



Q3 2018 Financial Services Industry Insights Report & Forecast

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DECEMBER 13, 2018

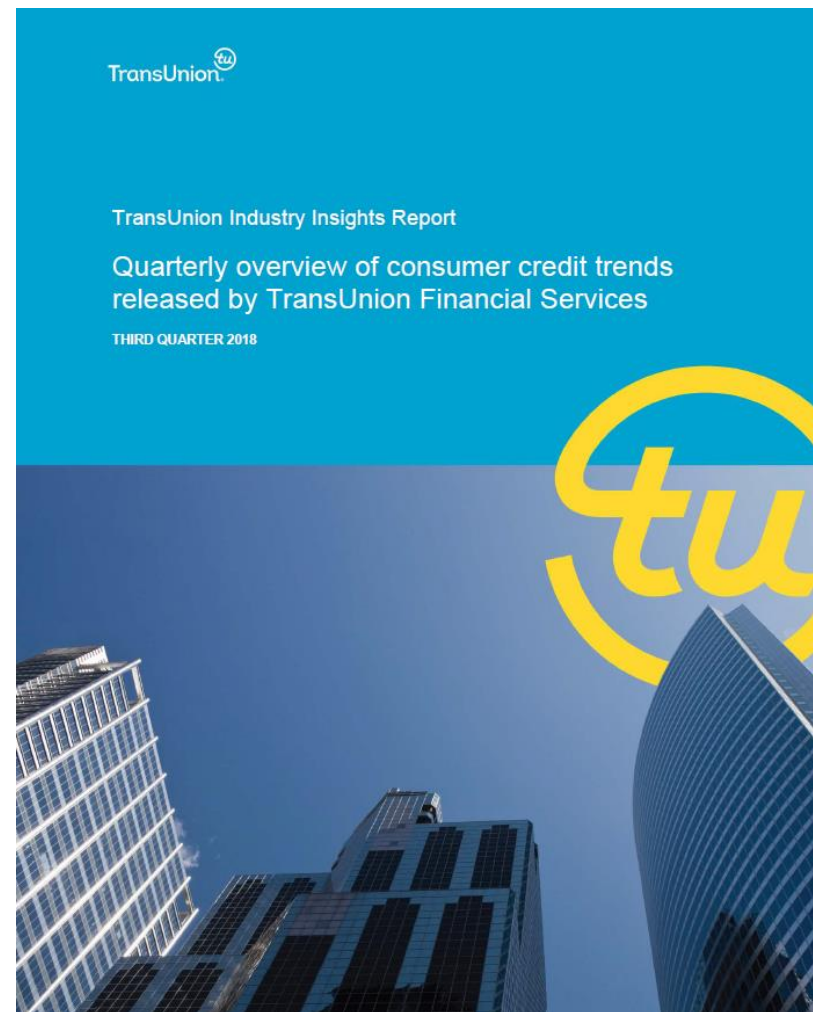


TransUnion's Industry Insights Report is a quarterly overview summarizing trends within the consumer lending industry



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 & forecasts

- Bankcard
- Auto Loans & Leases
- Mortgage & HELOC
- Unsecured Personal Loans

Today's focus

Subprime lending: Has there been an uptick in subprime lending and if so, what does it mean?

