



Q4 2018 Financial Services Industry Insights Report

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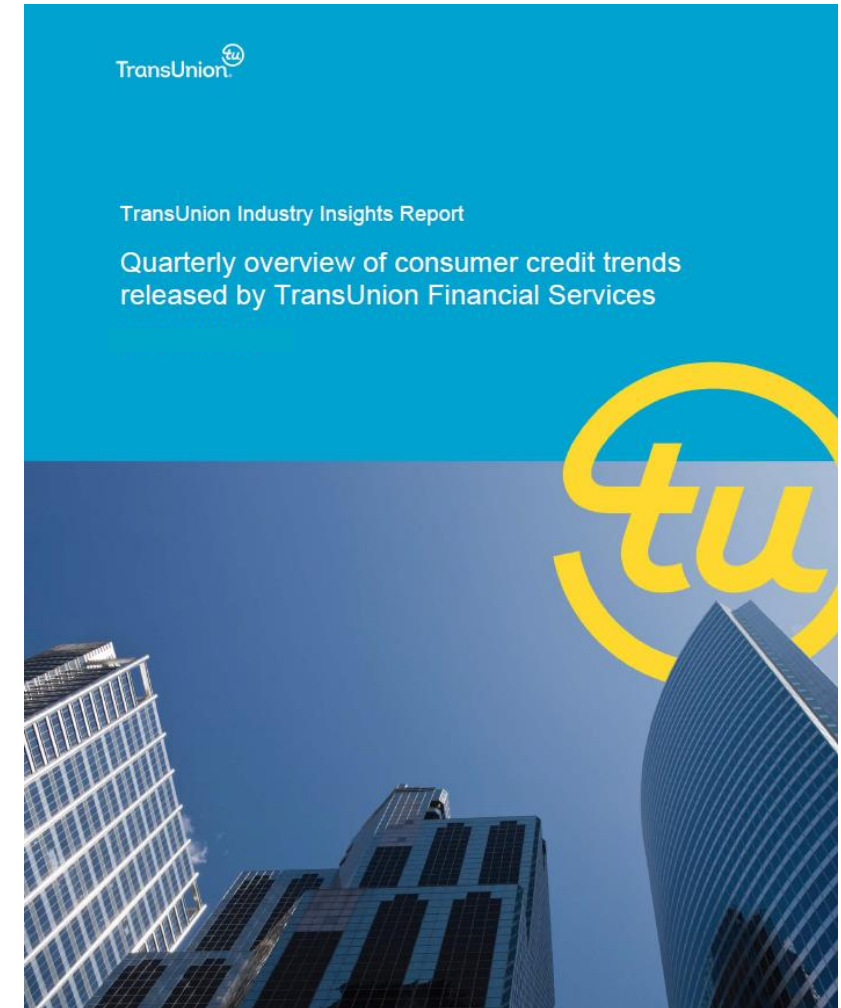




TransUnion's Industry Insights Report is a quarterly overview summarizing trends within the consumer lending industry

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

FinTech: How has FinTech's entry impacted consumer lending as of late?



