Q4 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

TransUnion Industry Insights Report

Quarterly overview of consumer credit trends released by TransUnion Financial Services
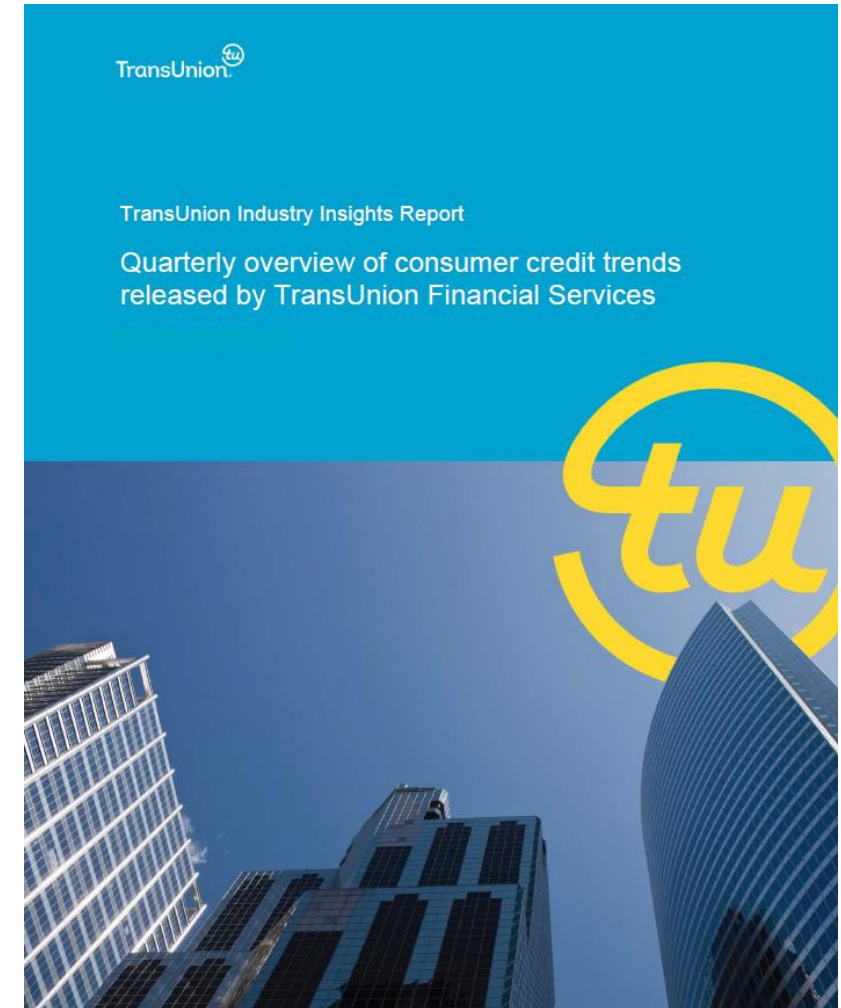
Summary of new chartbook metrics

- **Cross Wallet Metrics:**
  – Consumer credit score distribution
  – Active consumer credit transition matrix
  – Total number of consumers carrying a balance
  – Total outstanding balance (with and without mortgage)
  – Average outstanding balance per consumer (with and without mortgage)
  – Average minimum payment due per consumer (with and without mortgage)
  – Secured to unsecured debt ratio
- **LOB Metrics:**
  – Term distributions
  – Average minimum payment due
  – Loans entering charge-off
  – Balances entering charge-off

Today's agenda

Consumer overview

Auto loans & leases

Credit card

Mortgage & HELOC

Unsecured personal loans

Market Overview

A review of recent macroeconomic and consumer credit activity

Favorable economic conditions are propelling the credit market

- Unemployment sits at 50 year low

- Wage growth continues, though curbing

- GDP growth to continue at 2.0%, albeit easing

- Interest rates remain low

- Consumer sentiment remains high at 97.2

- Concerns over possible impact of coronavirus on growth and financial markets

	Min	Max	2019 (Current)[E]	2020 (Forecast)[F]
Unemployment[A]	3.6%	10.0%	3.5%	3.5%
Real GDP Growth[B]	-3.9%	5.3%	2.1%	2.0%
Federal Funds Rate[C]	0.1%	6.5%	1.5%	1.6%
Inflation (CPI YoY)[D]	-2.1%	5.6%	1.7%	2.0%

A: Min – 5/2019; Max – 10/2009
B: Min – 4/2009; Max – 4/2000
C: Min – Various; Max – 7/2000

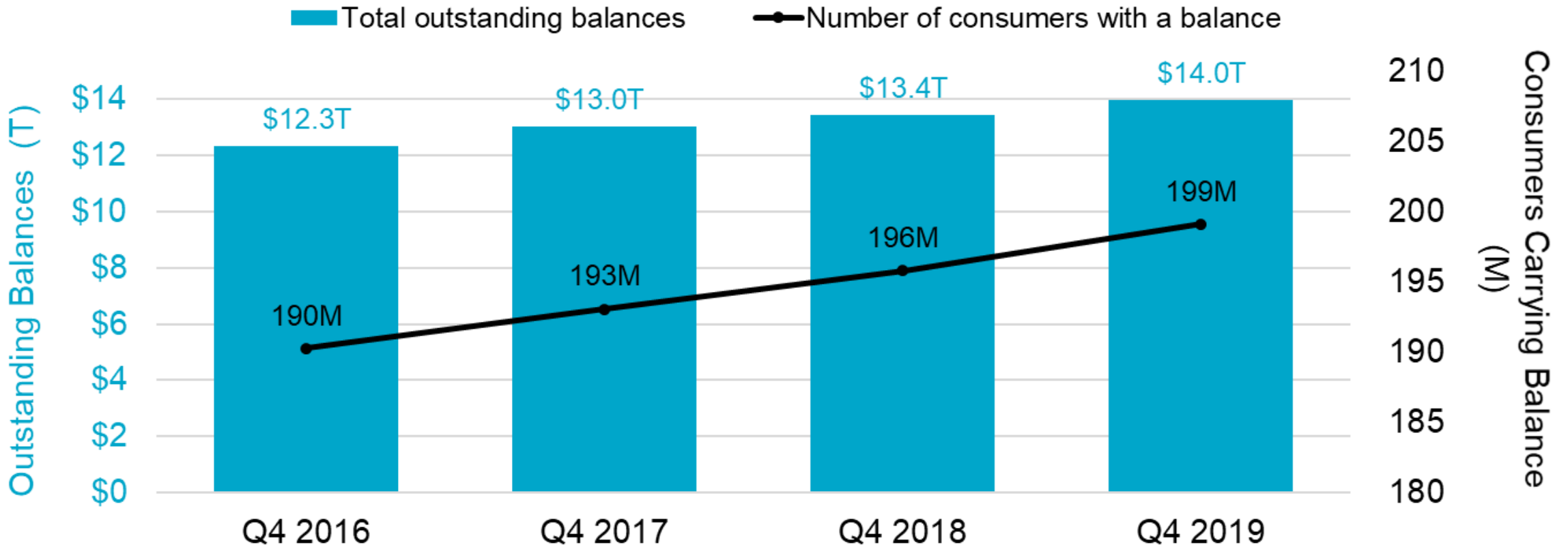D: Min – 7/2009; Max – 7/2008
E: As of July 2019
F: As of year-end forecast

Source: Oxford Economics, FRED

TransUnion

Consumer participation continued to increase, bringing outstanding balances to a record $14T

Consumer Credit Participation

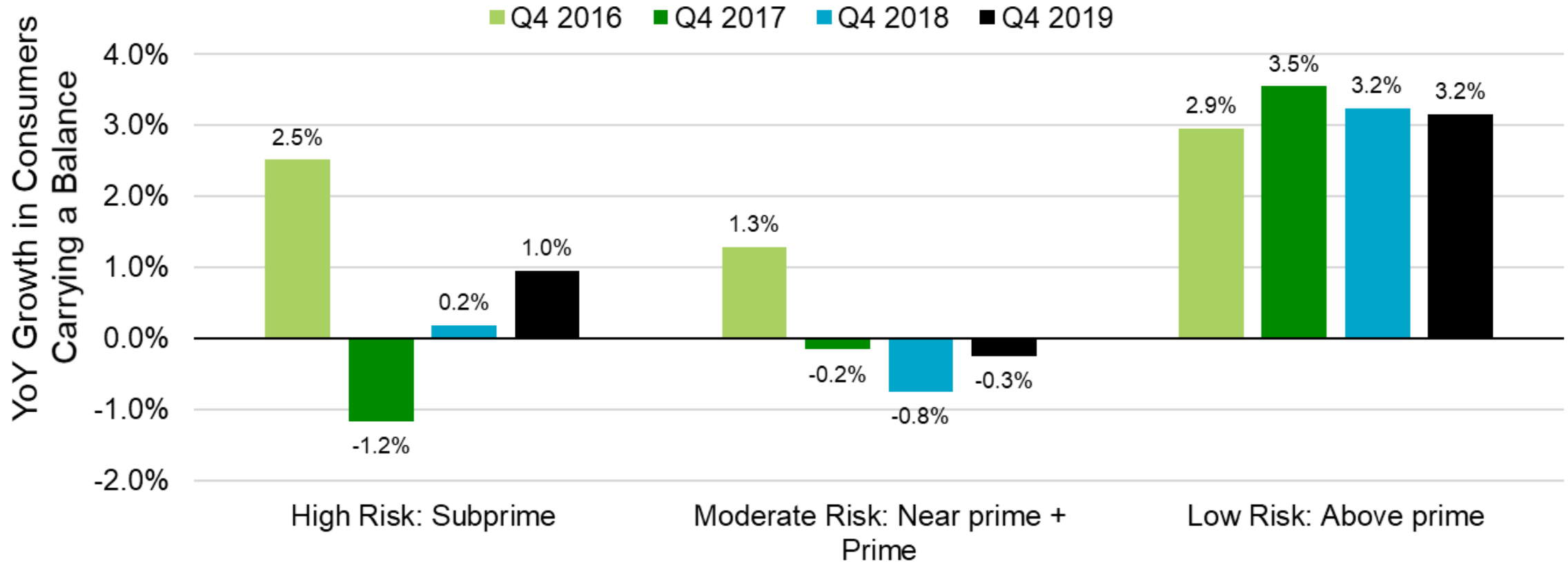■ Total outstanding balances   —●— Number of consumers with a balance

Source: TransUnion consumer credit database

Increased participation was seen in above prime and subprime, while mid-tier decreased

Consumer Credit Participation Growth

■ Q4 2016 ■ Q4 2017 ■ Q4 2018 ■ Q4 2019

YoY Growth in Consumers Carrying a Balance

High Risk: Subprime — 2.5%, -1.2%, 0.2%, 1.0%

Moderate Risk: Near prime + Prime — 1.3%, -0.2%, -0.8%, -0.3%

Low Risk: Above prime — 2.9%, 3.5%, 3.2%, 3.2%

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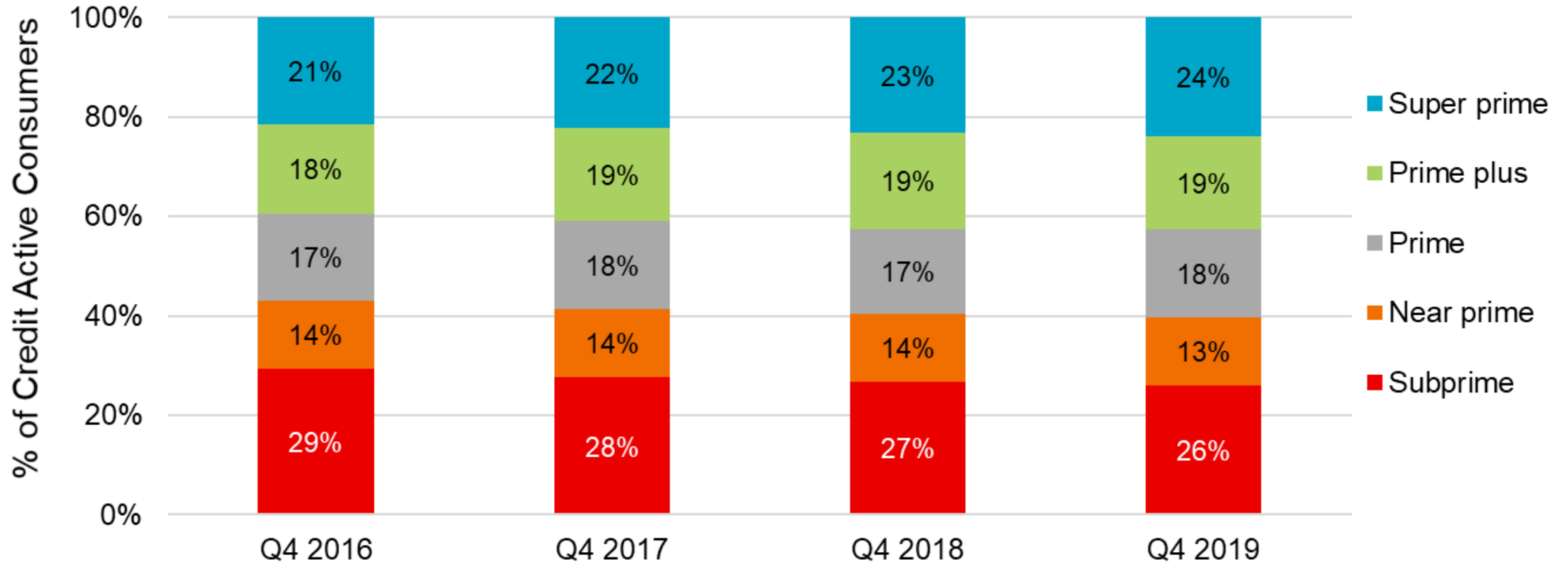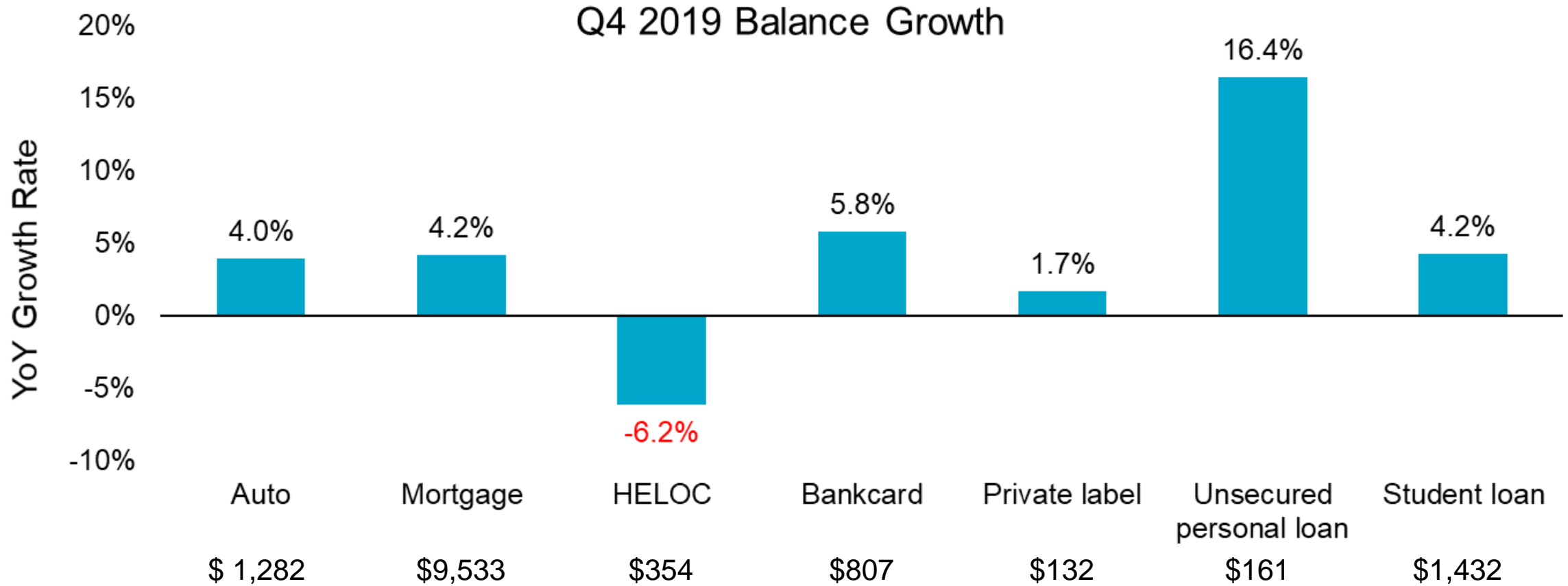Subprime = 300–600; Near prime = 601–660; Prime = 661–720; Prime plus = 721–780; Super prime = 781-850

Source: TransUnion consumer credit database

Score shifts are providing more eligible consumers for lenders

Consumer Risk Distribution

Chart: % of Credit Active Consumers by risk tier

Q4 2016: Super prime 21%, Prime plus 18%, Prime 17%, Near prime 14%, Subprime 29%

Q4 2017: Super prime 22%, Prime plus 19%, Prime 18%, Near prime 14%, Subprime 28%

Q4 2018: Super prime 23%, Prime plus 19%, Prime 17%, Near prime 14%, Subprime 27%

Q4 2019: Super prime 24%, Prime plus 19%, Prime 18%, Near prime 13%, Subprime 26%

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

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

Totals may not equal 100 due to rounding
Source: TransUnion consumer credit database

Consumers' scores are migrating more to lower risk tiers

Consumer Credit Score Transition Matrix

	Q4 2019 Risk Tier				
Risk Tier	**Subprime**	**Near prime**	**Prime**	**Prime plus**	**Super prime**
Subprime	71.3%	22.3%	5.4%	0.8%	0.0%
Near prime	22.2%	44.0%	26.3%	6.7%	0.7%
Prime	5.6%	16.6%	46.1%	28.1%	3.6%
Prime plus	0.8%	3.3%	13.5%	60.6%	21.7%
Super prime	0.1%	0.3%	1.6%	11.0%	87.0%

(rows labeled by Q4 2018 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

Consumer balances grew across most lines and loans in 2019

Q4 2019 Balance Growth

YoY Growth Rate

Auto	Mortgage	HELOC	Bankcard	Private label	Unsecured personal loan	Student loan
4.0%	4.2%	-6.2%	5.8%	1.7%	16.4%	4.2%
$ 1,282	$9,533	$354	$807	$132	$161	$1,432

Total Balances by Product (B)

Source: TransUnion consumer credit database

Origination growth in Q3 was driven by mortgage, bankcard, personal loans and auto

Q3 2019 Origination Growth

YoY Growth Rate

	Auto	Mortgage	HELOC	Bankcard	Private label	Unsecured personal loan	Student loan
Growth	4.3%	38.9%	-6.0%	13.8%	0.5%	9.7%	-0.7%
Originations by Product (K)	7,452	2,514	295	18,649	12,046	5,046	8,088
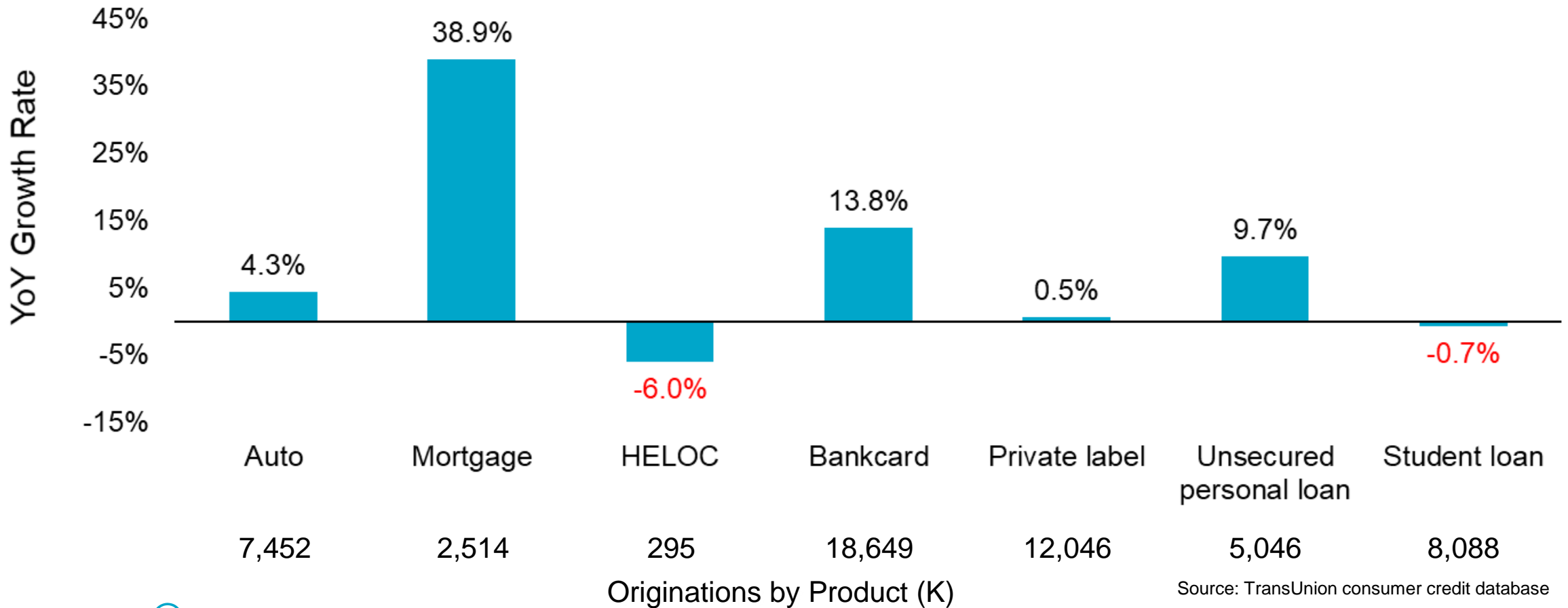
Source: TransUnion consumer credit database

