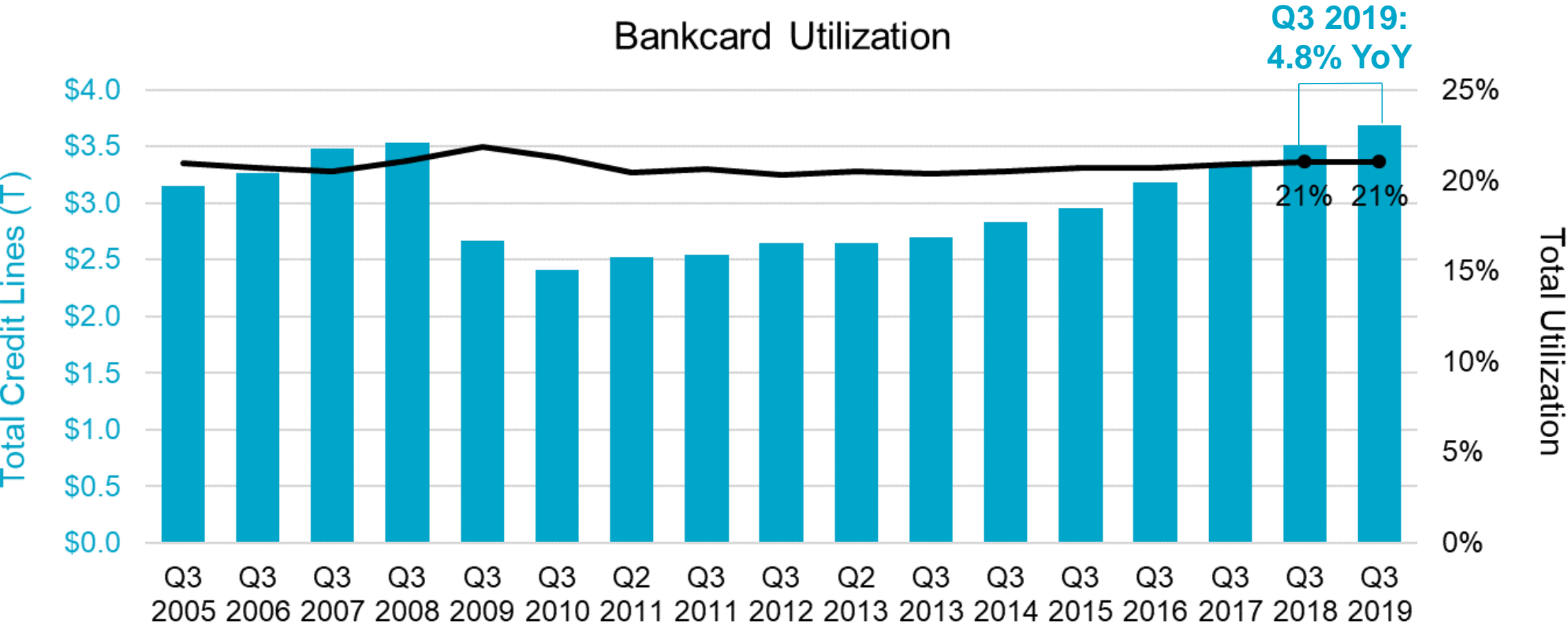
Utilization remains stable over time, but is differentiated between risk tiers

Bankcard Utilization by Risk Tier

— Subprime — Near prime — Prime — Prime plus — Super prime — Total

84%
68%
44%
21%
6%

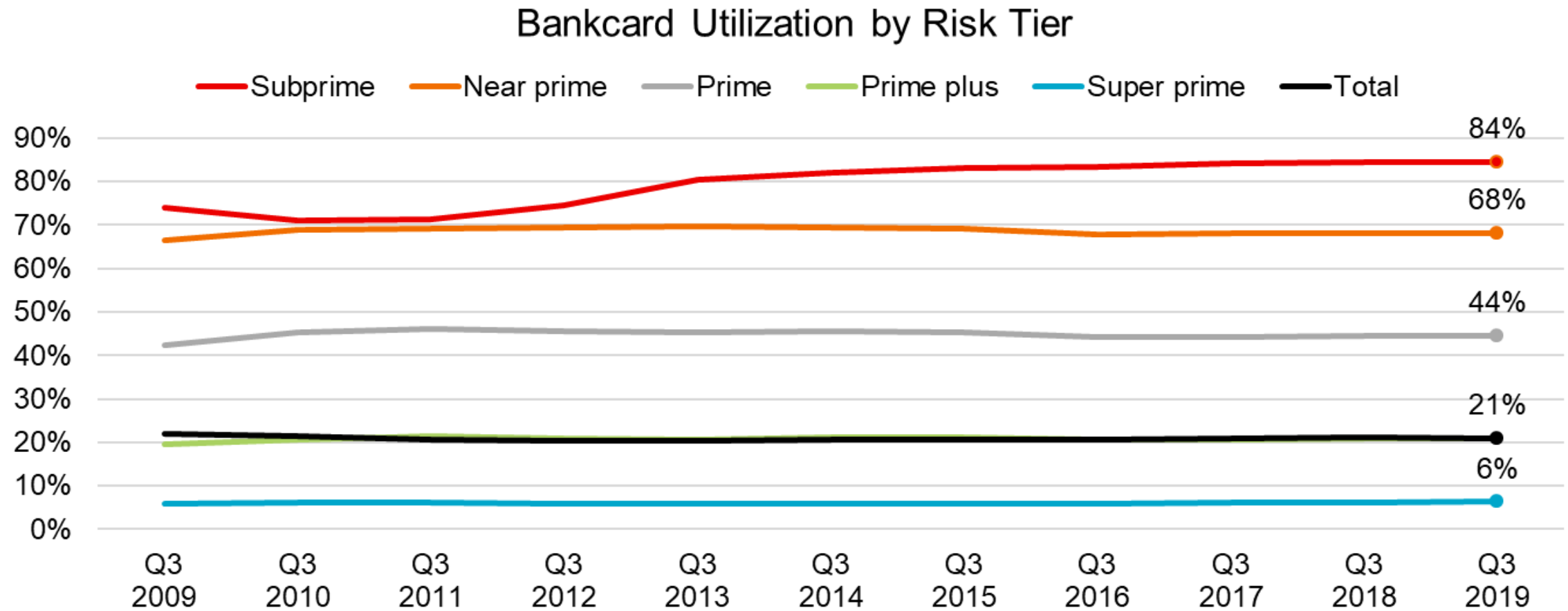Q3 2009 Q3 2010 Q3 2011 Q3 2012 Q3 2013 Q3 2014 Q3 2015 Q3 2016 Q3 2017 Q3 2018 Q3 2019

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

Below prime consumers account for 36% of total balances, however remain well below the 44% of balances in 2009
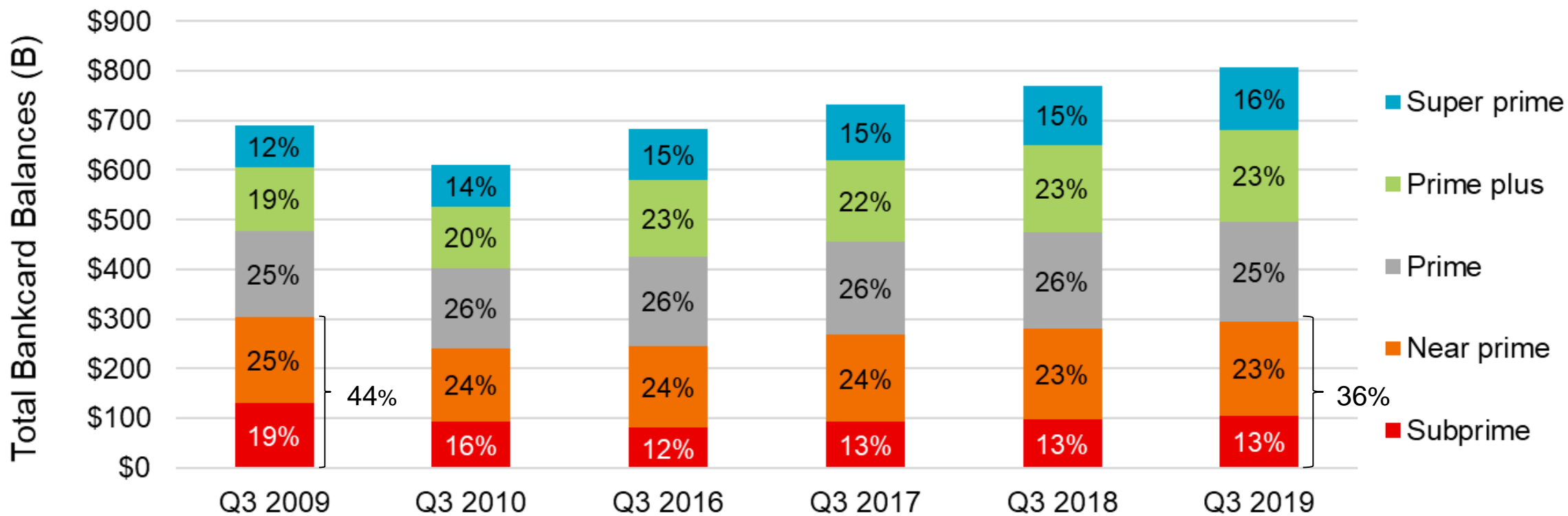

Growth in Total Bankcard Balances

VantageScore® 3.0 risk ranges
Subprime = 300–600; Near prime = 601–660; Prime = 661–720; Prime plus = 721–780; Super prime = 781-850

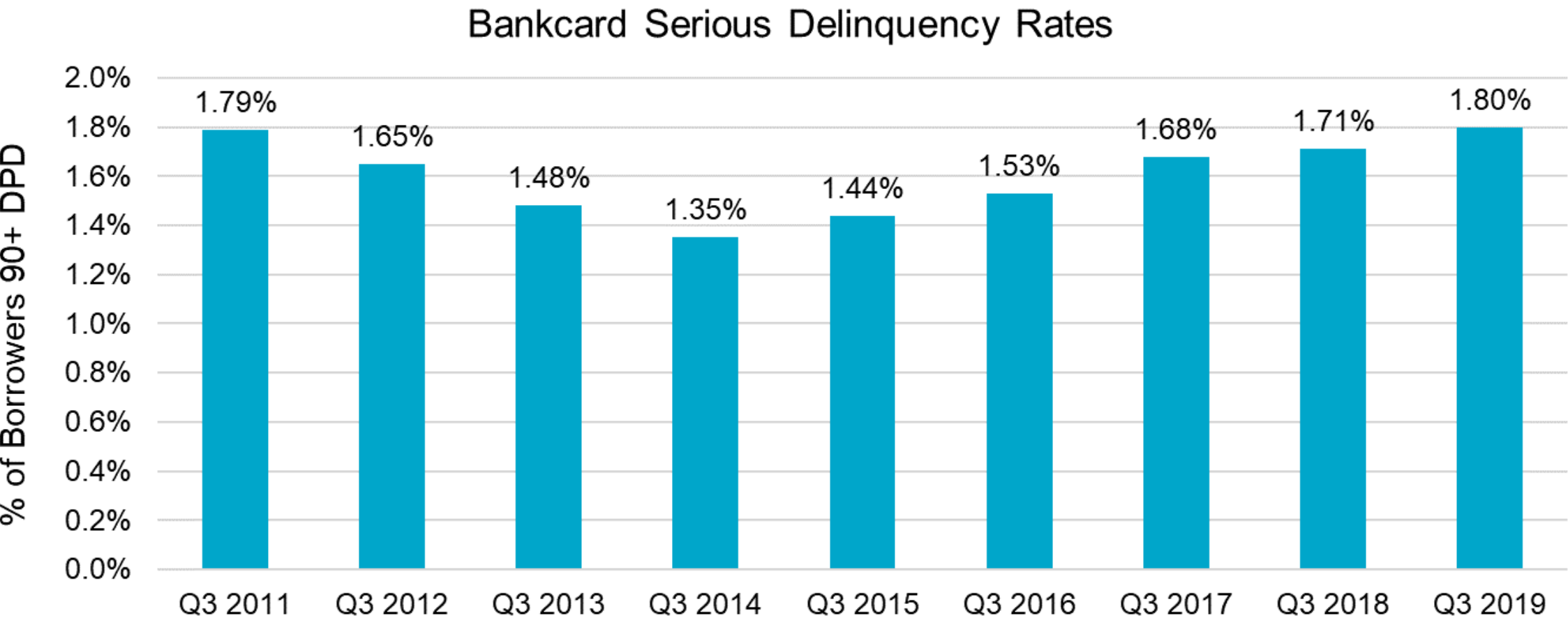# Bankcard serious delinquency rates grew beyond 2011 levels