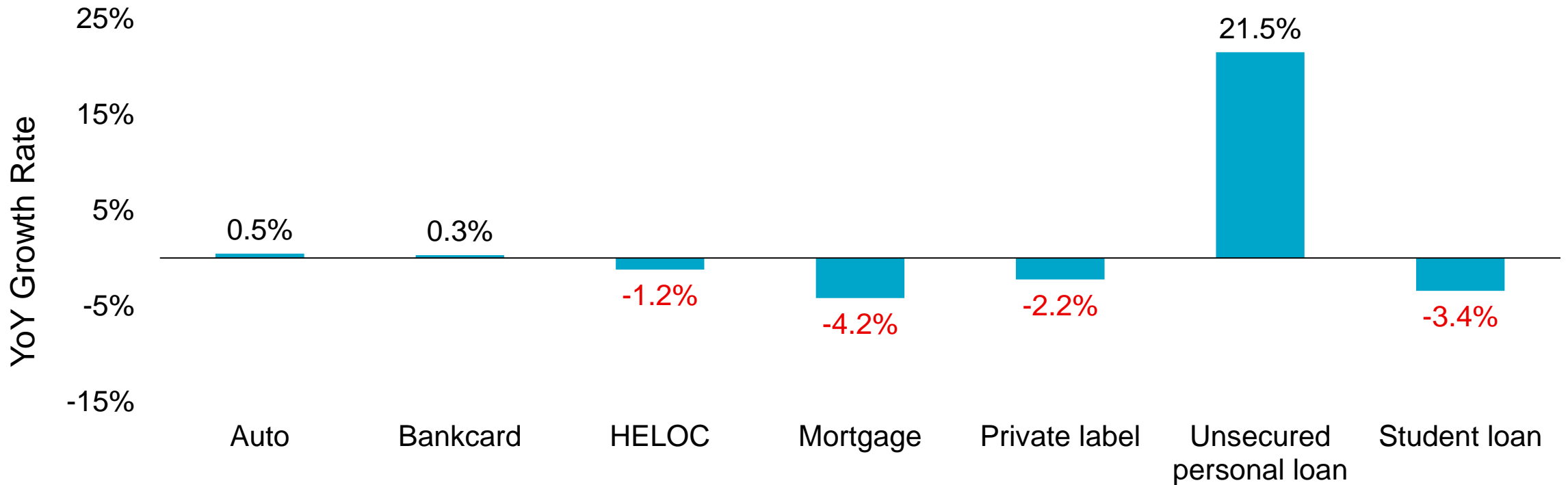
Market Overview

A review of recent macroeconomic and consumer credit activity



Origination growth was slow outside of consumer lending

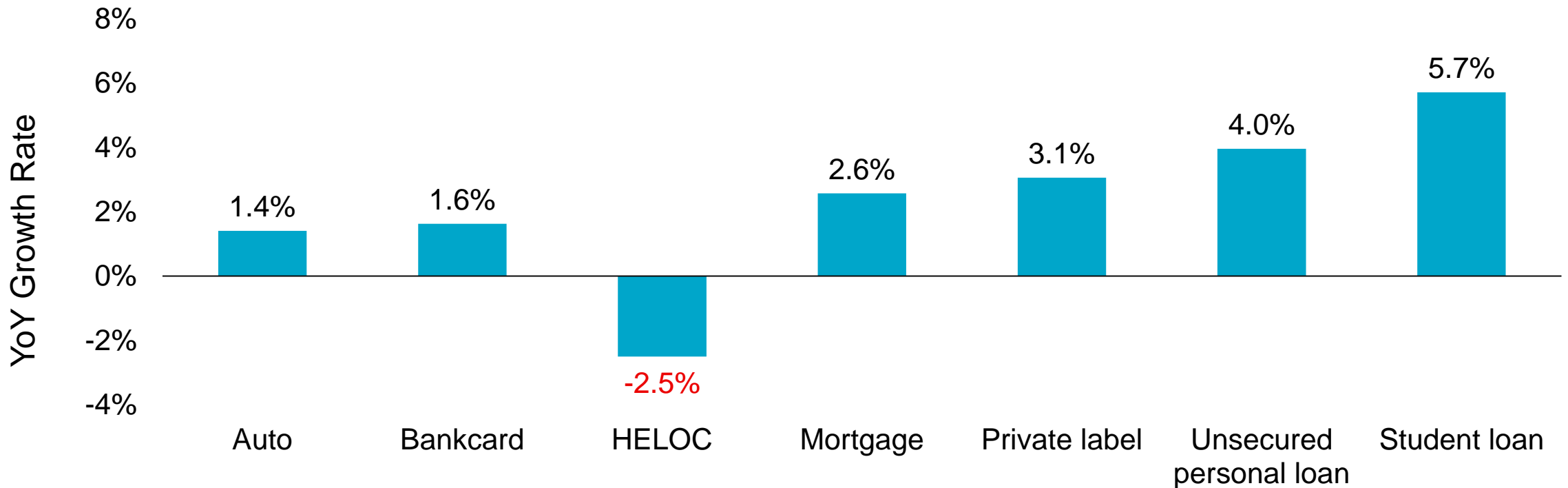
Q3 2018 Origination Growth





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

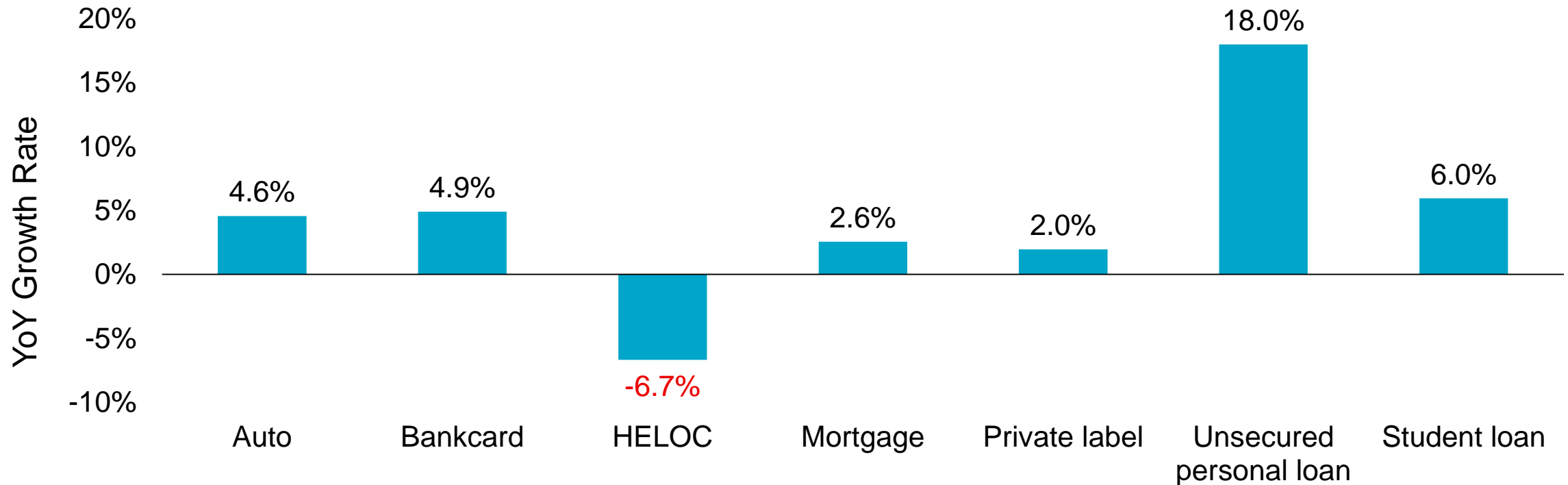
Q4 2018 Average Consumer Balance Growth





As a result, balances grew across most lines and loans

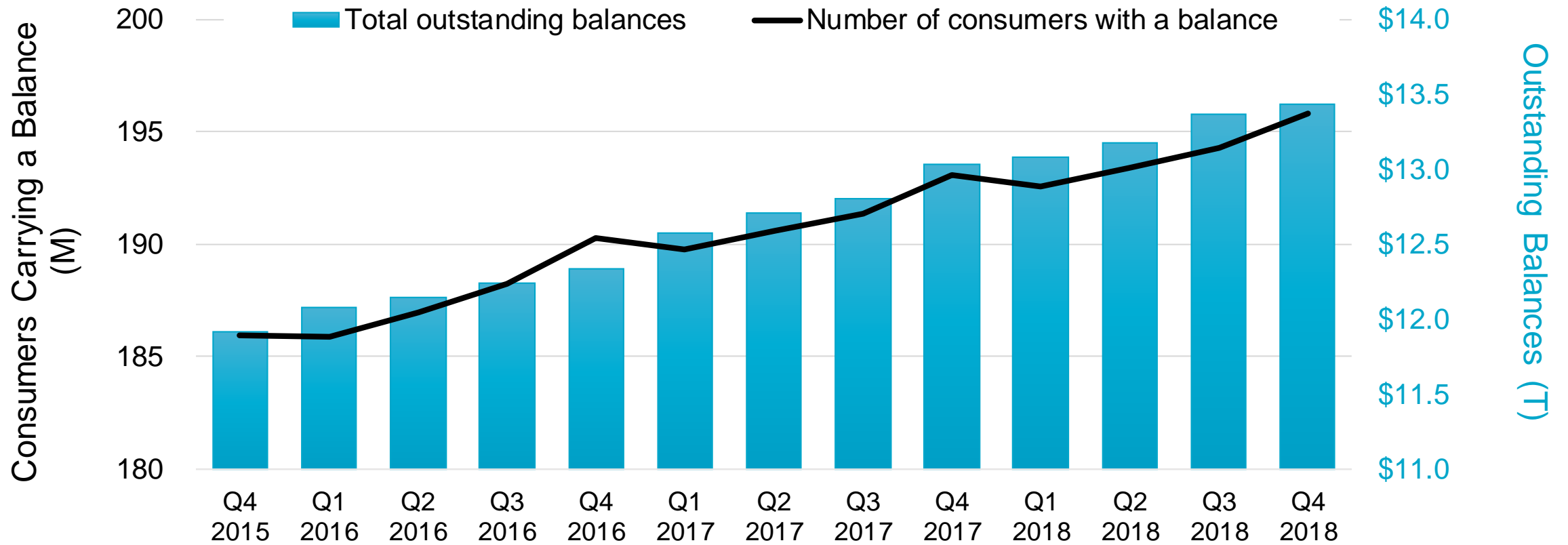
Q4 2018 Balance Growth





Balance growth was also driven by increased consumer participation

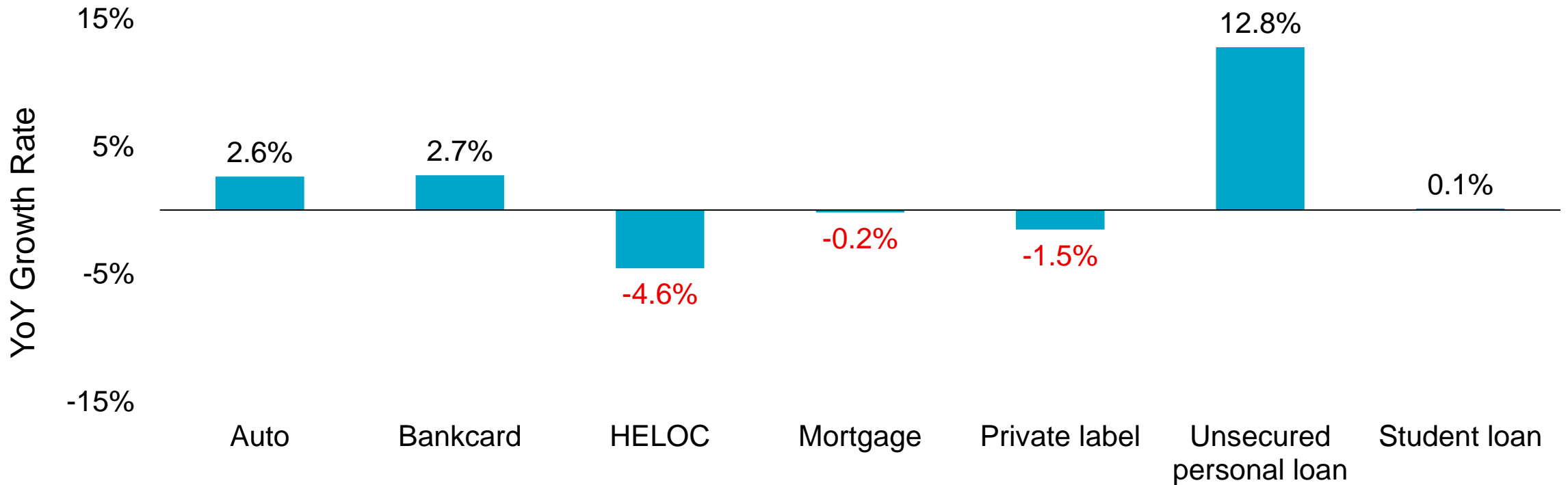
Consumer Credit Participation





More consumers hold an auto loan, bankcard and/or personal loan

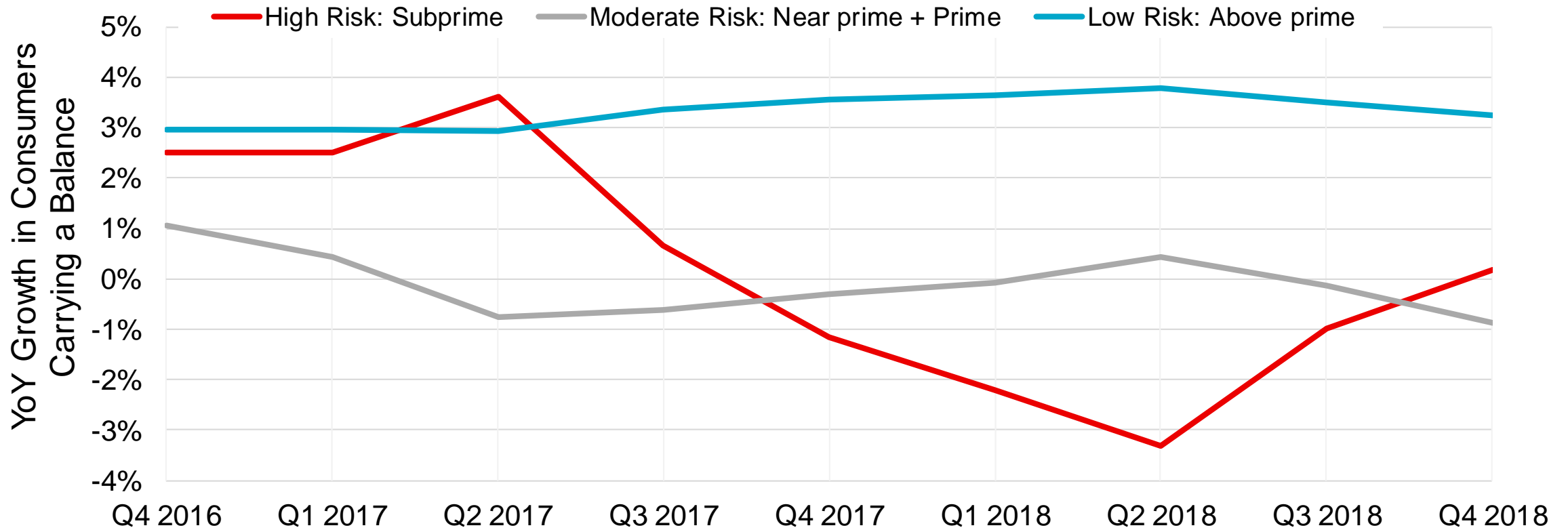
Q4 2018 Participation Growth





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



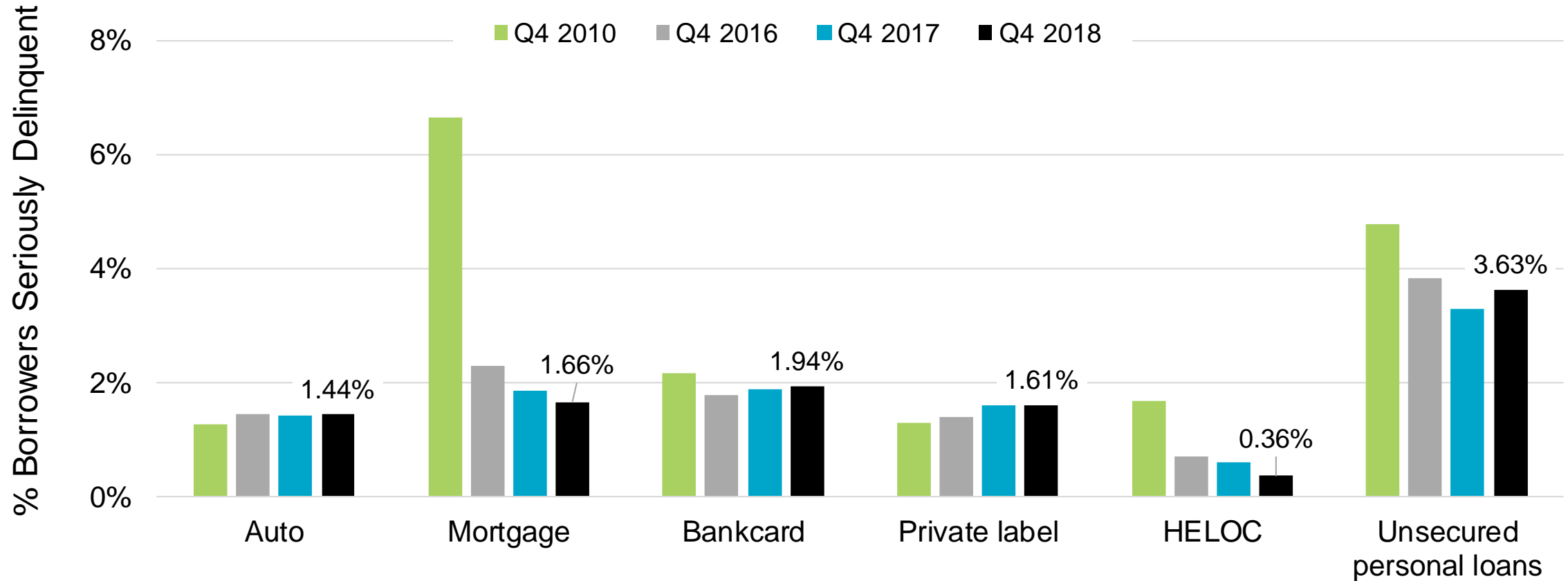
Source: TransUnion consumer credit database

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Consumer performance remains steady for most products, in part, due to risk mix

Consumer-Level Serious Delinquency Rates



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



In summary:

The consumer credit market was buoyed by strong economic factors in 2018; we expect more of the same in 2019.

Total outstanding balances reached a new high, driven by both increased participation and the higher prices of major goods and services.

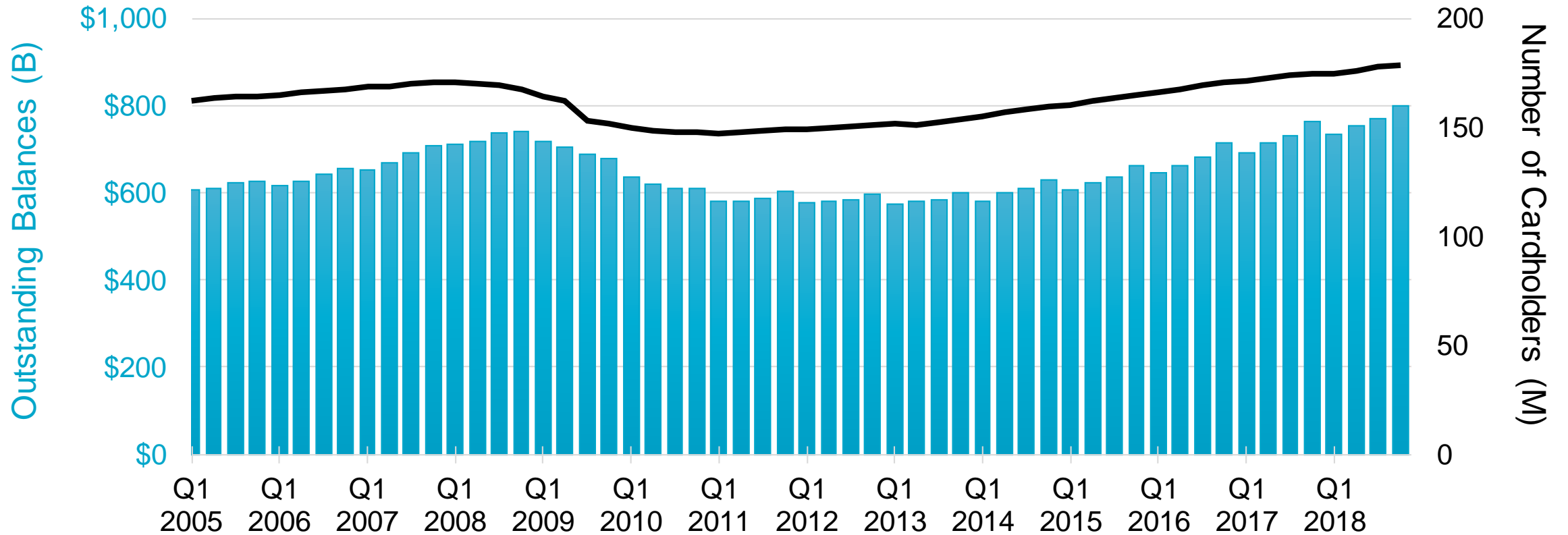
The 1% year-over-year increase in consumers carrying a balance was primarily driven by an increase in the number of above prime borrowers.

Credit Cards



A record high of 178.6M cardholders propelled balance growth

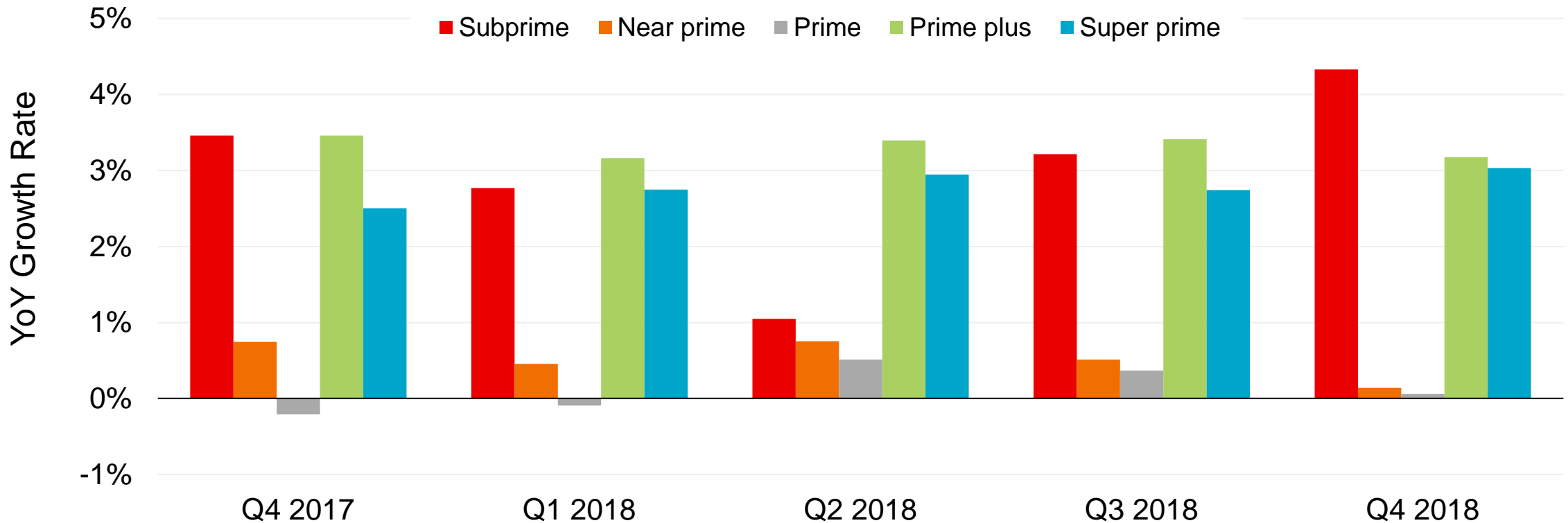
Bankcard Market





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

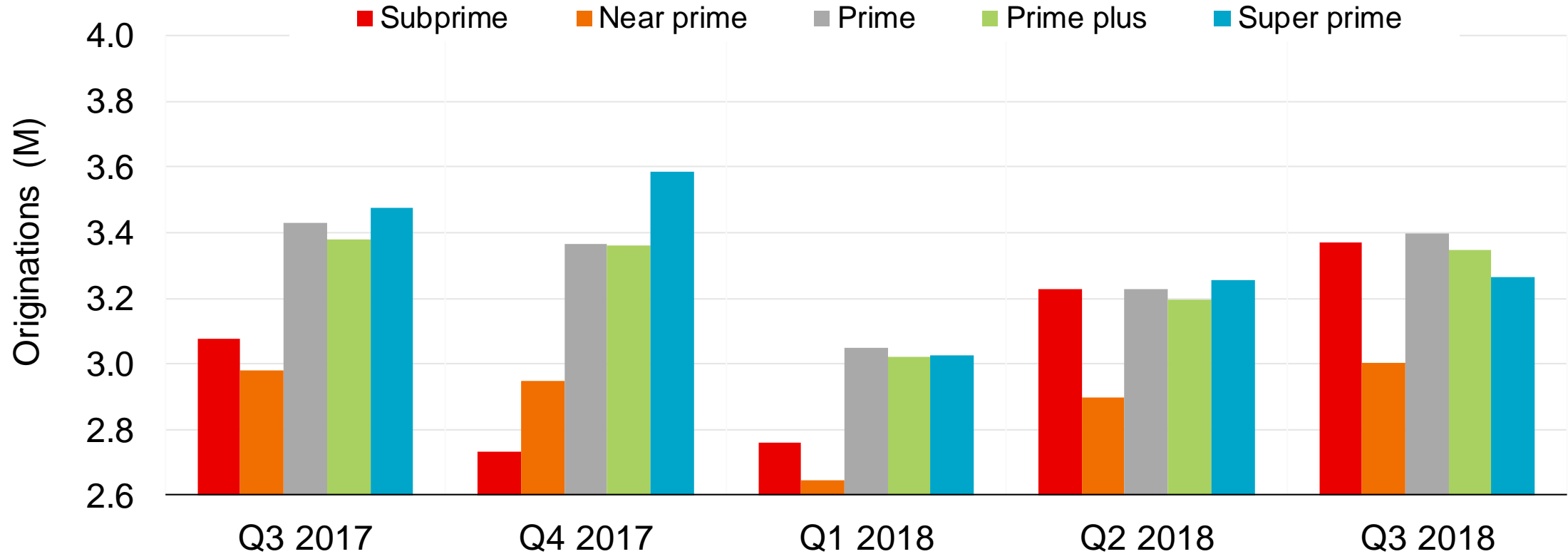


Source: TransUnion consumer credit database

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Subprime originations grew 10% YoY in Q3 2018