Average balances increased across most lines and loans

Q4 2019 Average Consumer Balance Growth

YoY Growth Rate

Auto	Mortgage	HELOC	Bankcard	Private label	Unsecured personal loan	Student loan
1.8%	2.5%	-1.9%	1.7%	2.1%	7.0%	4.8%
$19,202	$212,040	$57,655	$5,834	$1,974	$8,993	$37,331

Average Balance per Consumer by Product
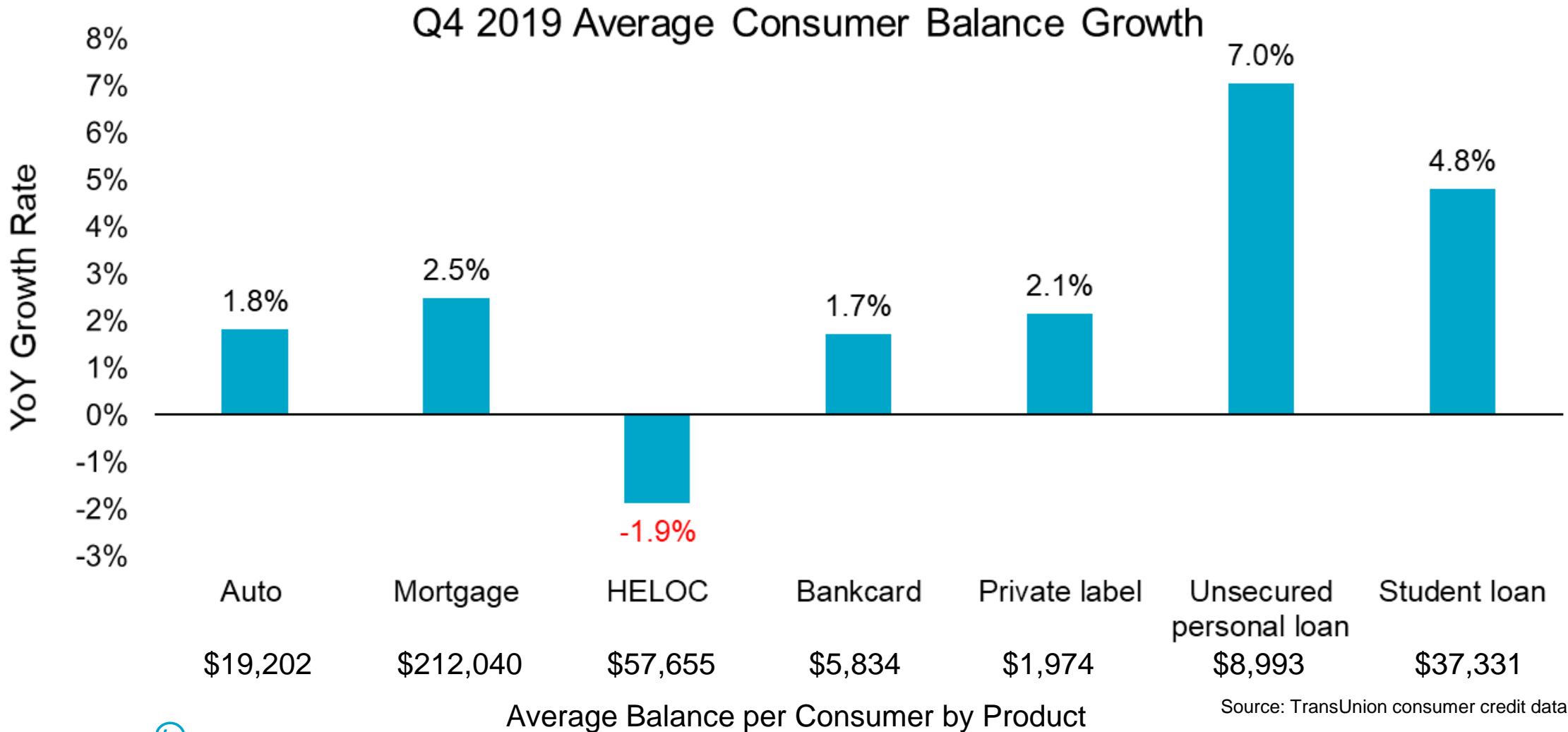
Source: TransUnion consumer credit database

Consumers' minimum payment amounts grew by 3.8% over the past year given increases across products

Q4 2019 Average Monthly Payment Due

YoY Growth Rate

	Auto	Mortgage	HELOC	Bankcard	Private label	Unsecured personal loan	Cross wallet
Growth	3.3%	3.3%	-0.7%	4.9%	3.8%	7.5%	3.8%
Average Minimum Payment Due per Consumer	$391	$1,083	$210	$138	$84	$292	$663

Average Minimum Payment Due per Consumer
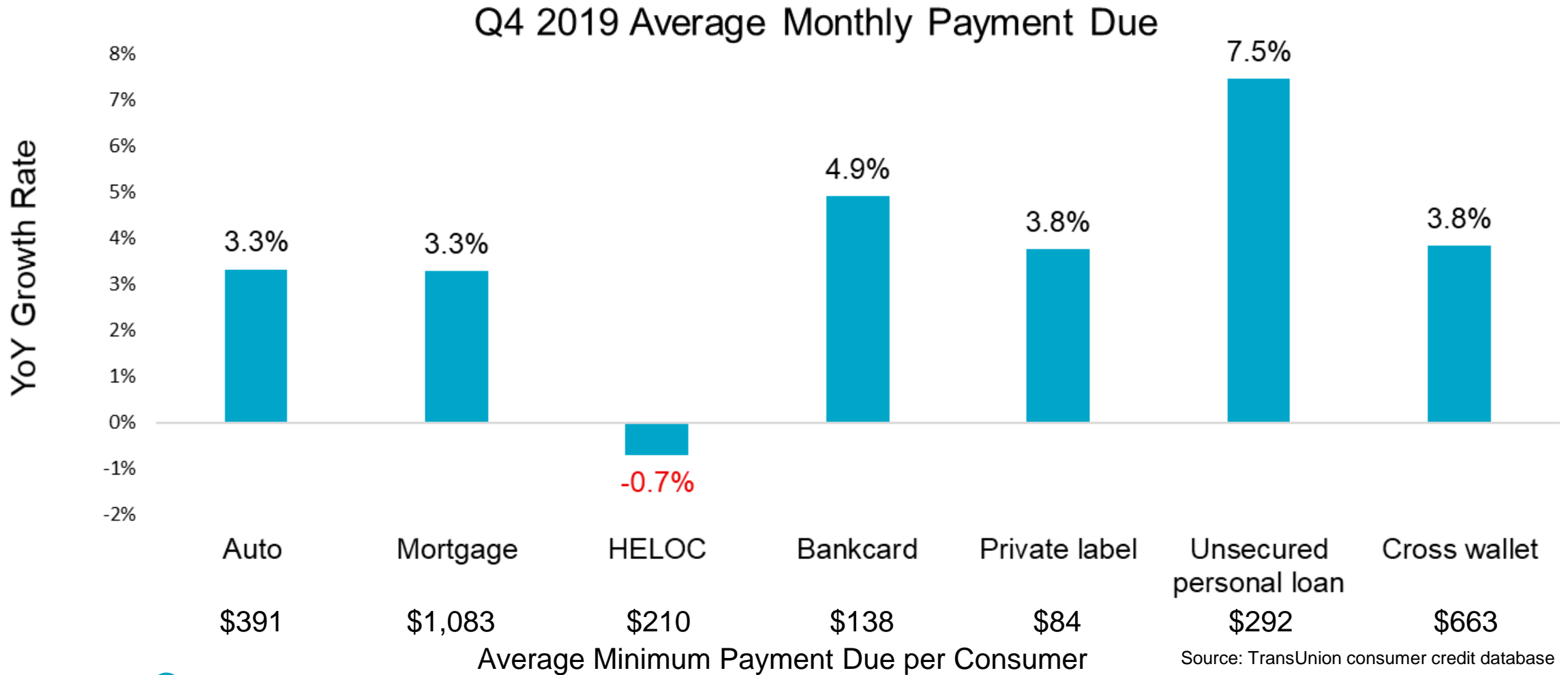
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Serious delinquency remains low in spite of recent upticks in credit card

Serious* Consumer-Level Delinquency Rates

Y-axis: % of Consumers with a Serious Delinquency (0% – 5%)

X-axis: Q4 2014, Q4 2015, Q4 2016, Q4 2017, Q4 2018, Q4 2019

Legend:
- Unsecured personal loan
- Bankcard
- Private label
- Mortgage
- Auto
- HELOC
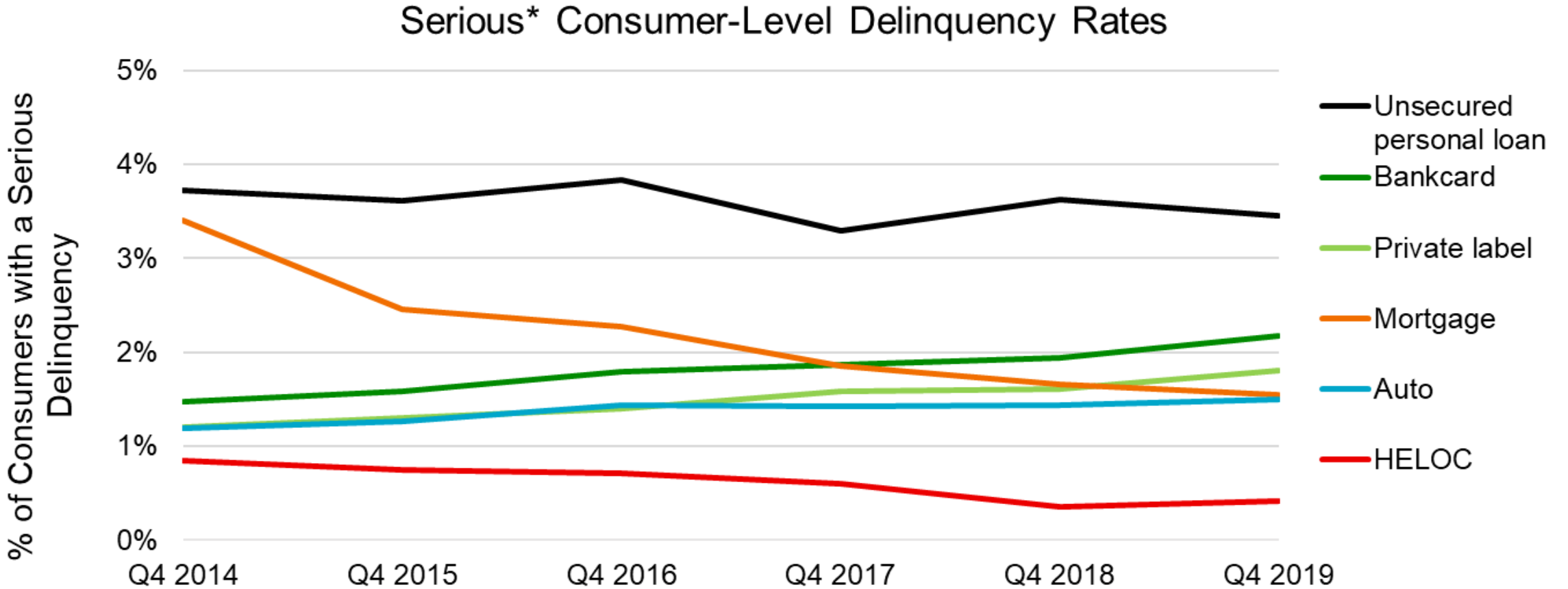
*Seriously delinquent considered as 90+DPD for card, 60+ DPD for all other products

Source: TransUnion consumer credit database

Auto Financing

Total auto balances and accounts reached new highs in Q4

Total Auto Financing Balances

Total balances ▬ Total Accounts

65M

83M

$0.92T

$1.28T

Q4 2014   Q4 2015   Q4 2016   Q4 2017   Q4 2018   Q4 2019
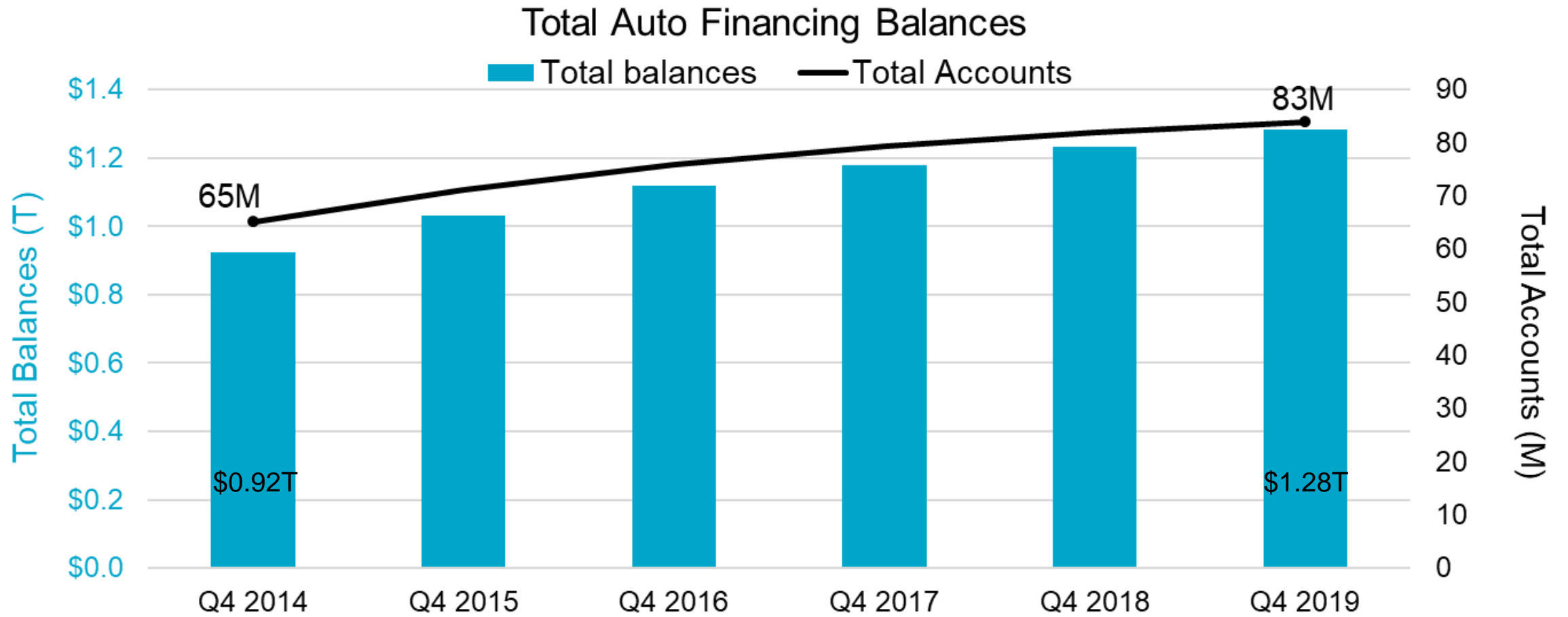
Originations increased over 4% in Q3, representing the largest increase since 2015

Growth in Auto Accounts Originated
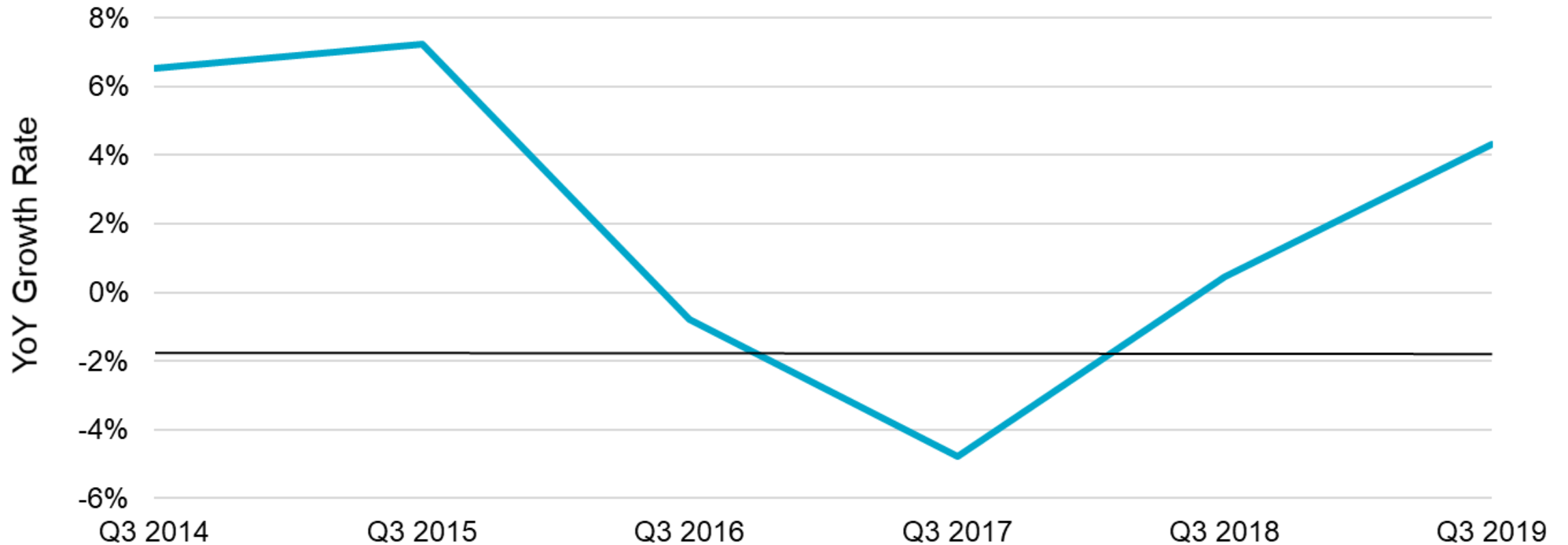
YoY Growth Rate

Originations growth returned for all risk tiers in 2019

Growth in Auto Origination Accounts, Q3 Each Year
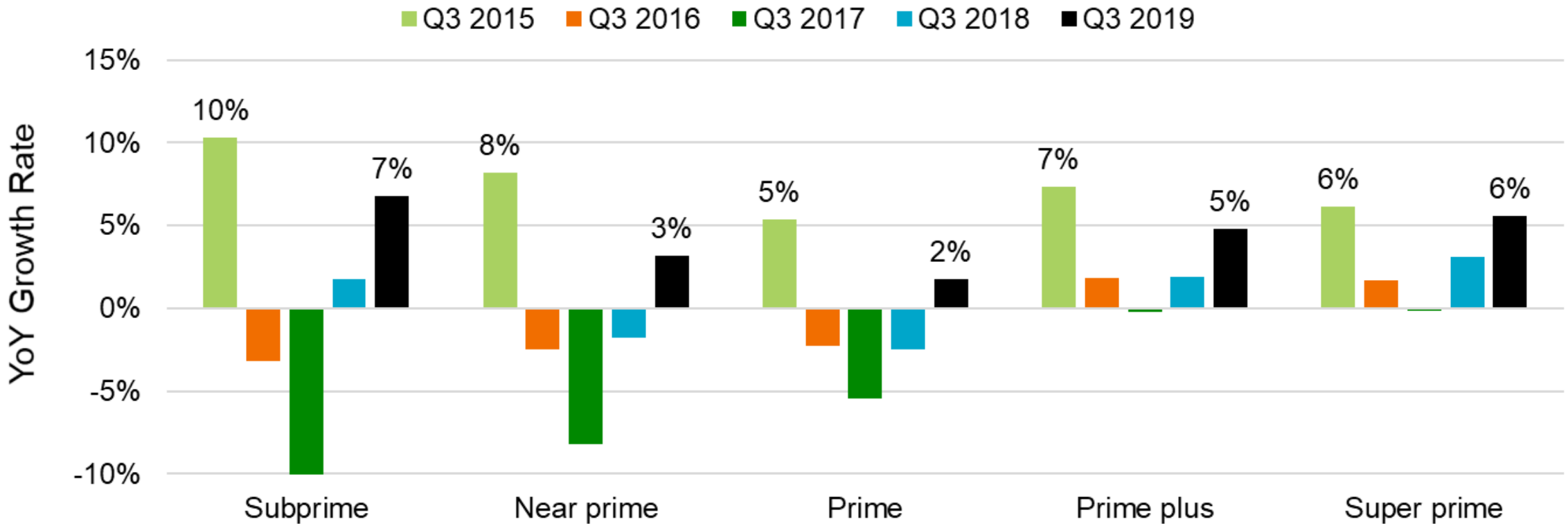
■ Q3 2015 ■ Q3 2016 ■ Q3 2017 ■ Q3 2018 ■ Q3 2019