2019 Forecast: Given the evolving economic environment, where are balances and delinquencies heading next year?



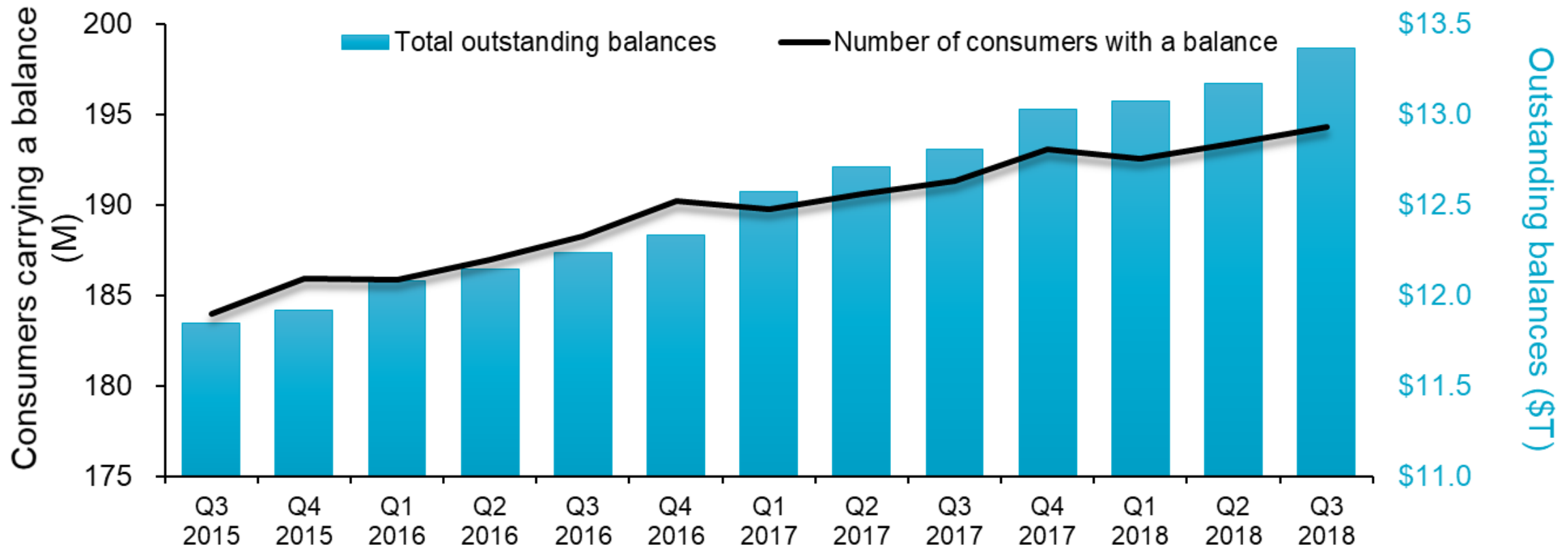
Market overview

Positive consumer participation continues

Balance growth was driven by increased consumer participation

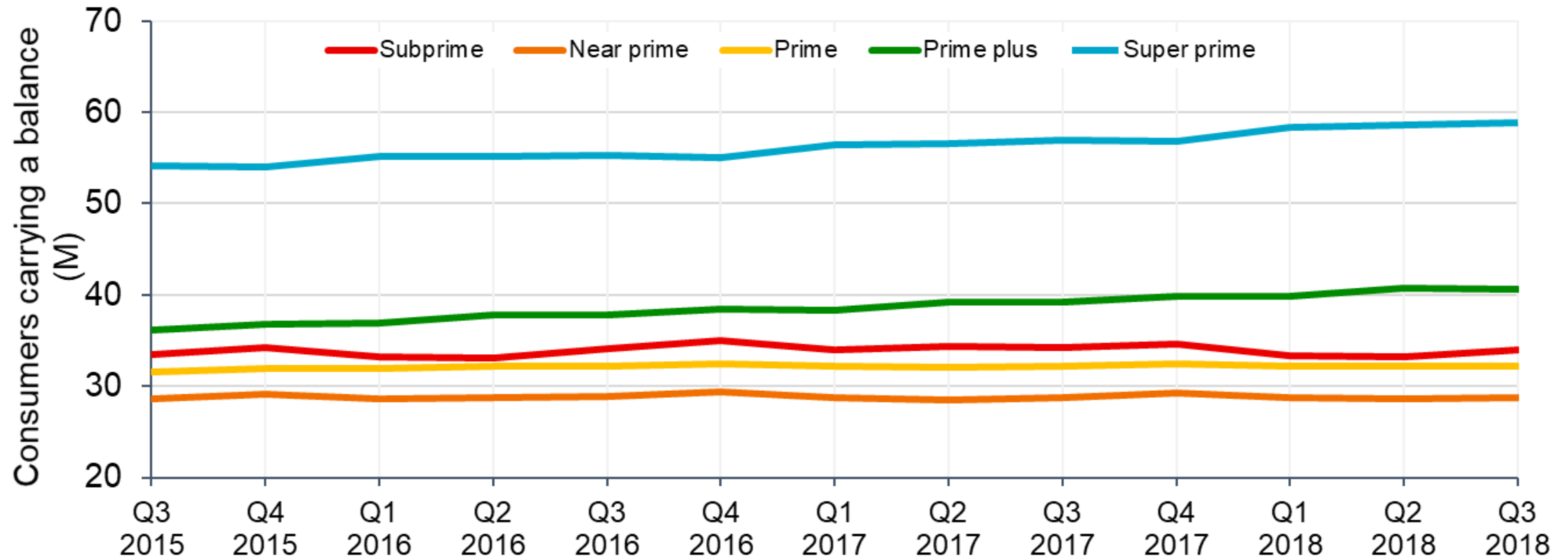