Bankcard Serious Delinquency Rates

Recent vintages continue to degrade with 2018 starting to separate from 2017

Vintage Delinquency of Bankcard Accounts
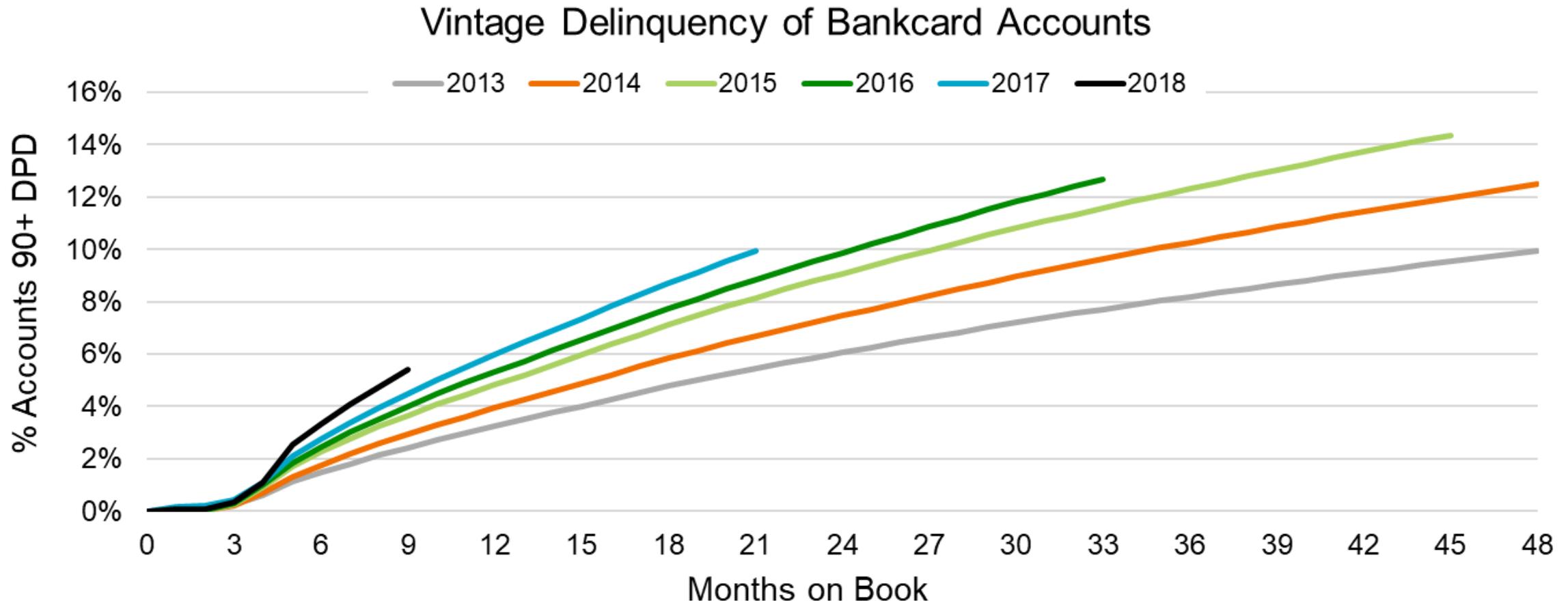
Delinquency is expected to deteriorate slightly through 2020

Forecasted Bankcard Delinquency

— Actual   — Modeled   --- Forecast

Period	Forecasted 90+ DPD	Actual 90+ DPD	Diff
2018-Q4	1.94%	1.94%	-0.02%
2019-Q1	1.83%	1.89%	-3.17%
2019-Q2	1.61%	1.71%	-6.14%
2019-Q3	1.86%	1.81%	2.68%

Despite a declining number of cardholders, retail balances continue to grow to $126B

Total Private Label Balances and Cardholders
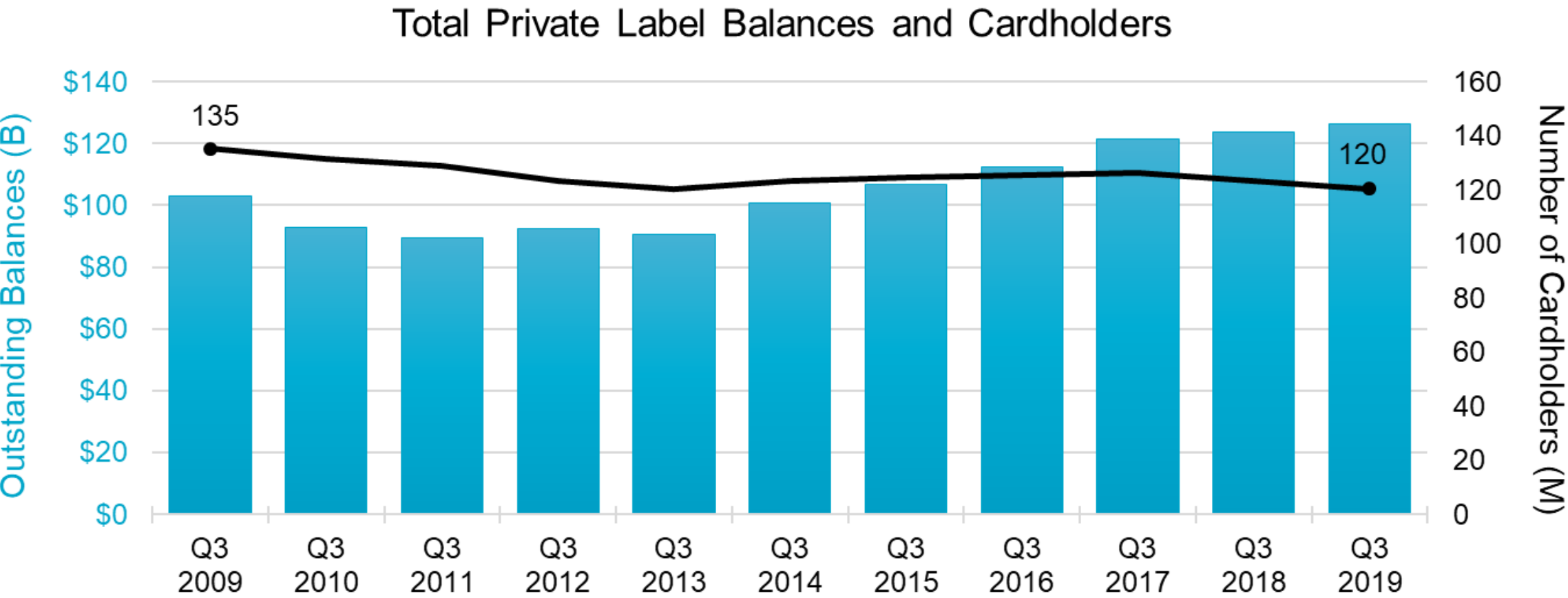
Total balances for private label cards are expected to grow further

Forecasted Private Label Balances

— Actual — Modeled – – – Forecast

Period	Forecasted Total Balances	Actual Total Balances	Diff
2018-Q4	$ 130,091,635,769	$ 130,267,666,343	-0.14%
2019-Q1	$ 124,578,644,352	$ 123,546,509,250	0.84%
2019-Q2	$ 125,894,122,937	$ 124,245,993,968	1.33%
2019-Q3	$ 126,682,314,306	$ 126,156,621,435	0.42%

Source: TransUnion consumer credit database
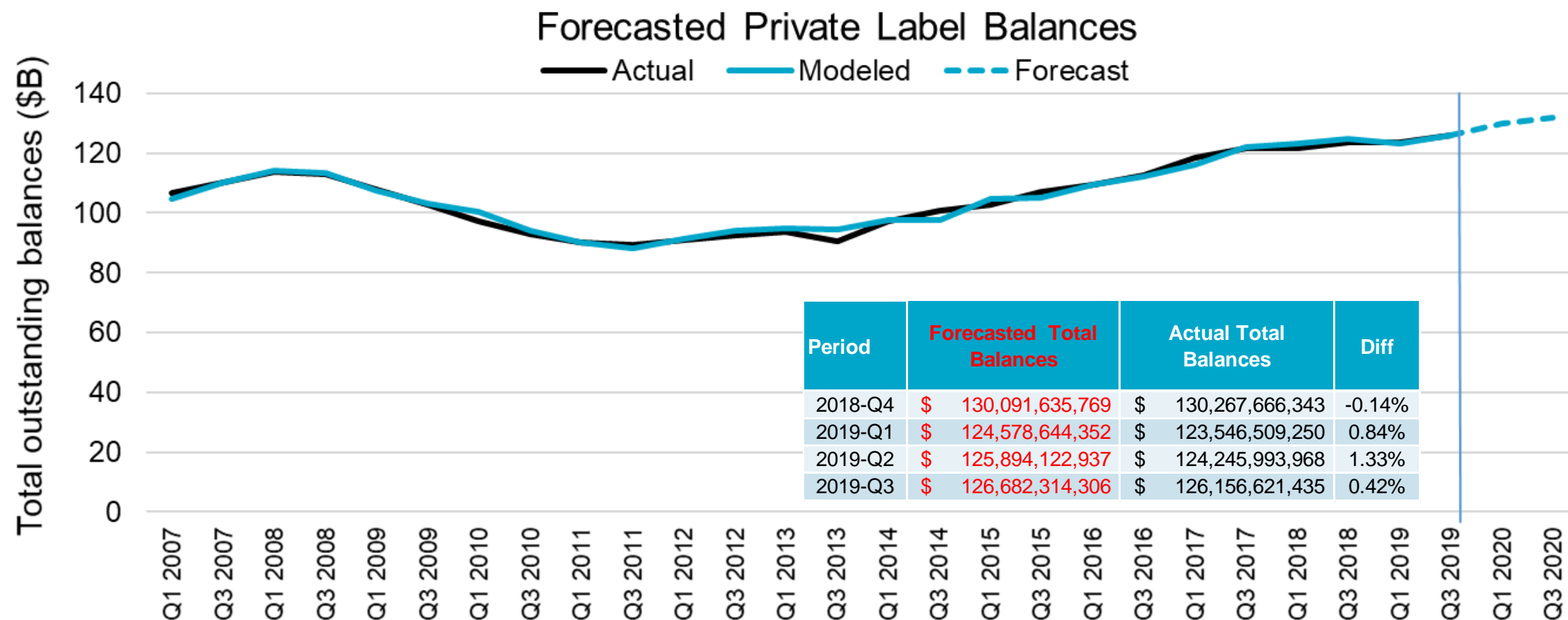
Origination growth increased 2.4% YoY, the first positive growth in 11 quarters

Growth in Private Label Originations
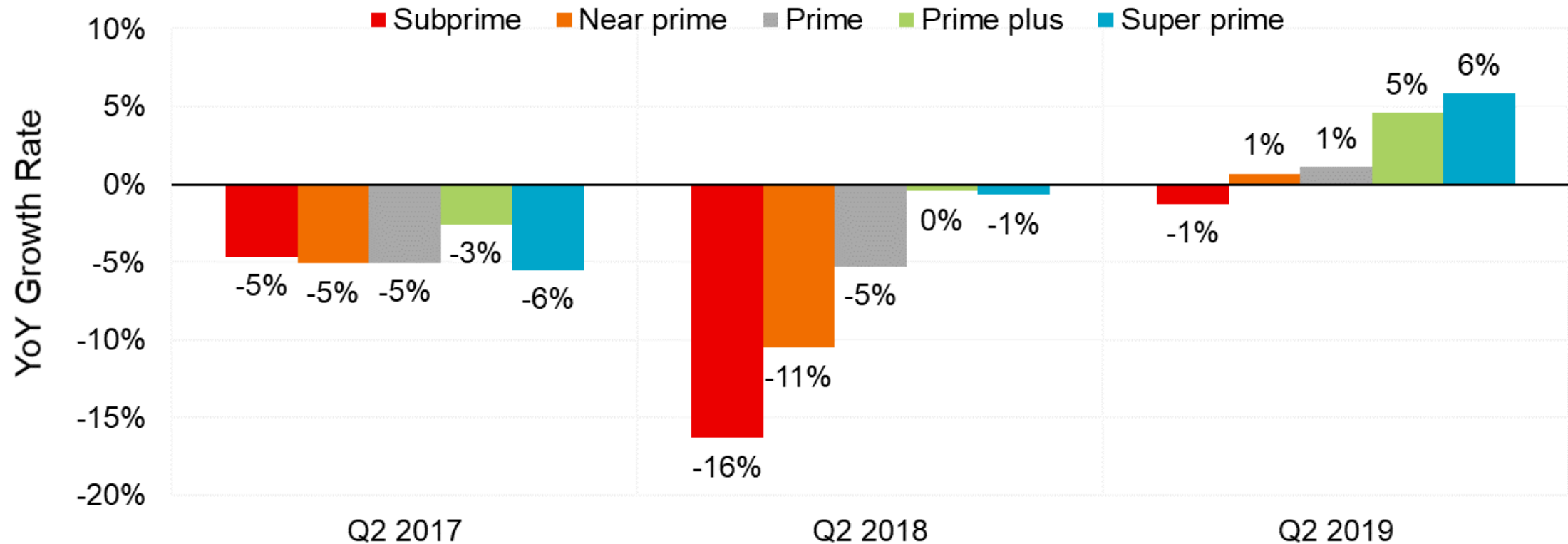
Legend: ■ Subprime ■ Near prime ■ Prime ■ Prime plus ■ Super prime