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

New vehicle loan terms are increasingly exceeding 72 months

Distribution of New Vehicle Terms

■ 1-47 ■ 48-59 ■ 60-71 ■ 72-83 ■ 84+
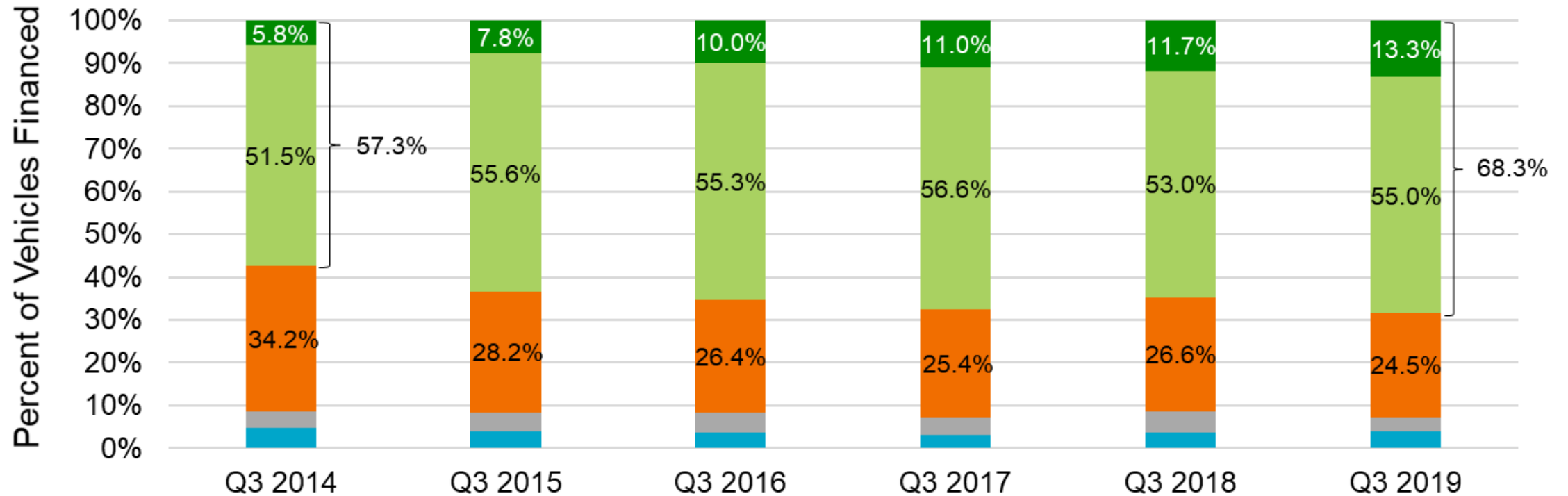
Used vehicle terms are commonly extending to 72 months

Distribution of Used Vehicle Terms

■ 1-47   ■ 48-59   ■ 60-71   ■ 72-83   ■ 84+

	Q3 2014	Q3 2015	Q3 2016	Q3 2017	Q3 2018	Q3 2019
72-83	39.7%	42.1%	43.0%	42.6%	44.2%	46.4%
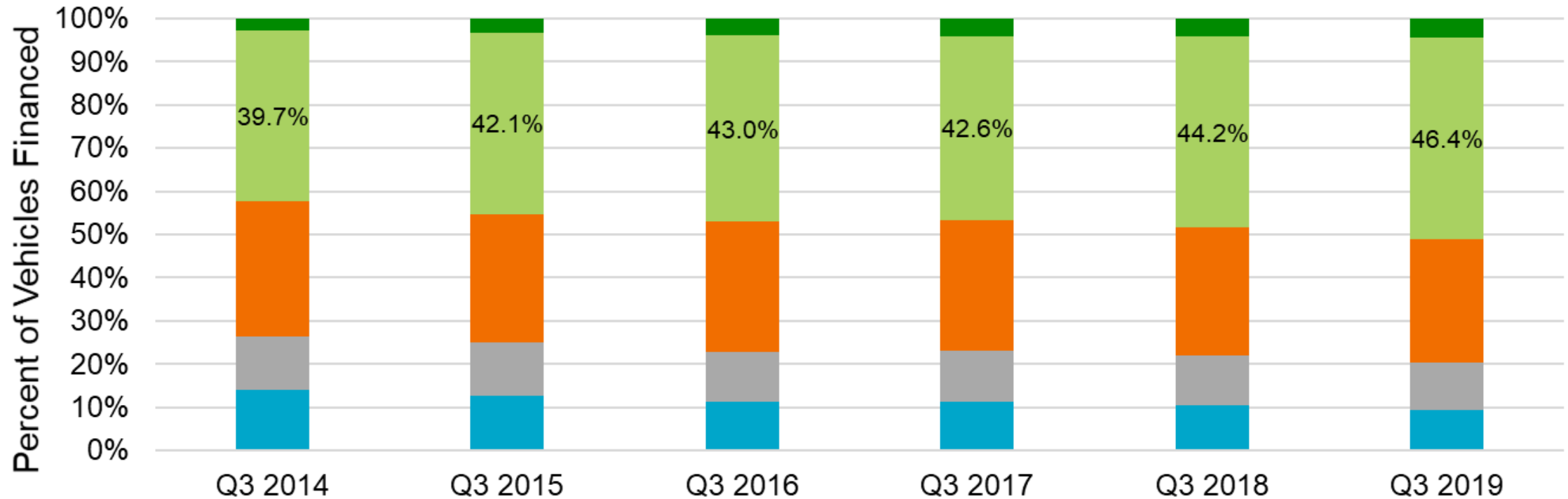
Since rising in 2017 and 2018, APRs have stabilized in 2019

Average APR for New and Used Loans

Legend: New, Used

	Q3 2014	Q3 2015	Q3 2016	Q3 2017	Q3 2018	Q3 2019
Used	8.0%	8.0%	7.7%	8.0%	9.0%	9.2%
New	4.1%	4.0%	4.0%	4.4%	5.5%	5.5%

Y-axis: Average APR % (3% to 10%)

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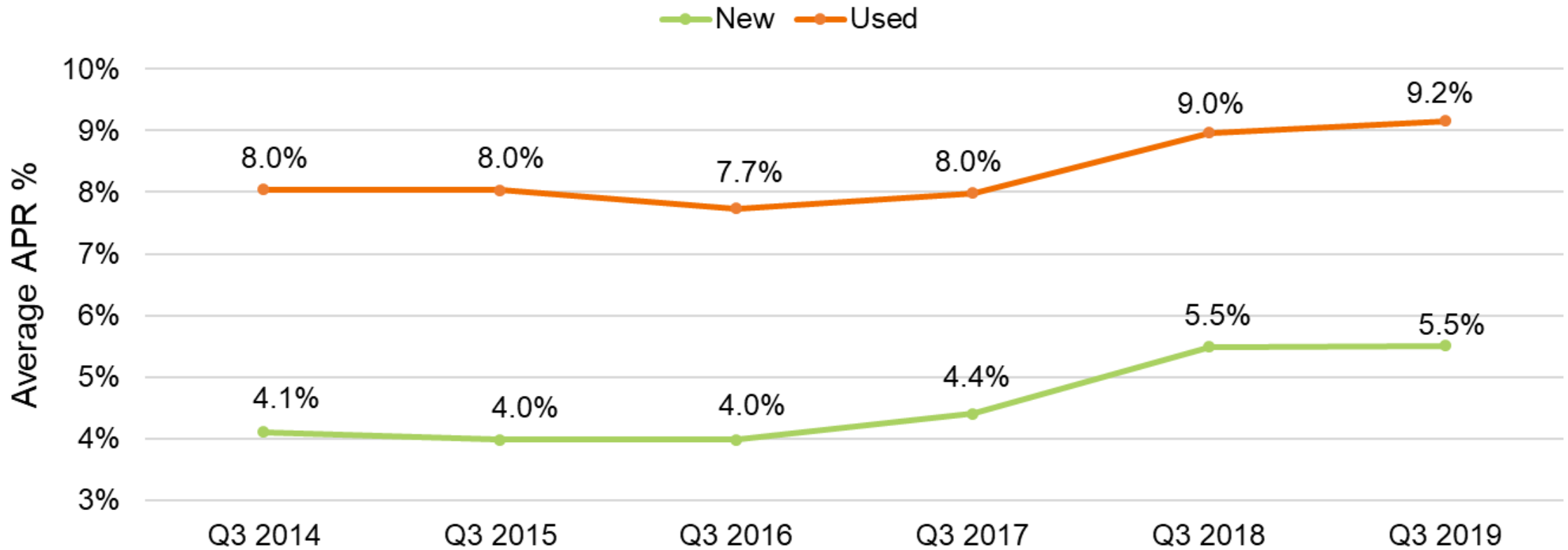
Trucks, SUVs and vans are increasingly taking over the share of total new vehicles financed

Percent of New Financed Cars vs Truck/SUV/Van

■ Trucks/SUV/Van/Other   ■ Cars

Q3 2014: 52.2%, 47.8%
Q3 2019: 71.4%, 28.6%
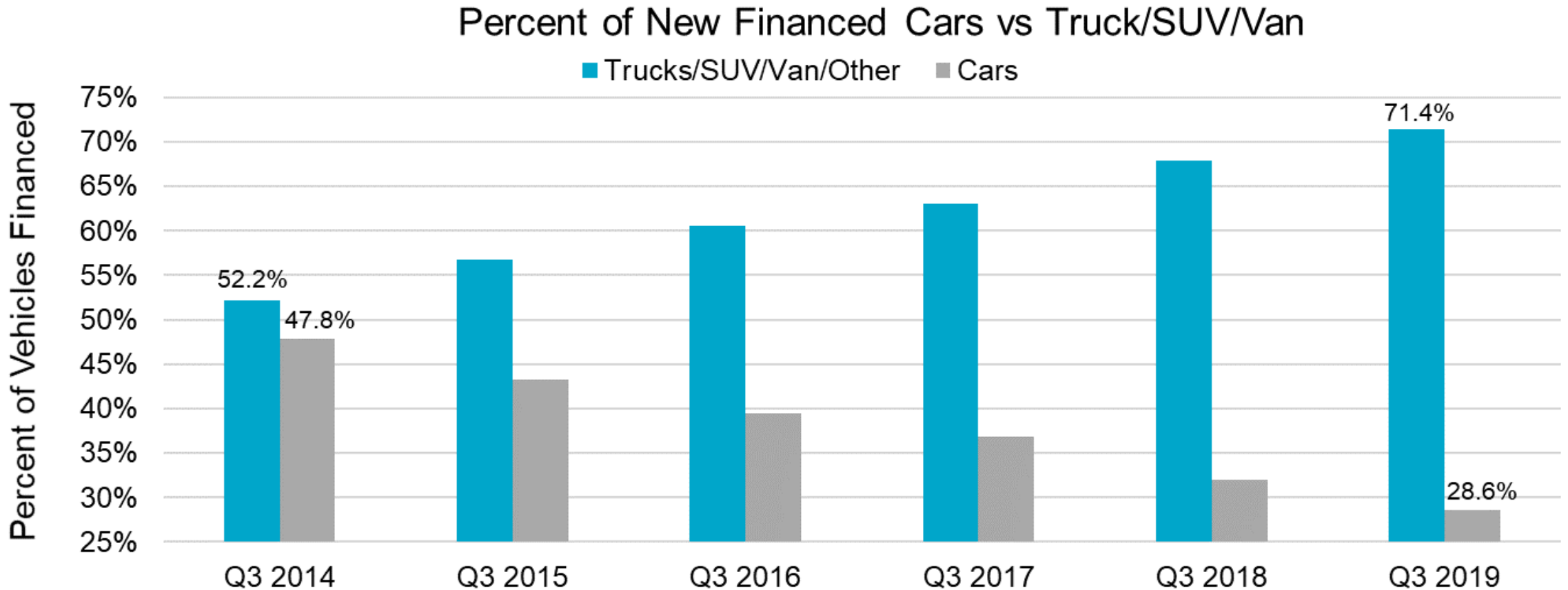
Similarly, used vehicle financing is starting to show a similar shift to larger vehicles as new vehicles age

Percent of Used Financed Cars vs Truck/SUV/Van

■ Trucks/SUV/Van/Other ■ Cars
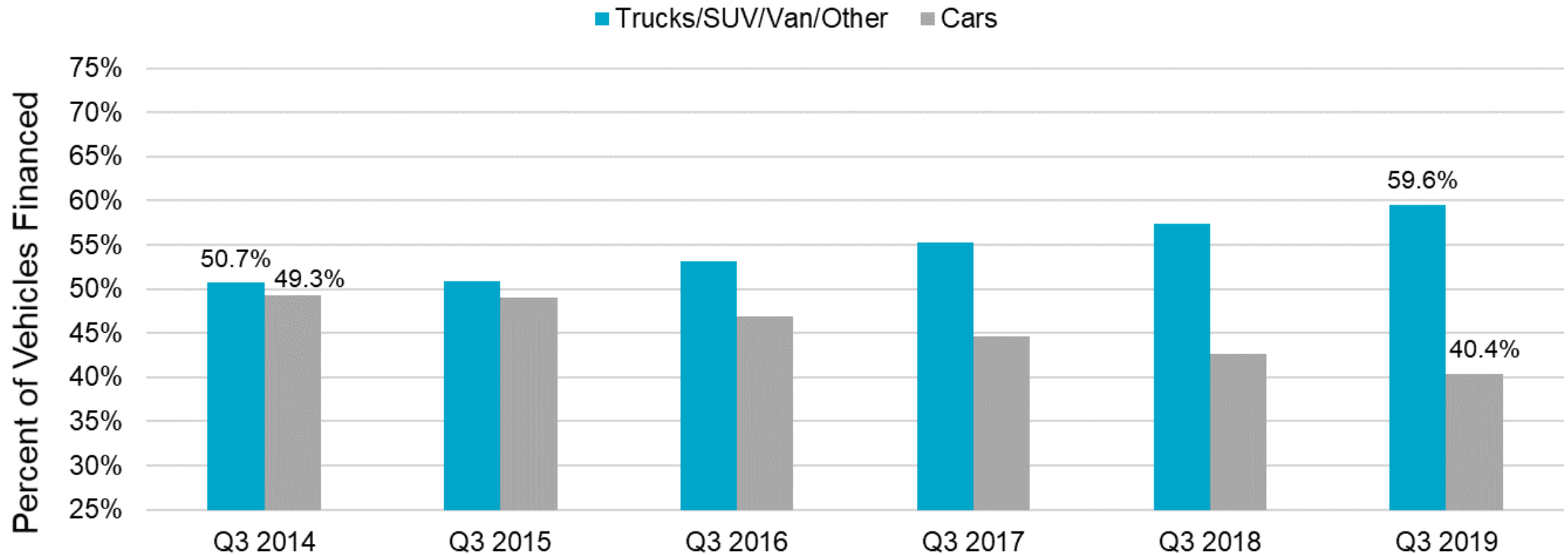
These larger vehicles come at much higher price tags

Average Amount Financed New Cars vs Truck/SUV/Van

■ Trucks/SUV/Van/Other   ■ Cars
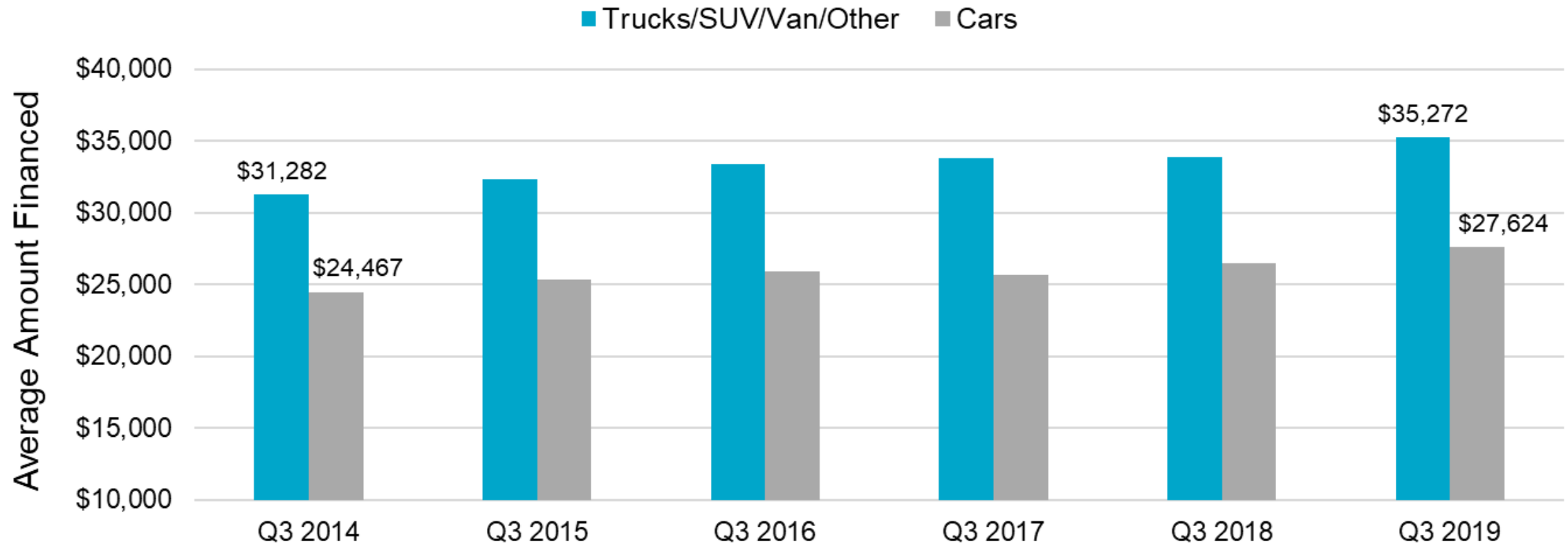
In the used market, average financed amounts are rising for trucks and SUVs while car averages are stalling

Average Amount Financed Used Cars vs Truck/SUV/Van

■ Trucks/SUV/Van/Other ■ Cars
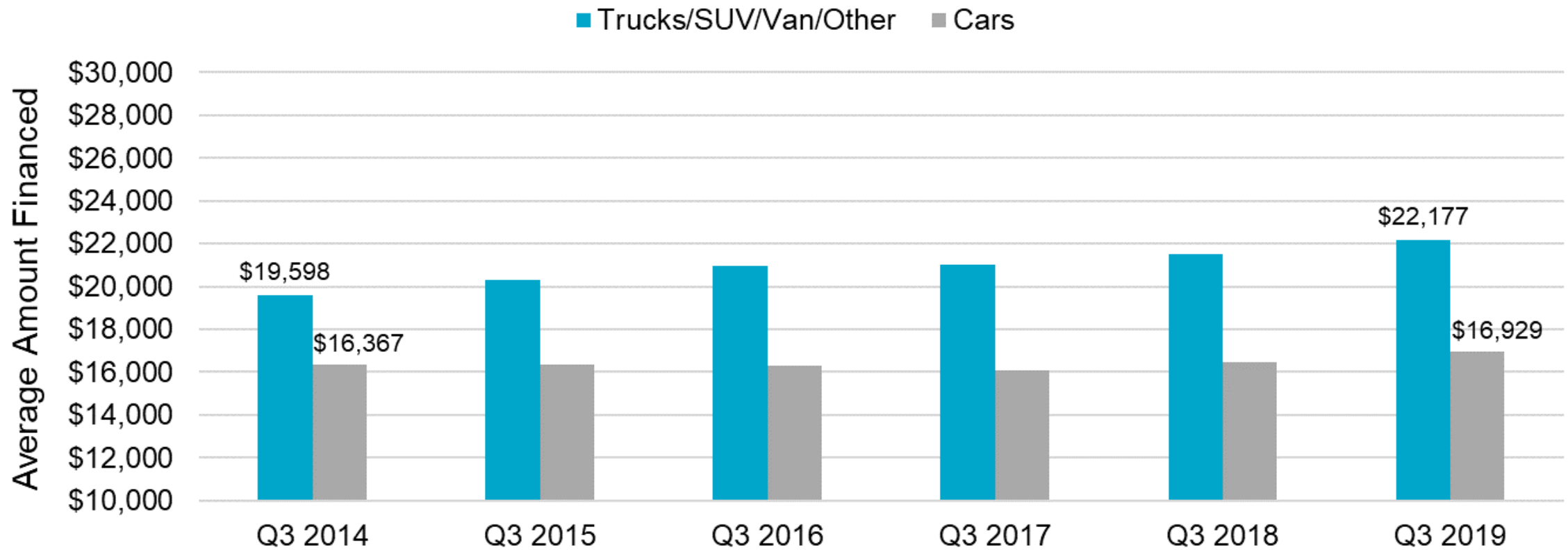
And the large delta in cars vs. trucks and SUVs average amount financed persisted in Q3 2019