Consumer Credit Participation



Participation growth was driven by lower risk borrowers

Consumer Credit Participation



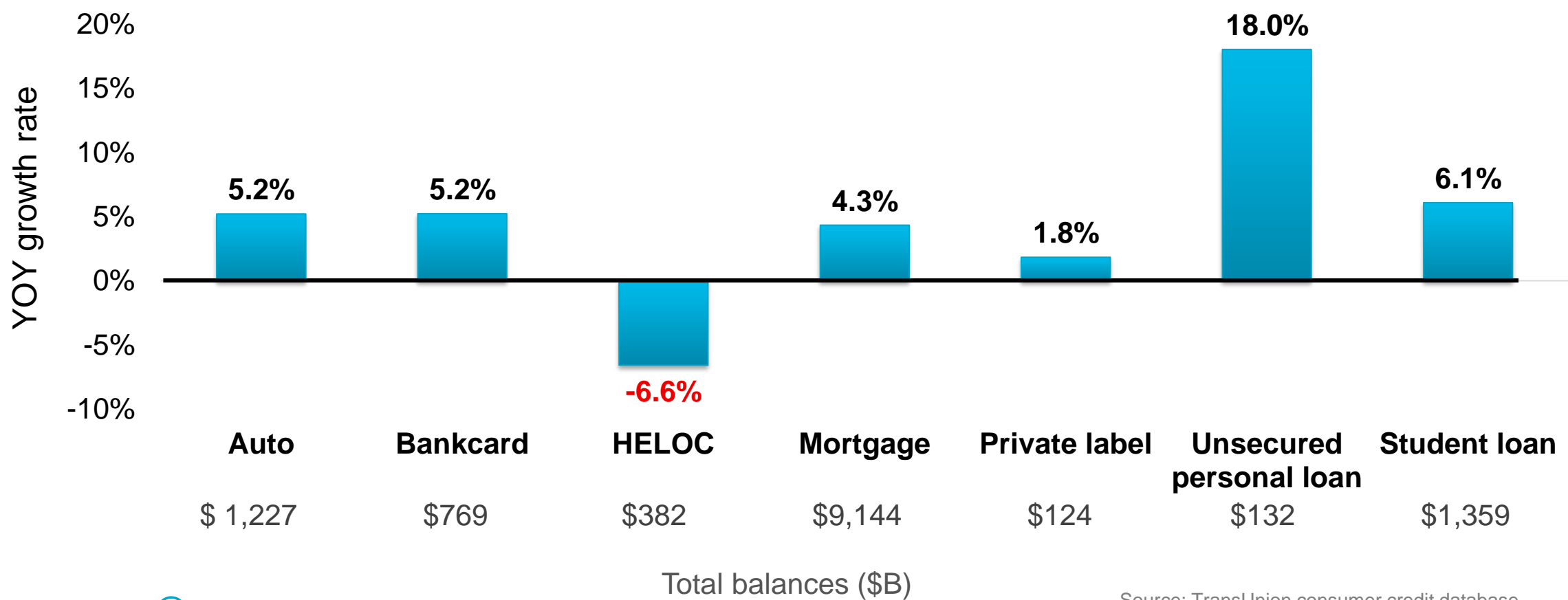
VantageScore® 3.0 risk ranges

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



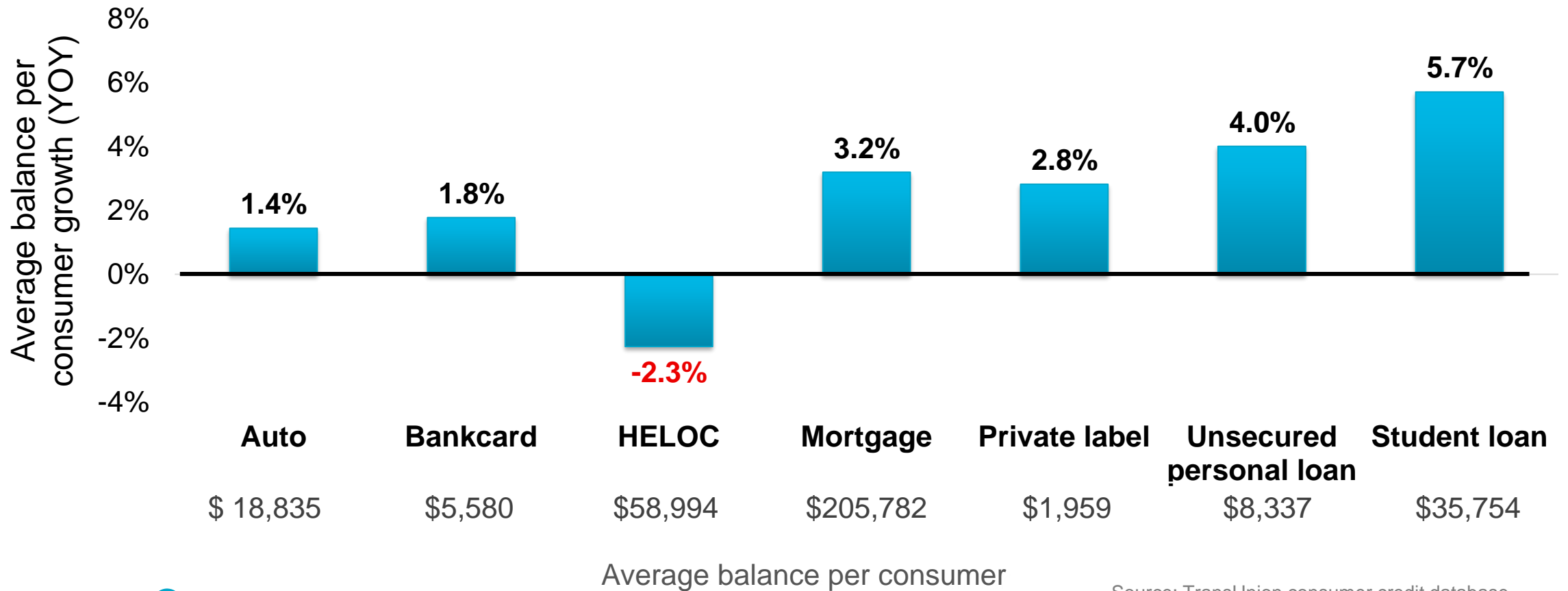
Balances are up for all products, except HELOC