Bankcard Originations



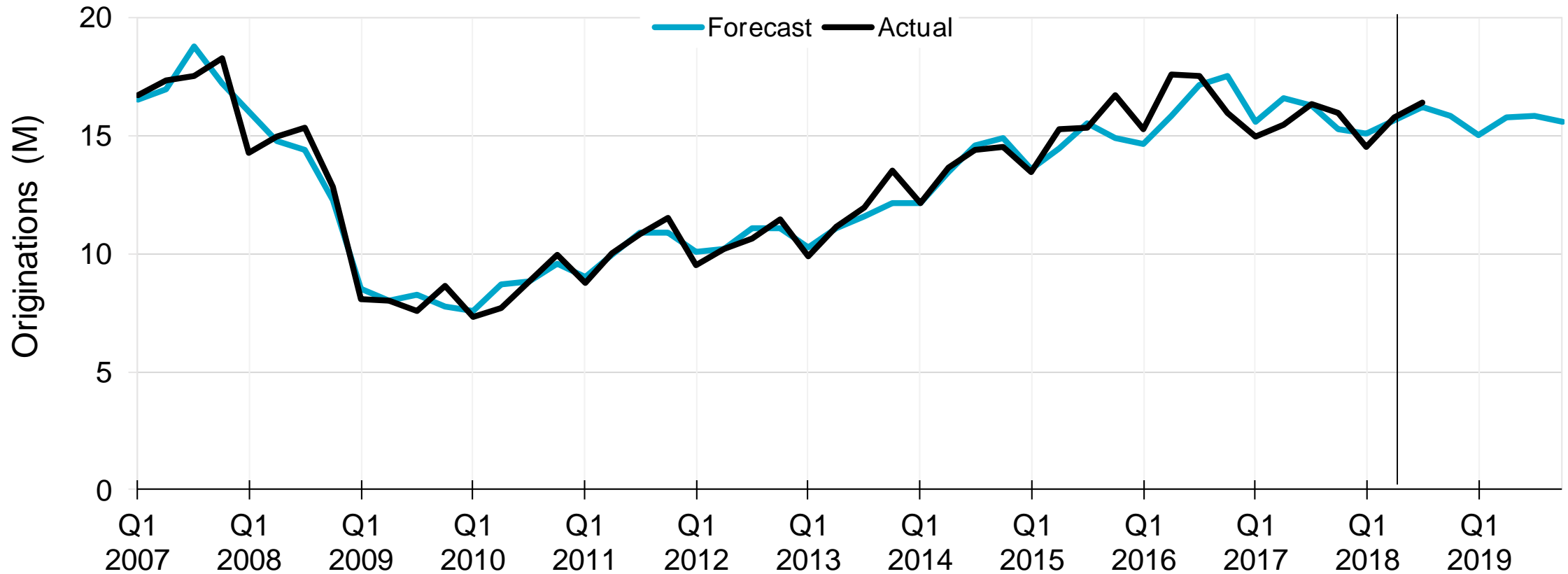
VantageScore® 3.0 risk ranges

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



Though card growth slowed in the mid-tiers in 2018, it is expected to recover in 2019, holding originations steady

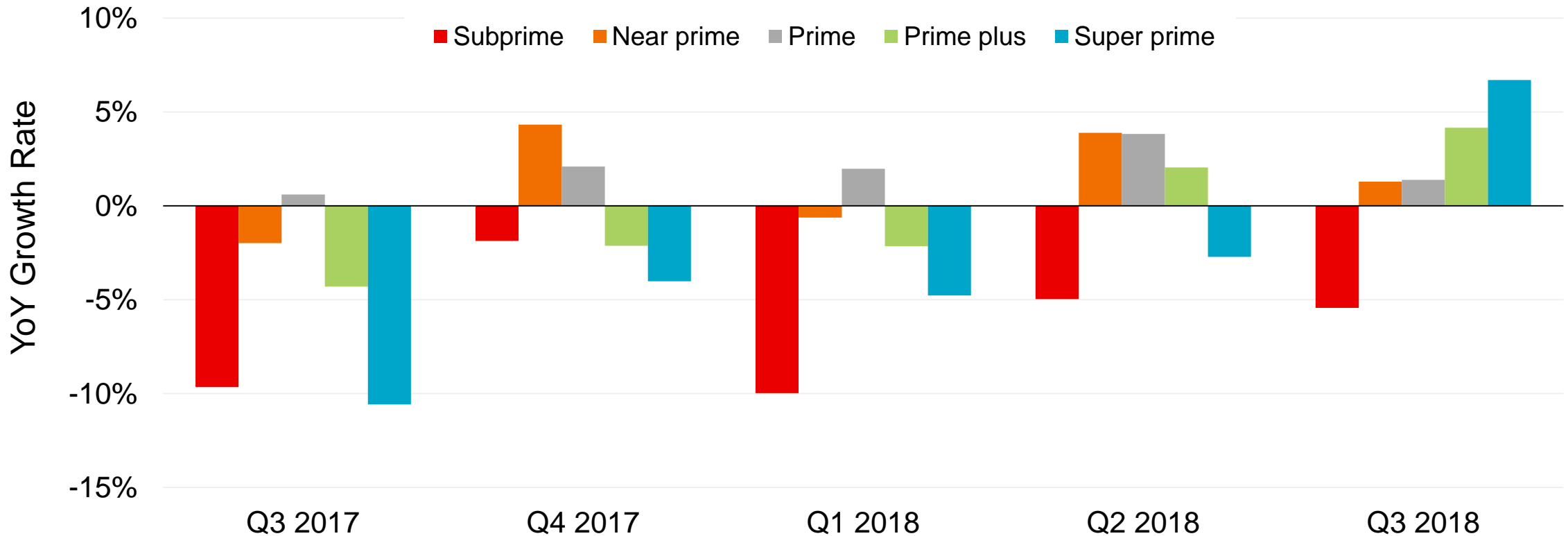
Forecasted Bankcard Originations





New card growth has been managed with smaller credit lines over the past year, though this behavior may be shifting for above prime

Average New Bankcard Line Growth



VantageScore® 3.0 risk ranges

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



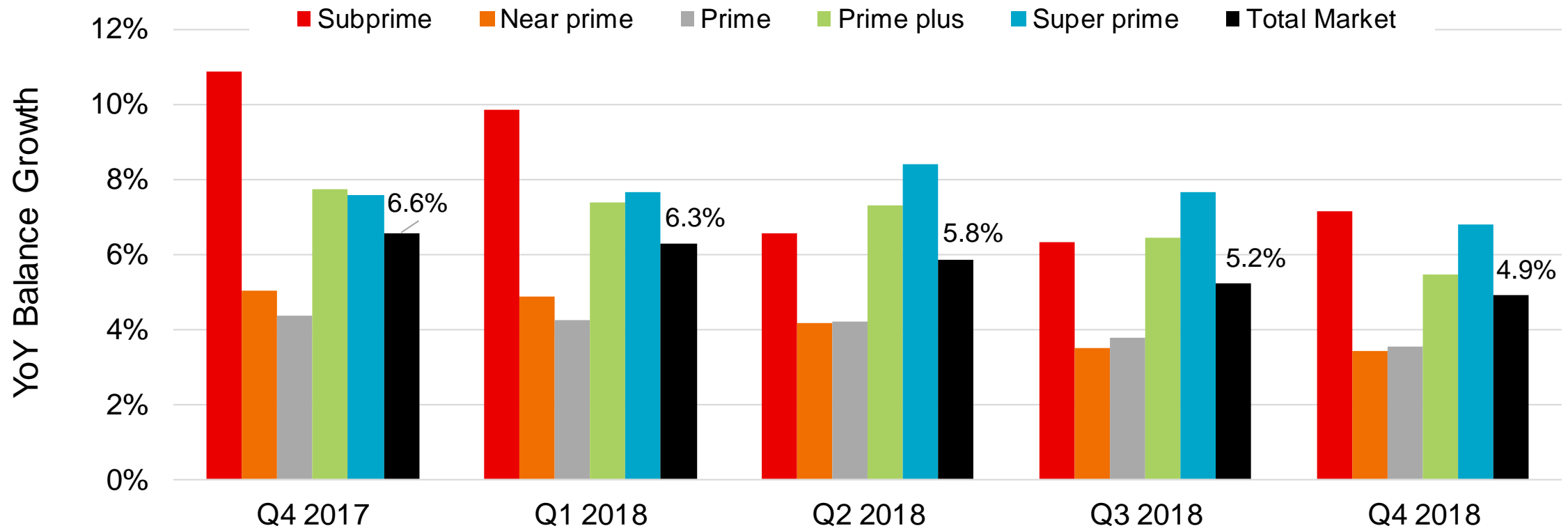
Source: TransUnion consumer credit database

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Bankcard balances continued to grow, though at a slower rate

Growth in Total Outstanding 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



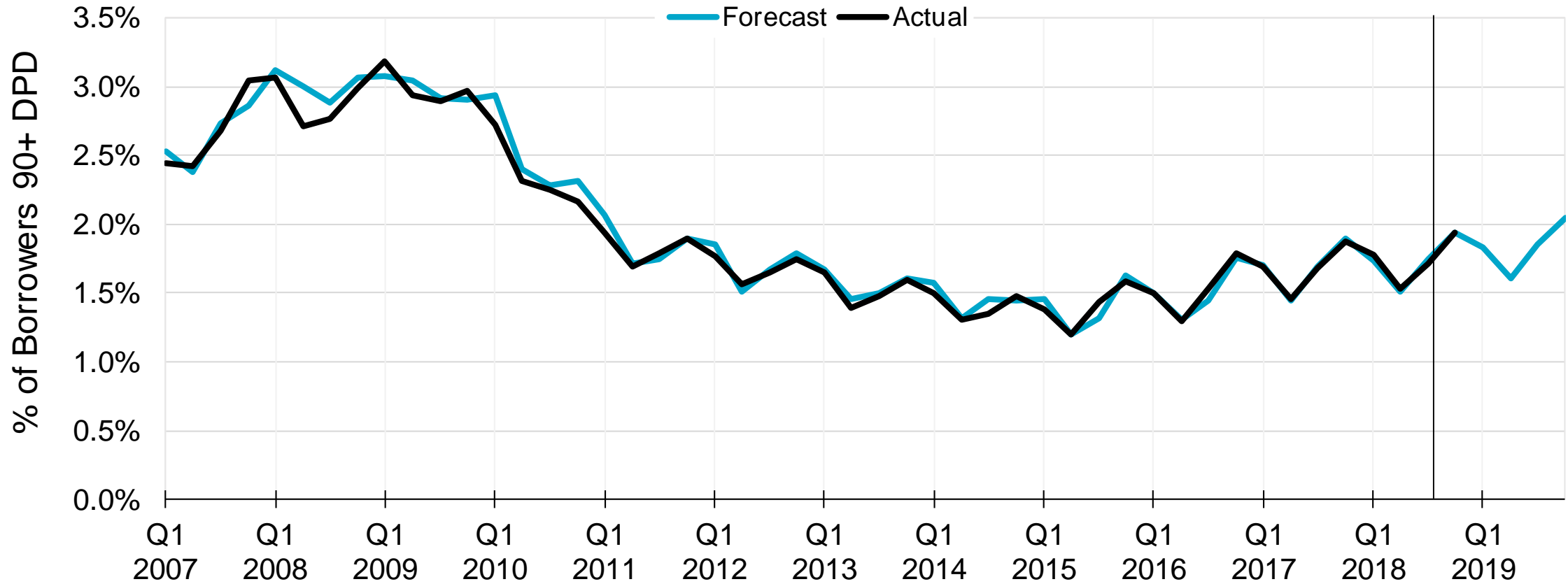
Source: TransUnion consumer credit database

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Delinquencies are expected to remain near 2%