Y-axis: YoY Growth Rate

Q2 2017: -5%, -5%, -5%, -3%, -6%

Q2 2018: -16%, -11%, -5%, 0%, -1%

Q2 2019: -1%, 1%, 1%, 5%, 6%

VantageScore® 3.0 risk ranges
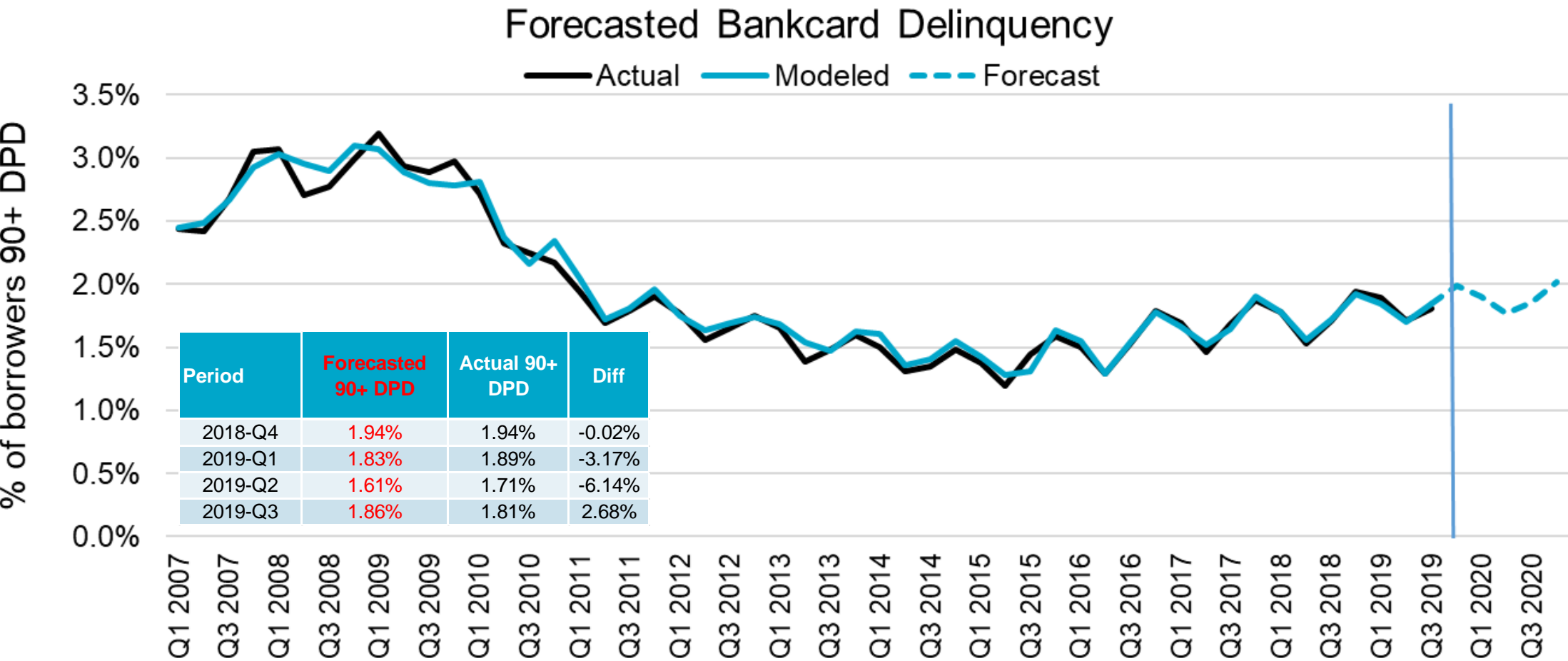Subprime = 300–600; Near prime = 601–660; Prime = 661–720; Prime plus = 721–780; Super prime = 781-850

Source: TransUnion consumer credit database

Private label card delinquency shows slight YoY increases

Private Label Serious Delinquency Rates
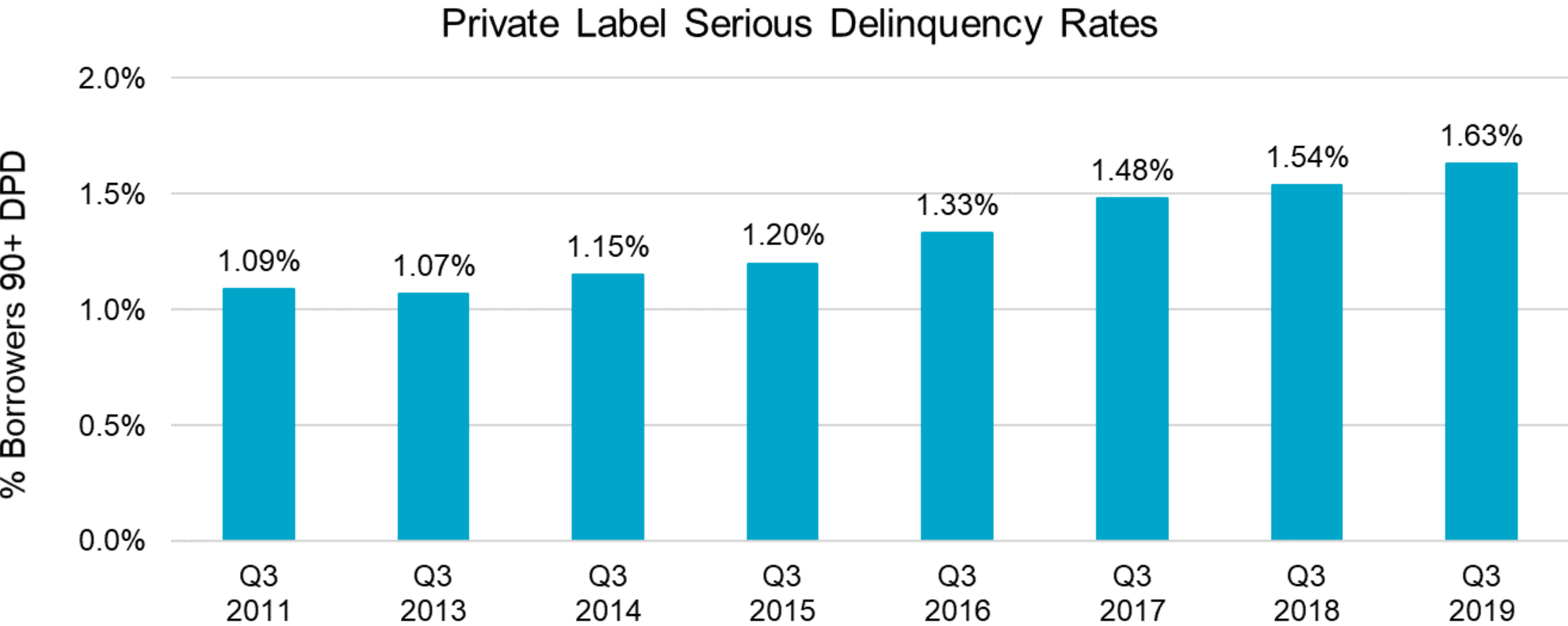
Recent vintages show improvement as lenders shift originations to lower risk consumers

Vintage Delinquency of Private Label Accounts
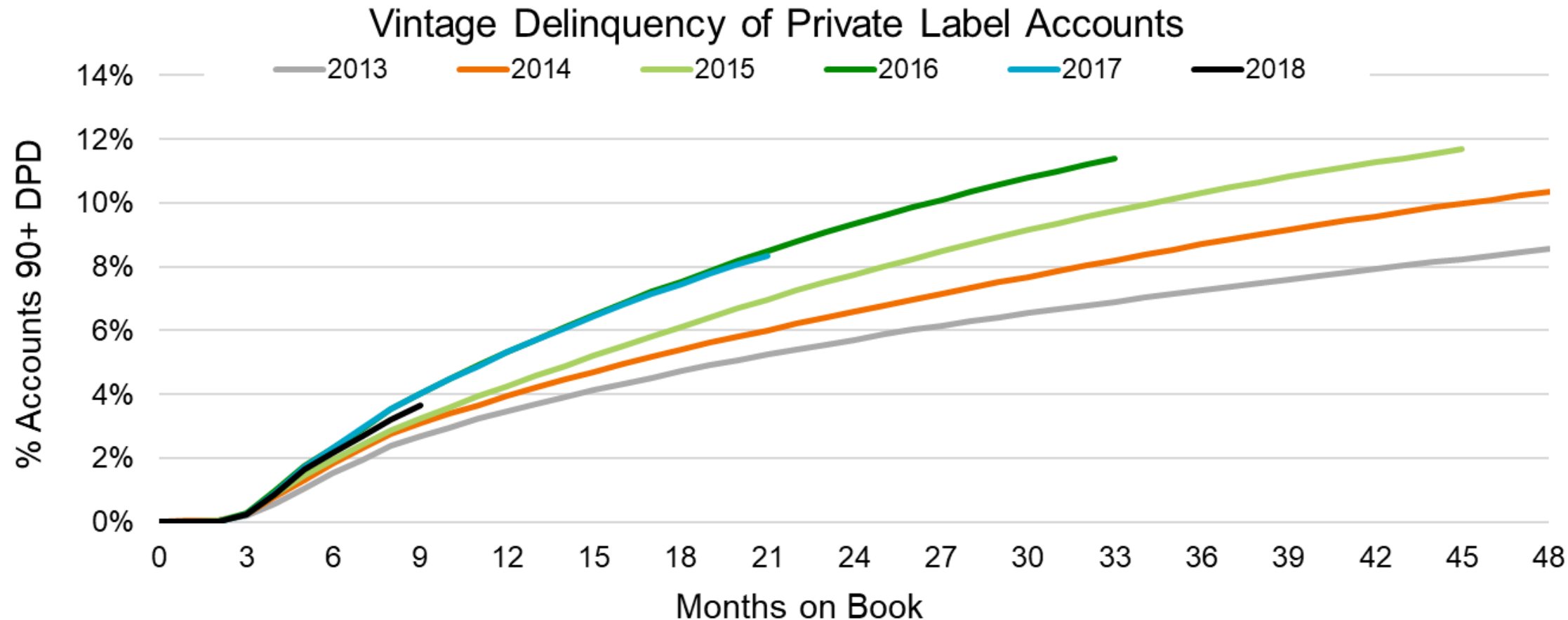
Mortgage

Total balances are expected to continue to climb in line with housing prices

Forecasted Total Mortgage Balances

— Actual — Modeled --- Forecast

Total outstanding balances ($T)

Period	Forecasted Total Balances	Actual Total Balances	Diff
2018-Q4	$ 9,421,501,290,248	$ 9,149,971,487,639	2.97%
2019-Q1	$ 9,562,566,173,073	$ 9,254,963,068,071	3.32%
2019-Q2	$ 9,755,829,553,719	$ 9,336,288,620,921	4.49%
2019-Q3	$ 9,907,015,613,027	$ 9,452,095,043,213	4.81%
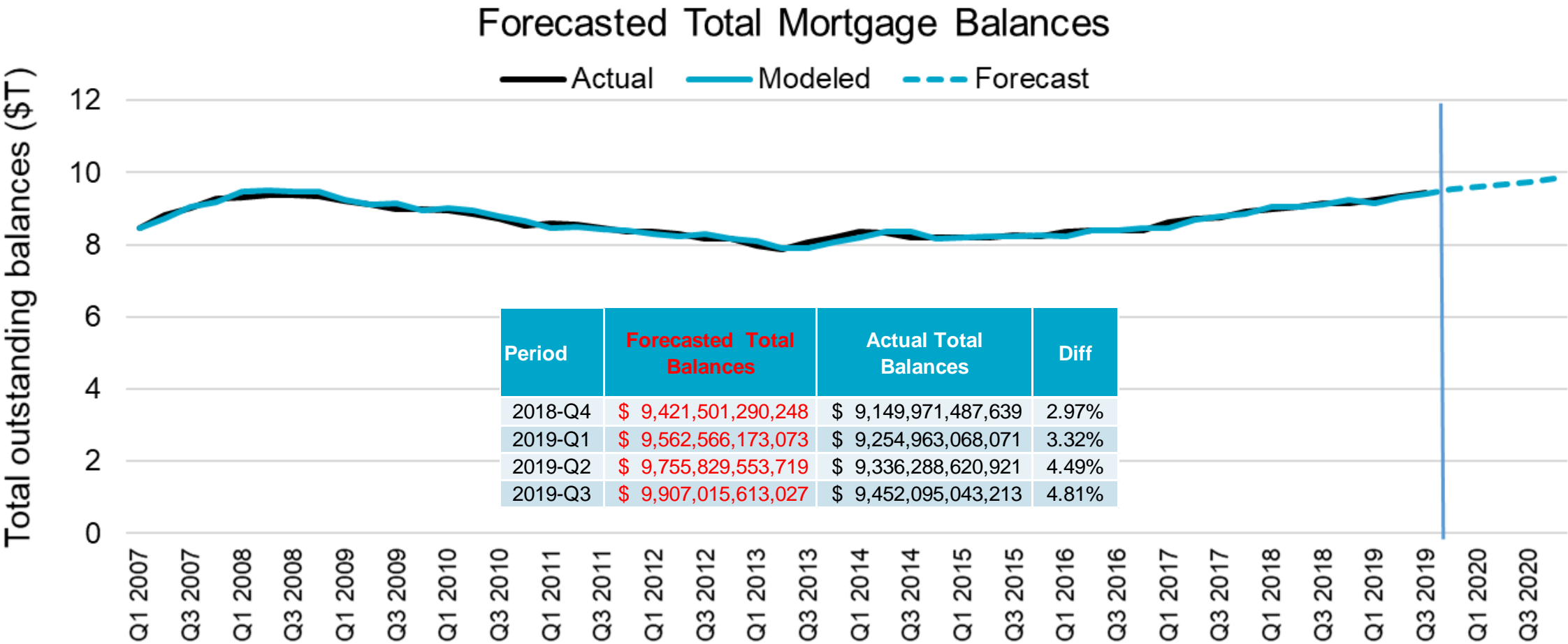
The distribution of mortgage balances to below prime consumers remains low compared to pre- and post-recession distributions
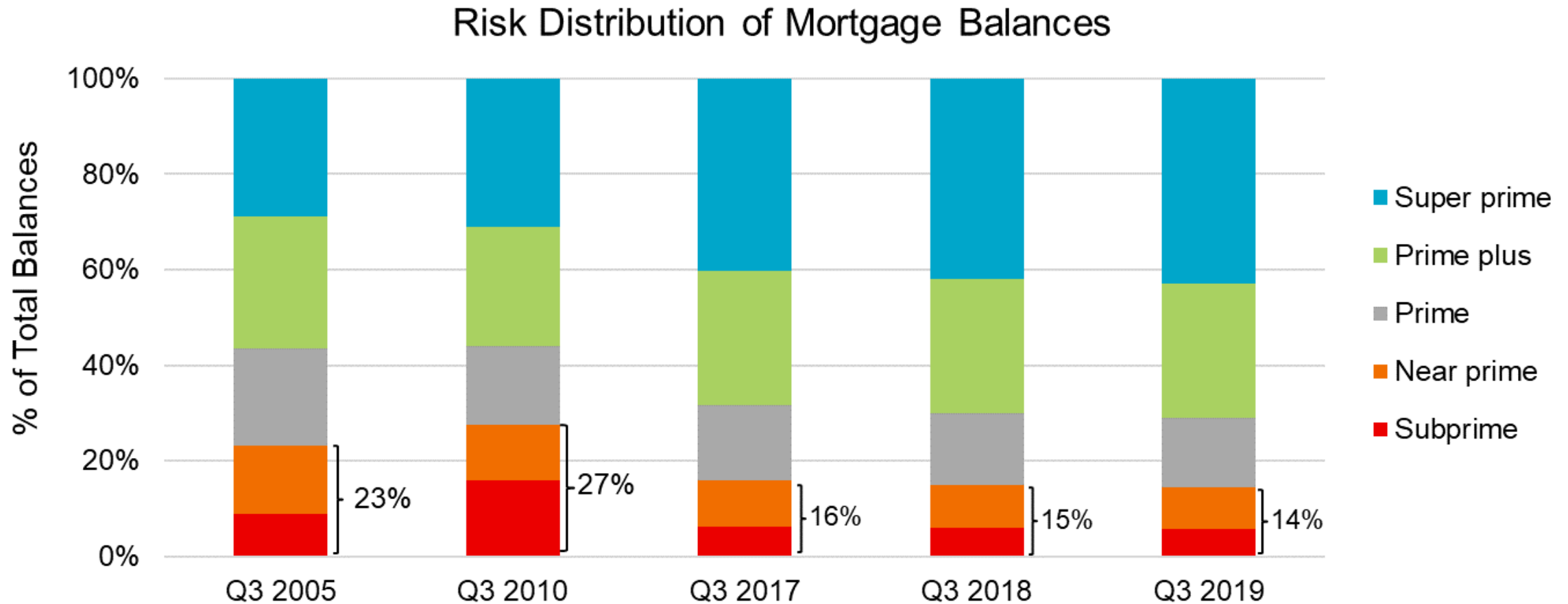
Risk Distribution of Mortgage Balances