Growth in Average Monthly Payment

New — Used

	Q3 2015	Q3 2016	Q3 2017	Q3 2018	Q3 2019
New	1.6%	3.2%	1.7%	6.2%	3.6%
Used	0.4%	0.3%	0.9%	4.8%	3.0%
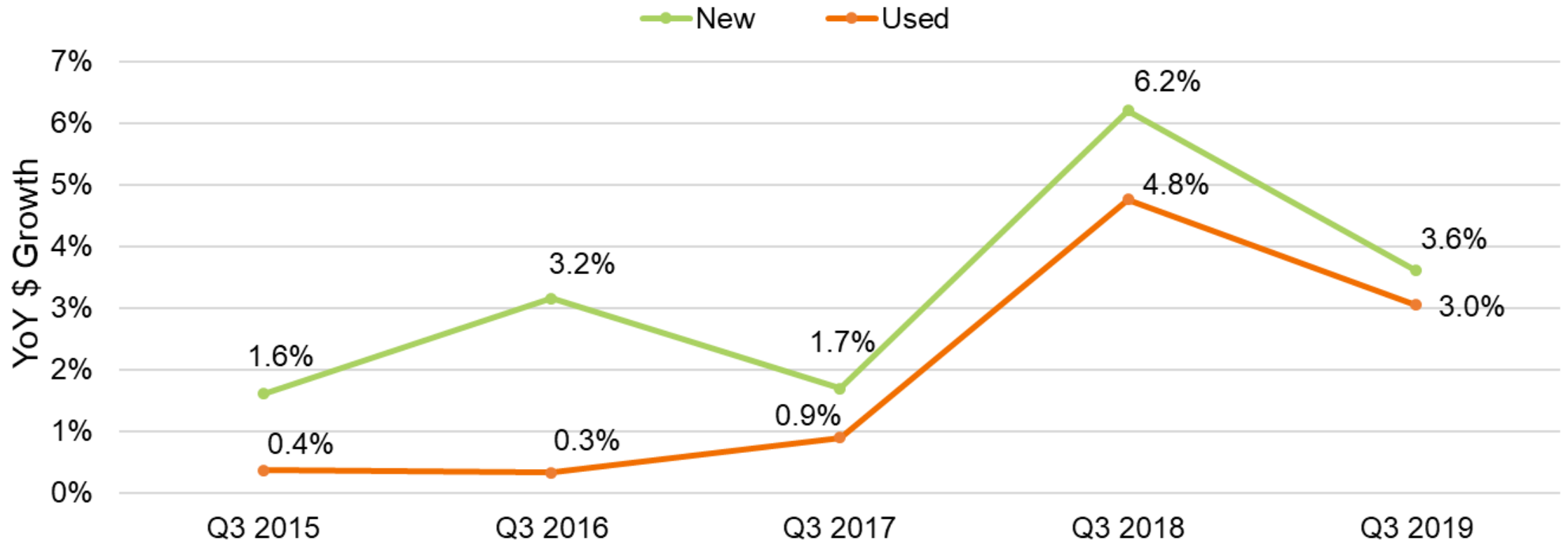
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The proportion of used financed vehicles continued to grow

Percent of New vs. Used Vehicles Financed
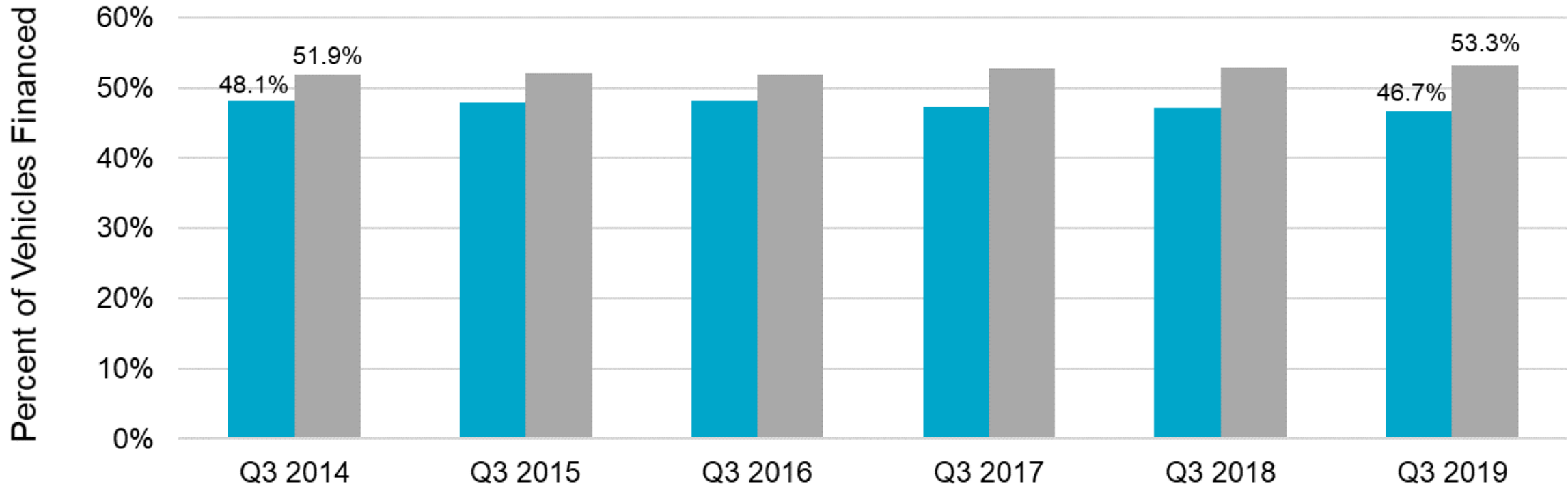
Auto loan performance has remained relatively stable for the past four years

Auto Serious Delinquency Rates

% of Borrowers 60+ DPD

- Q4 2014: 1.19%
- Q4 2015: 1.27%
- Q4 2016: 1.44%
- Q4 2017: 1.43%
- Q4 2018: 1.44%
- Q4 2019: 1.50%
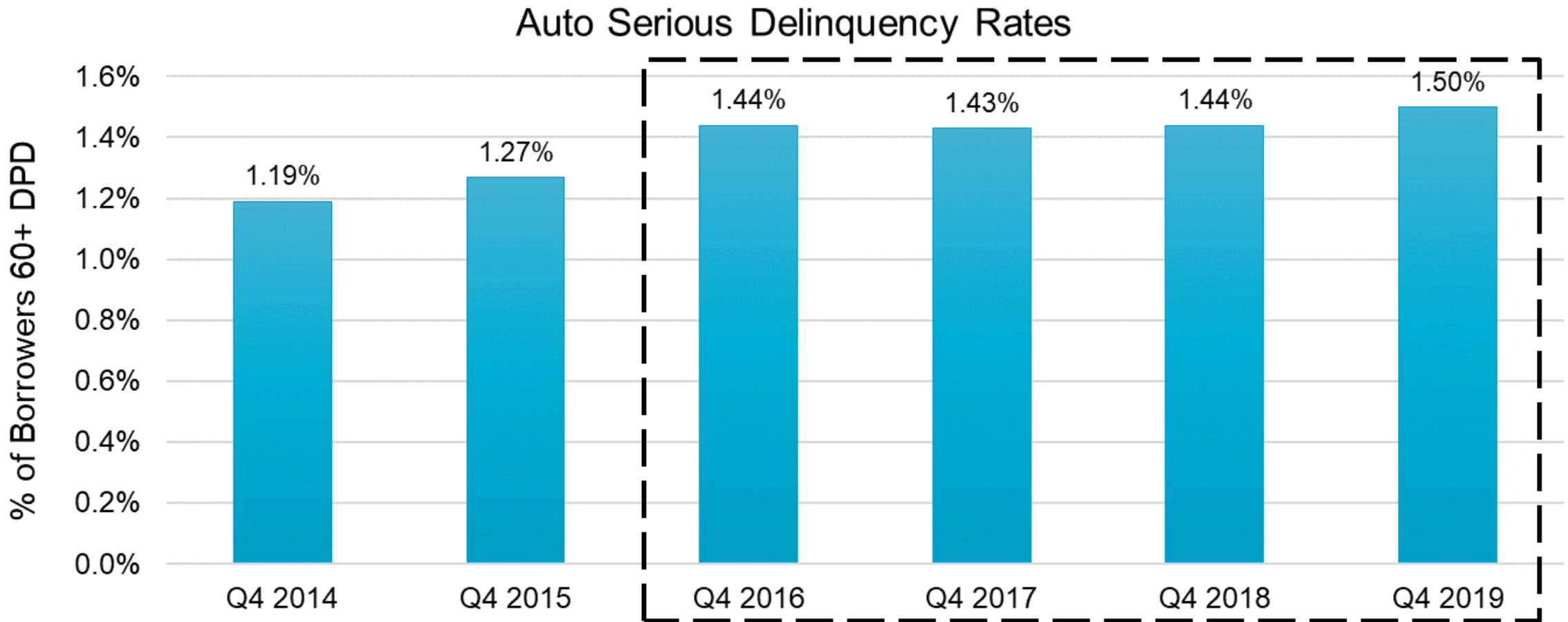
Source: TransUnion consumer credit database

Loan performance for non-prime segments has remained stable since 2015

Vintage Delinquency of Non-prime Loans and Leases

— 2013 — 2014 — 2015 — 2016 — 2017 — 2018
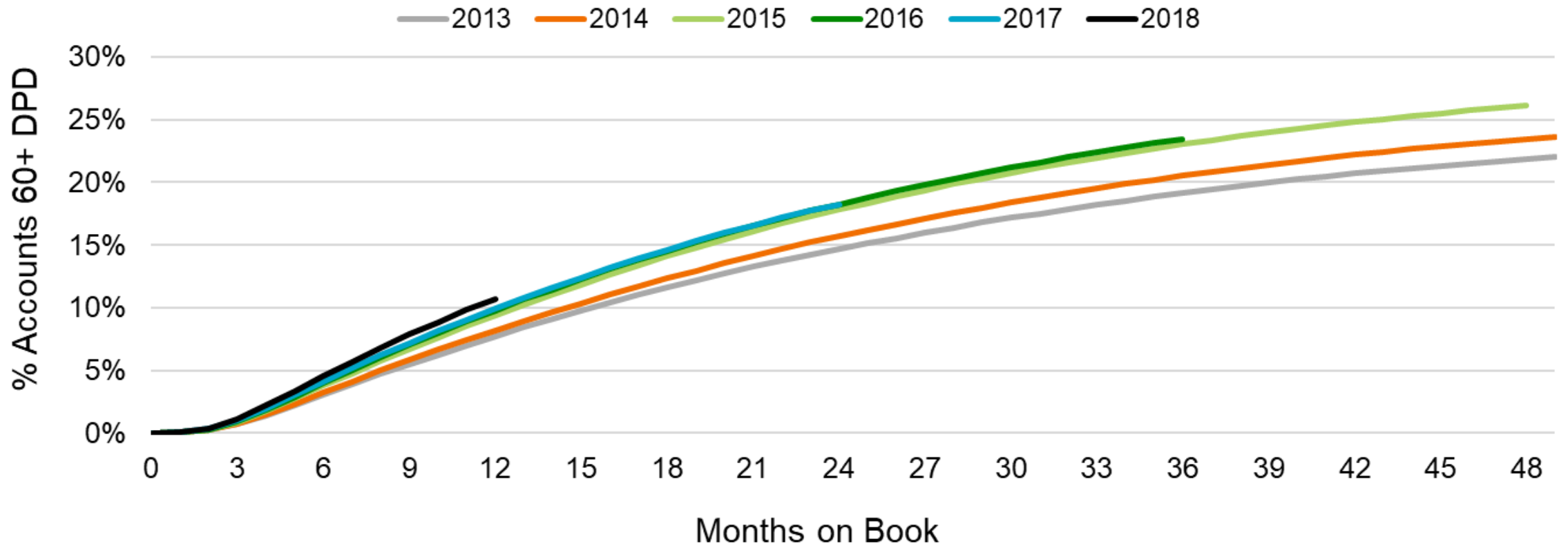
VantageScore® 3.0 risk ranges
Non-prime = 300–660

Credit Card

A record high of 184M cardholders propelled balance growth

Total Bankcard Balances and Cardholders
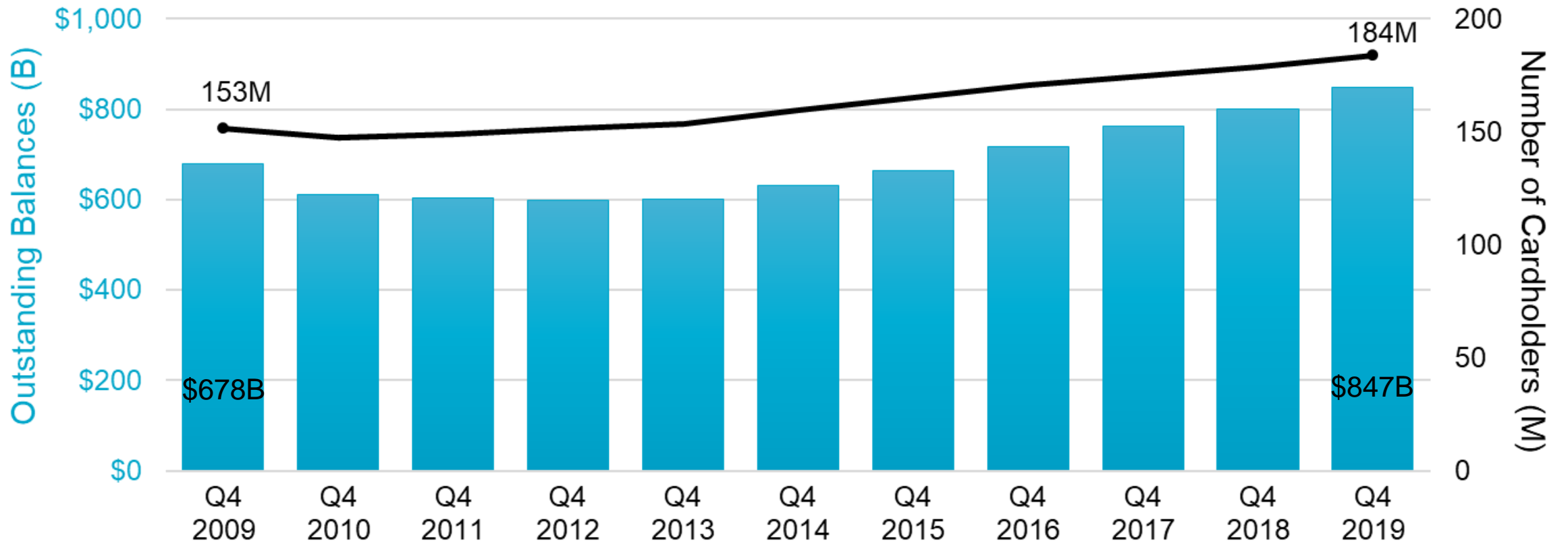
Average balances continue to grow across tiers, and remain highest for mid-tier consumers
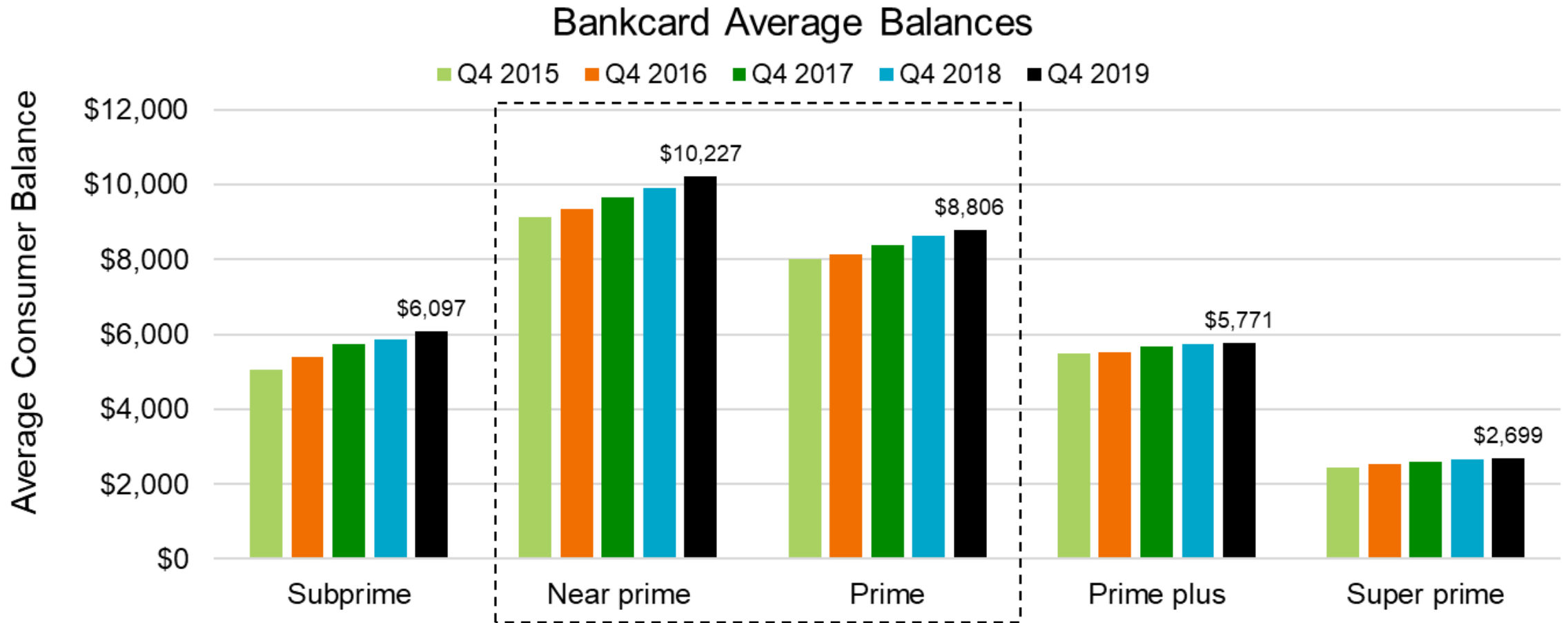
Bankcard Average Balances

Legend: ■ Q4 2015 ■ Q4 2016 ■ Q4 2017 ■ Q4 2018 ■ Q4 2019

Y-axis: Average Consumer Balance ($0 – $12,000)

- Subprime: $6,097
- Near prime: $10,227
- Prime: $8,806
- Prime plus: $5,771
- Super prime: $2,699

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

Origination growth diversified across risk tiers in 2019

Growth in Bankcard Originations
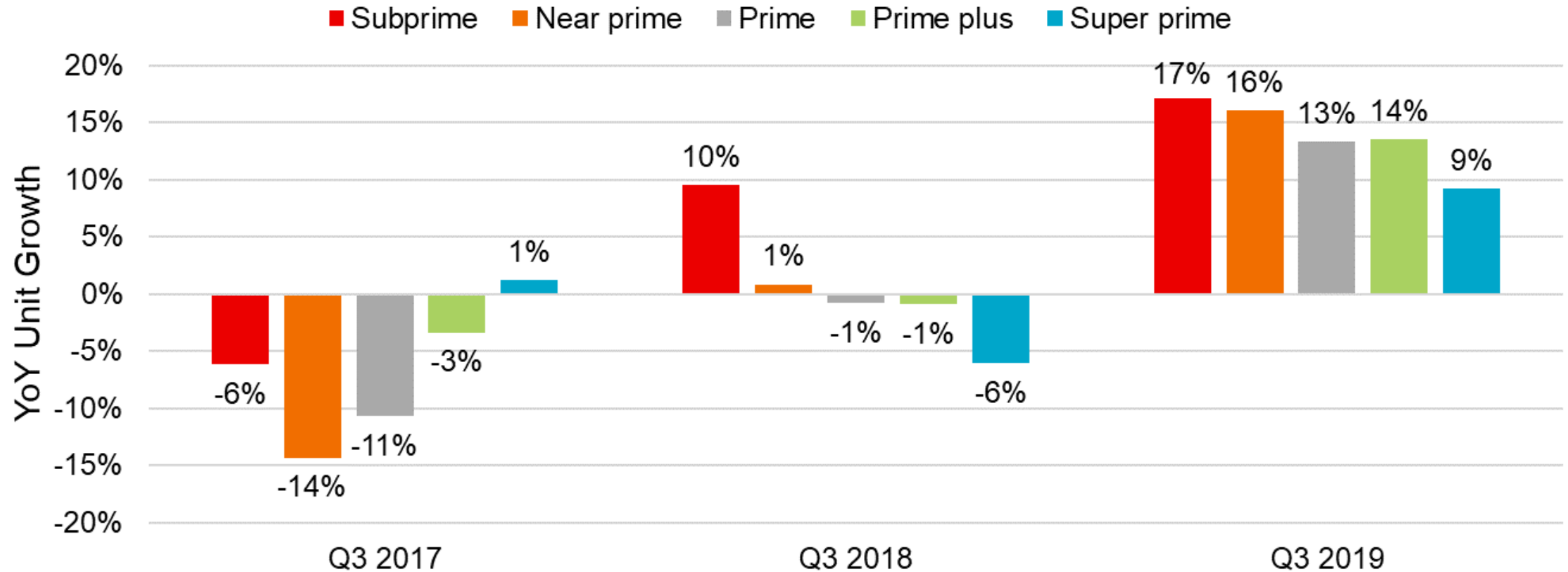
■ Subprime ■ Near prime ■ Prime ■ Prime plus ■ Super prime