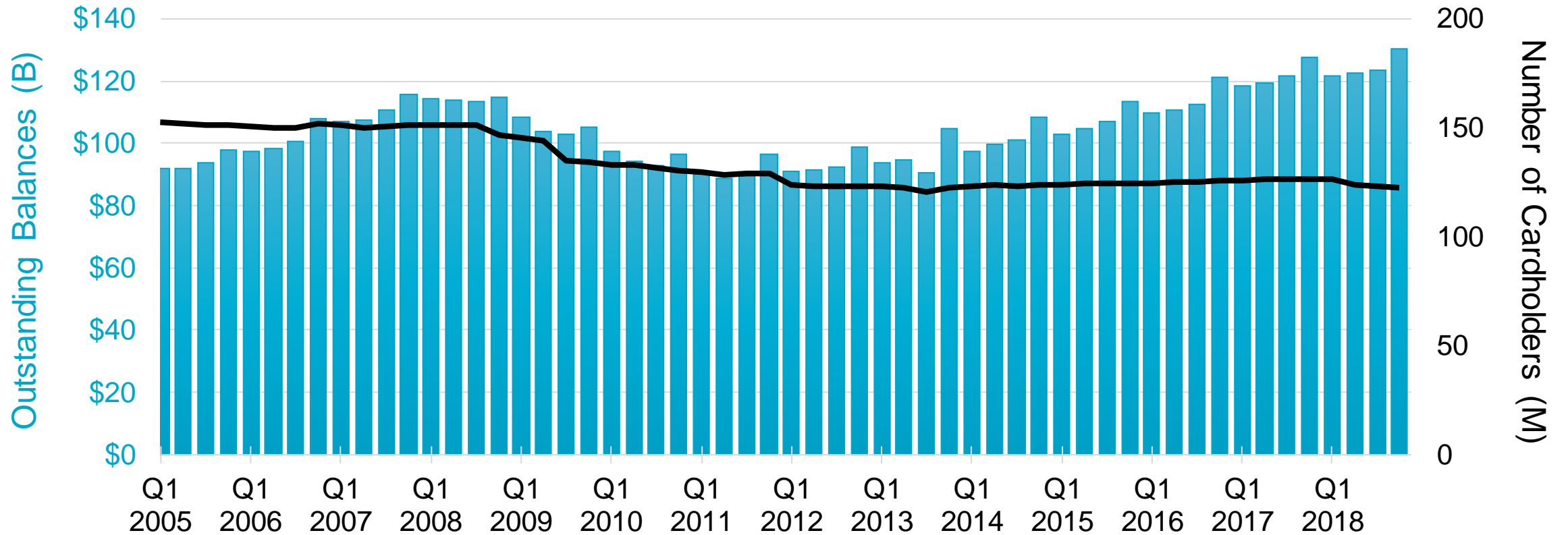
Forecasted Bankcard Delinquency





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

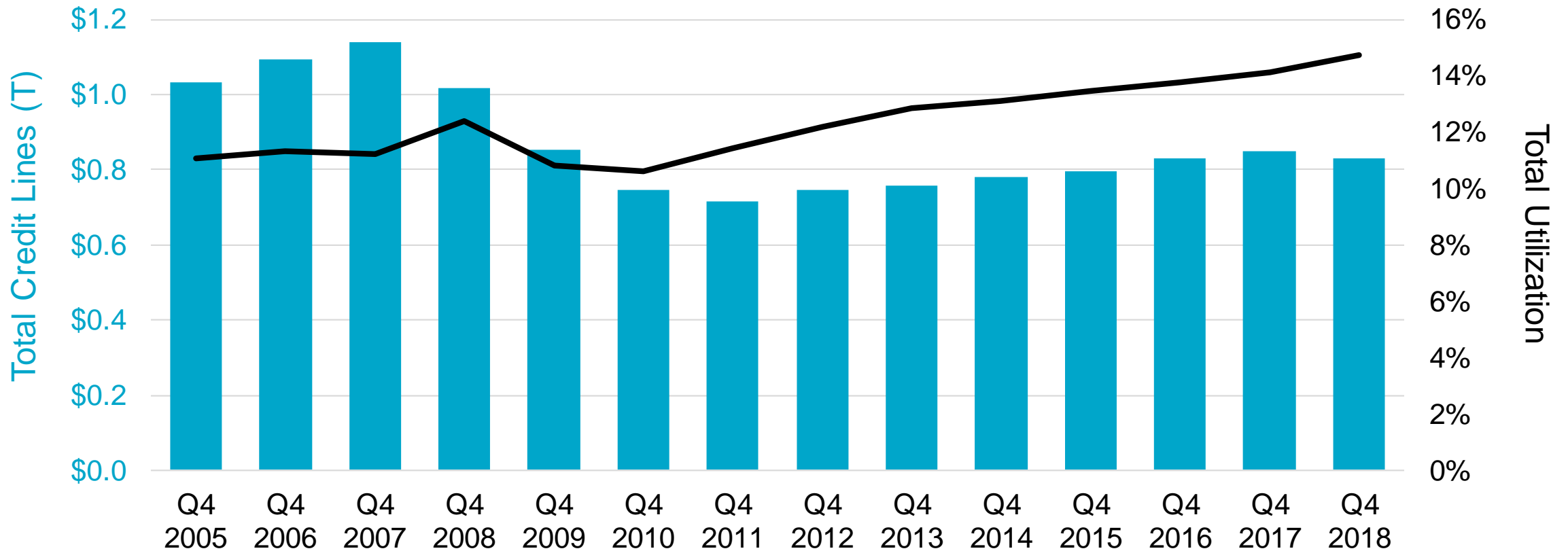
Private Label Card Market





Lenders have been successful in growing utilization

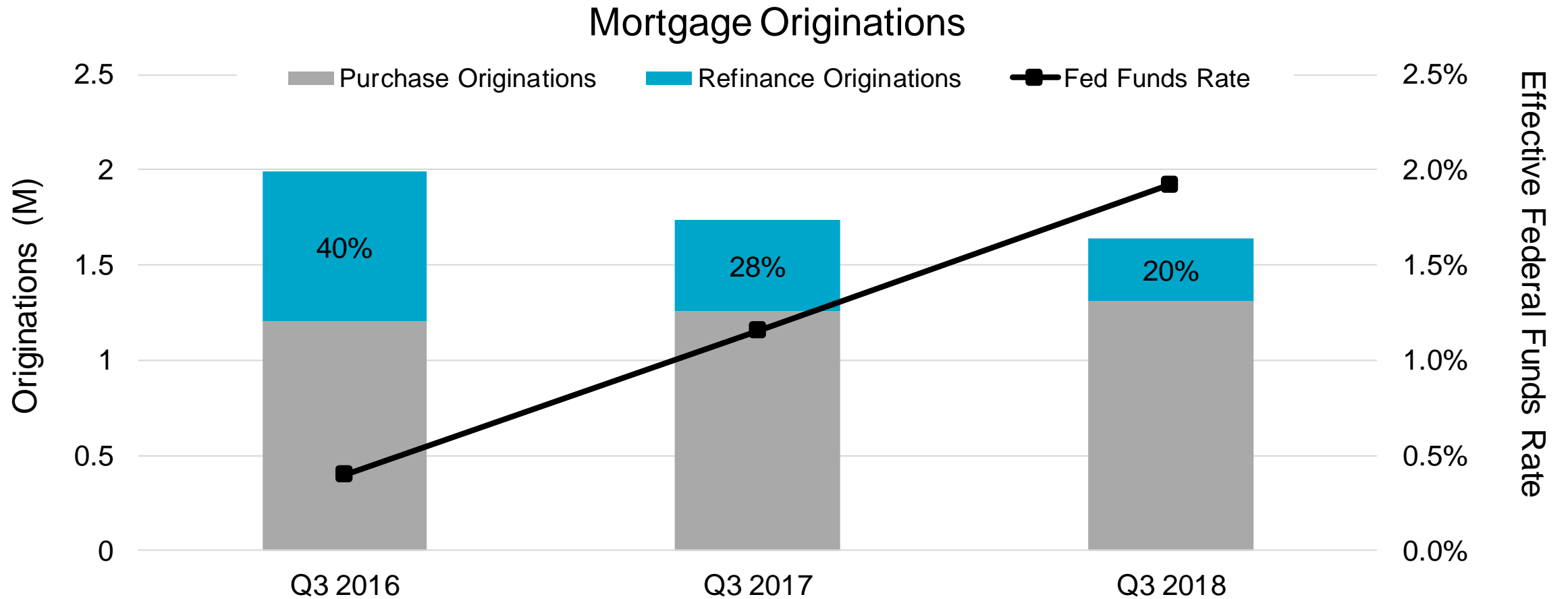
Private Label Utilization



Mortgage



The rise in interest rates drove down refinance transactions, slowing originations

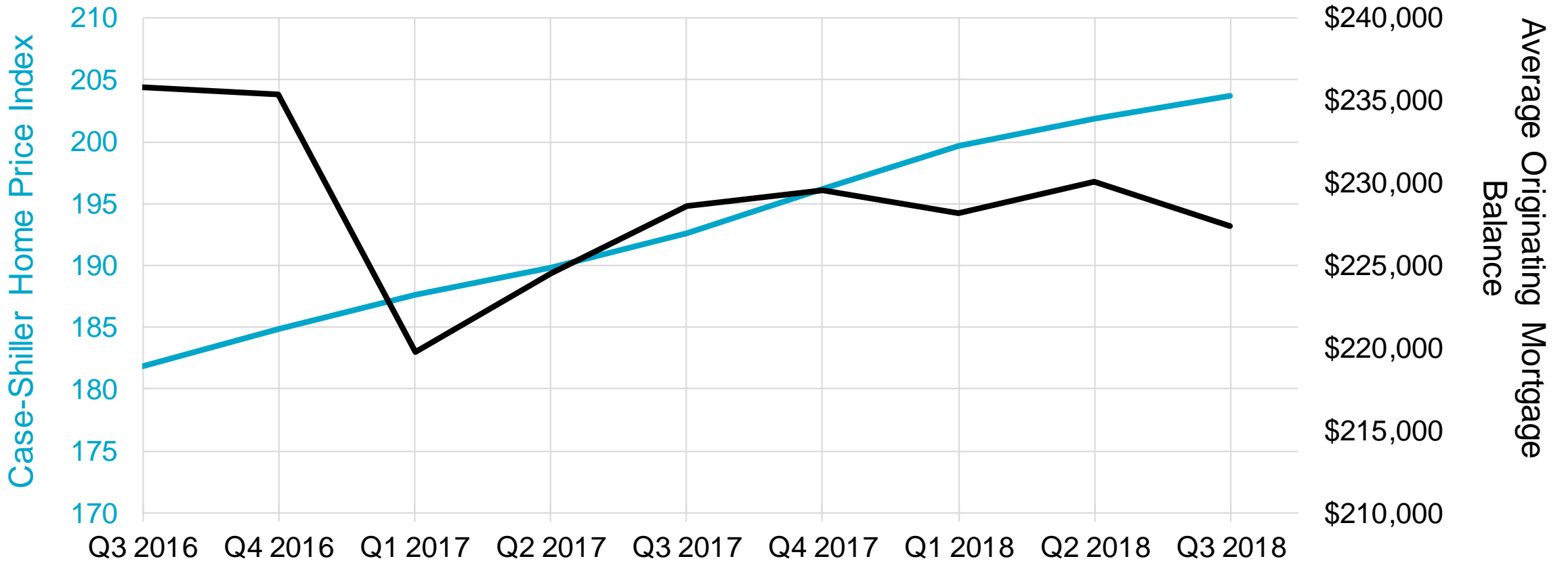


*Refinance: new mortgage trade opened within 12 days of a mortgage close for same property and owner



Rate increases and climbing home prices were met with stagnant growth in new mortgage account balances

Growth in Average New Mortgage Balances





New account growth has slowed across the nation, though it is fastest in the more expensive metros

Q3 2018 Mortgage Origination Growth Rates for Top 20 Metros*

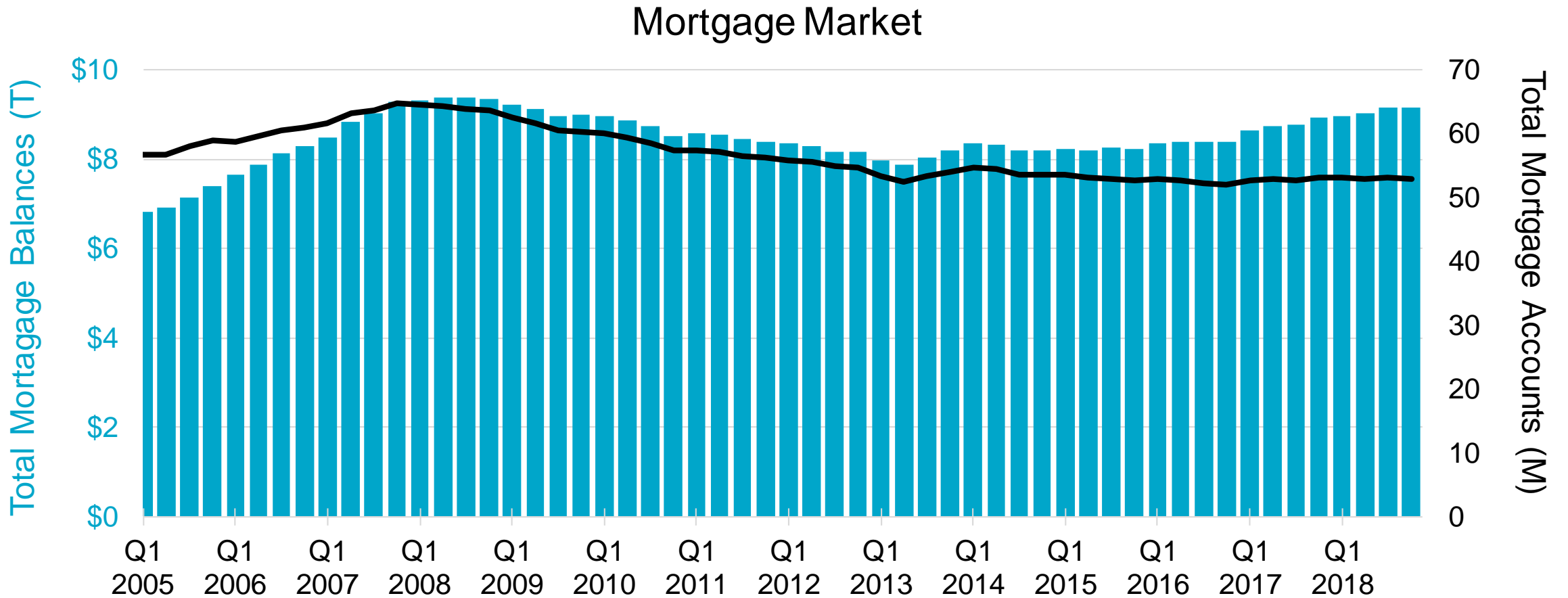
MSA	Avg. New Account Balance	% Change in Originations (YoY)
San Francisco	\$485,375	-21%
San Diego	\$404,145	-20%
Los Angeles	\$380,697	-22%
New York	\$350,757	-6%
Seattle	\$347,250	-16%
Washington DC	\$324,810	-13%
Boston	\$317,824	-7%
Denver	\$273,668	-12%
Avg. % change for MSAs w/ average new balances over \$250K		-17%

MSA	Avg. New Account Balance	% Change in Originations (YoY)
Baltimore	\$252,445	-9%
Chicago	\$220,149	-6%
Phoenix	\$217,349	-4%
Atlanta	\$213,991	-1%
Dallas	\$213,313	-5%
Minneapolis	\$209,687	-6%
Philadelphia	\$203,663	-3%
Detroit	\$172,044	-6%
St. Louis	\$167,448	-8%
Avg. % change for MSAs w/ average balances under \$250K		-5%

* Houston, Miami & Tampa were excluded given the influence of 2017's hurricanes on growth rates

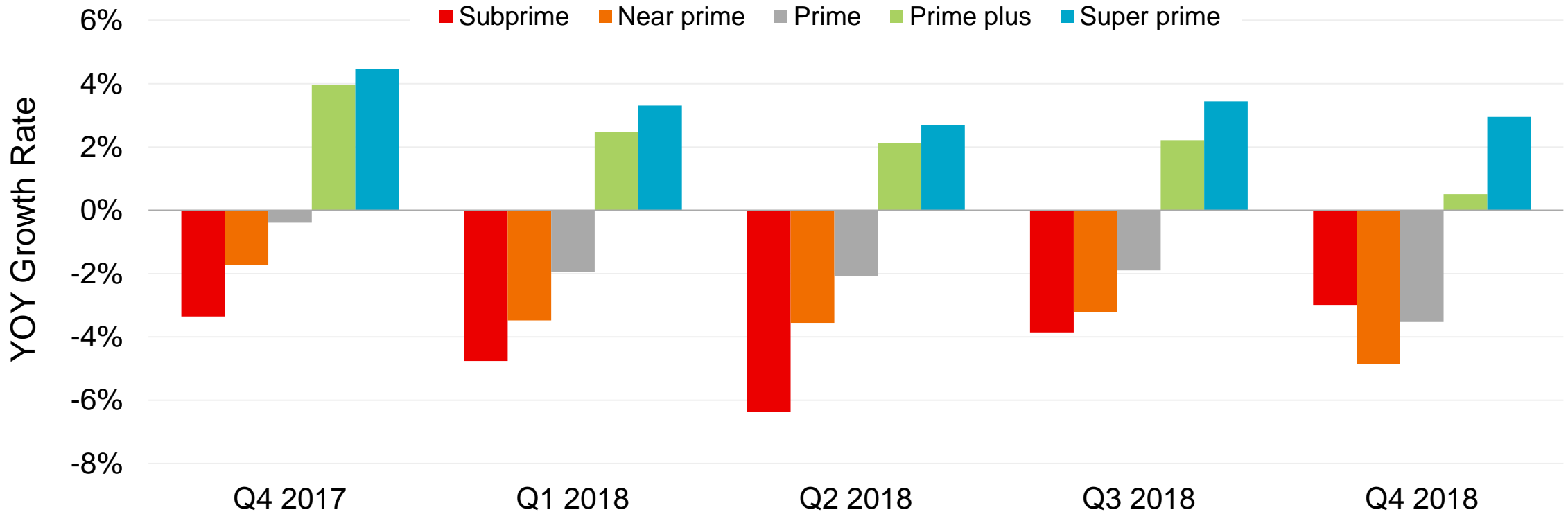


While total mortgage balances are only 2% lower than their 2008 high, they are spread across 20% fewer accounts