Q3 2018 Balance Growth



Average balance growth was strongest with installment loans

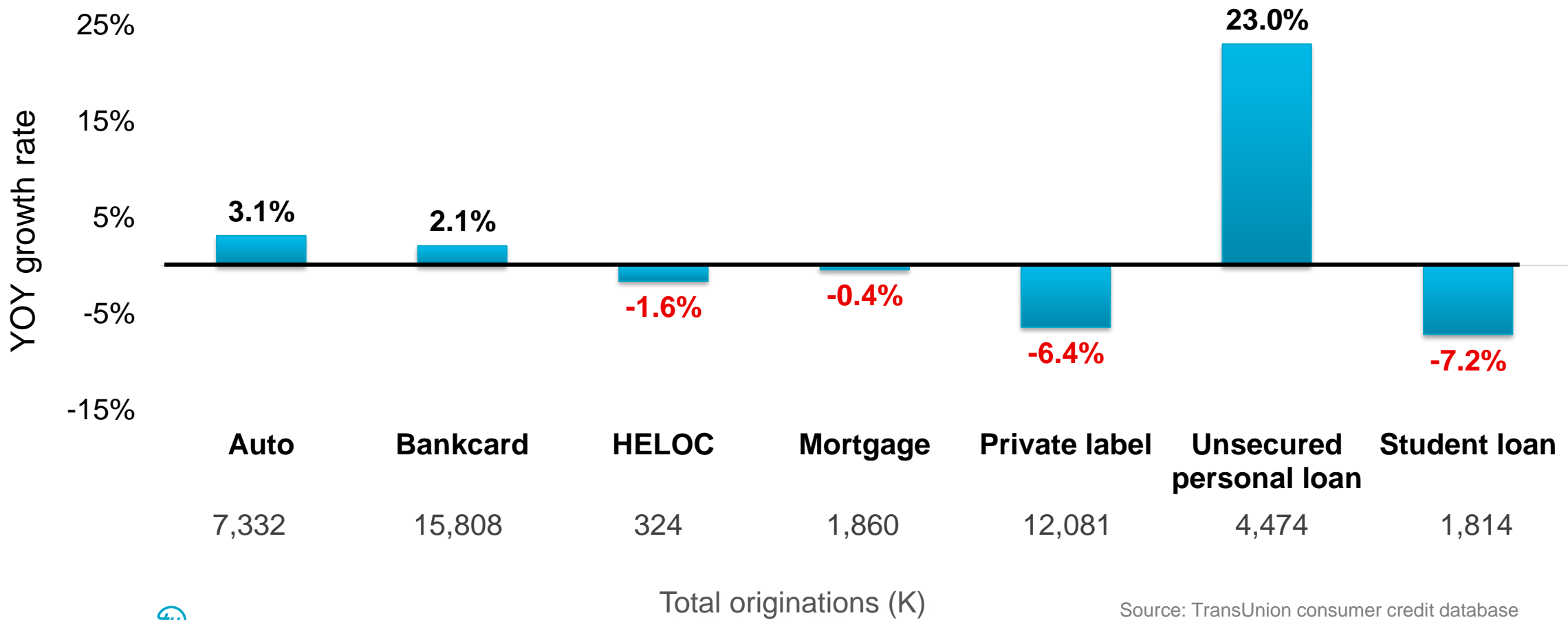
Q3 2018 Average Balance Growth





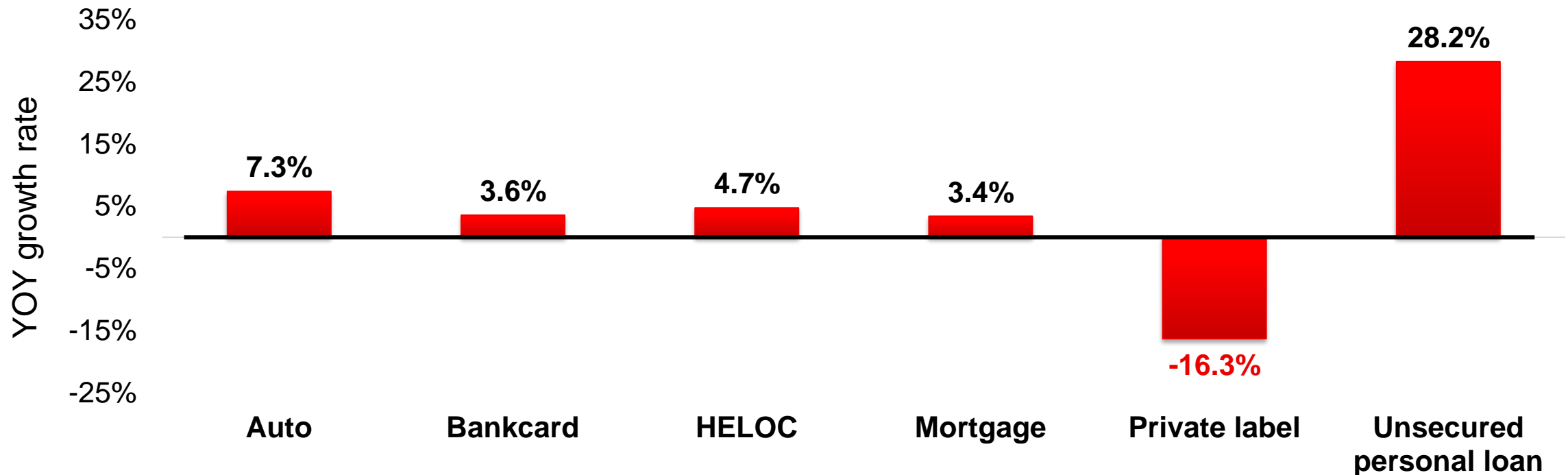
Originations rebounded in bankcard and auto financing