Legend:
- Super prime (blue)
- Prime plus (green)
- Prime (gray)
- Near prime (orange)
- Subprime (red)

Bracketed values: Q3 2005 = 23%; Q3 2010 = 27%; Q3 2017 = 16%; Q3 2018 = 15%; Q3 2019 = 14%

VantageScore® 3.0 risk ranges
Subprime = 300–600; Near prime = 601–660; Prime = 661–720; Prime plus = 721–780; Super prime = 781-850

Mortgage originations jumped 11.7% YoY following eight quarters of negative growth

Mortgage Origination Growth

Legend: —— Effective Fed Funds Rate —— Avg. 30 Year Fixed Mortgage Rate —— Mortgage Origination Growth
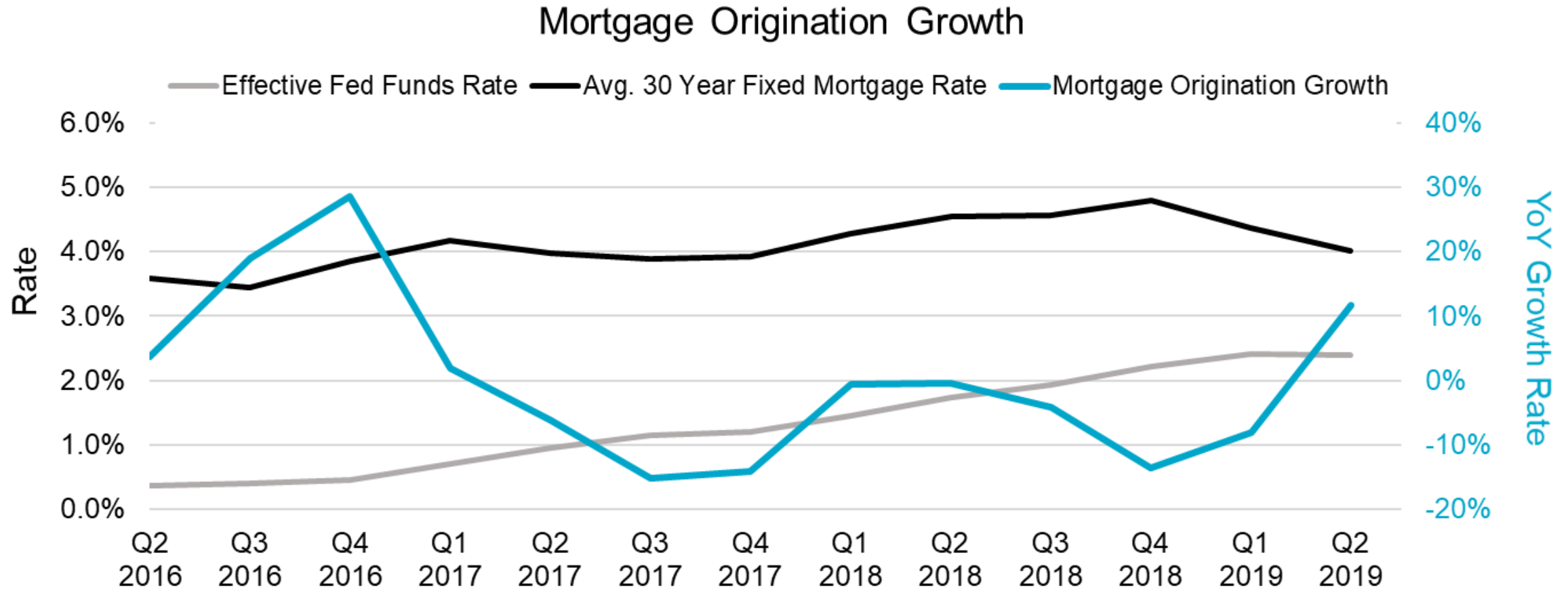
Originations were strongest in higher cost MSAs

Average Account Balance by MSA and YoY Origination Growth, Q2

MSA	Average Account Balance (K)	YoY Unit Origination Growth
San Francisco	$379	26%
Los Angeles	$328	29%
San Diego	$309	33%
Tampa	$156	10%
Detroit	$133	15%
St. Louis	$133	11%

New mortgage account balances increased across risk tiers

Average New Mortgage Amounts

■ Q2 2016 ■ Q2 2017 ■ Q2 2018 ■ Q2 2019

Average New Mortgage Amount

- Subprime: $194,557
- Near prime: $212,748
- Prime: $227,652
- Prime plus: $278,339
- Super prime: $270,091

VantageScore® 3.0 risk ranges
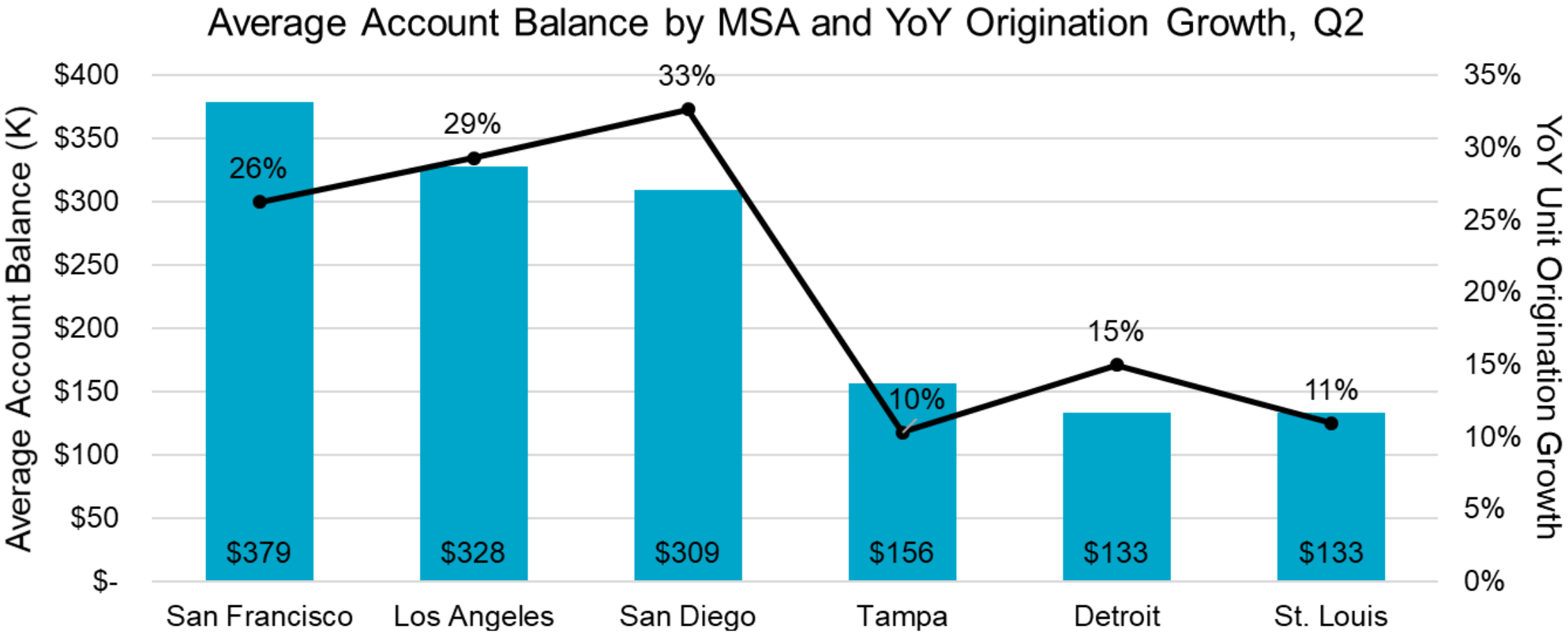Subprime = 300–600; Near prime = 601–660; Prime = 661–720; Prime plus = 721–780; Super prime = 781-850

Source: TransUnion consumer credit database

Mortgage delinquency expected to flatten and reach record lows

Forecasted Mortgage Delinquincy

—— Actual ——— Modeled --- Forecast

Period	Forecasted 60+ DPD	Actual 60+ DPD	Diff
2018-Q4	1.62%	1.66%	-2.18%
2019-Q1	1.58%	1.44%	9.44%
2019-Q2	1.53%	1.37%	11.76%
2019-Q3	1.49%	1.51%	-1.20%
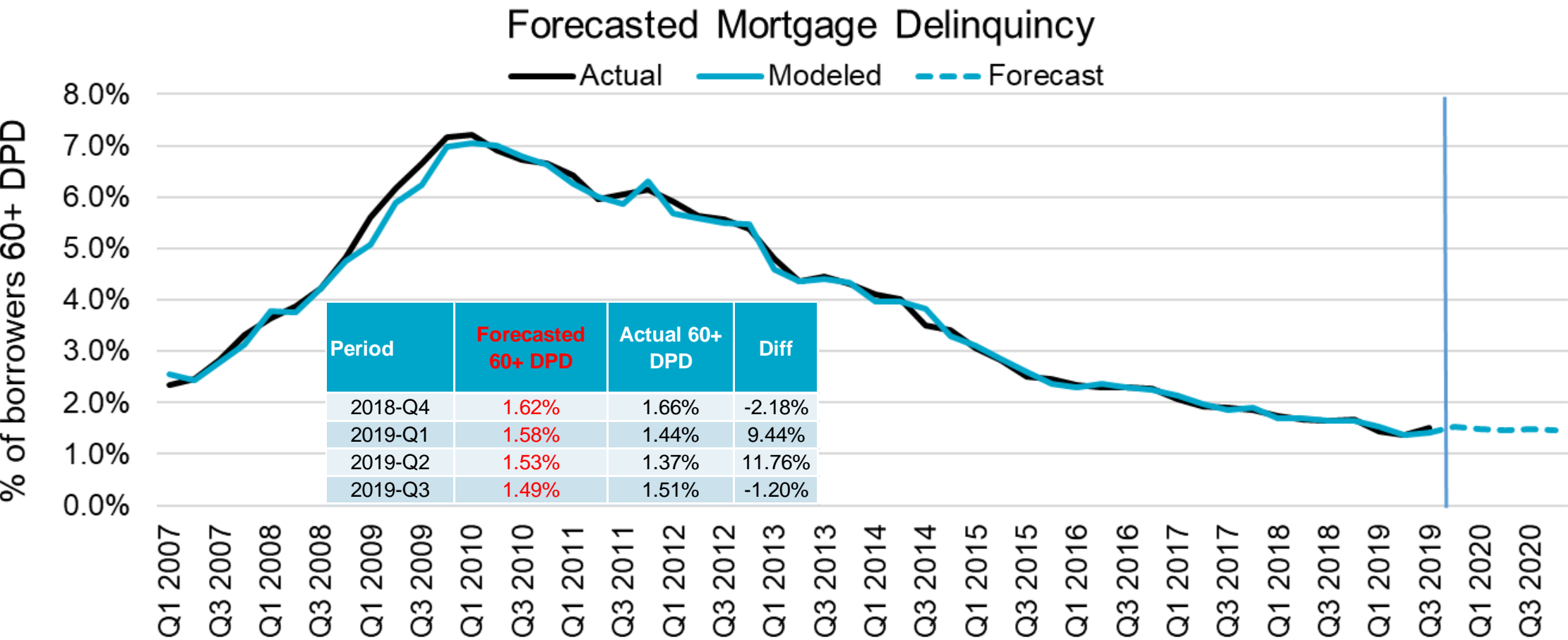
While home prices have surpassed 2005 boom levels, household home equity has grown even faster