Mortgage growth continues to be driven by above prime consumers

Mortgage Consumer Growth



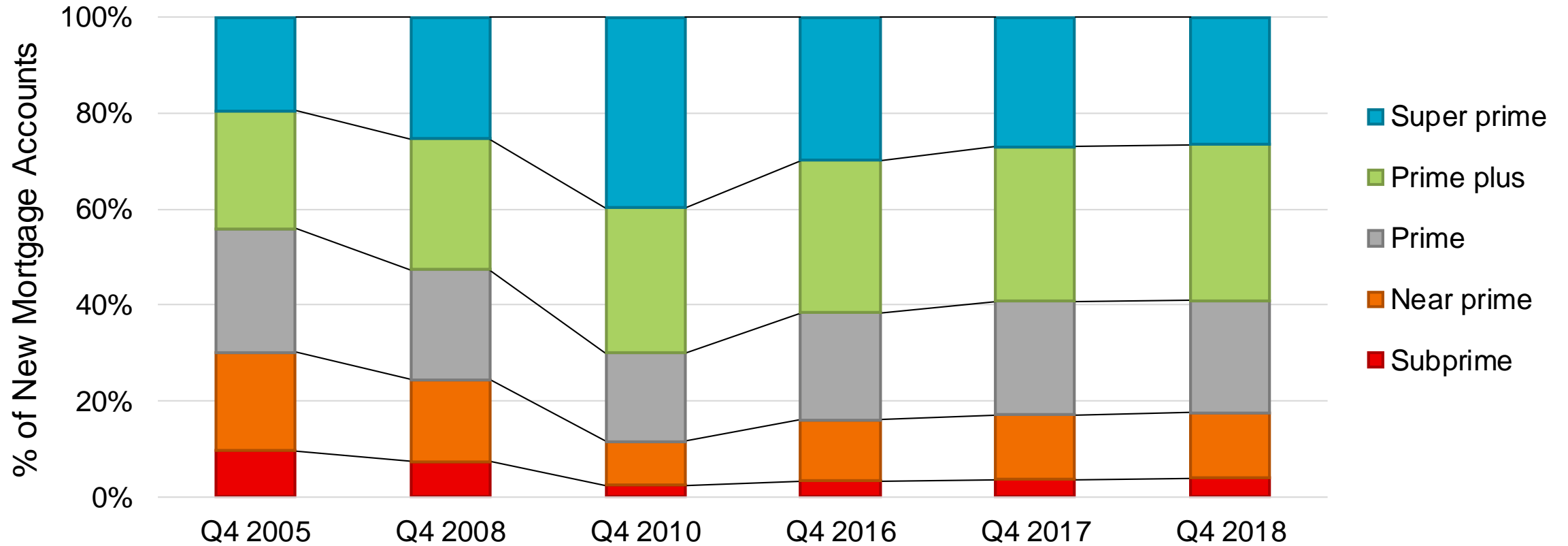
VantageScore® 3.0 risk ranges

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



Competition will continue given lenders' conservative allocation

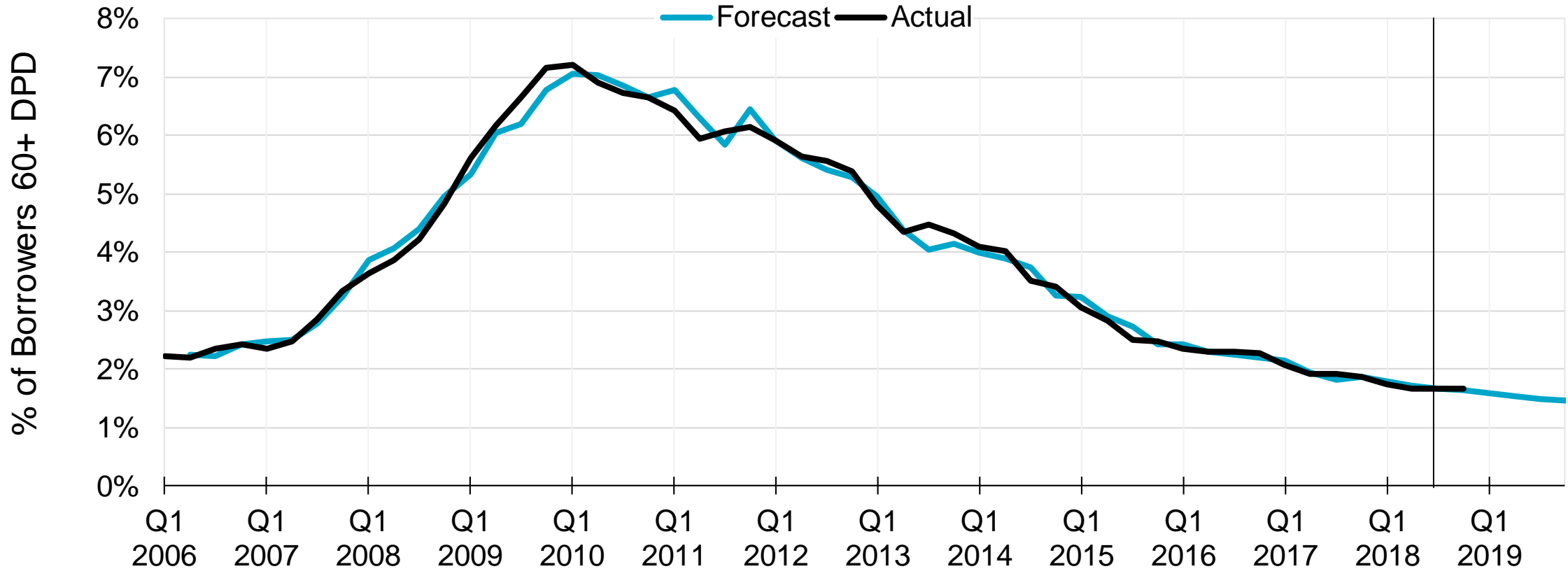
Risk Distribution of Mortgage Originations





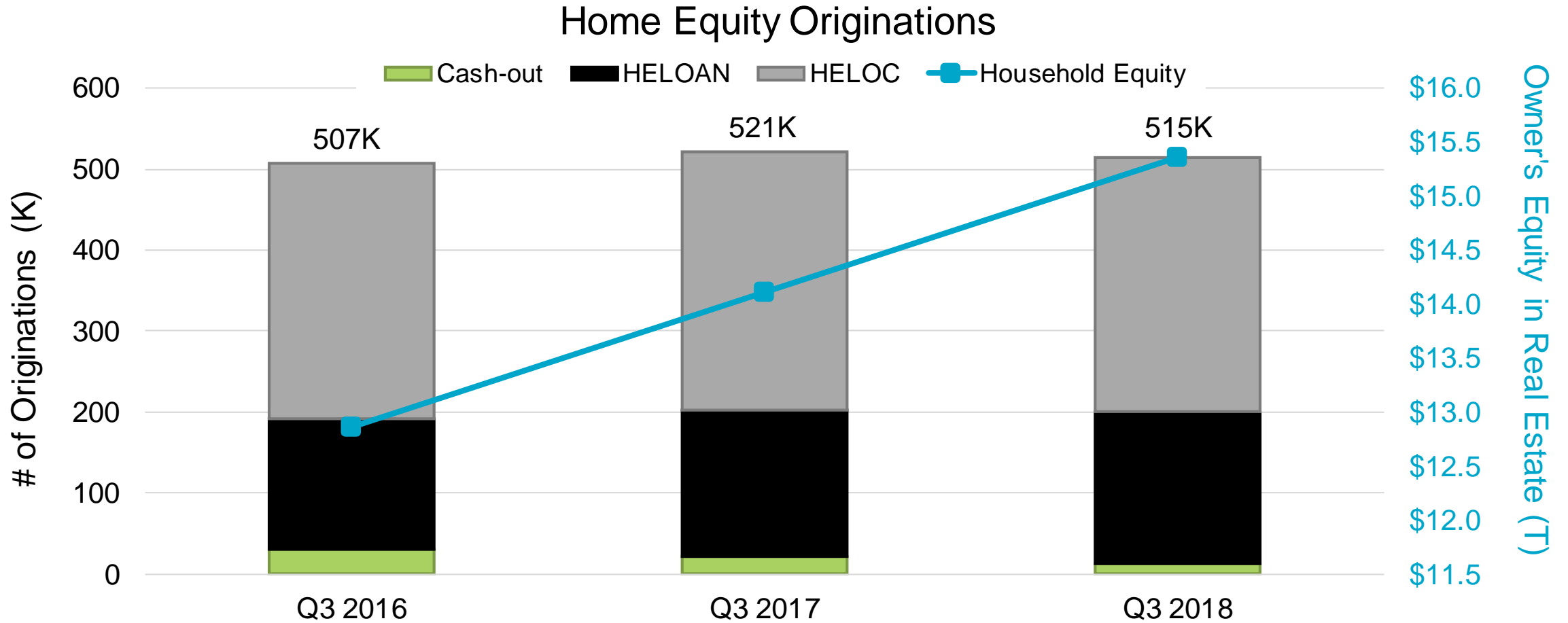
This conservative mix will likely keep mortgage delinquency at record lows

Forecasted Mortgage Delinquency





Home equity originations remain relatively flat in spite of increasing home equity



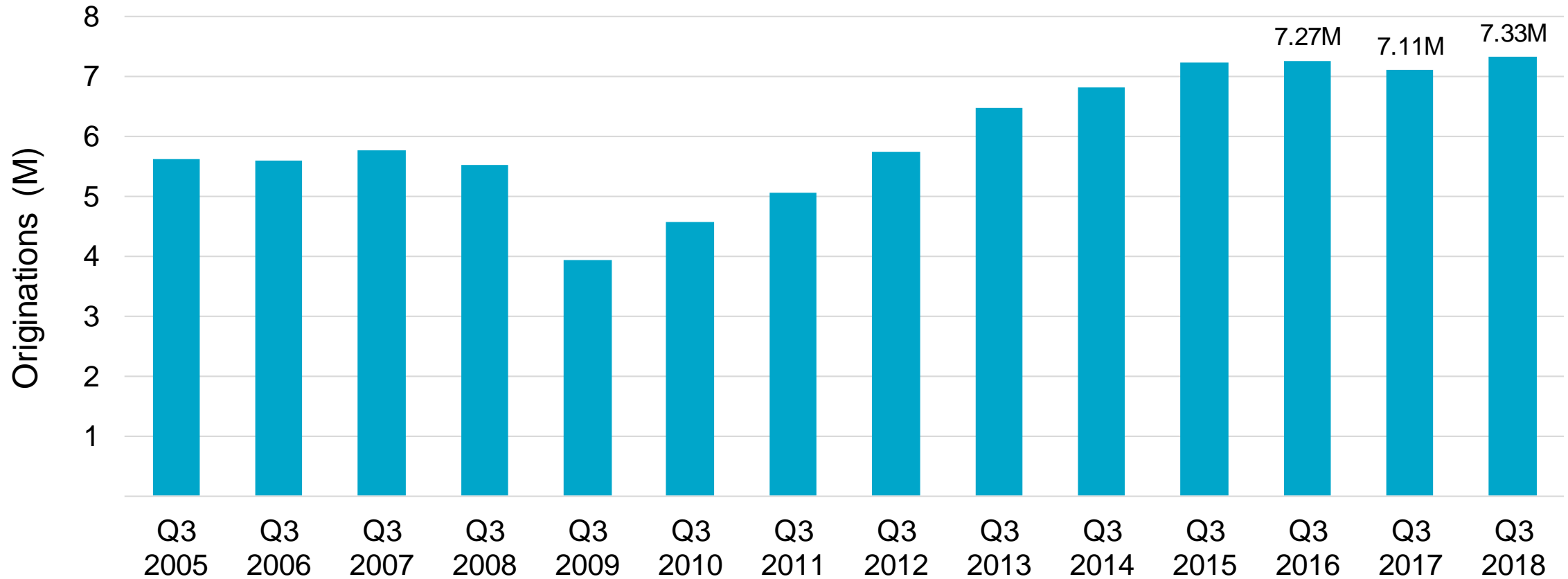
Source: TransUnion consumer credit database, Federal Reserve System

Auto Financing



Originations are growing again following 2017's pullback

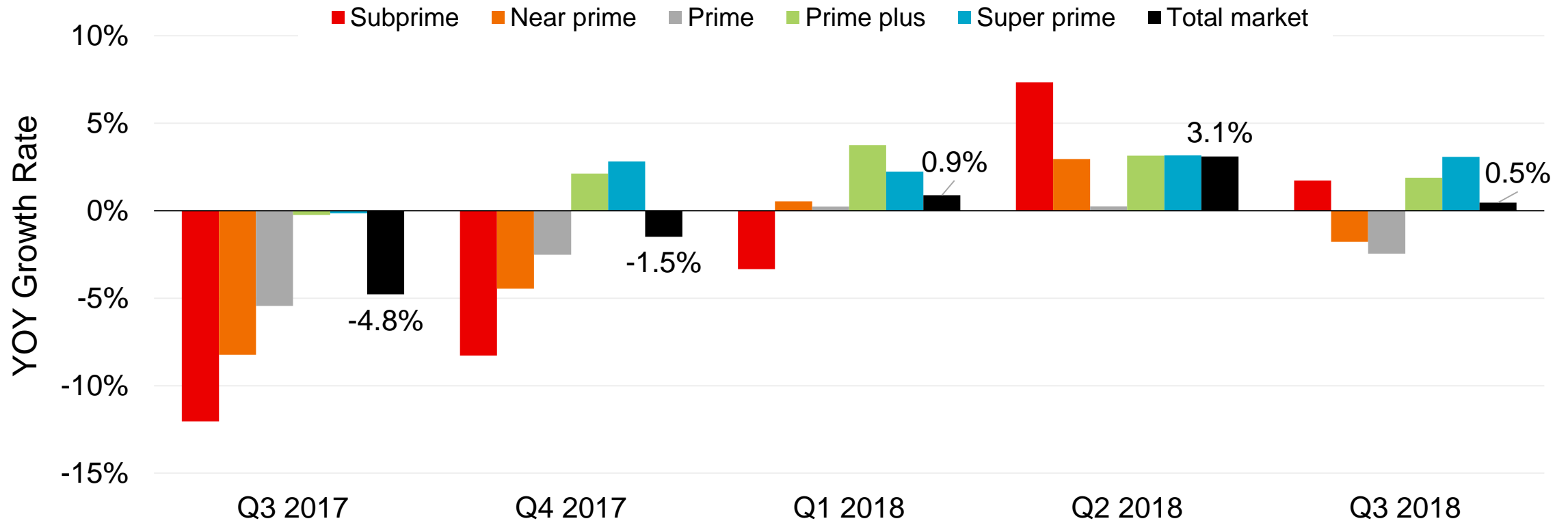
Auto Originations





The rebound in subprime was slight compared to above prime's steady growth in 2018