Q3 2017:
- Subprime: -6%
- Near prime: -14%
- Prime: -11%
- Prime plus: -3%
- Super prime: 1%

Q3 2018:
- Subprime: 10%
- Near prime: 1%
- Prime: -1%
- Prime plus: -1%
- Super prime: -6%

Q3 2019:
- Subprime: 17%
- Near prime: 16%
- Prime: 13%
- Prime plus: 14%
- Super prime: 9%

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

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

Gen Z showed the largest YoY growth in originations

Growth in Bankcard Originations by Generation

Legend: ■ Gen Z ■ Millennials ■ Gen X ■ Baby Boomers ■ Silent

Y-axis: YoY Unit Growth (35.0%, 30.0%, 25.0%, 20.0%, 15.0%, 10.0%, 5.0%, 0.0%, -5.0%, -10.0%)

Q1 2019: Gen Z 11%, Millennials -1%, Gen X -6%, Baby Boomers -6%, Silent -3%
Q2 2019: Gen Z 13%, Millennials 6%, Gen X 8%, Baby Boomers 3%, Silent -2%
Q3 2019: Gen Z 31%, Millennials 13%, Gen X 11%, Baby Boomers 7%, Silent 0%
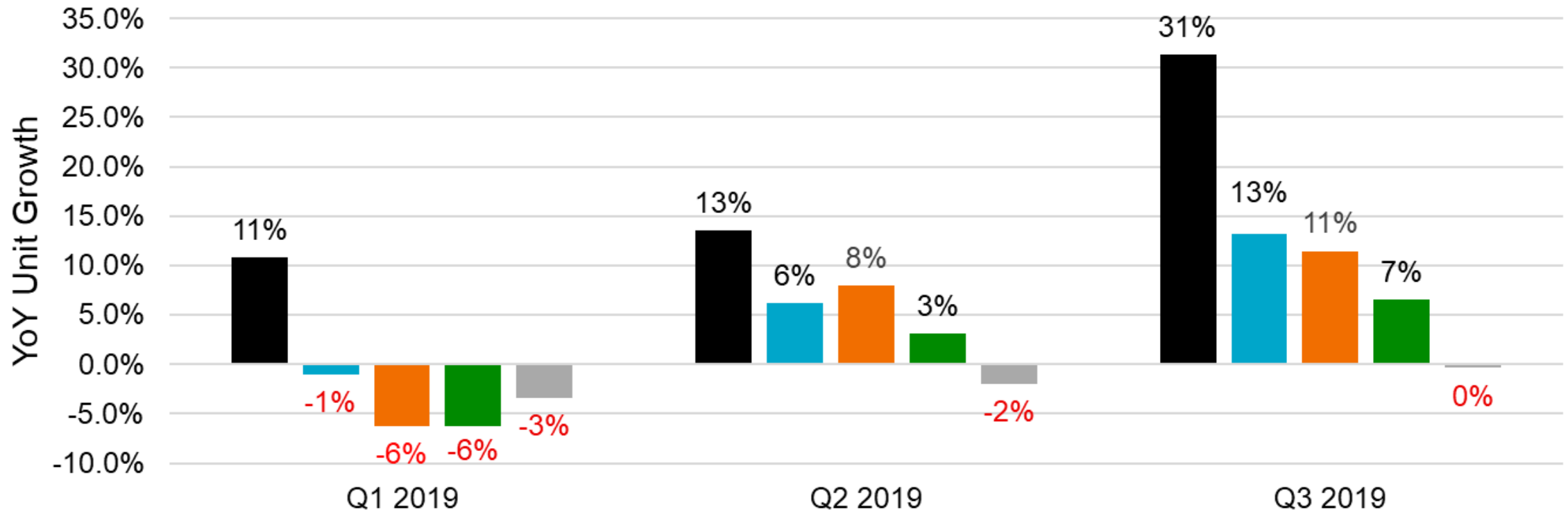
The percentage of balances held by subprime customers has increased modestly since 2015

Growth in Total Bankcard Balances
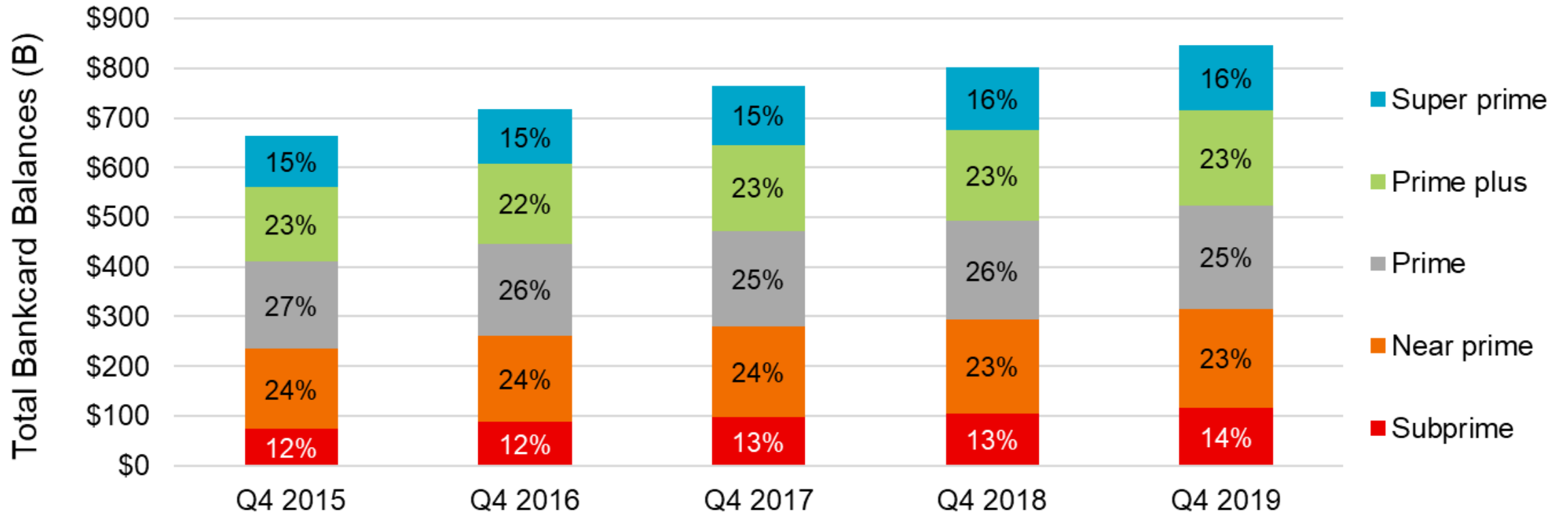
Totals may not equal 100 due to rounding
Source: TransUnion consumer credit database

Credit lines increased by 5.5% YoY driving utilization down slightly

Bankcard Utilization
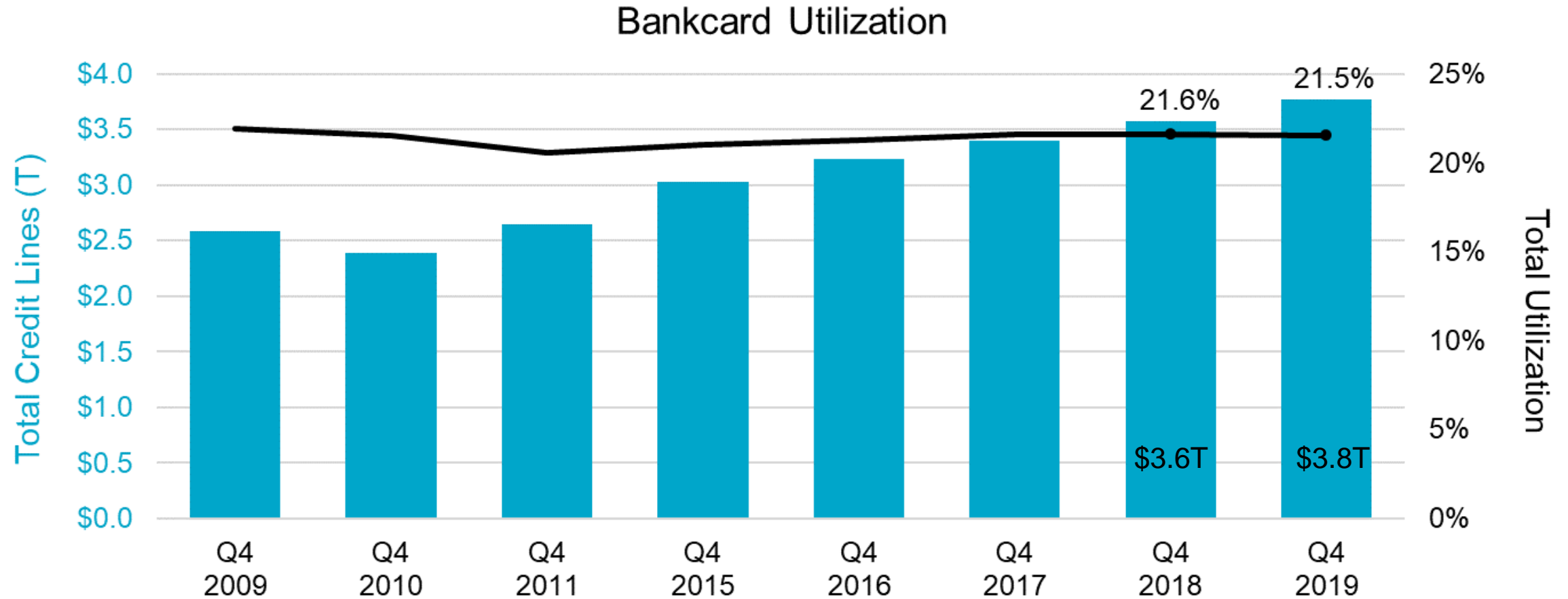
Bankcard serious delinquency rates crossed 2% in Q4 2019

Bankcard Serious Delinquency Rates
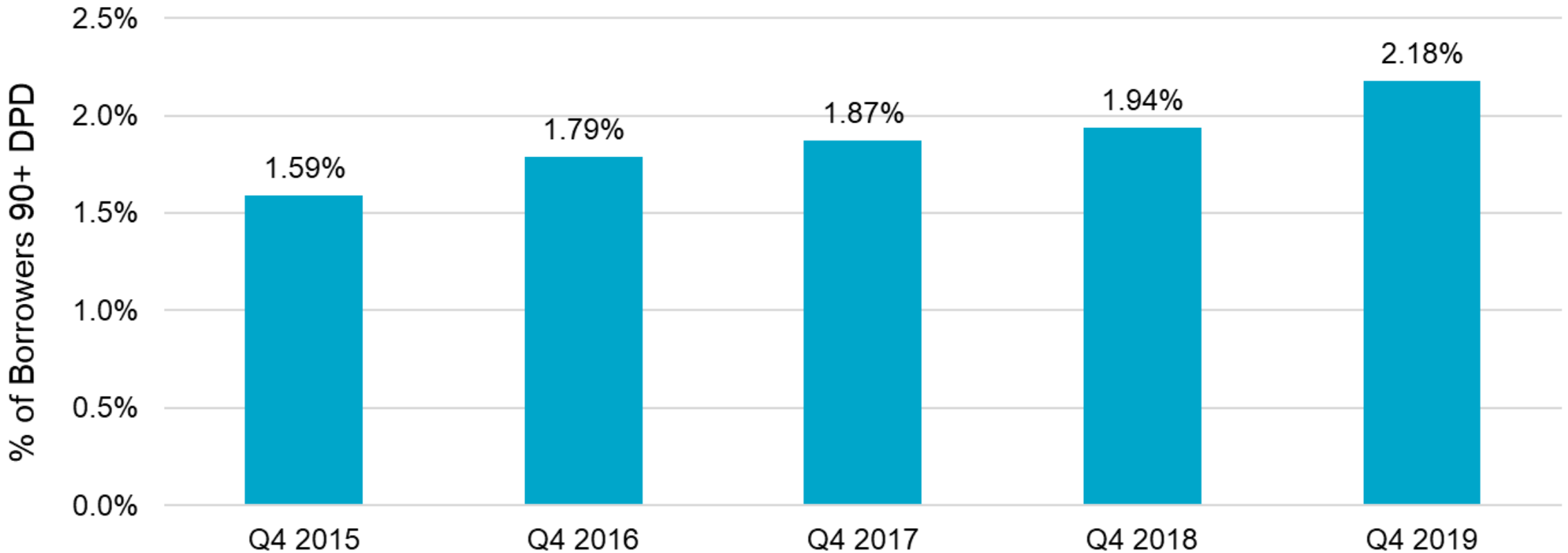
Source: TransUnion consumer credit database

Recent vintages continue to perform worse than previous cohorts

Vintage Delinquency of Bankcard Accounts
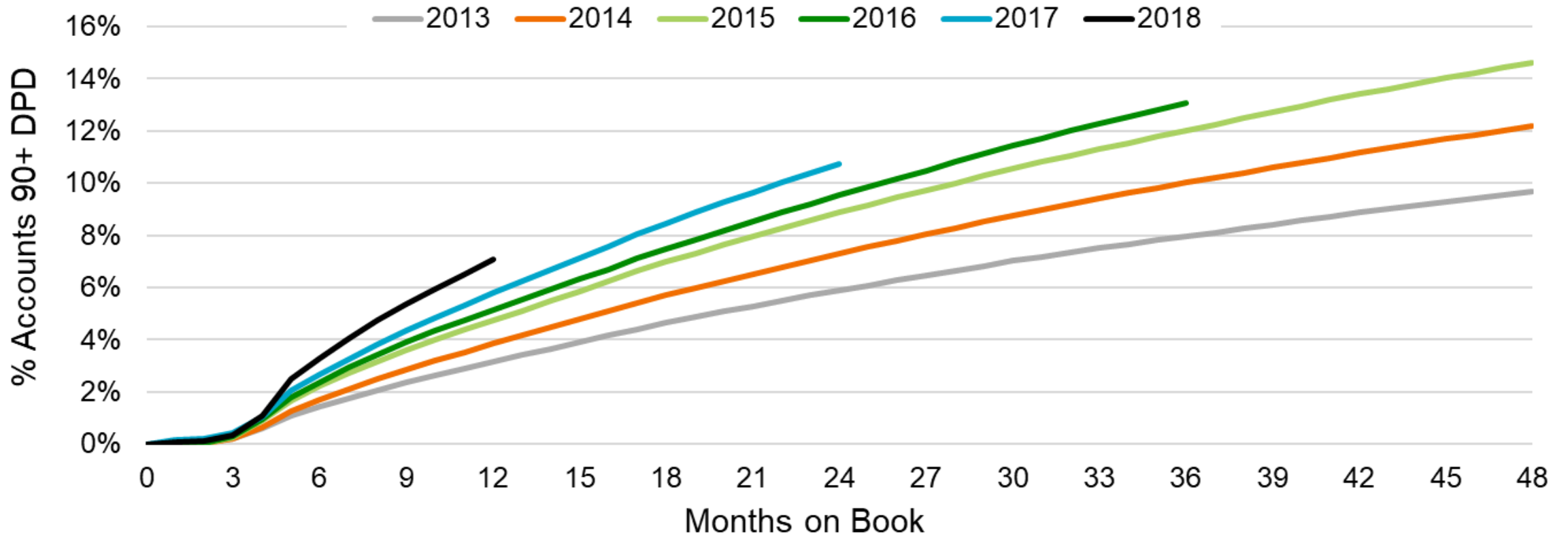
Despite a declining number of cardholders, private label balances continue to grow to $132B
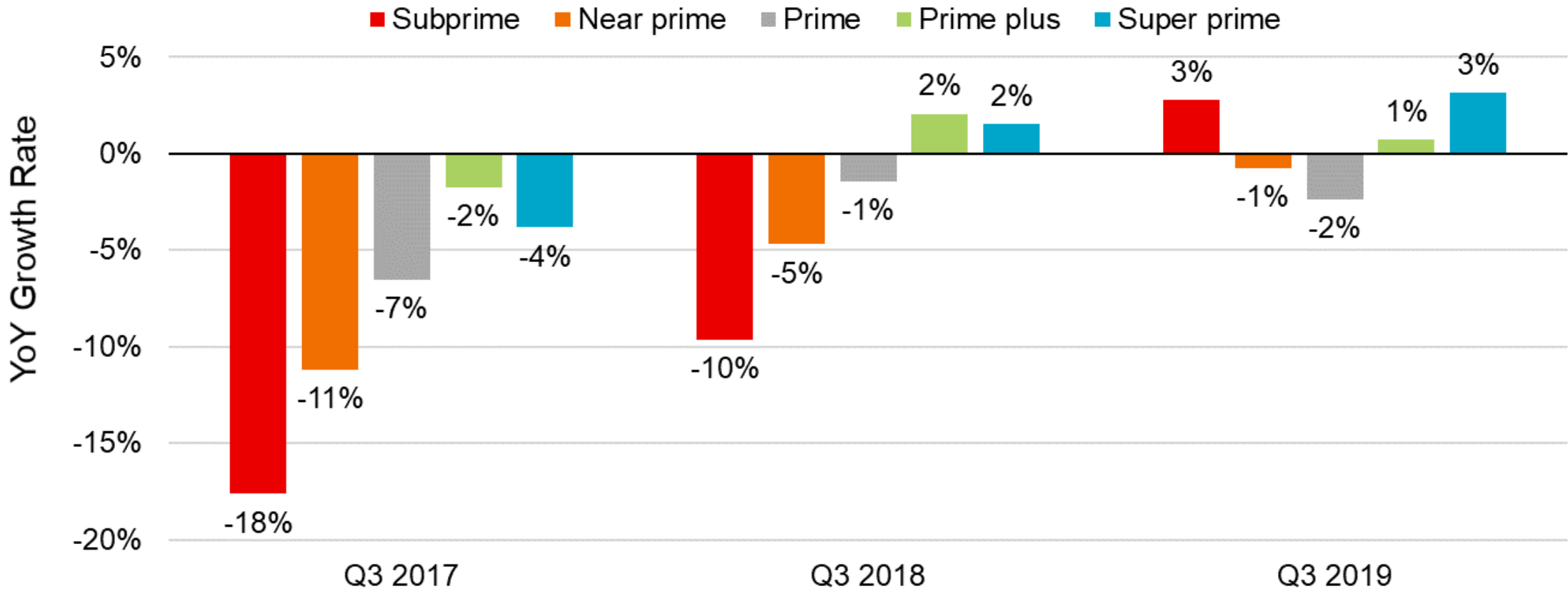