House Price Index Vs. Household Home Equity Index, Q2 Each Year
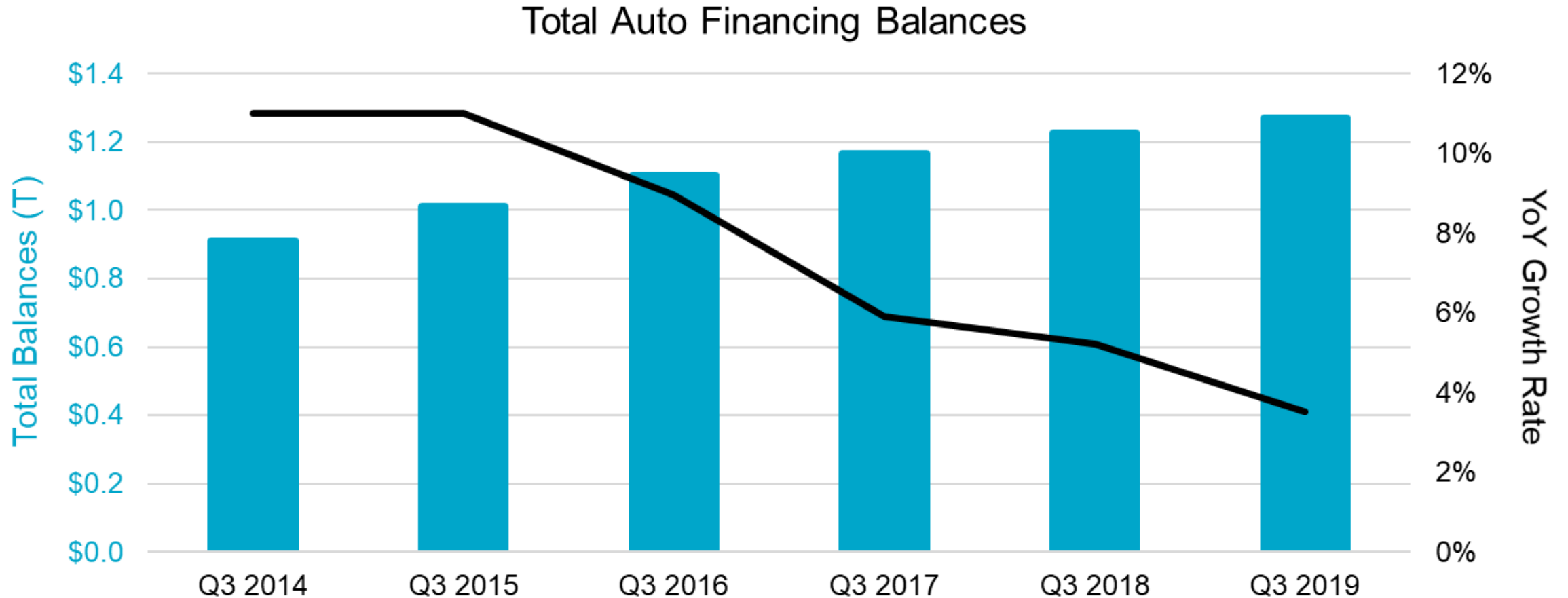
Source: FRED
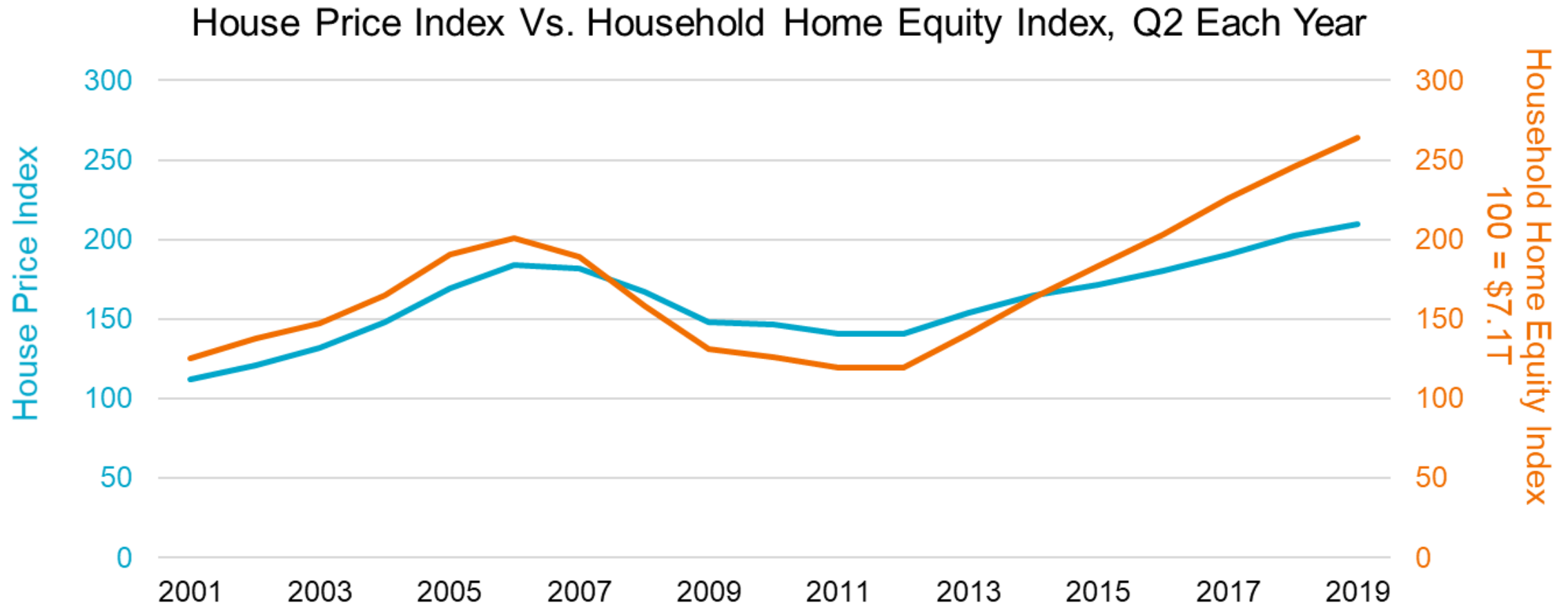
HELOC accounts dropped to 8.6M as account closures surpassed originations

HELOC Originations and Accounts
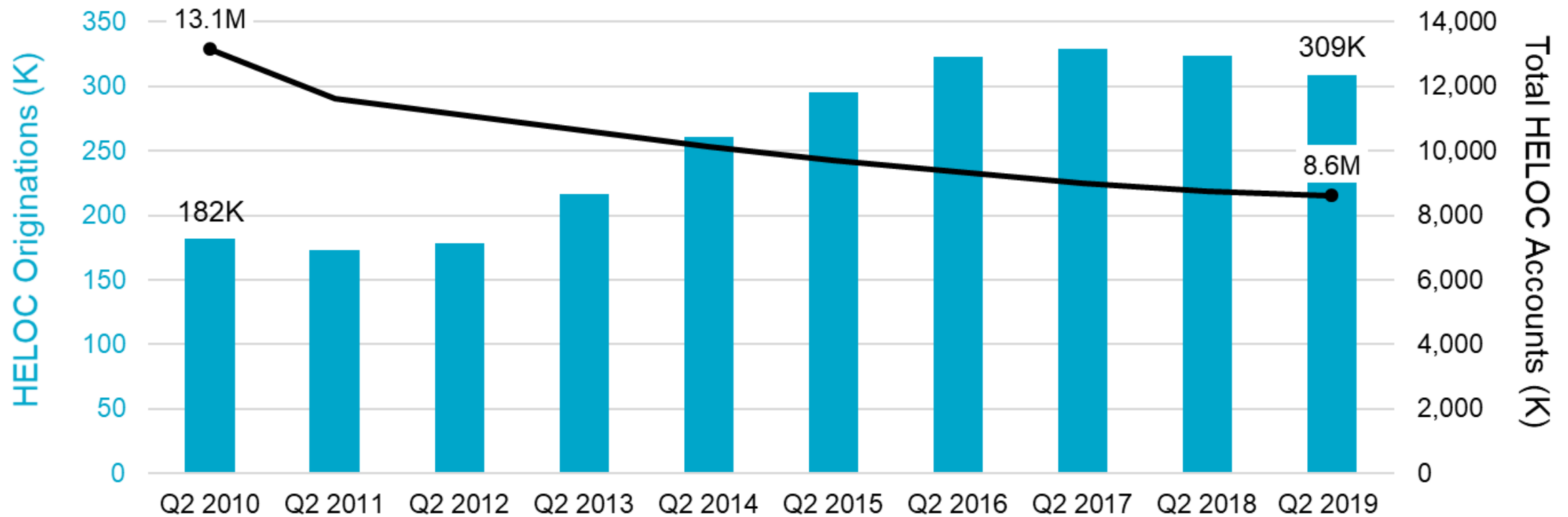
Auto Financing

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

Total Auto Financing Balances

Auto balances forecasted to grow 3% through 2020

Forecasted Outstanding Auto Balances

Legend: —— Actual —— Modeled - - - Forecast

Y-axis: Total outstanding balances ($B): 0, 200, 400, 600, 800, 1,000, 1,200, 1,400

X-axis: Q1 2007, Q3 2007, Q1 2008, Q3 2008, Q1 2009, Q3 2009, Q1 2010, Q3 2010, Q1 2011, Q3 2011, Q1 2012, Q3 2012, Q1 2013, Q3 2013, Q1 2014, Q3 2014, Q1 2015, Q3 2015, Q1 2016, Q3 2016, Q1 2017, Q3 2017, Q1 2018, Q3 2018, Q1 2019, Q3 2019, Q1 2020, Q3 2020

Period	Forecasted Total Balances	Actual Total Balances	Diff
2018-Q4	$ 1,239,591,890,853	$ 1,232,929,182,239	0.54%
2019-Q1	$ 1,253,366,345,432	$ 1,234,489,258,610	1.53%
2019-Q2	$ 1,264,020,560,620	$ 1,250,023,310,054	1.12%
2019-Q3	$ 1,283,155,483,170	$ 1,270,573,251,684	0.99%

Originations stalled in Q2 2019

Growth in Auto Accounts Originated
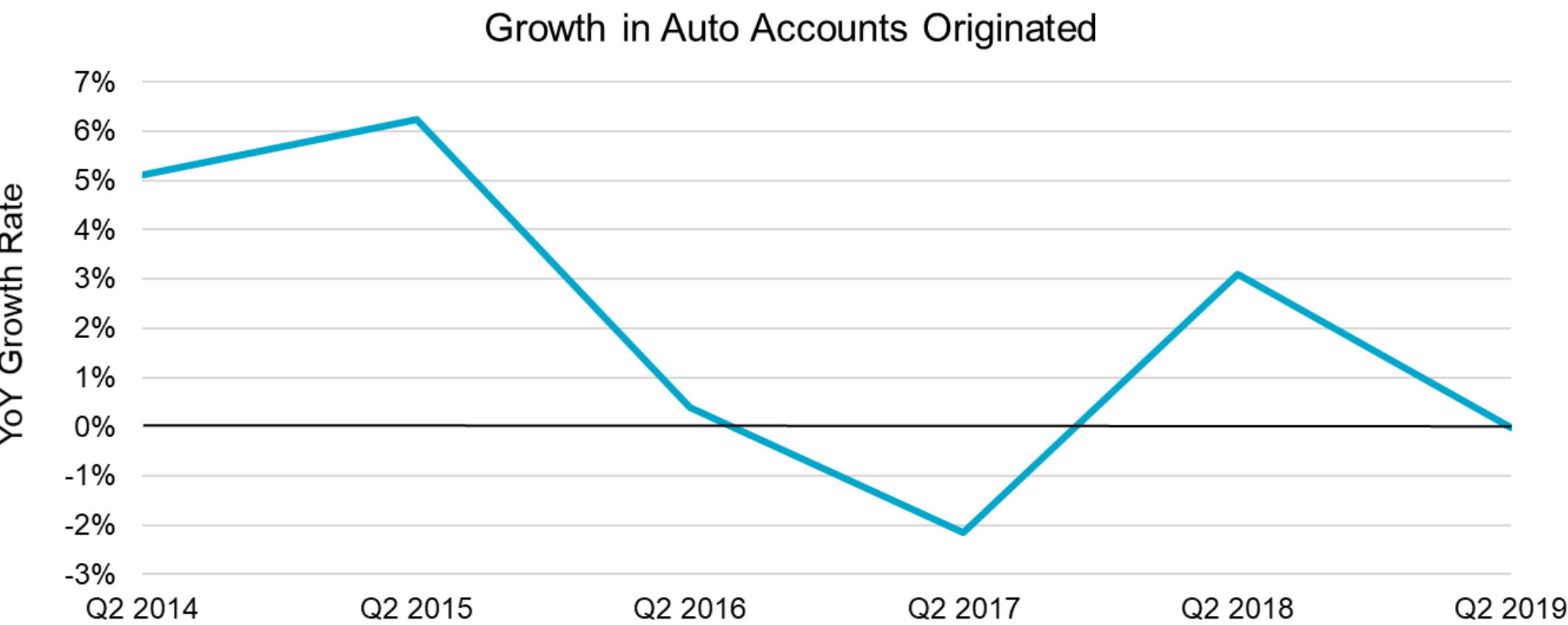
Auto loan performance has remained stable for three years