Auto Origination Growth



VantageScore® 3.0 risk ranges

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



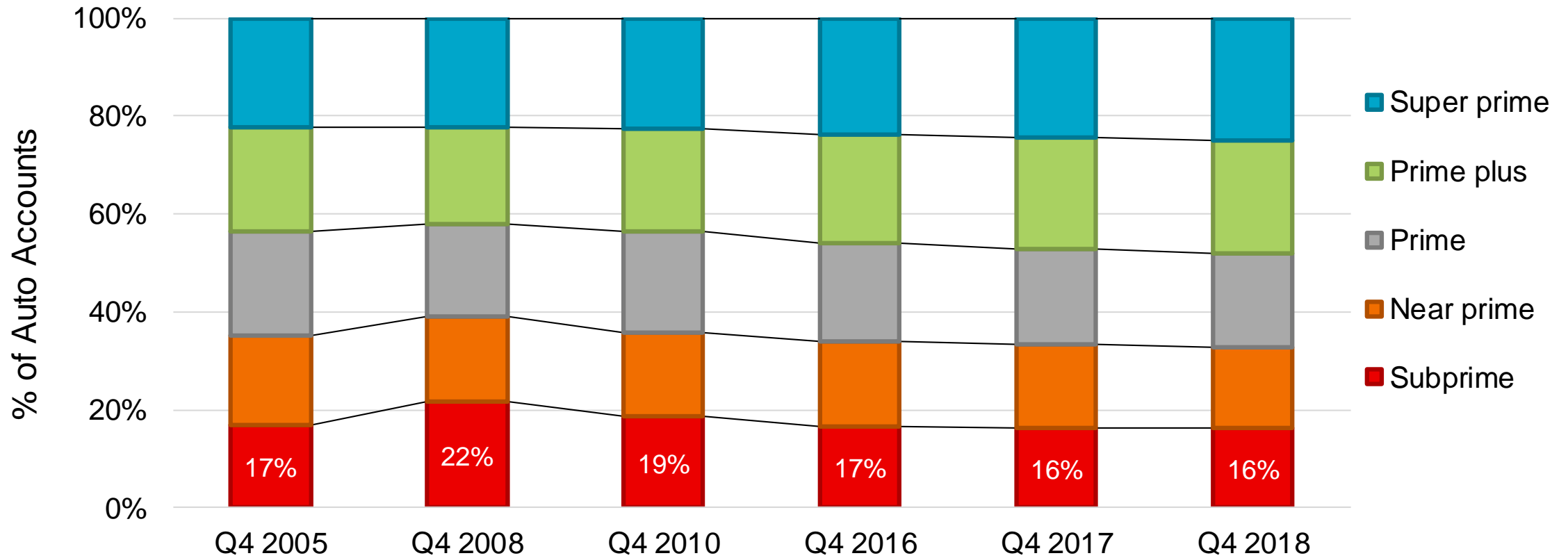
Source: TransUnion consumer credit database

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Contributing to a more conservative risk distribution in auto when compared to pre-recession levels

Auto Loans & Leases Risk Distribution



VantageScore® 3.0 risk ranges

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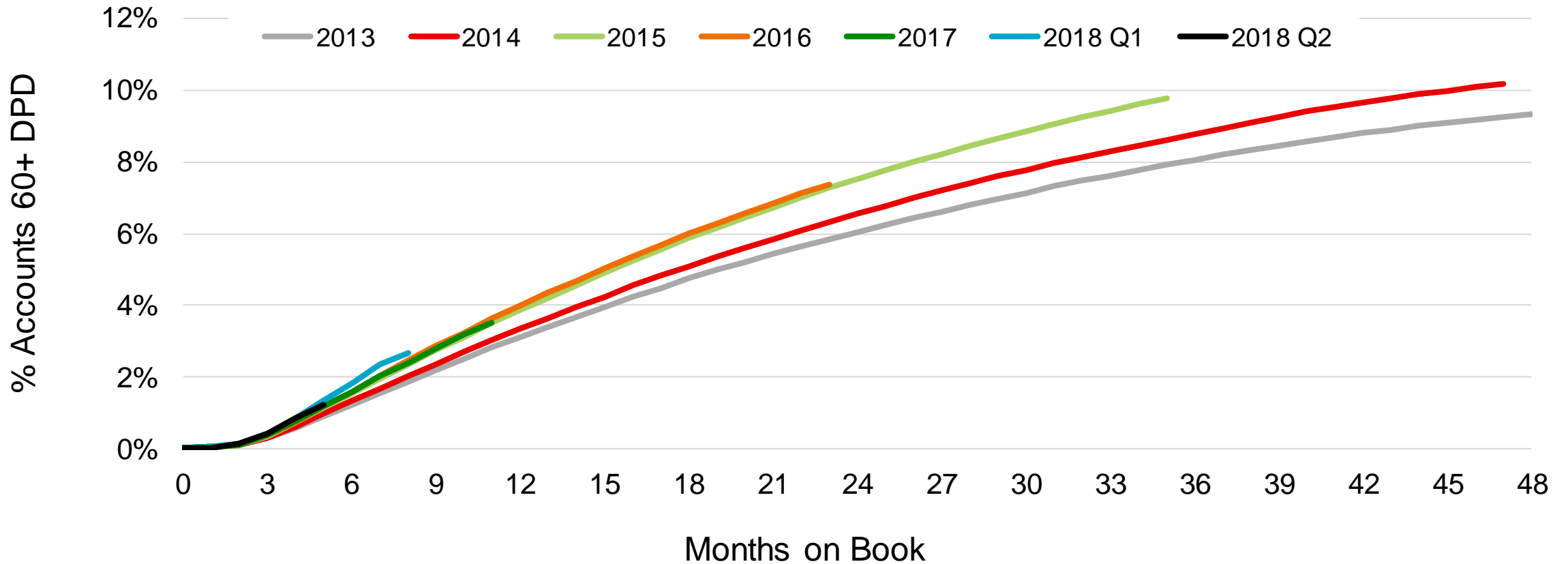
Source: TransUnion consumer credit database

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The shift to higher quality paper produced stability in loan performance over the last 3 years

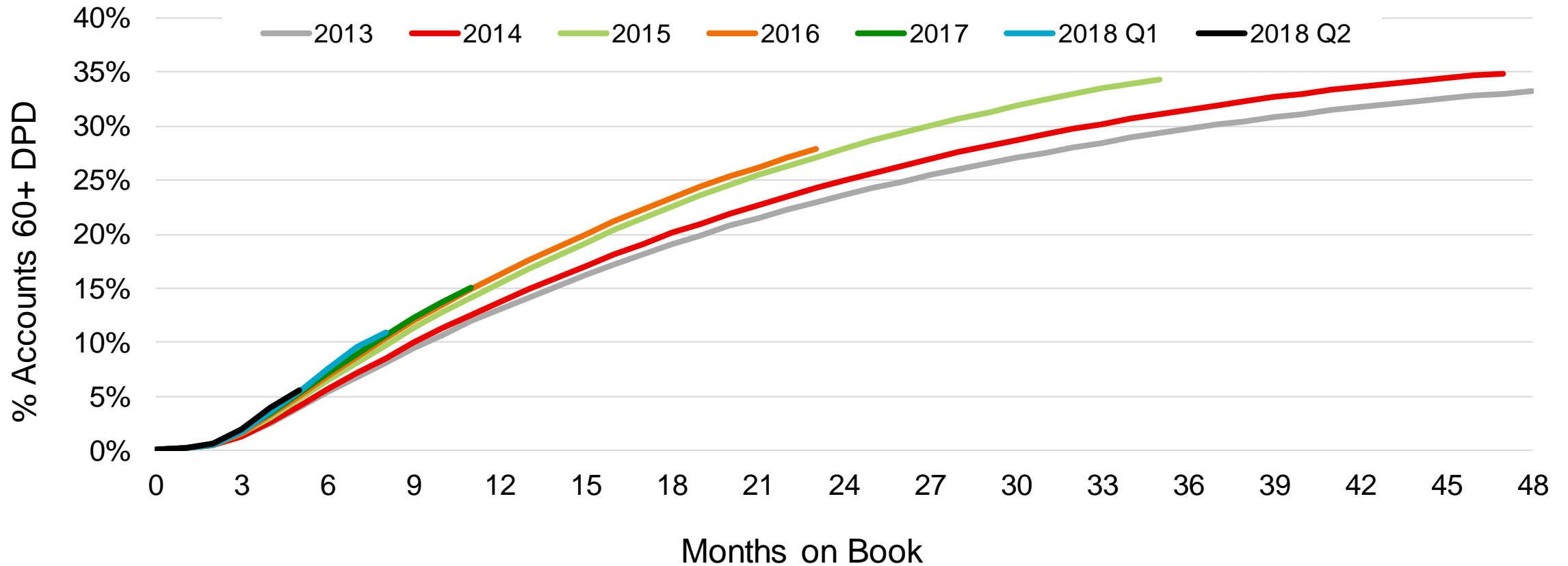
Vintage Delinquency of Auto Loans and Leases





Though incremental improvement was also seen in subprime auto originations

Vintage Delinquency of Subprime Auto Loans and Leases



VantageScore® 3.0 risk: Subprime = 300–600

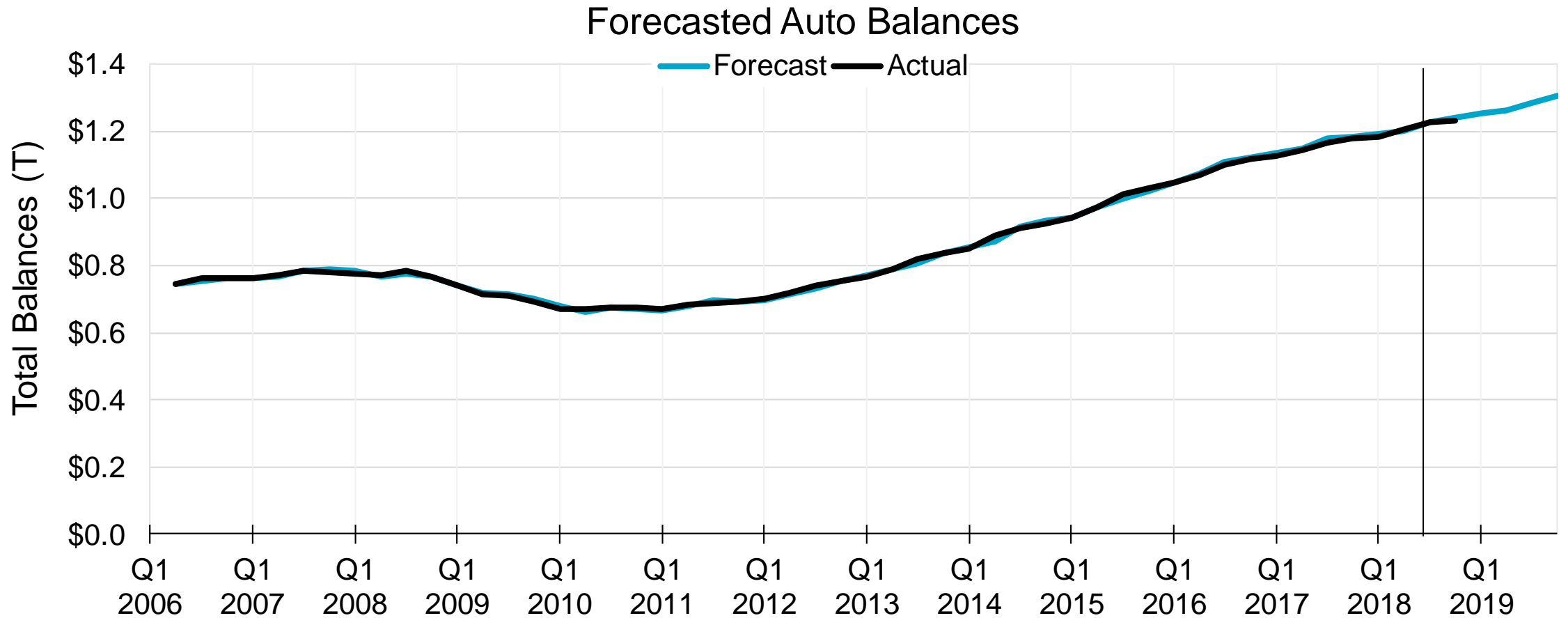


Source: TransUnion PramaSM Vintage Analysis

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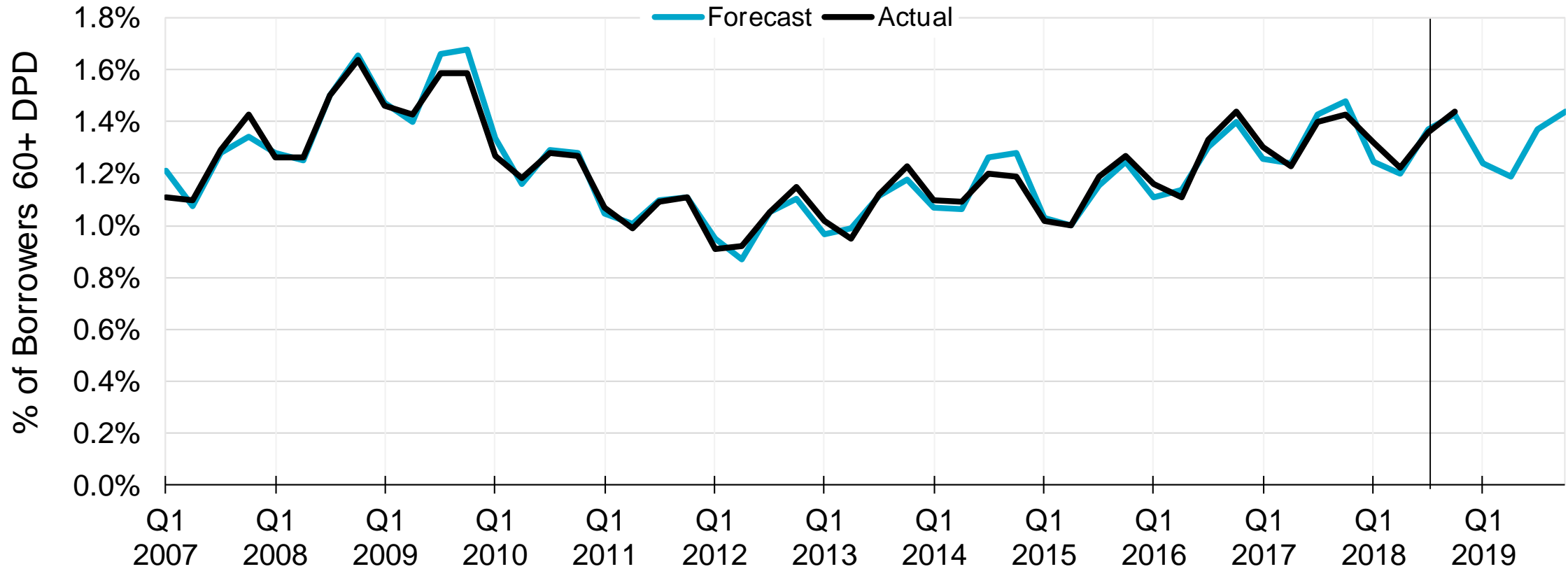
Auto balances grew to a new high of \$1.23T and are forecasted to climb further