Total Private Label Balances and Cardholders
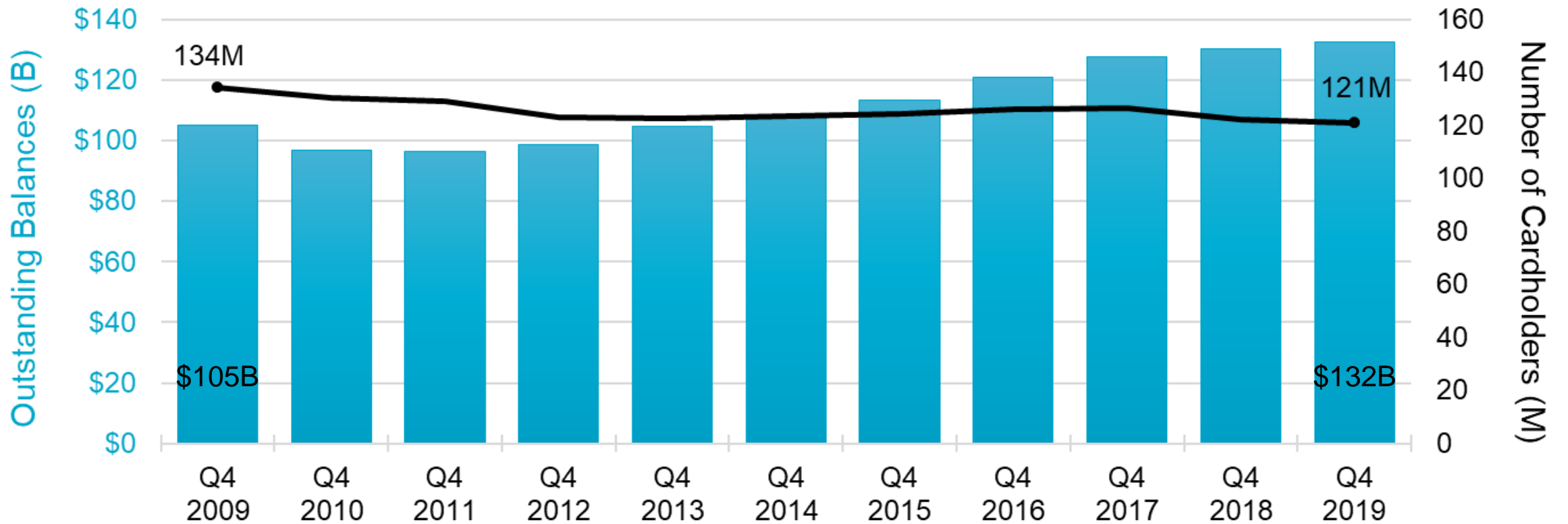
Origination growth to subprime borrowers returned for the first time in ten quarters and increased 0.5% for all tiers
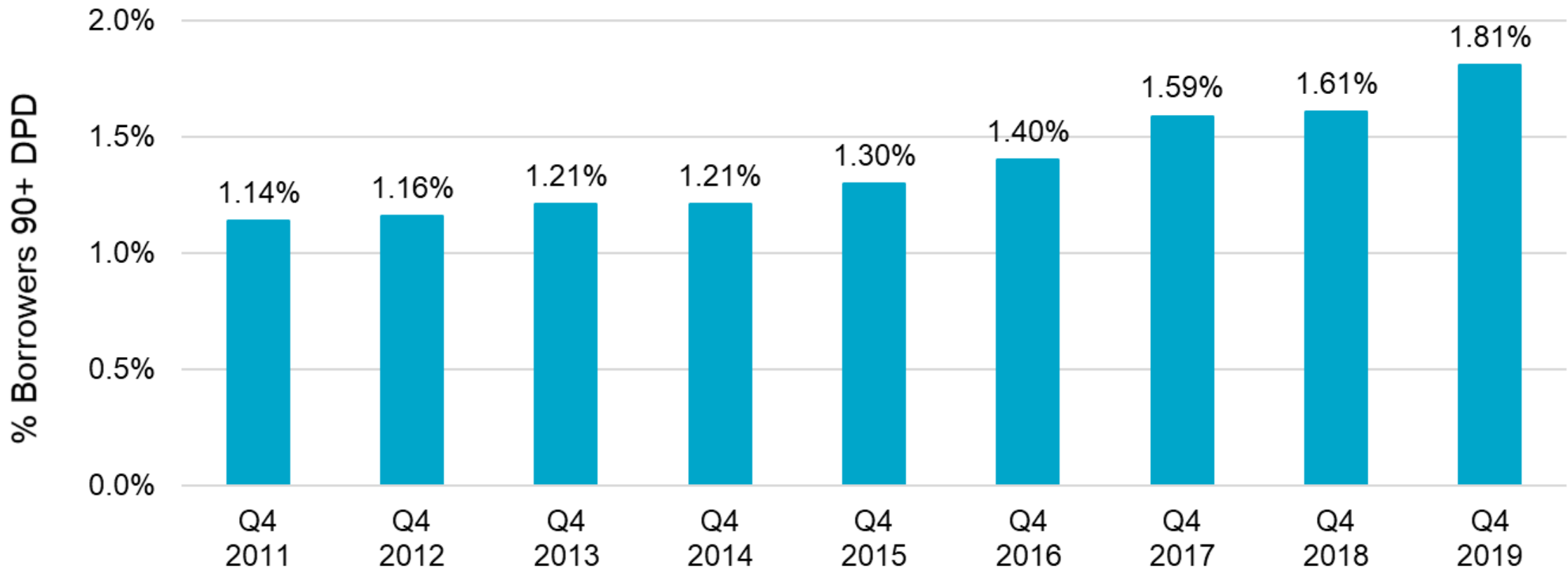

Growth in Private Label Originations

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

YoY Growth Rate

Q3 2017: Subprime -18%, Near prime -11%, Prime -7%, Prime plus -2%, Super prime -4%

Q3 2018: Subprime -10%, Near prime -5%, Prime -1%, Prime plus 2%, Super prime 2%

Q3 2019: Subprime 3%, Near prime -1%, Prime -2%, Prime plus 1%, Super prime 3%

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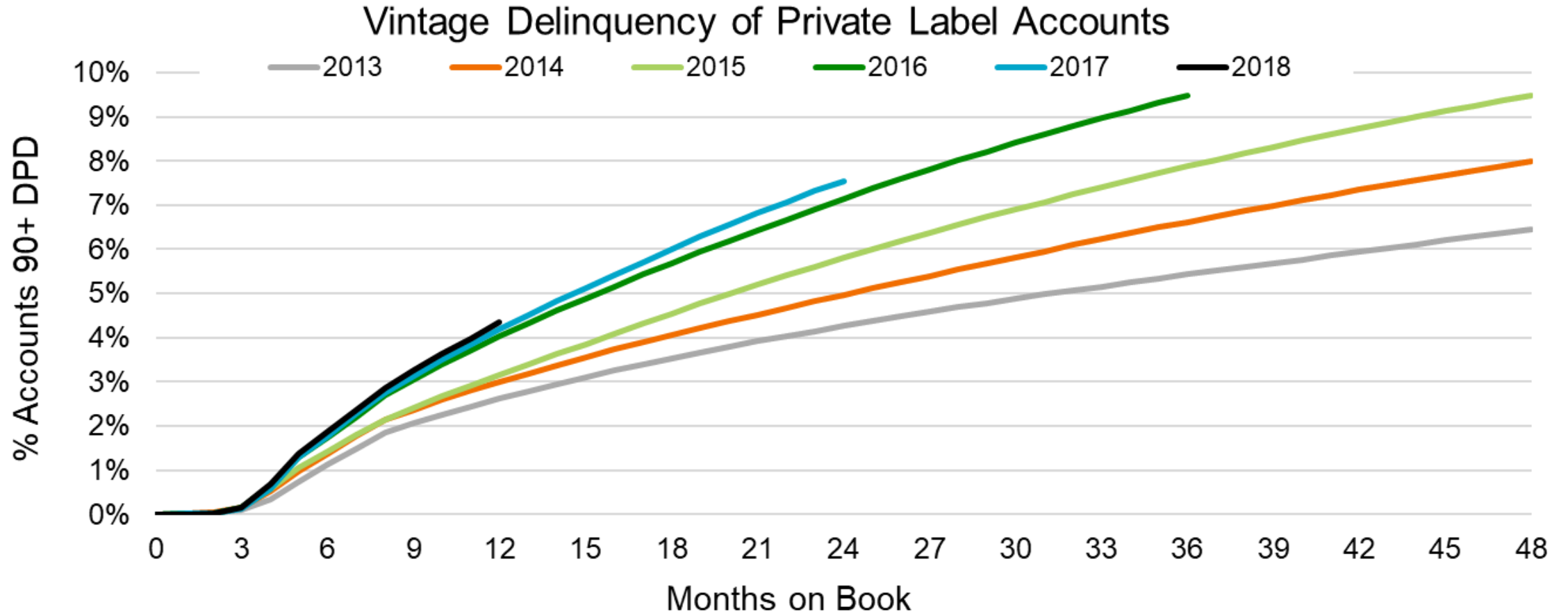
Source: TransUnion consumer credit database

Private label card delinquency increased to 1.81% after holding steady the previous two years

Private Label Serious Delinquency Rates

Recent retail vintages display consistent performance since 2016
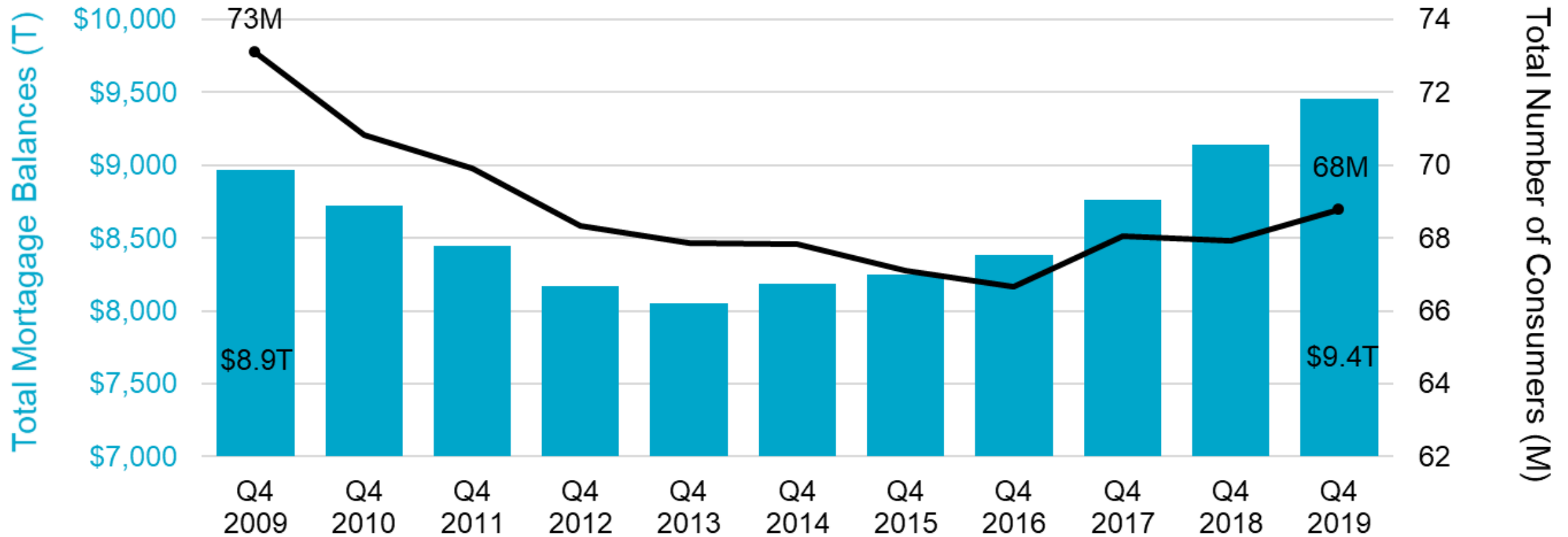

Vintage Delinquency of Private Label Accounts

Mortgage & HELOC

Balances are expected to continue to climb in line with housing prices

Total Mortgage Balances and Consumers

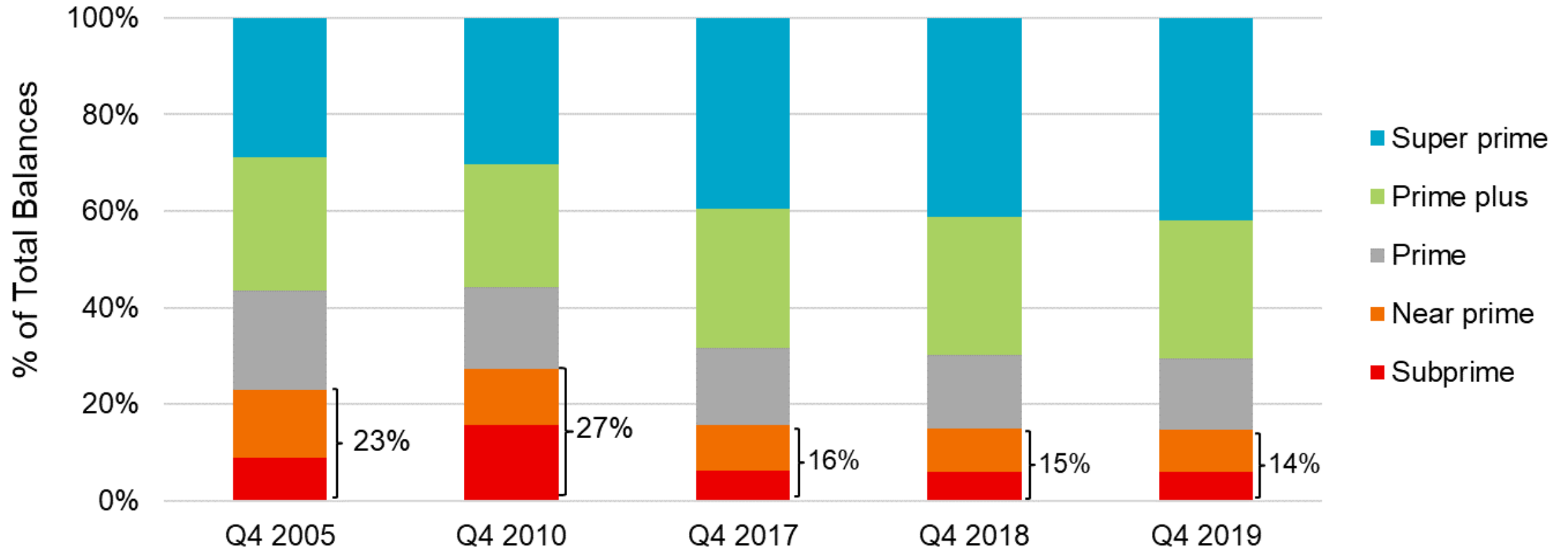# The distribution of mortgage balances to below prime consumers continues to decrease
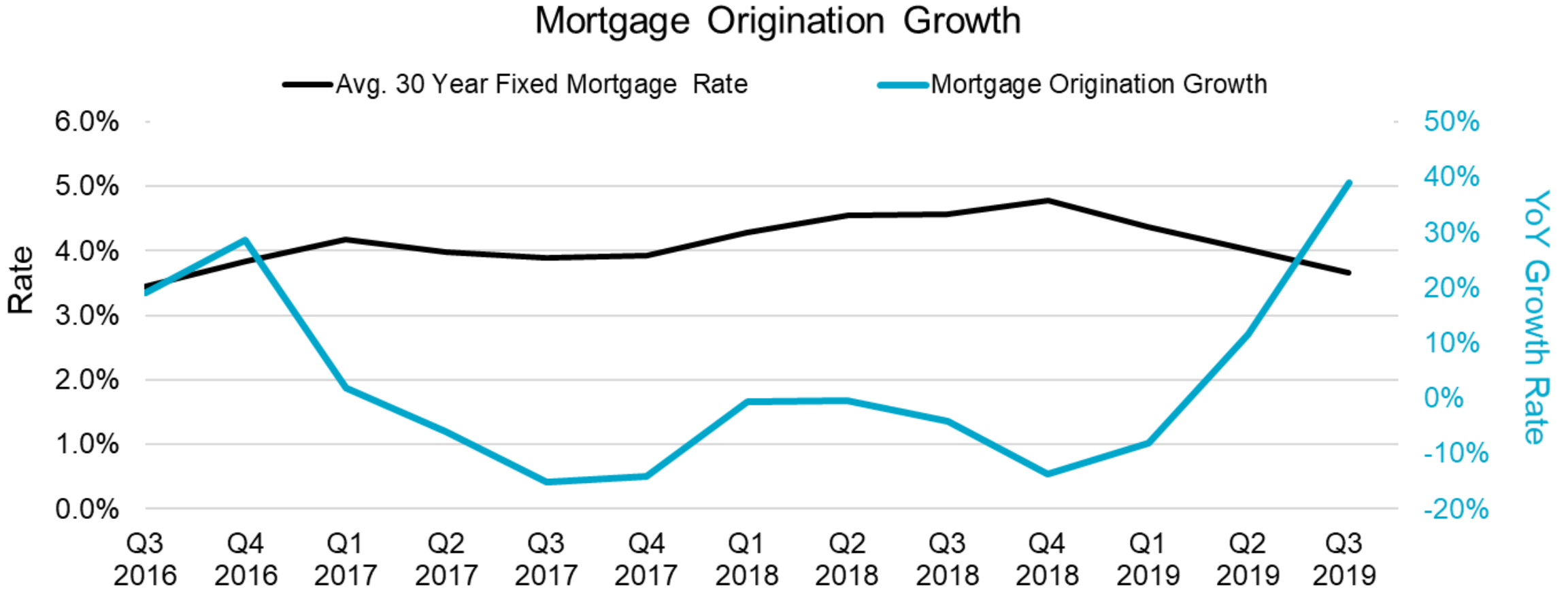
Risk Distribution of Mortgage Balances

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 39% YoY as a result of lower rates spurring refinance activity

Mortgage Origination Growth

— 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, Q3

MSA	Average Account Balance	YoY Origination Growth
San Francisco	$382K	70%
Los Angeles	$330K	85%
San Diego	$311K	91%
Houston	$162K	21%
Tampa	$134K	27%
Detroit	$134K	36%
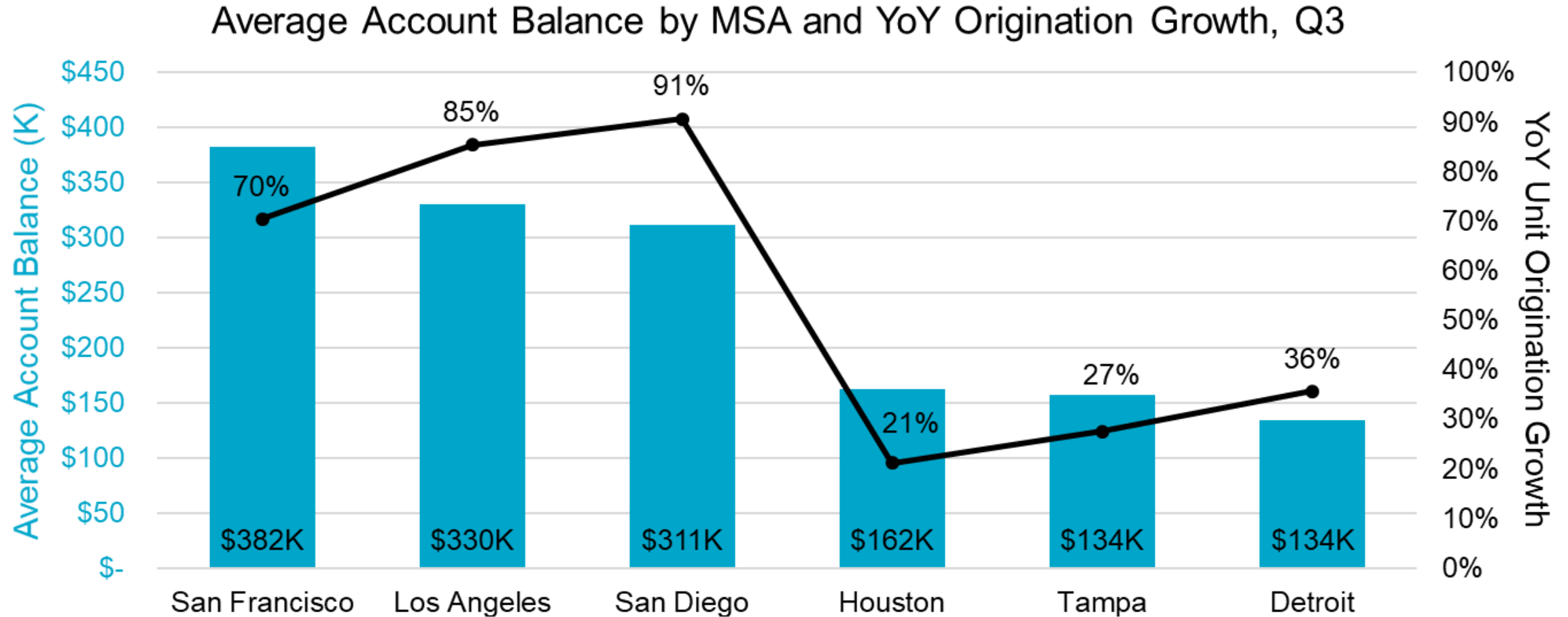
Source: TransUnion consumer credit database

New mortgage account balances jumped across all risk tiers
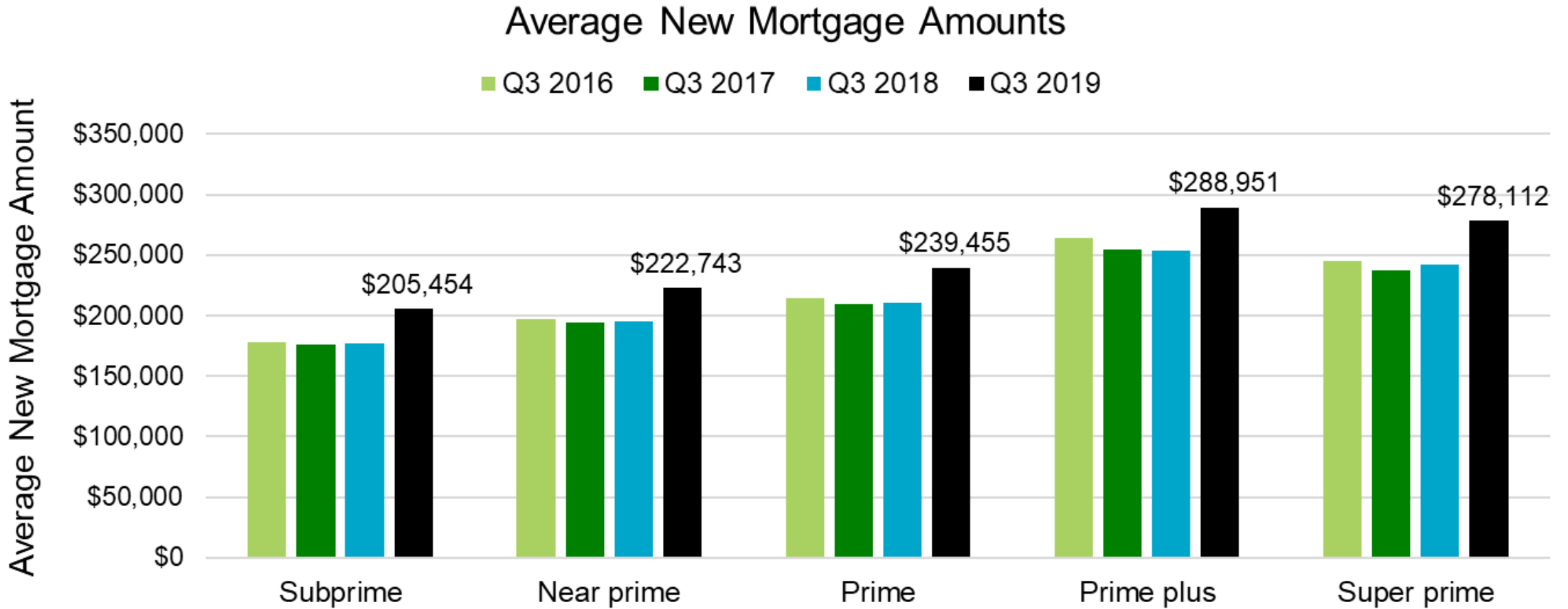
Average New Mortgage Amounts