Q2 2018 Origination Growth



Subprime originations grew following pullback in 2017

Q2 2018 Subprime Origination Growth

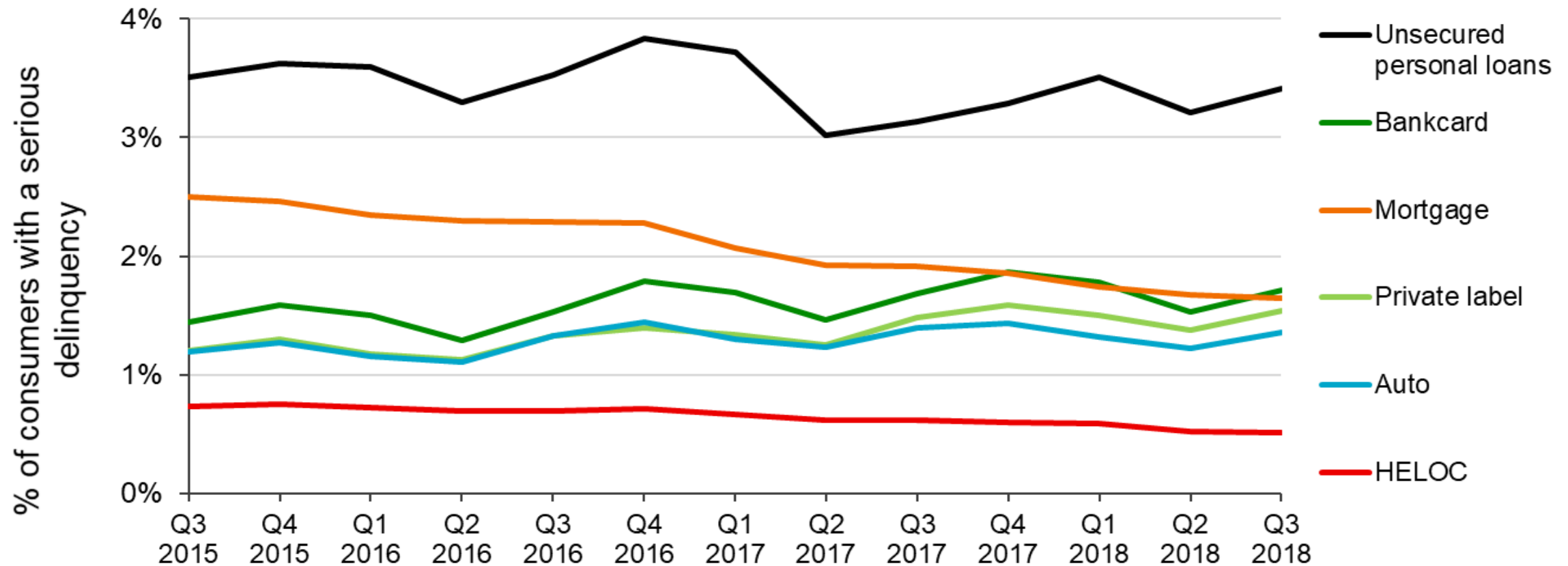


VantageScore® 3.0 risk ranges

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

Performance remains strong in spite of recent upticks

Serious* Consumer-Level Delinquency



*Serious delinquency considered 90+ DPD for card, 60+ DPD for all other lines

In summary

Consumer sentiment and spending remain positive, driving credit demand and usage

The credit market continues to see controlled growth and has shifted towards a lower risk distribution over the last three years

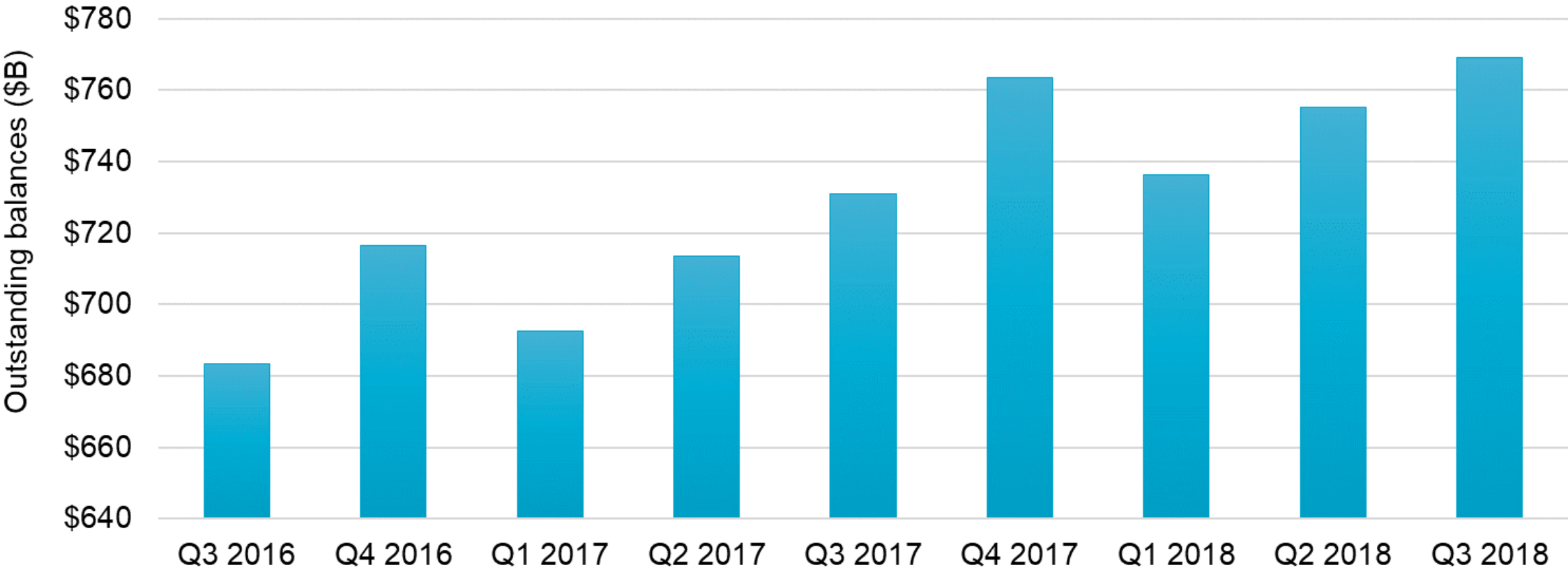
Performance remains positive given lender portfolio management