Delinquency continues to remain steady at 1.44%

Forecasted Auto Delinquency

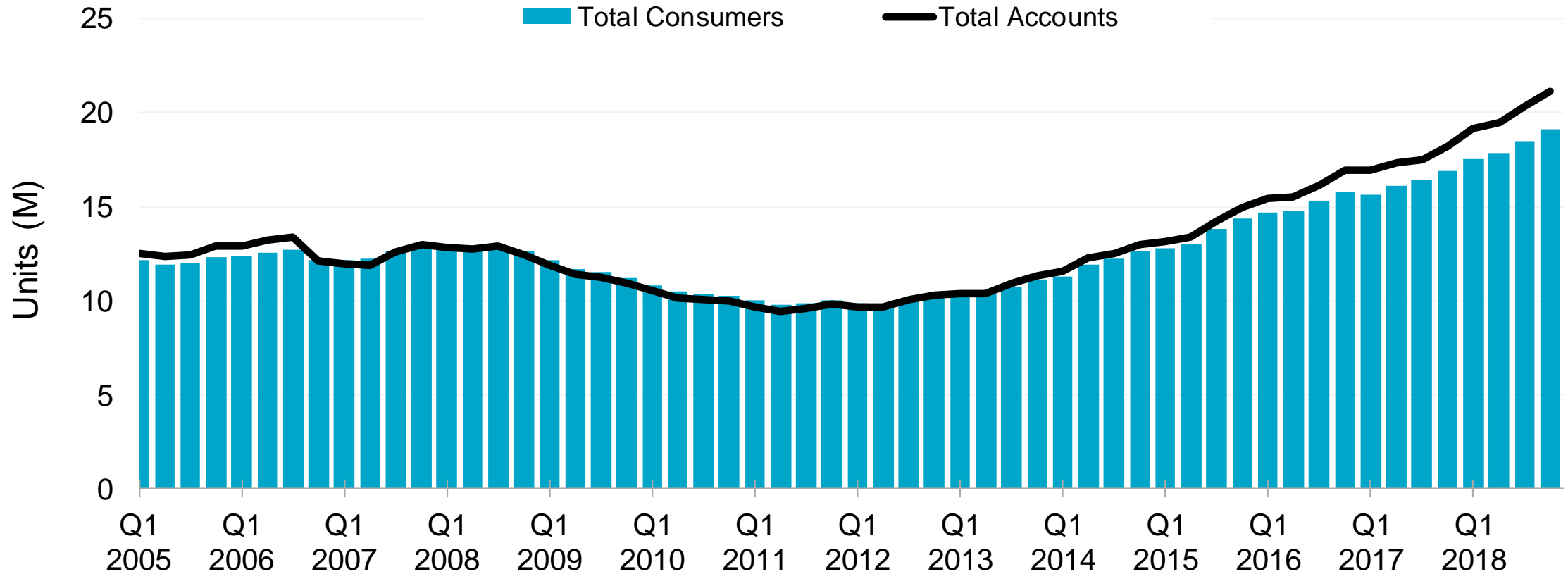


Unsecured Personal Loans



A record 19M consumers hold an unsecured personal loan

Unsecured Personal Loan Market

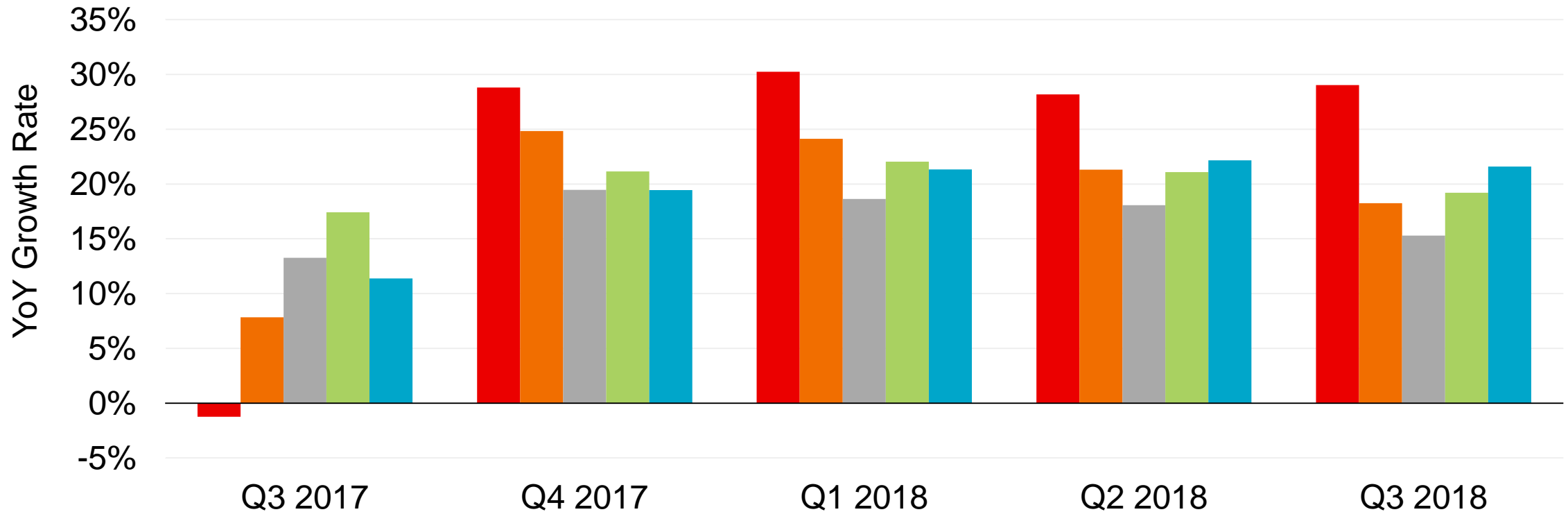




Growth has been observed across all risk tiers

Unsecured Personal Loan New Account Growth

■ 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



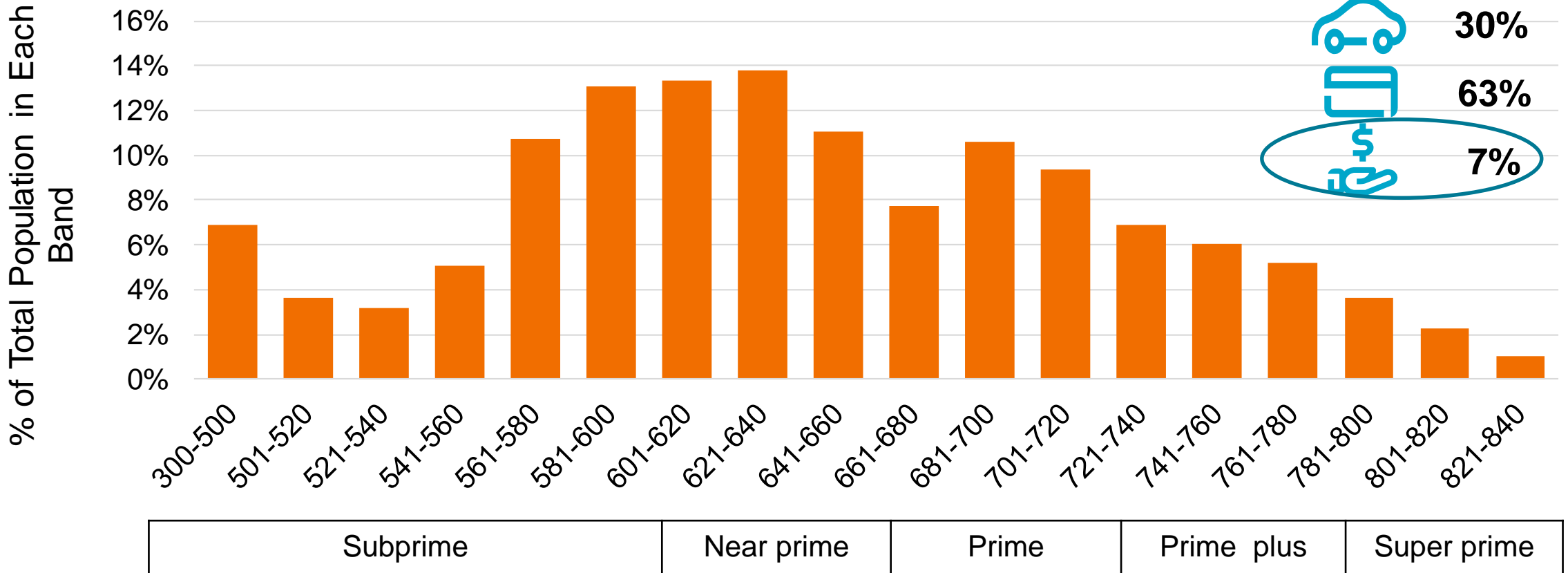
Source: TransUnion consumer credit database

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Opportunity exists for further expansion across tiers

Q4 2018 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



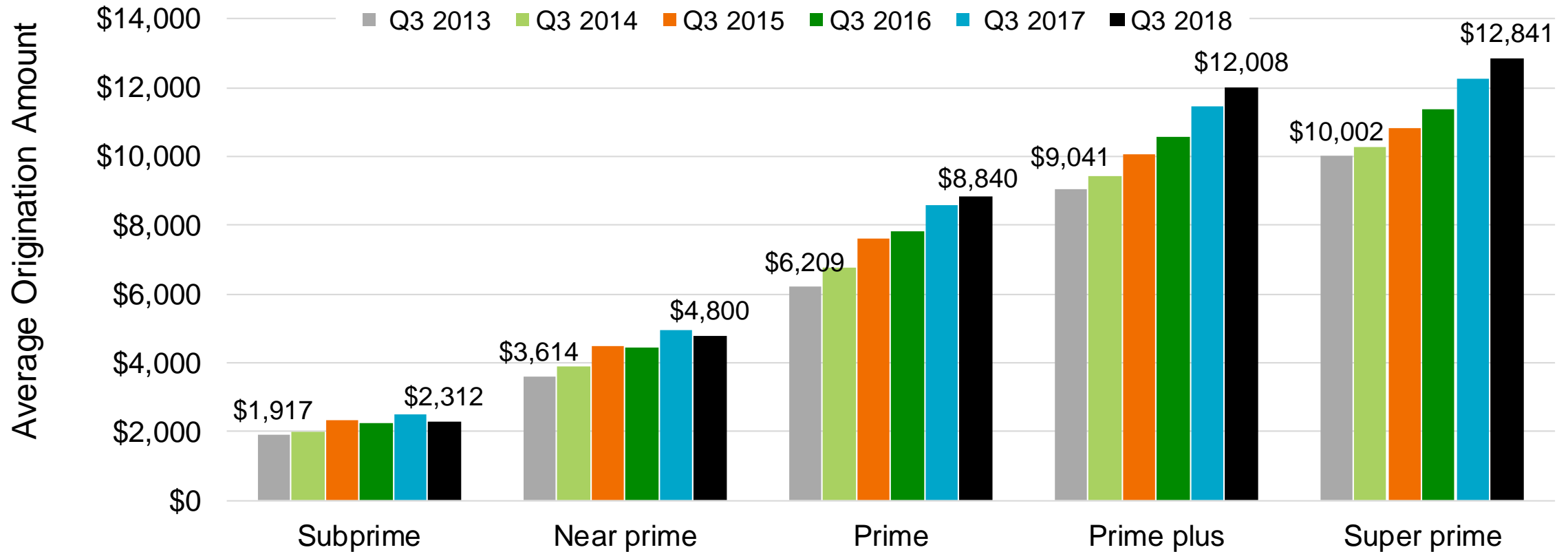
Source: TransUnion consumer credit database

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Average new loan amounts grew significantly for prime and above

Unsecured Personal Loan Origination Amounts



VantageScore® 3.0 risk ranges

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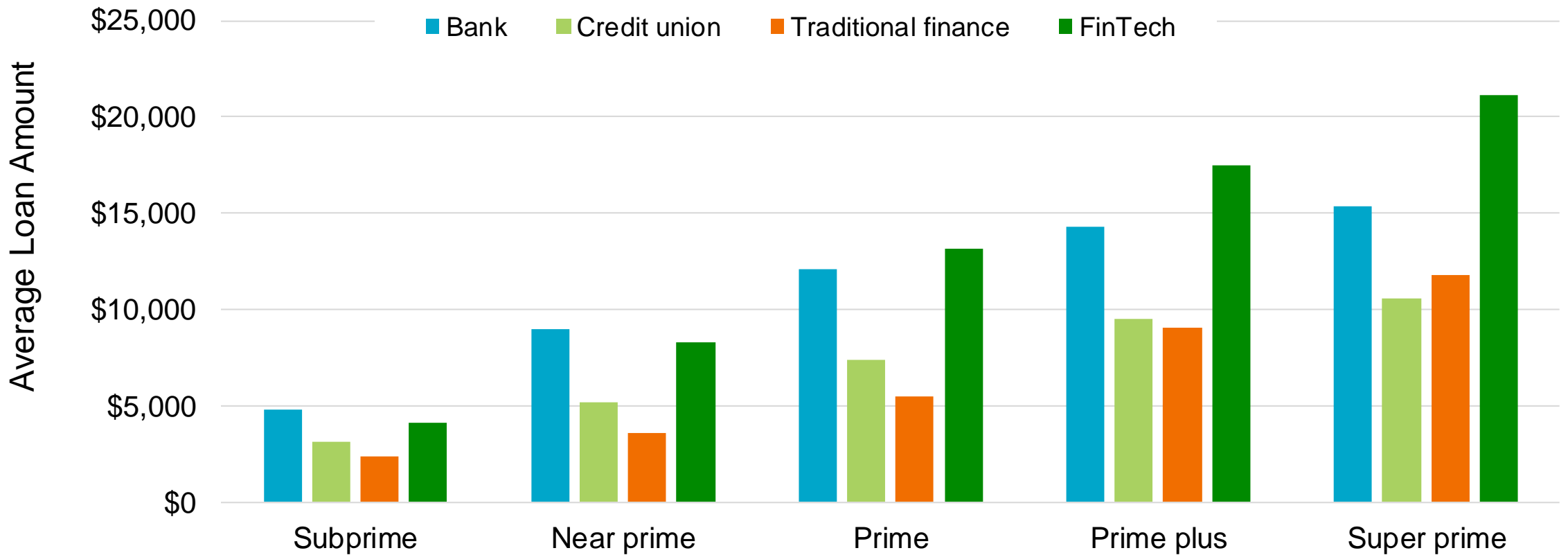
Source: TransUnion consumer credit database