■ Q3 2016   ■ Q3 2017   ■ Q3 2018   ■ Q3 2019

Average New Mortgage Amount

Risk Tier	Q3 2019
Subprime	$205,454
Near prime	$222,743
Prime	$239,455
Prime plus	$288,951
Super prime	$278,112

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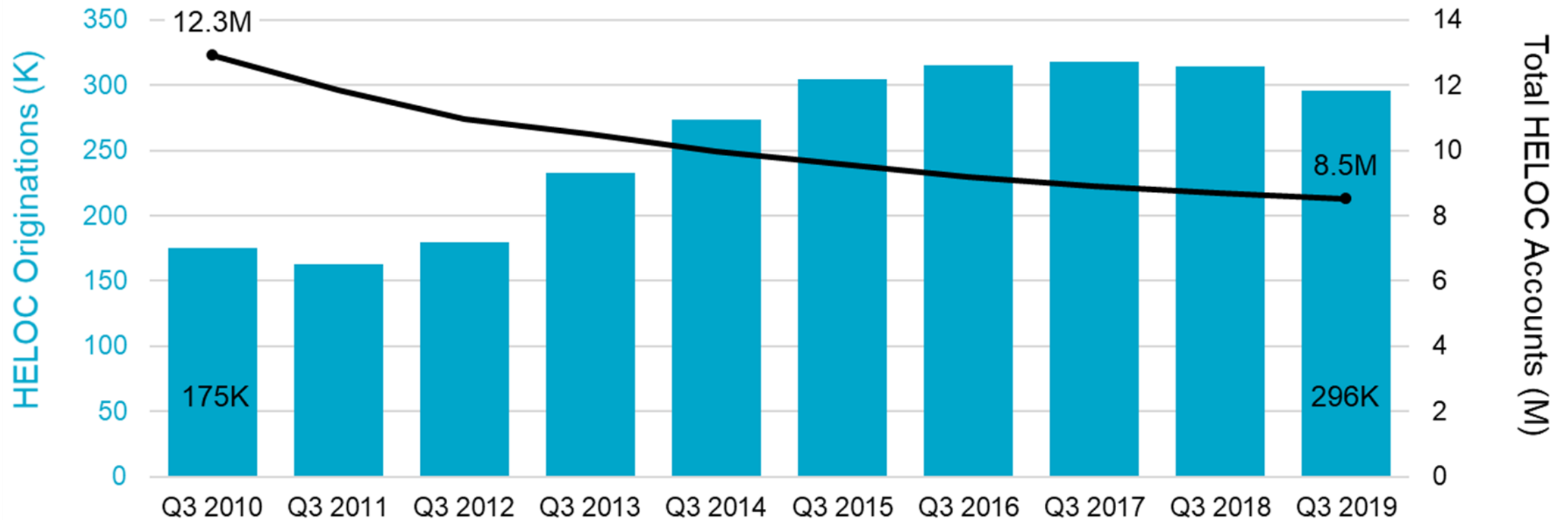
Source: TransUnion consumer credit database

Home prices continue to extend beyond 2005 boom levels, with home equity growing even faster

House Price Index vs. Household Home Equity Index, Q3 Each Year
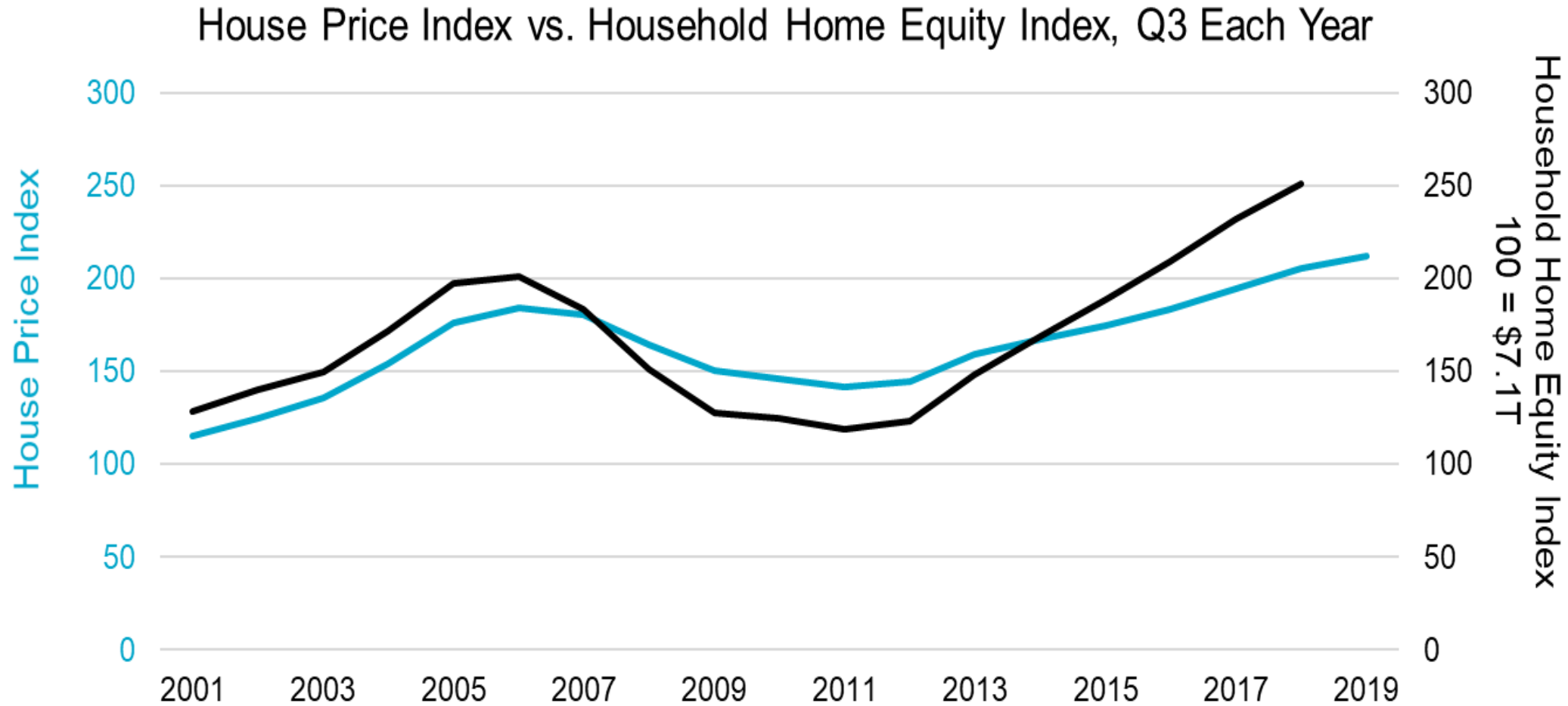
Despite elevated equity levels, HELOC originations and accounts are declining
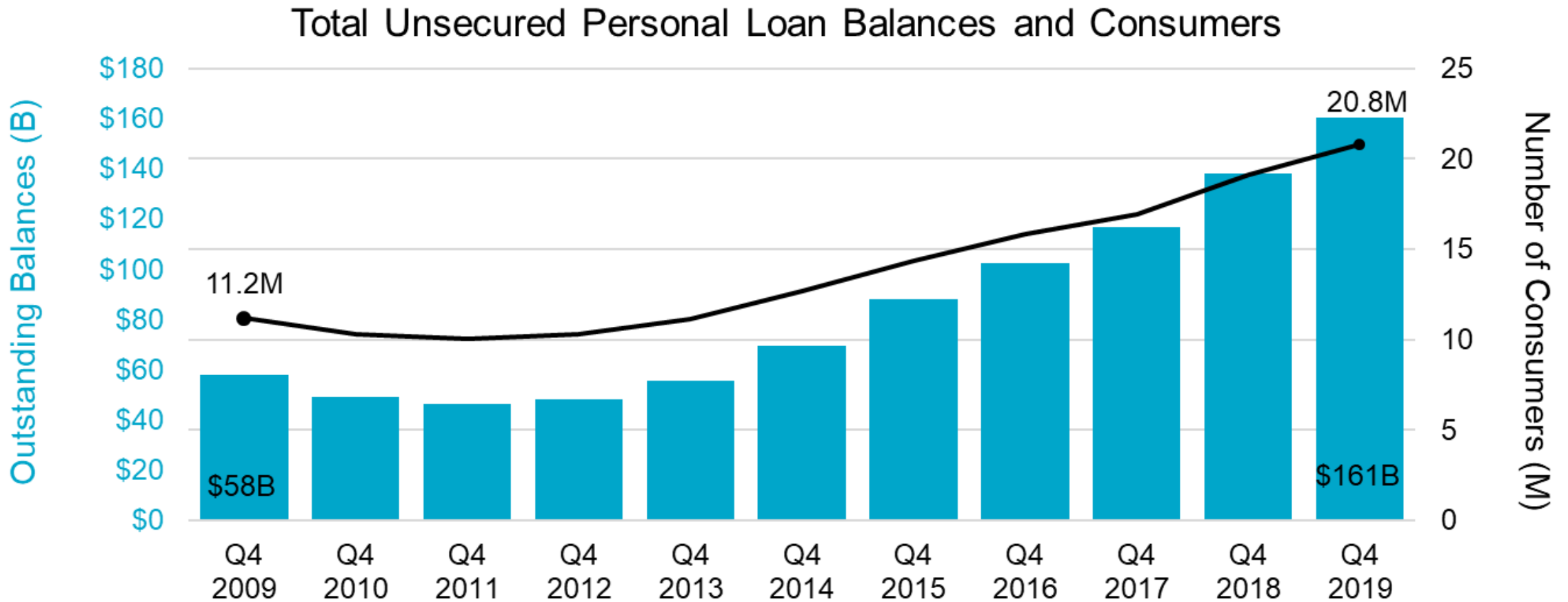

HELOC Originations and Accounts

Unsecured Personal Loans

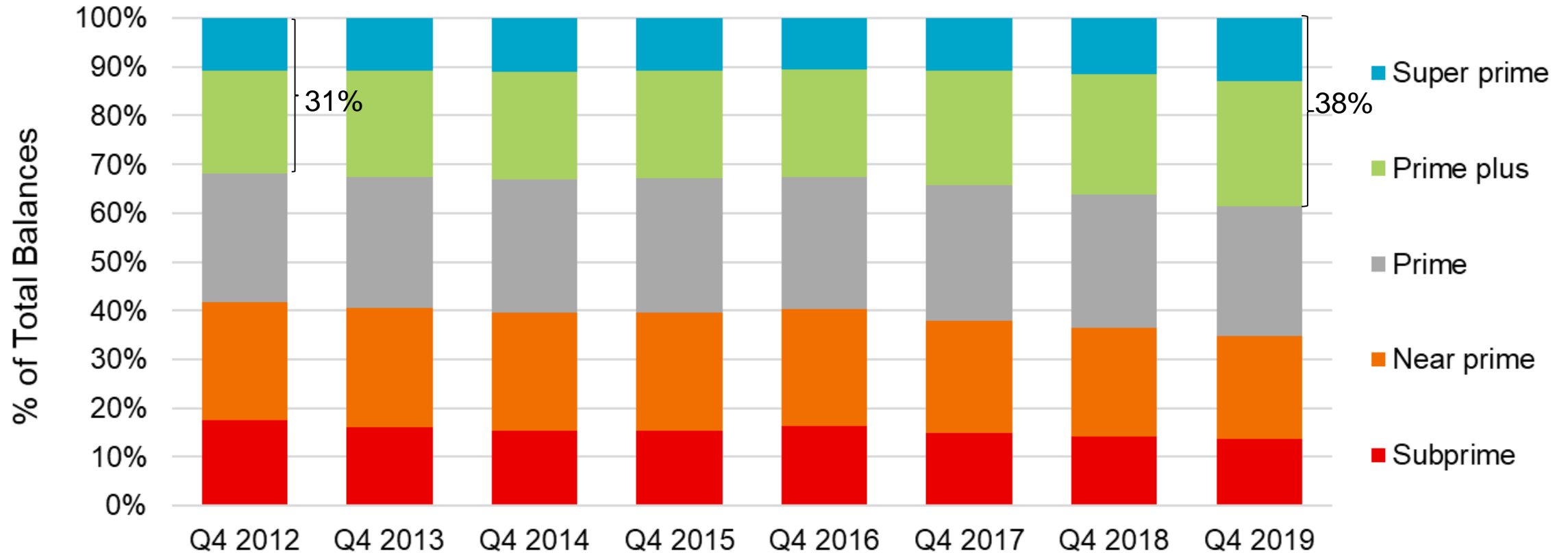# A record 20.8M consumers hold a personal loan and balances are more than double 2008's pre-recession high

Total Unsecured Personal Loan Balances and Consumers

Approximately 38% of outstanding personal loan balances are now held by above prime consumers

Distribution of Outstanding Unsecured Personal Loan Balances

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

Y-axis: % of Total Balances (0% to 100%)

X-axis categories: Q4 2012, Q4 2013, Q4 2014, Q4 2015, Q4 2016, Q4 2017, Q4 2018, Q4 2019

Q4 2012: 31%
Q4 2019: 38%

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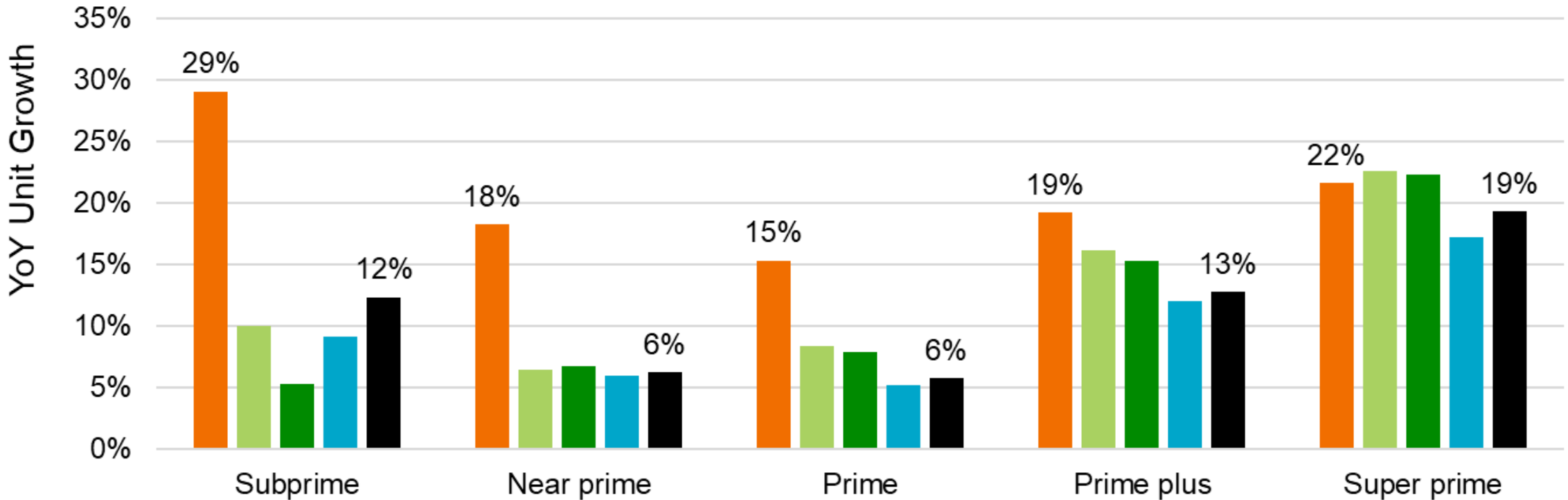
Source: TransUnion consumer credit database

Origination growth remains consistently elevated for above prime consumers

Unsecured Personal Loan Origination Growth

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

Y-axis: YoY Unit Growth (0% to 35%)

Subprime: 29% ... 12%
Near prime: 18% ... 6%
Prime: 15% ... 6%
Prime plus: 19% ... 13%
Super prime: 22% ... 19%

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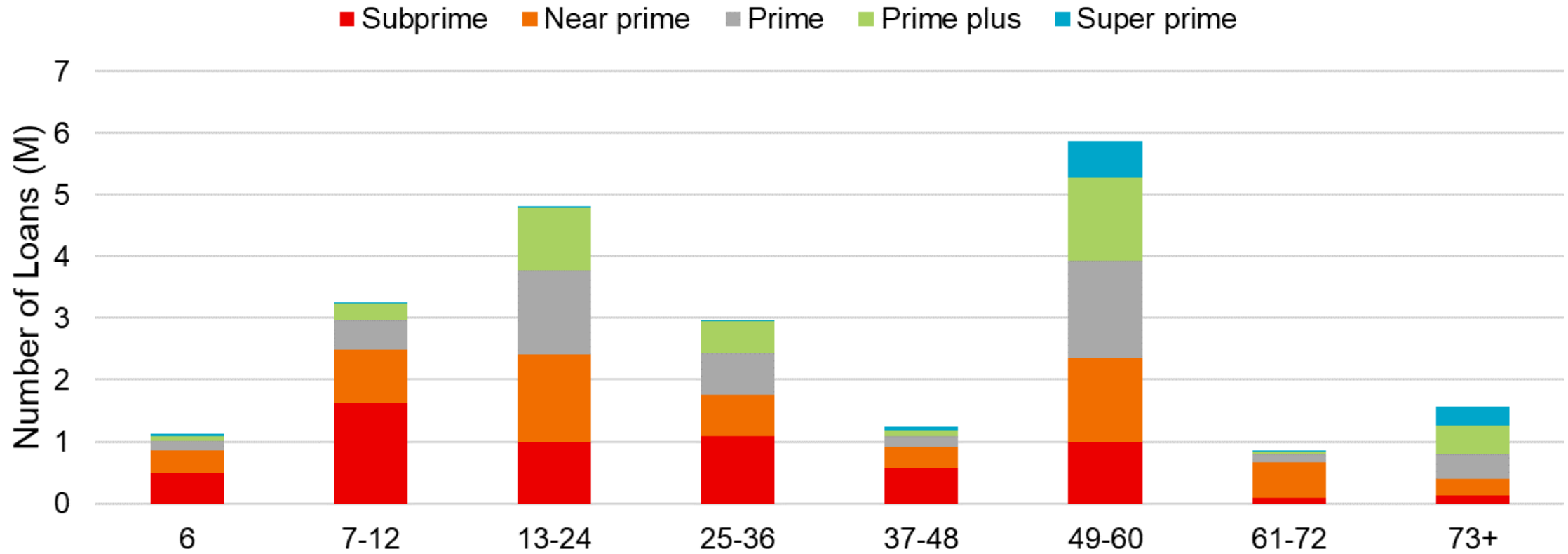
Source: TransUnion consumer credit database

Loan terms are most commonly 49-60 months, especially for prime and above consumers