Bankcard



Bankcard balances continued to grow, though at a slower rate

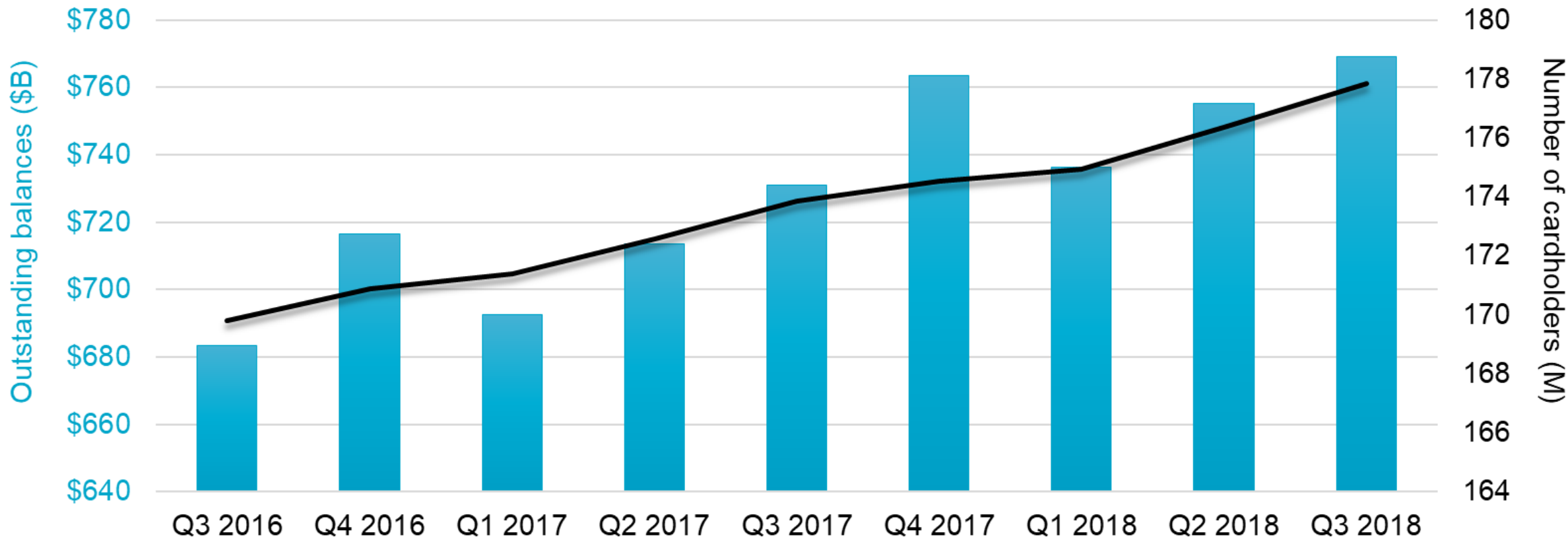
Outstanding Bankcard Balances





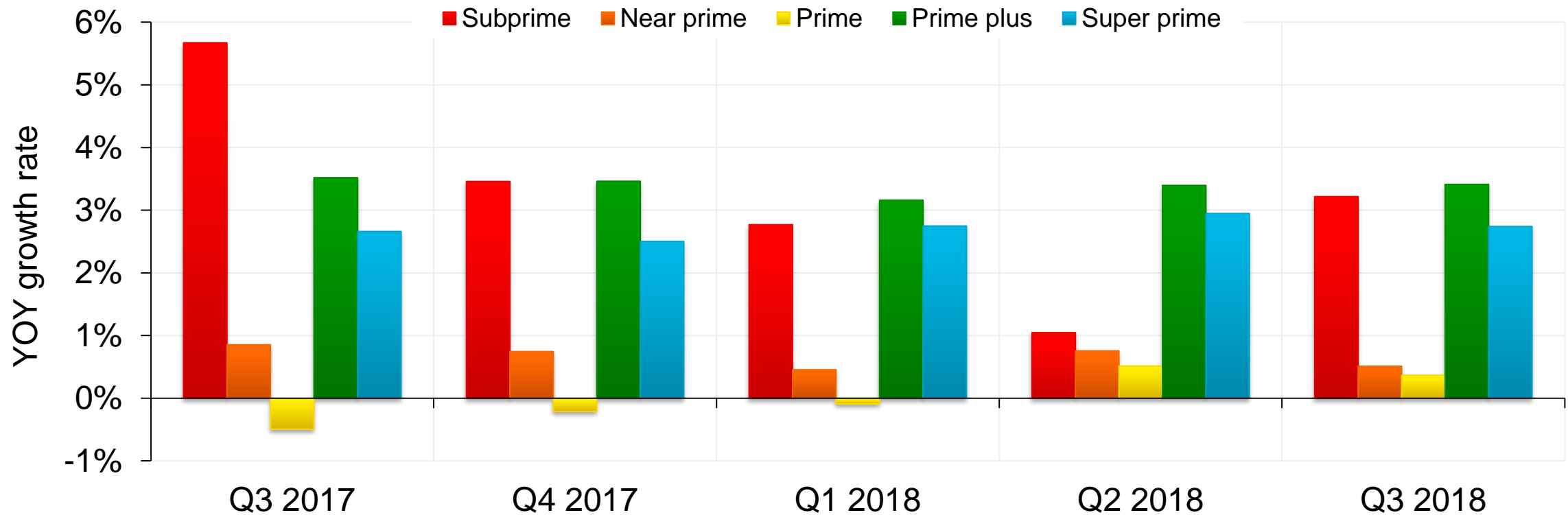
A record high of 178M cardholders propelled balance growth

Outstanding Bankcard Balances