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FinTechs issued 30-40% higher loan amounts, as compared to banks, in above prime

Average Loan Amounts for Originations, by Lender Type, Q3 2018



VantageScore® 3.0 risk ranges

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



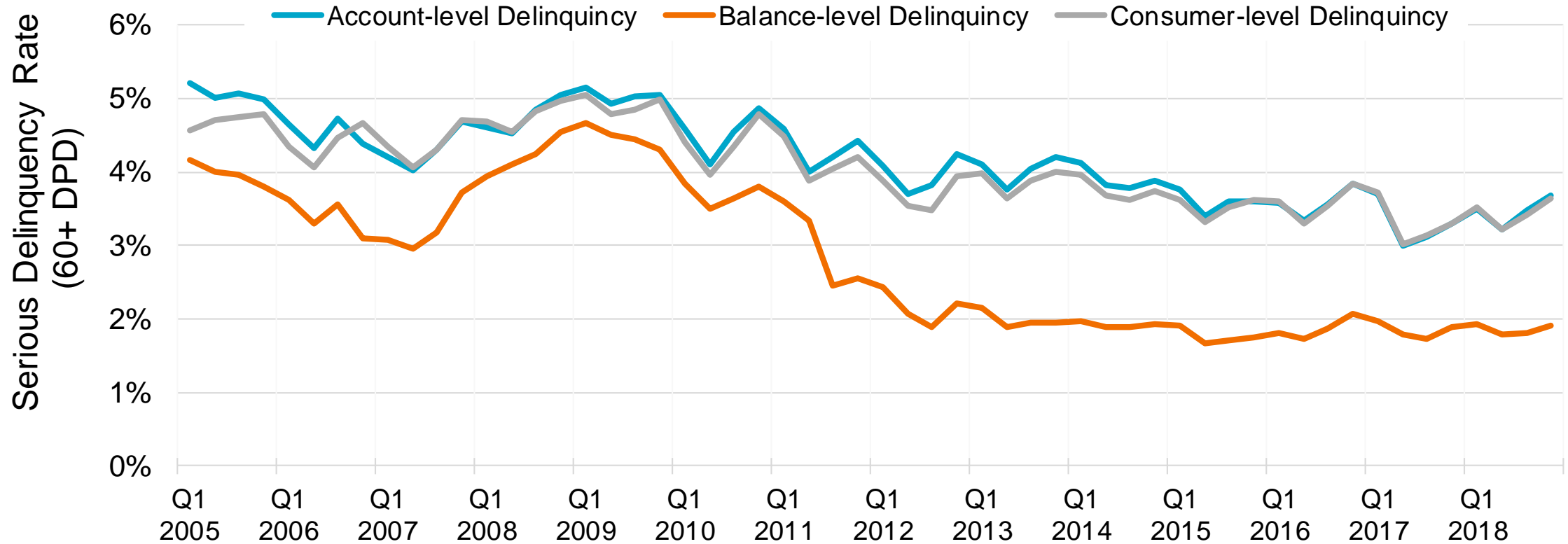
Source: TransUnion consumer credit database

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Performance has remained fairly stable even with record growth

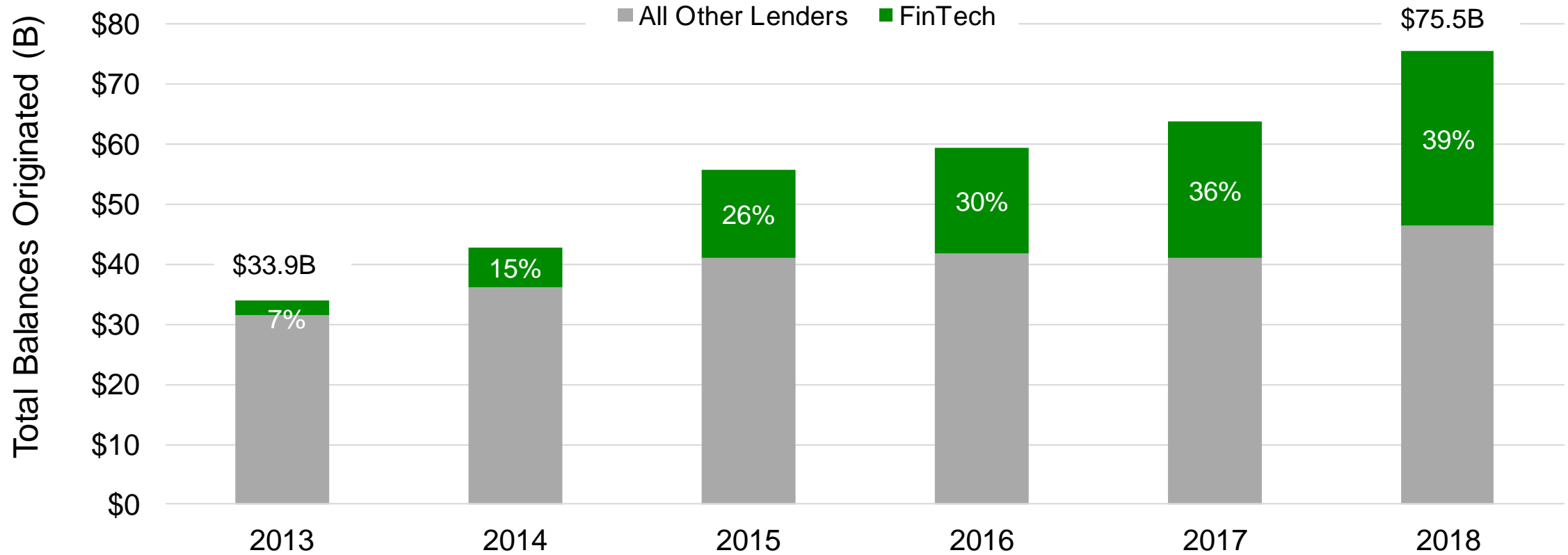
Unsecured Personal Loan Performance





FinTech entry drove originating balances to double since 2013

Unsecured Personal Loan Balances Originated



Data represents Q1-Q3 of each year



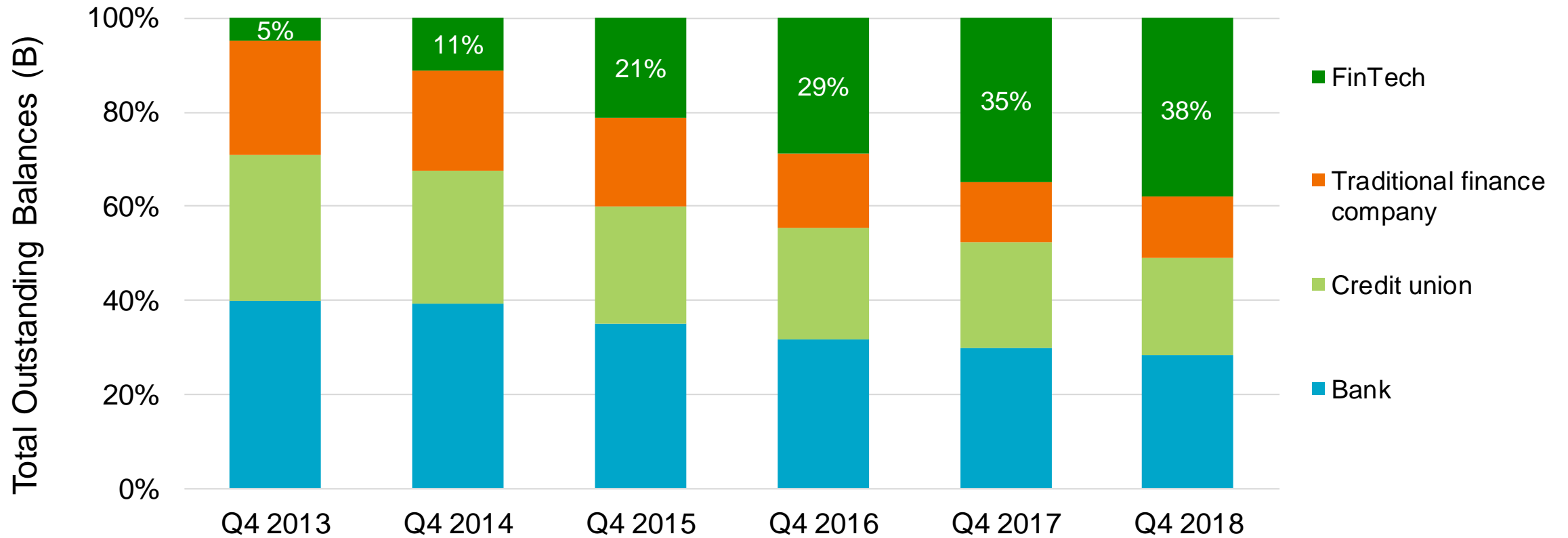
Source: TransUnion consumer credit database

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As a result, FinTech now holds 38% of outstanding balances

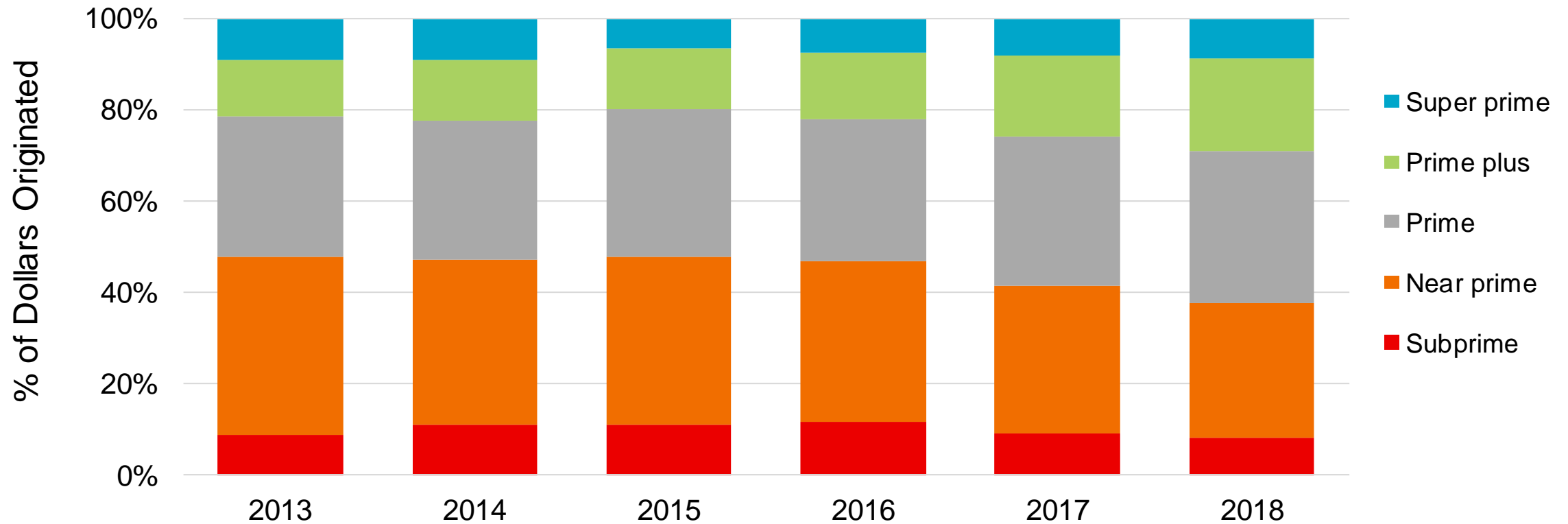
Total Unsecured Personal Loan Balances





FinTech's target risk profile skewed towards lower risk consumers in recent years

Distribution of FinTech 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

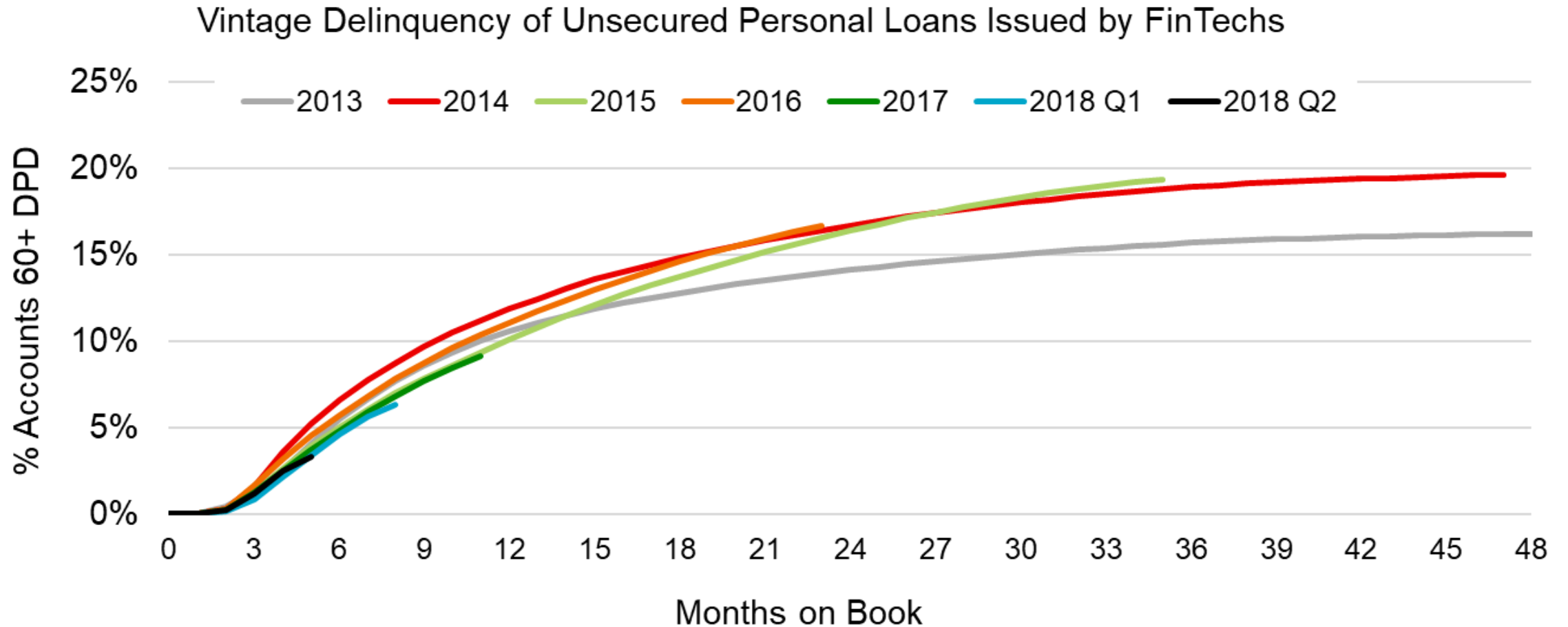


* Distribution derived from originations from Q1-Q3 of each year

Source: TransUnion consumer credit database

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As a result, FinTech vintages show steady improvement



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