Auto Serious Delinquency Rates

% of Borrowers 60+ DPD

- 2014-Q3: 1.20%
- 2015-Q3: 1.19%
- 2016-Q3: 1.33%
- 2017-Q3: 1.40%
- 2018-Q3: 1.36%
- 2019-Q3: 1.40%
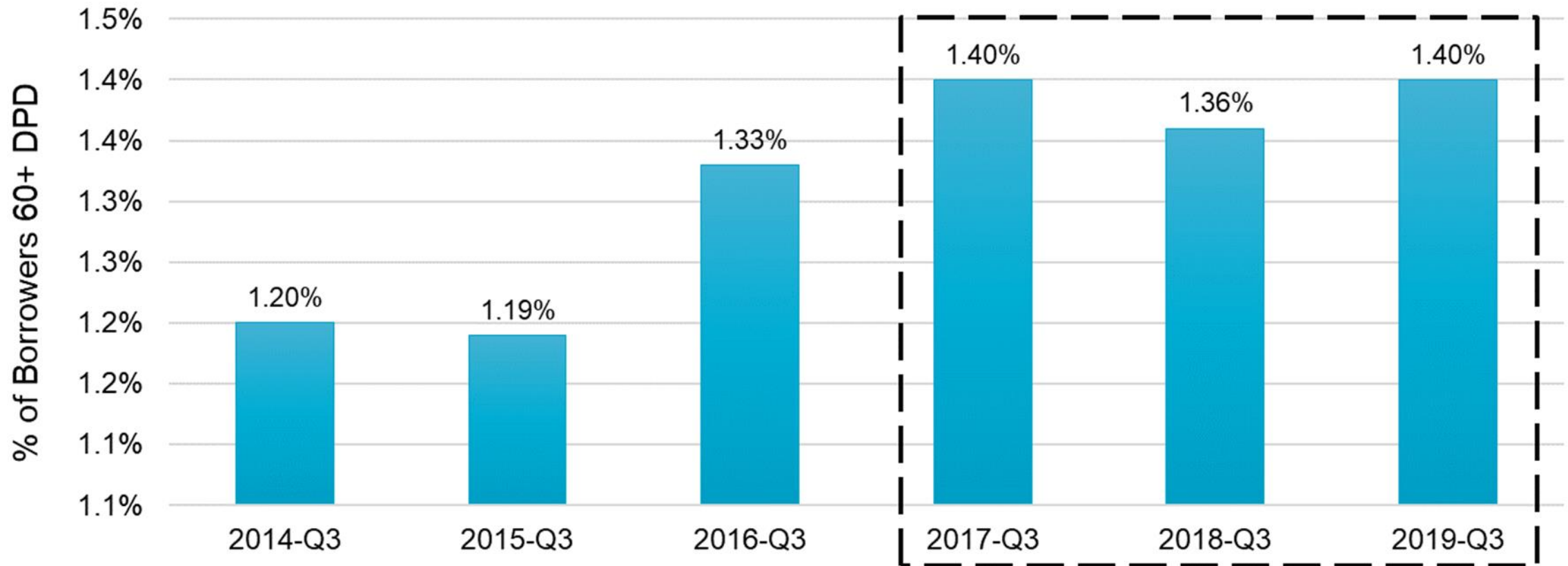
Vintage loan performance for non-prime segments has remained stable

Vintage Delinquency of Non-prime Loans and Leases

Legend: 2013, 2014, 2015, 2016, 2017, 2018

Y-axis: % Accounts 60+ DPD (0% to 30%)

X-axis: Months on Book (0 to 48)
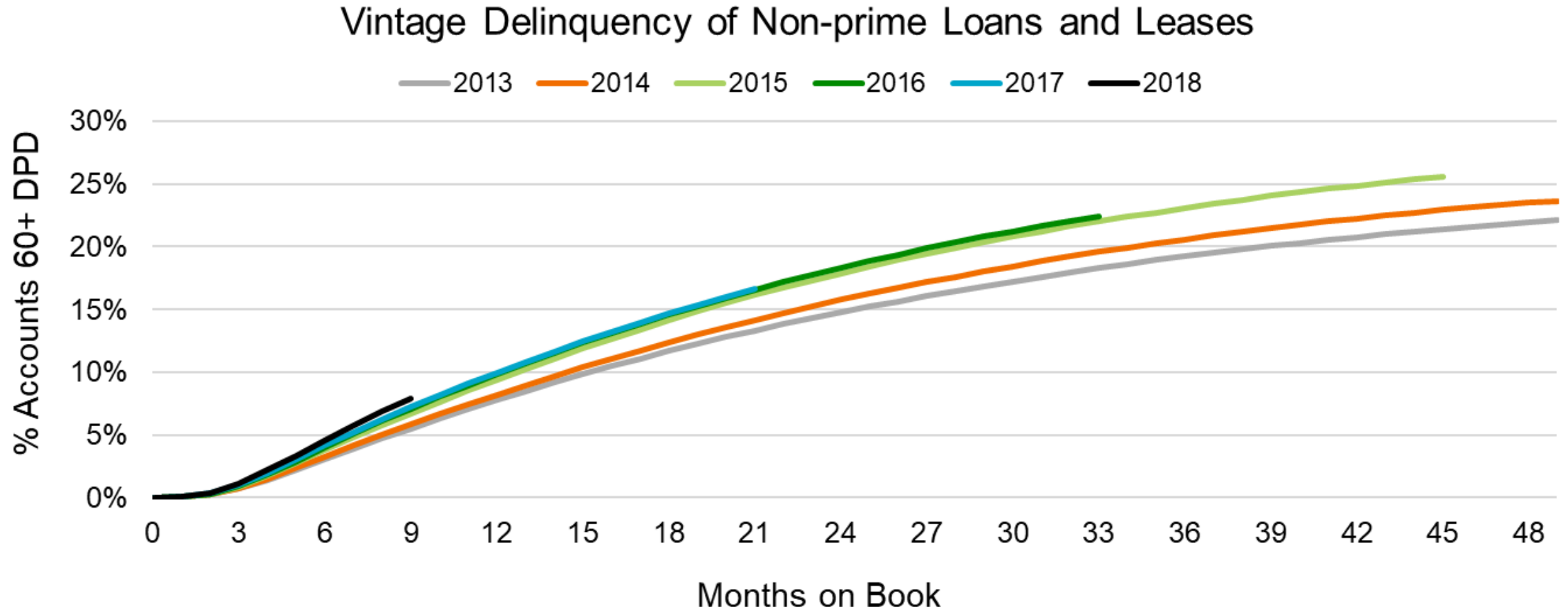
VantageScore® 3.0 risk ranges
Non-prime = 300–660

Auto delinquency rates forecasted to remain stable

Forecasted Auto Delinquency

— Actual — Modeled - - - Forecast

% of borrowers 60+ DPD

Period	Forecasted 60+ DPD	Actual 60+ DPD	Diff
2018-Q4	1.43%	1.44%	-0.69%
2019-Q1	1.24%	1.31%	-5.34%
2019-Q2	1.19%	1.23%	-3.25%
2019-Q3	1.37%	1.40%	-2.14%

TransUnion
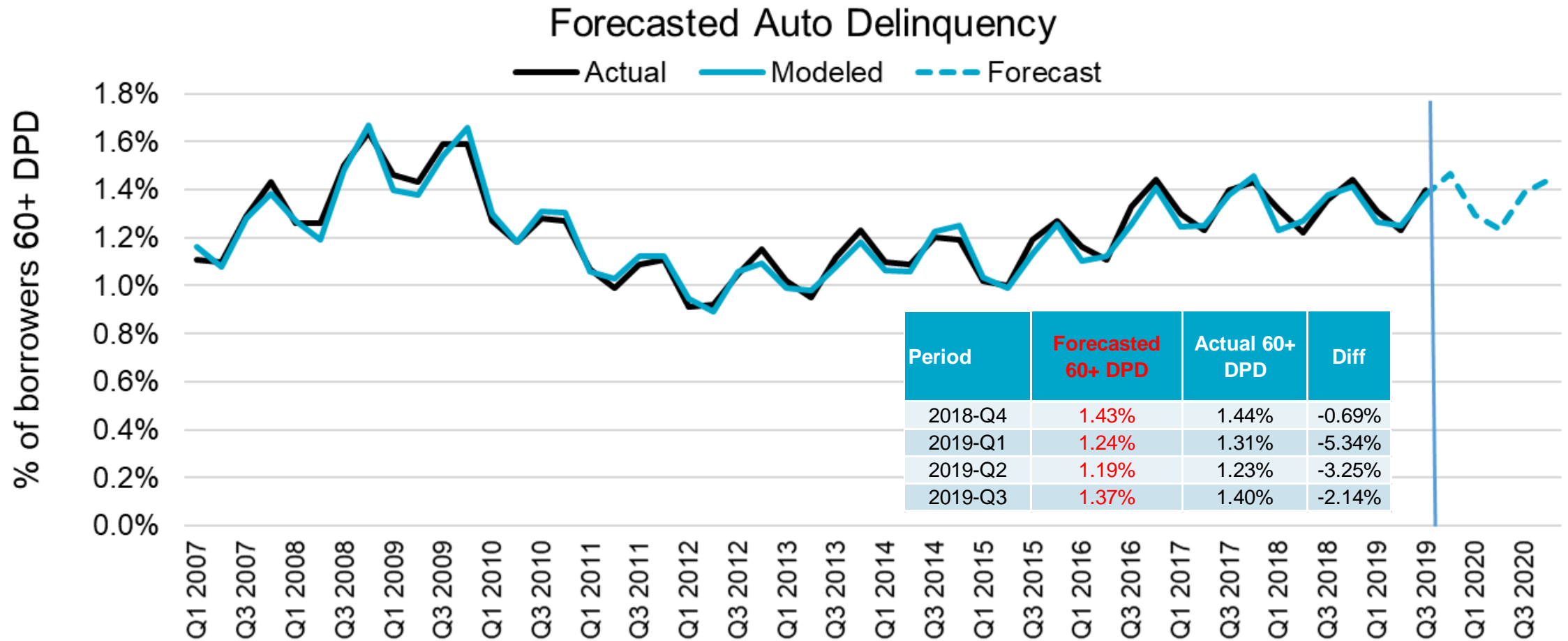
Unsecured Personal Loans

A record 20.2M consumers hold an unsecured personal loan and balances doubled over the past decade

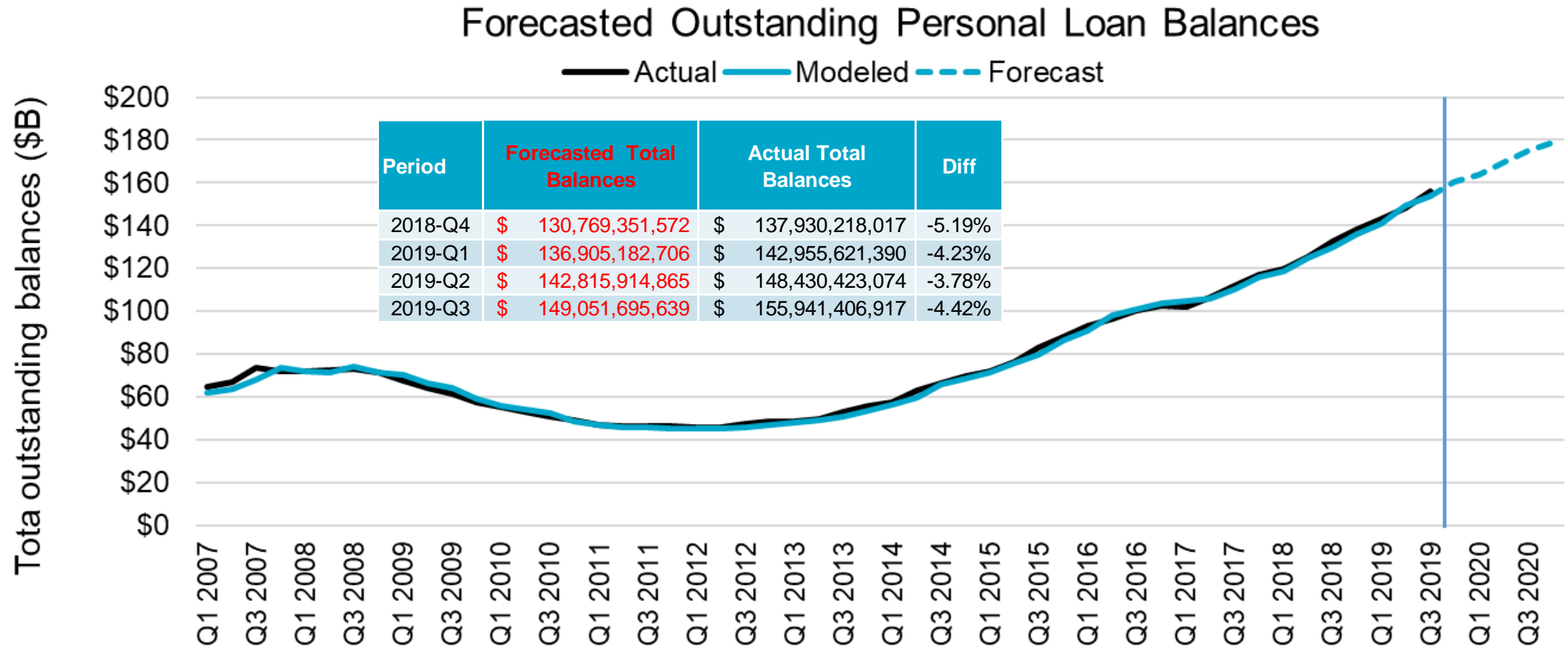Total Unsecured Personal Loan Balances and Consumers, Q3 Each Year
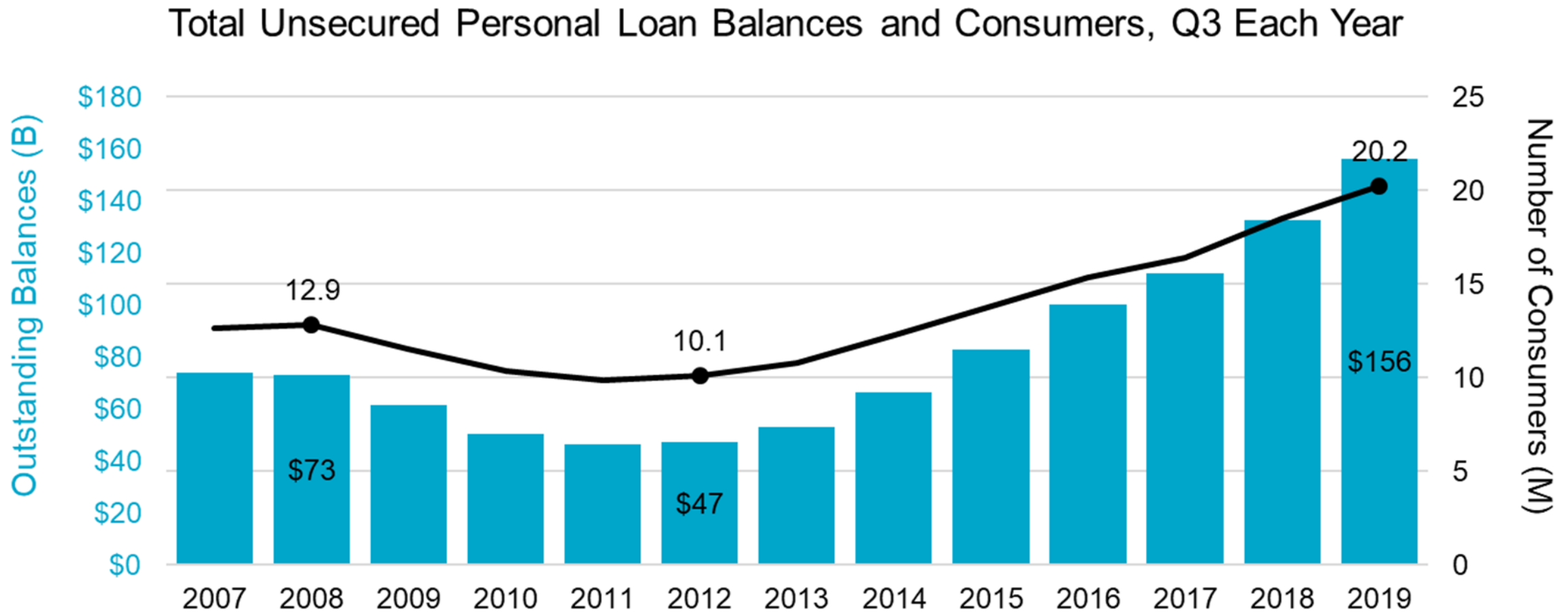
Total balances expected to continue to record high in 2020