Cardholder growth reflected a straddle pattern across tiers

Growth in Bankcard Access

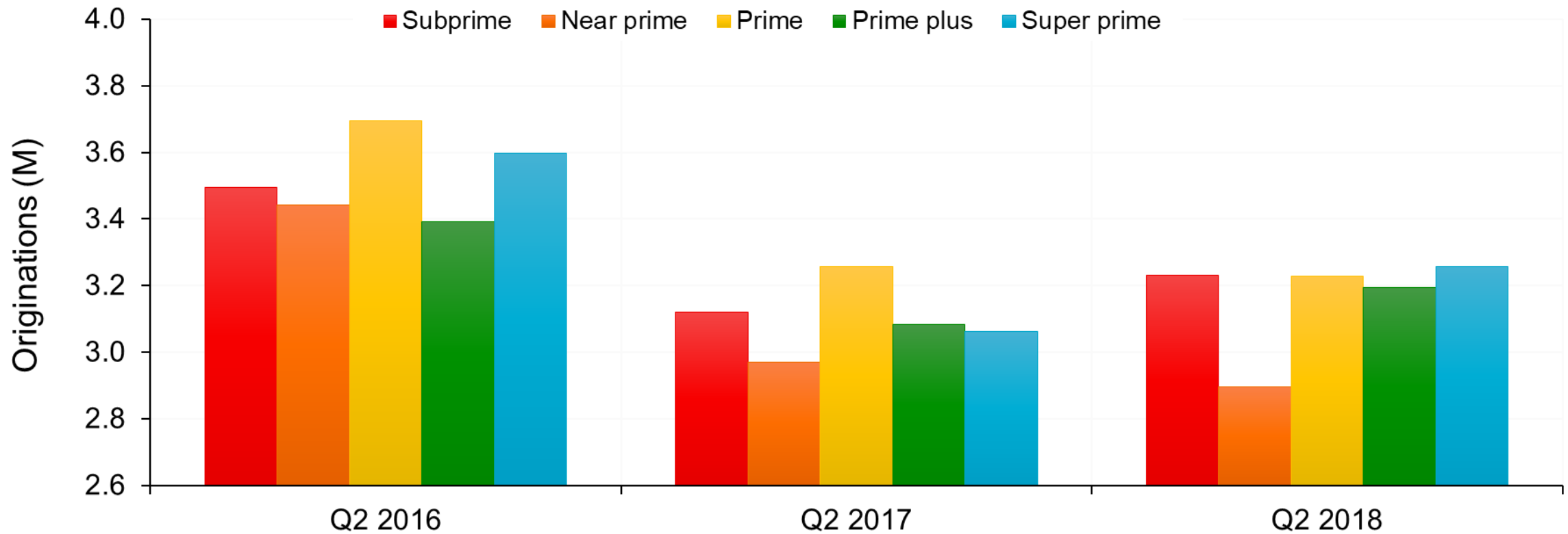


VantageScore® 3.0 risk ranges

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In spite of recent growth, bankcard originations have slowed