Term Distribution of Unsecured Personal Loans by Risk Tier

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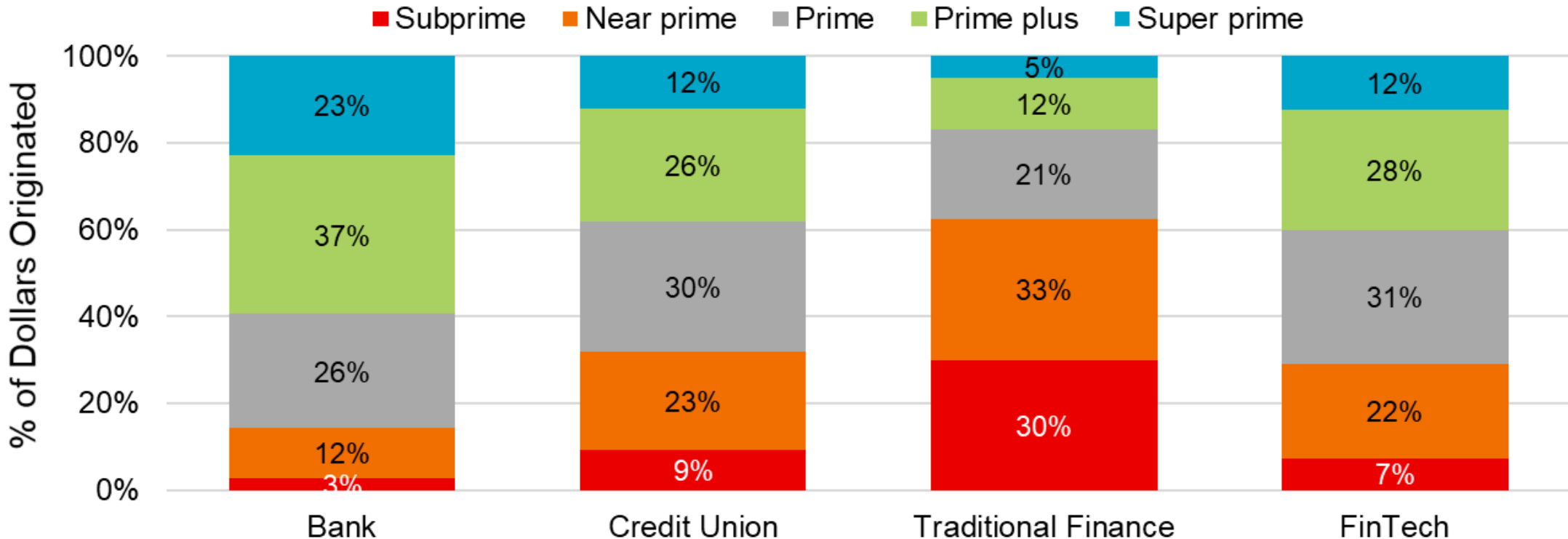

VantageScore® 3.0 risk ranges
Subprime = 300–600; Near prime = 601–660; Prime = 661–720; Prime plus = 721–780; Super prime = 781-850

Source: TransUnion consumer credit database

FinTech's target risk profile is more conservative than credit unions and traditional finance companies

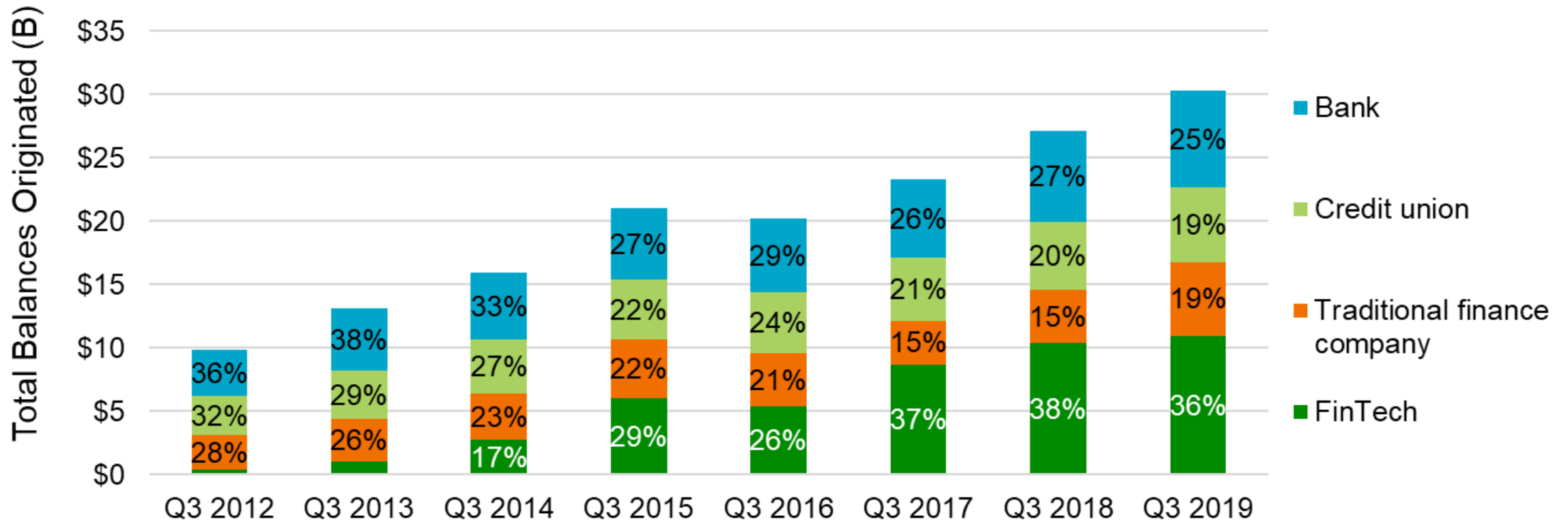## Distribution of Unsecured Personal Loan Originations (Q3 2019)

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

Y-axis: % of Dollars Originated

Bank: Subprime 3%, Near prime 12%, Prime 26%, Prime plus 37%, Super prime 23%

Credit Union: Subprime 9%, Near prime 23%, Prime 30%, Prime plus 26%, Super prime 12%

Traditional Finance: Subprime 30%, Near prime 33%, Prime 21%, Prime plus 12%, Super prime 5%

FinTech: Subprime 7%, Near prime 22%, Prime 31%, Prime plus 28%, Super prime 12%

The percentage of originations from traditional finance companies took share from banks and FinTech in 2019


Unsecured Personal Loan Balances Originated

Legend: Bank, Credit union, Traditional finance company, FinTech

	Q3 2012	Q3 2013	Q3 2014	Q3 2015	Q3 2016	Q3 2017	Q3 2018	Q3 2019
Bank	36%	38%	33%	27%	29%	26%	27%	25%
Credit union	32%	29%	27%	22%	24%	21%	20%	19%
Traditional finance company	28%	26%	23%	22%	21%	15%	15%	19%
FinTech			17%	29%	26%	37%	38%	36%

Totals may not equal 100 due to rounding
Source: TransUnion consumer credit database

New personal loan sizes grew across all risk tiers, with lower risk consumers gaining larger increases

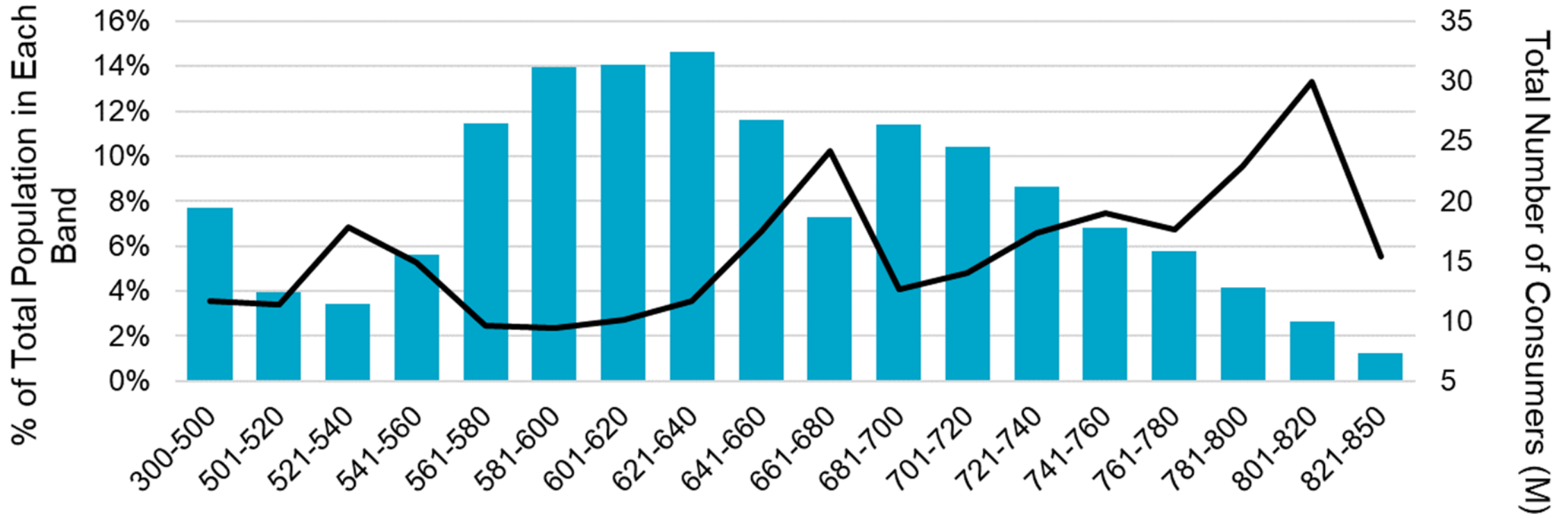Average New Loan Amount for Unsecured Personal Loans
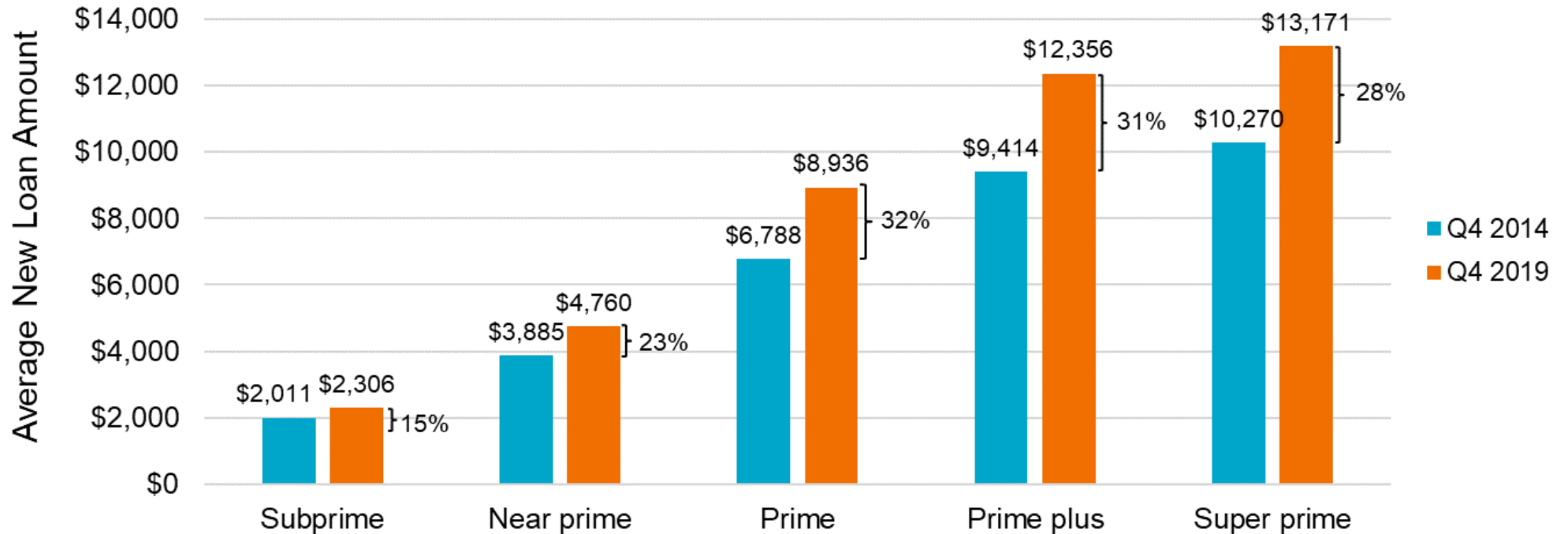
A runway for growth remains for consumer loan products as relative to other credit products
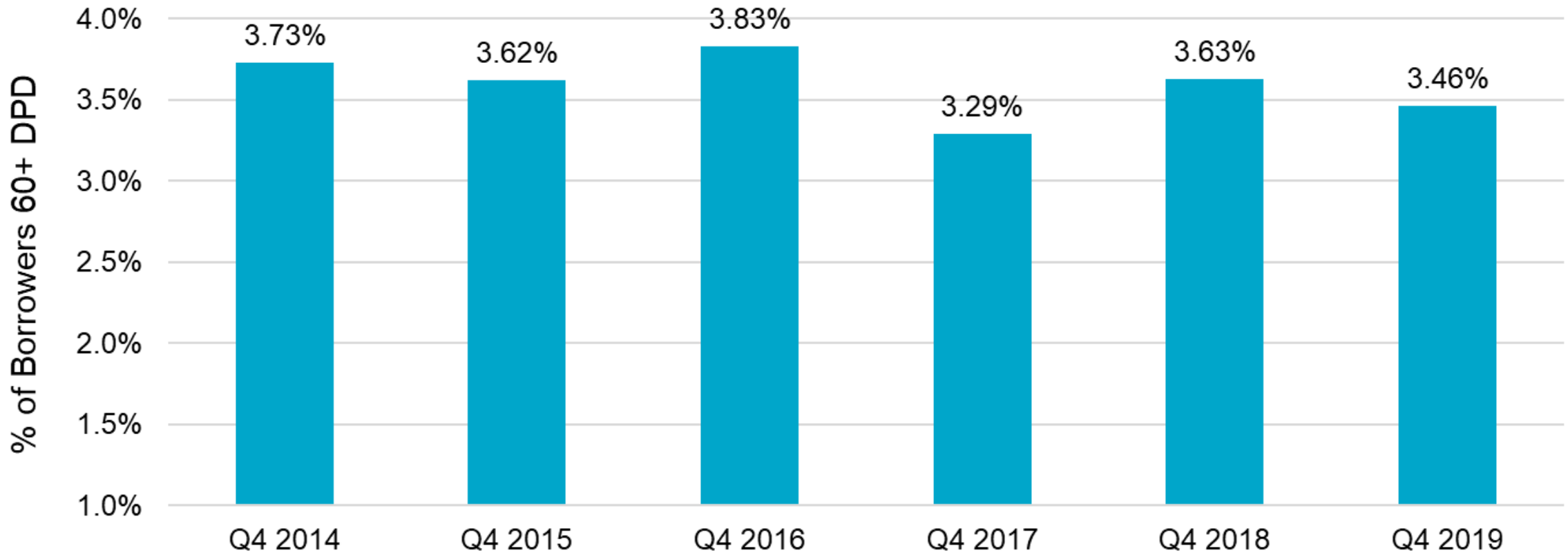

Unsecured Personal Loan Consumer Penetration (Q4 2019)

Unsecured personal loan delinquency rates continue to decline since 2014

Unsecured Personal Loan Delinquency Rates

Quarter	Rate
Q4 2014	3.73%
Q4 2015	3.62%
Q4 2016	3.83%
Q4 2017	3.29%
Q4 2018	3.63%
Q4 2019	3.46%

Y-axis: % of Borrowers 60+ DPD

Source: TransUnion consumer credit database

Personal loan vintage delinquency has increased every year since 2013
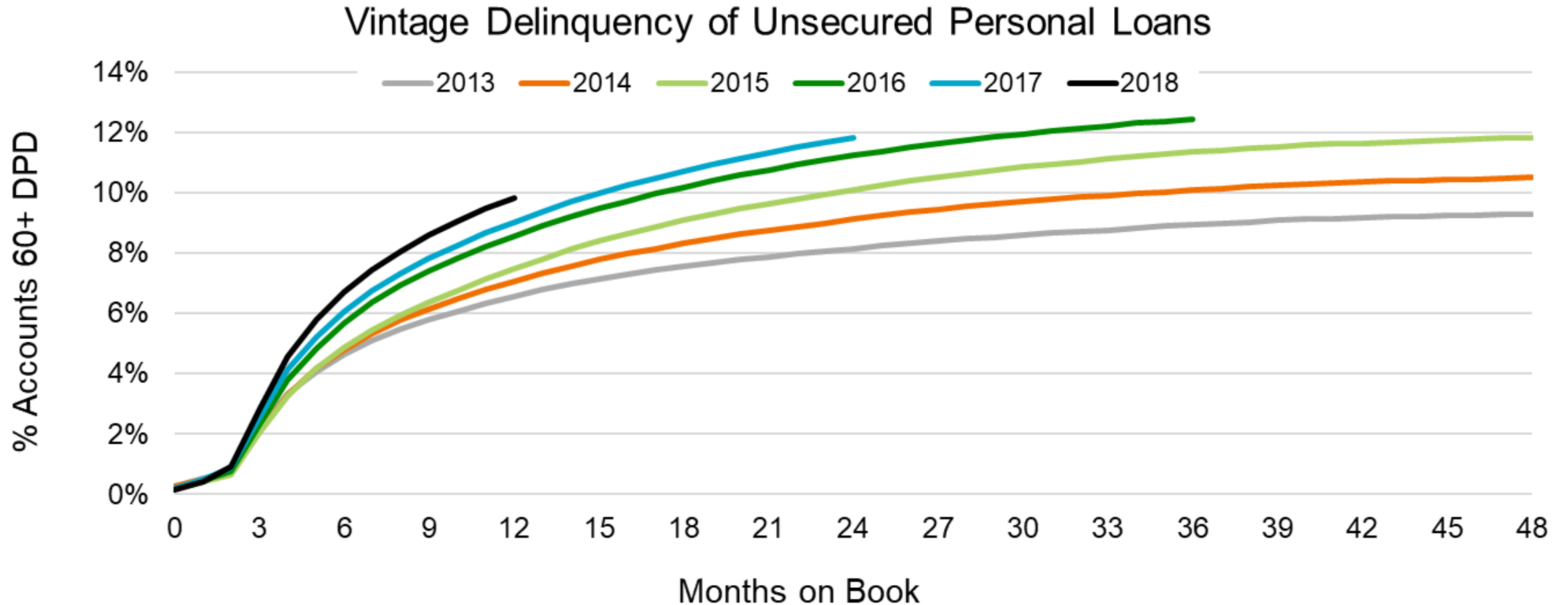
Vintage Delinquency of Unsecured Personal Loans

Subprime vintage performance has deteriorated in each of the past five years

Vintage Delinquency of Subprime Unsecured Personal Loans

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

Y-axis: % Accounts 60+ DPD (0% to 25%)

X-axis: Months on Book (0 to 48)
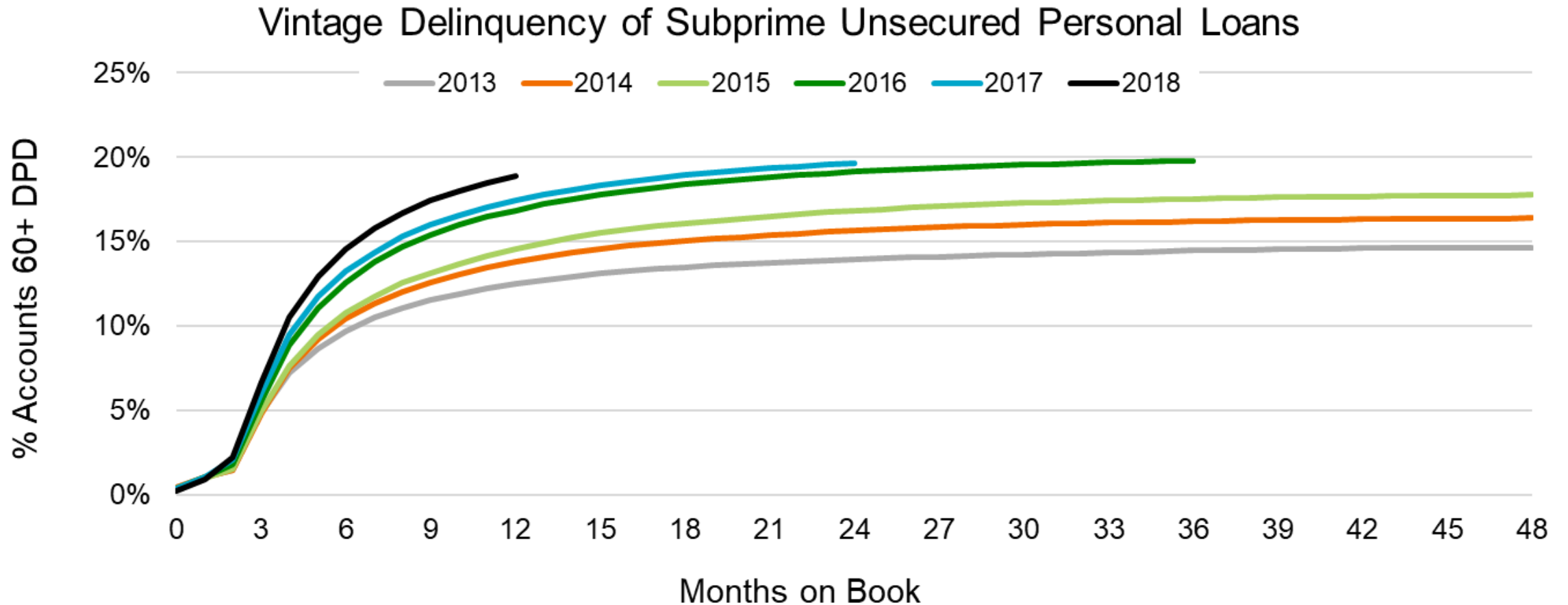
Thank you!

For more information, visit:
https://www.transunion.com/insights/research