Forecasted Outstanding Personal Loan Balances
—— Actual —— Modeled – – – Forecast

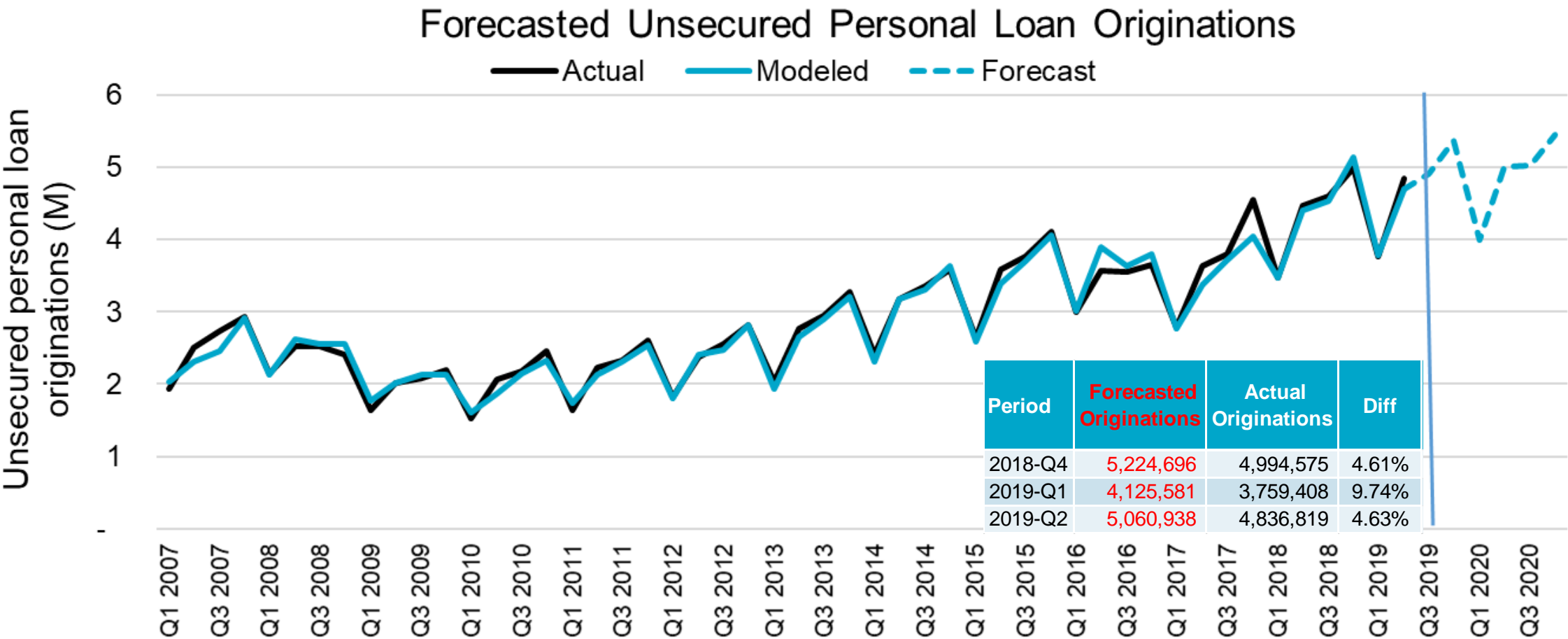| Period	Forecasted Total Balances	Actual Total Balances	Diff
2018-Q4	$ 130,769,351,572	$ 137,930,218,017	-5.19%
2019-Q1	$ 136,905,182,706	$ 142,955,621,390	-4.23%
2019-Q2	$ 142,815,914,865	$ 148,430,423,074	-3.78%
2019-Q3	$ 149,051,695,639	$ 155,941,406,917	-4.42%

40% of outstanding personal loan balances are now held by above prime consumers given growing product attractiveness

Distribution of Outstanding Unsecured Personal Loan Balances

Legend: Super prime, Prime plus, Prime, Near prime, Subprime

Y-axis: % of Total Balances

X-axis: Q3 2012, Q3 2013, Q3 2014, Q3 2015, Q3 2016, Q3 2017, Q3 2018, Q3 2019

Annotations: 32% (Q3 2012), 40% (Q3 2019)

VantageScore® 3.0 risk ranges
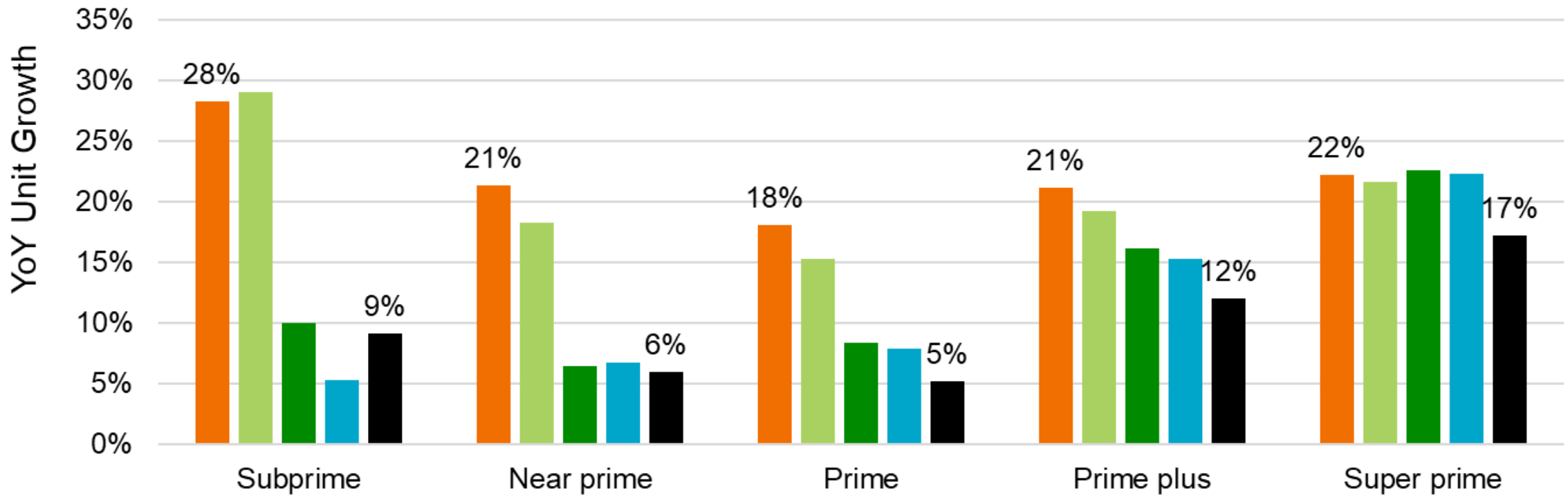Subprime = 300–600; Near prime = 601–660; Prime = 661–720; Prime plus = 721–780; Super prime = 781-850

Source: TransUnion consumer credit database

Personal loan growth expected to continue into next year

Forecasted Unsecured Personal Loan Originations

—— Actual —— Modeled ‑‑‑ Forecast

Period	Forecasted Originations	Actual Originations	Diff
2018-Q4	5,224,696	4,994,575	4.61%
2019-Q1	4,125,581	3,759,408	9.74%
2019-Q2	5,060,938	4,836,819	4.63%

Origination growth to above prime consumers remains in double digits, while prime and below has experienced a tightening

Unsecured Personal Loan Origination Growth

Legend: Q2 2018, Q3 2018, Q4 2018, Q1 2019, Q2 2019

- Subprime: 28%, 9%
- Near prime: 21%, 6%
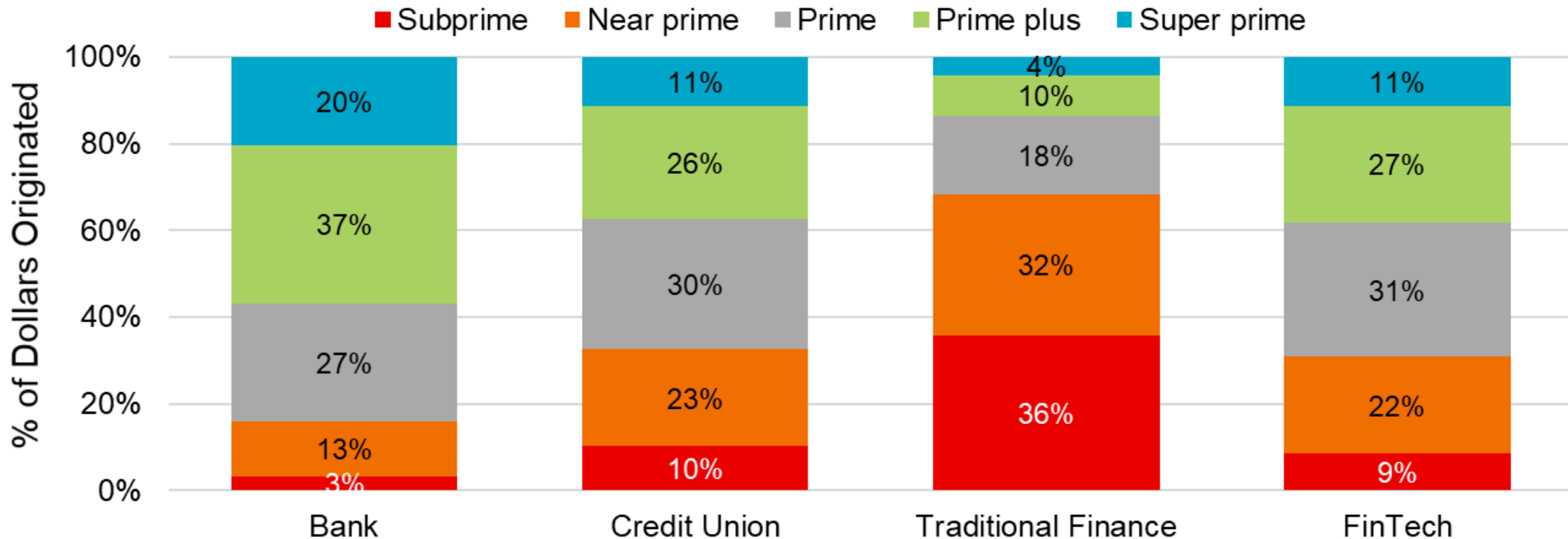- Prime: 18%, 5%
- Prime plus: 21%, 12%
- Super prime: 22%, 17%

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

FinTech exhibits a target risk profile that is more conservative than traditional finance companies

## Distribution of Unsecured Personal Loan Originations (Q2 2019)

Legend: ■ Subprime ■ Near prime ■ Prime ■ Prime plus ■ Super prime

% of Dollars Originated

	Bank	Credit Union	Traditional Finance	FinTech
Super prime	20%	11%	4%	11%
Prime plus	37%	26%	10%	27%
Prime	27%	30%	18%	31%
Near prime	13%	23%	32%	22%
Subprime	3%	10%	36%	9%

VantageScore® 3.0 risk ranges
Subprime = 300–600; Near prime = 601–660; Prime = 661–720; Prime plus = 721–780; Super prime = 781-850

New loan amounts continue to rise, with less risky consumers seeing the largest increases
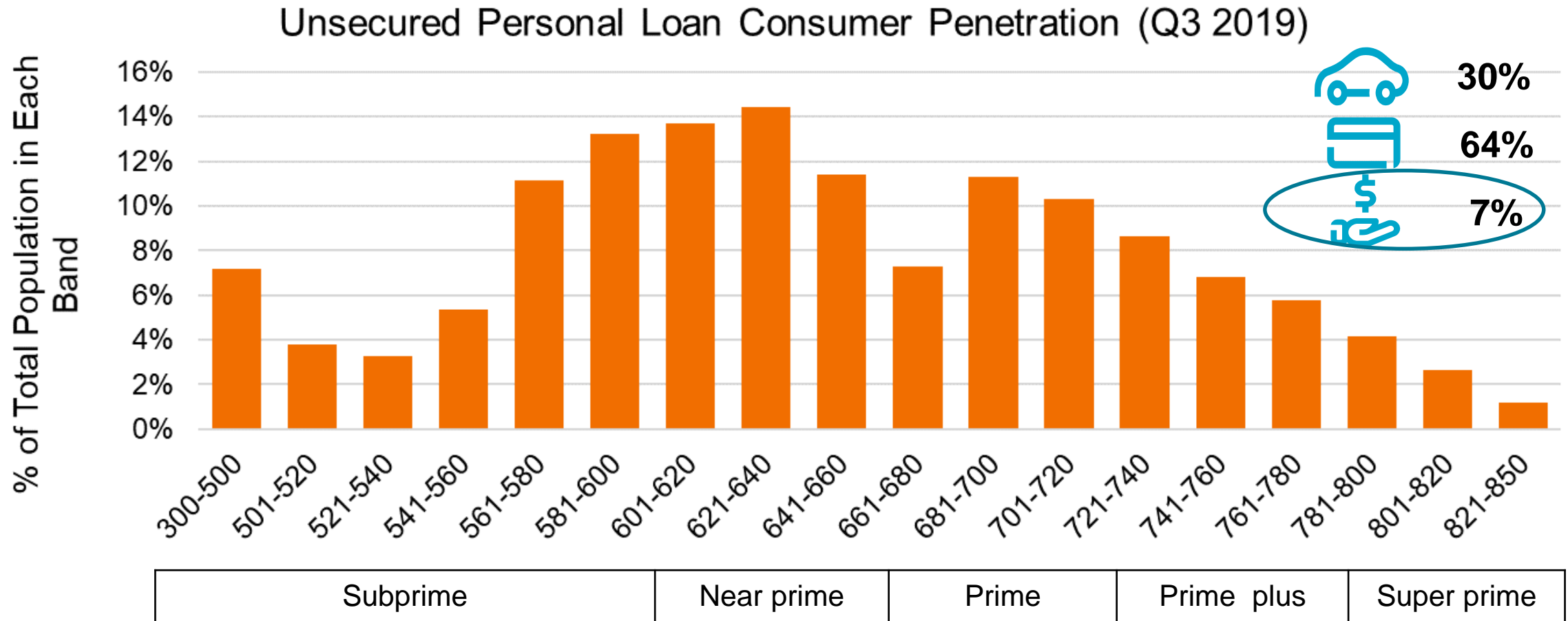

Average New Loan Amount for Unsecured Personal Loans
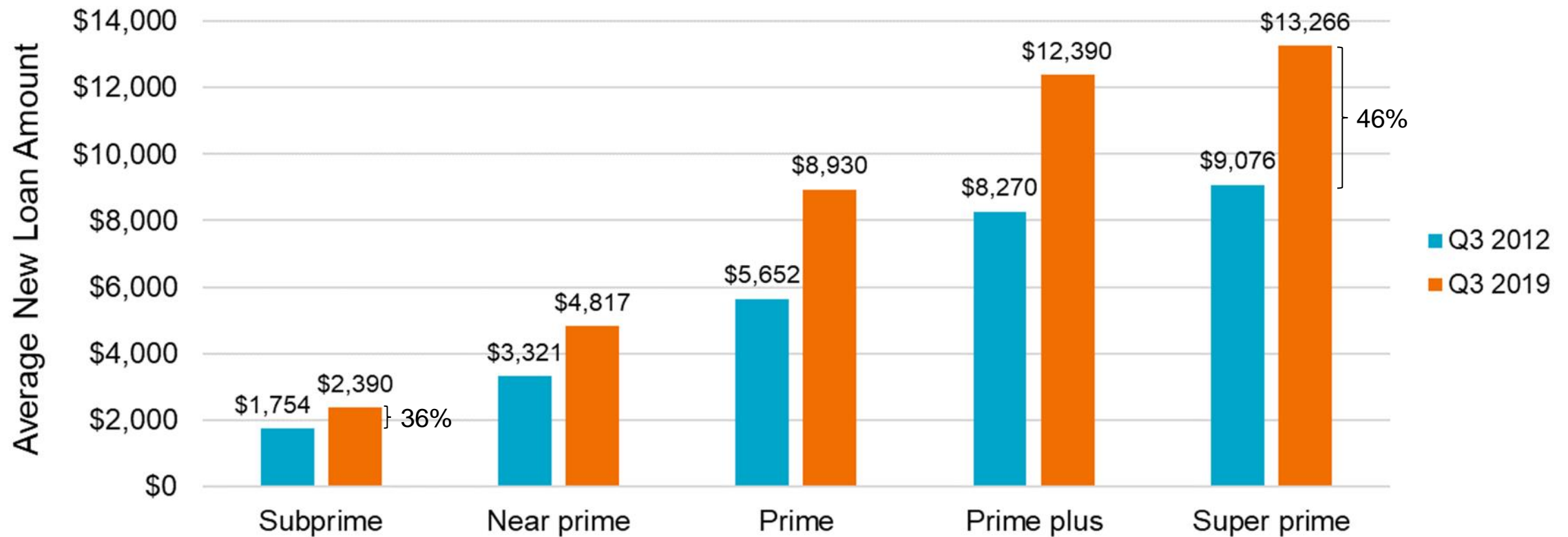
VantageScore® 3.0 risk ranges
Subprime = 300–600; Near prime = 601–660; Prime = 661–720; Prime plus = 721–780; Super prime = 781-850
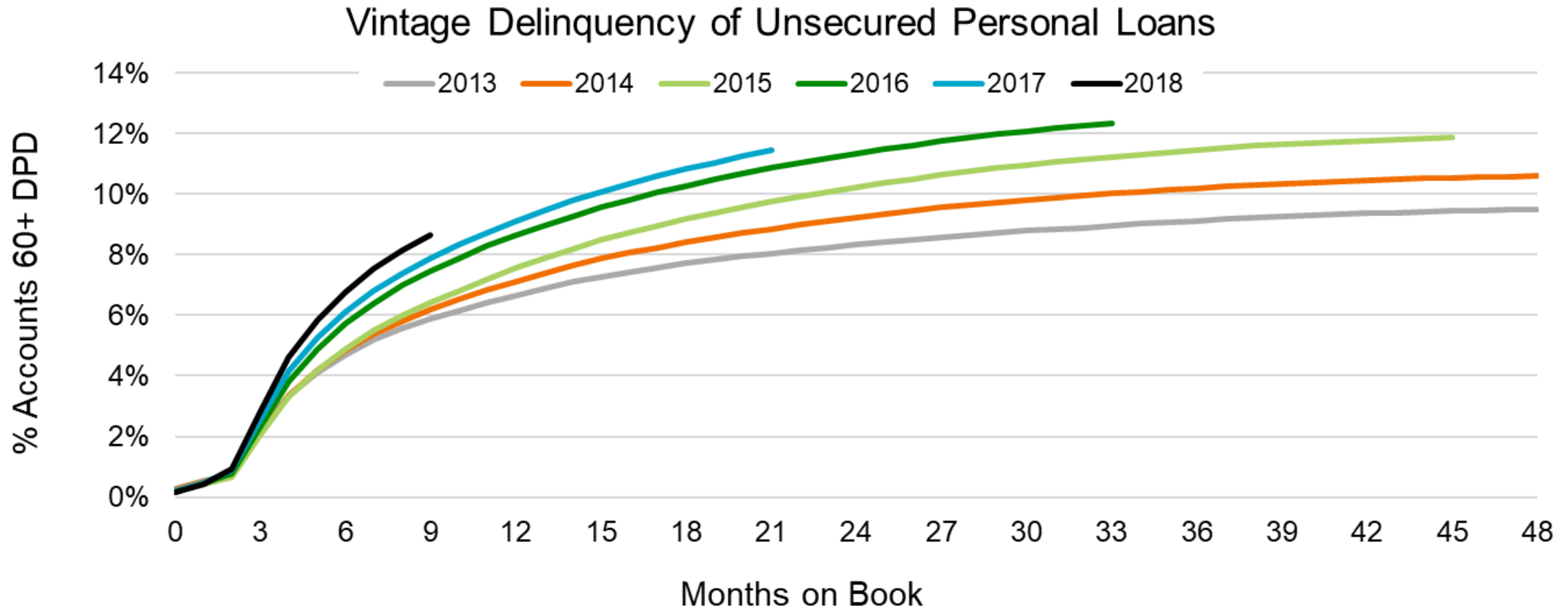
Source: TransUnion consumer credit database

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With just 7% of consumers holding personal loans, there still appears to be runway for growth

Unsecured Personal Loan Consumer Penetration (Q3 2019)
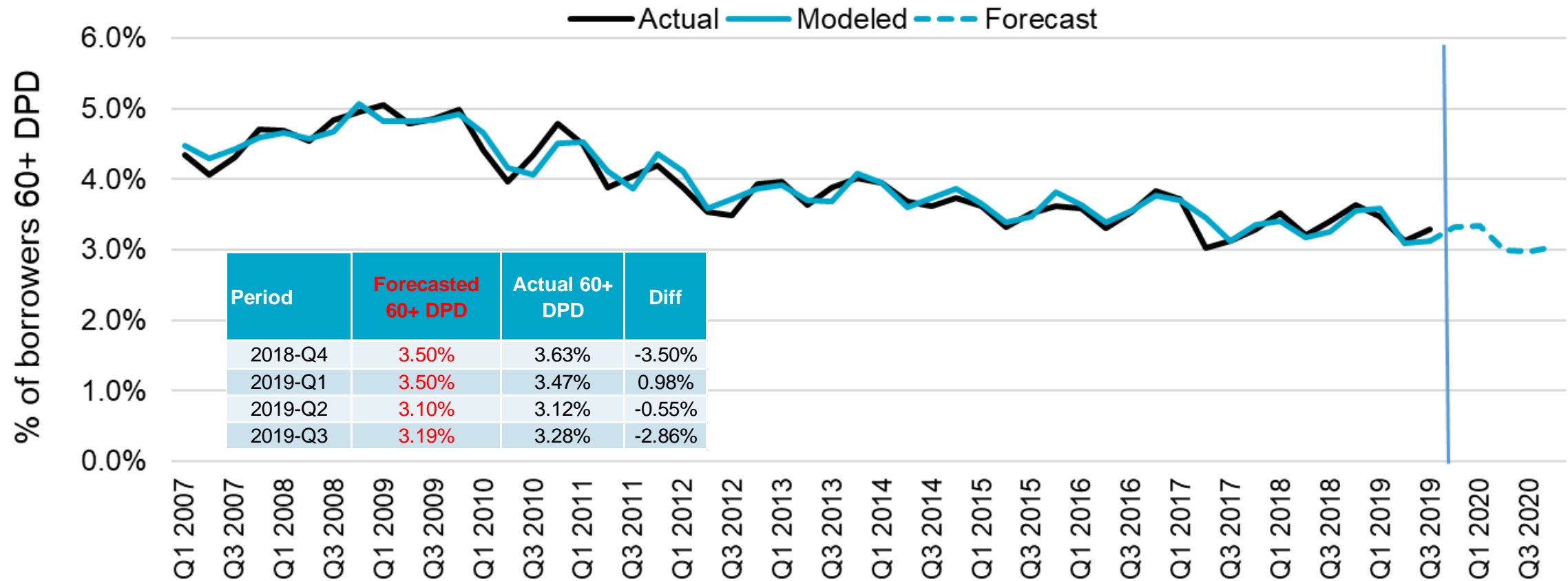
VantageScore® 3.0 risk ranges
Subprime = 300–600; Near prime = 601–660; Prime = 661–720; Prime plus = 721–780; Super prime = 781-850

Personal loan vintage delinquency increased every year since 2013

Vintage Delinquency of Unsecured Personal Loans

Legend: 2013, 2014, 2015, 2016, 2017, 2018

Y-axis: % Accounts 60+ DPD
X-axis: Months on Book

Above prime share will keep overall delinquency from worsening

Forecasted Unsecured Personal Loan Delinquency

— Actual — Modeled --- Forecast

Period	Forecasted 60+ DPD	Actual 60+ DPD	Diff
2018-Q4	3.50%	3.63%	-3.50%
2019-Q1	3.50%	3.47%	0.98%
2019-Q2	3.10%	3.12%	-0.55%
2019-Q3	3.19%	3.28%	-2.86%

Thank you!

For more information, visit:
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