Bankcard Originations

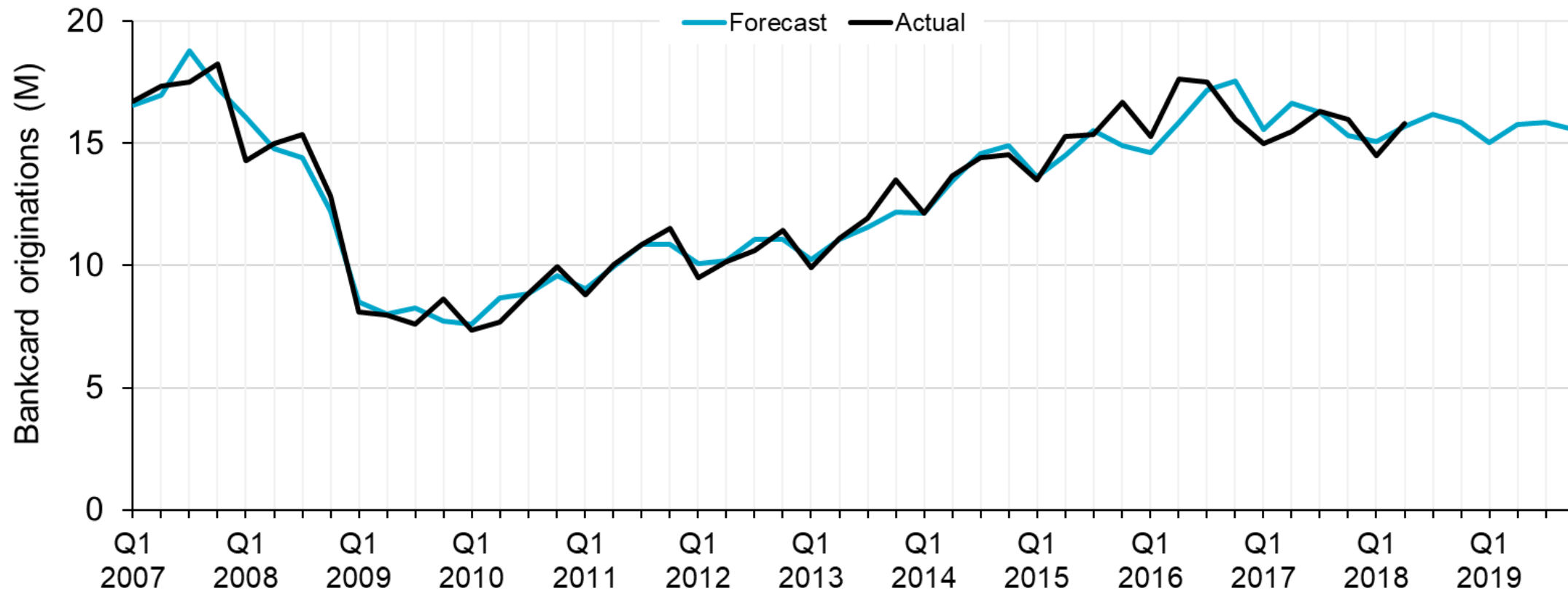


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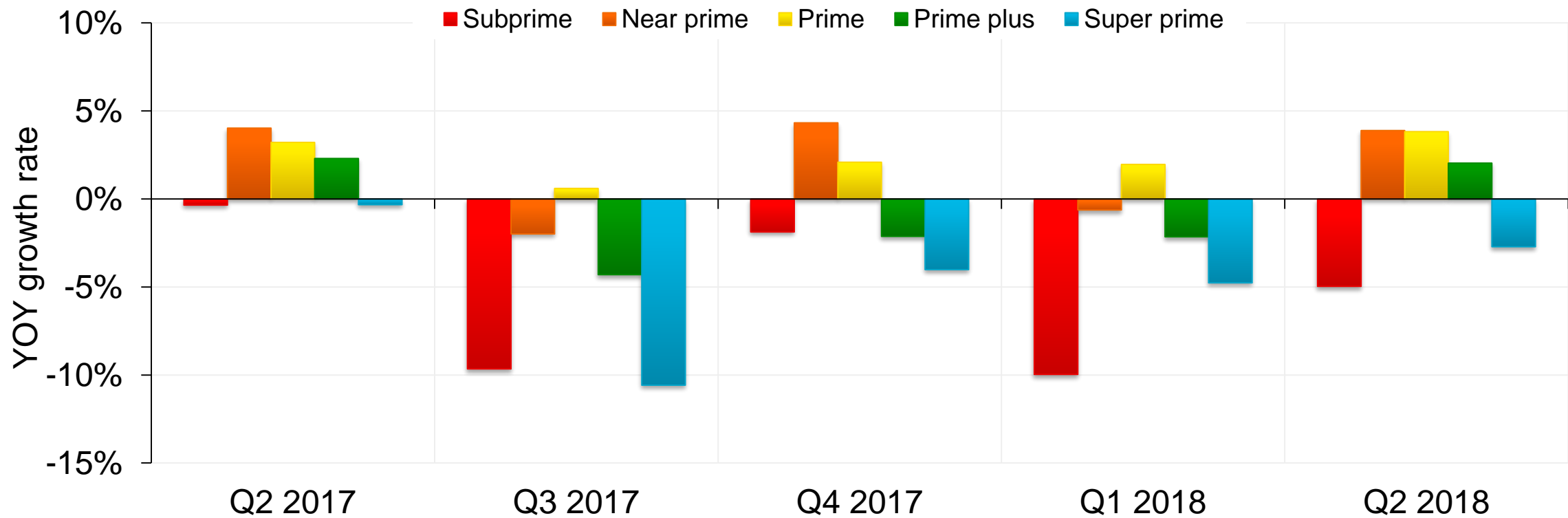
Bankcard originations are forecasted to remain steady

Forecasted Bankcard Originations



New card growth has been managed with smaller credit lines

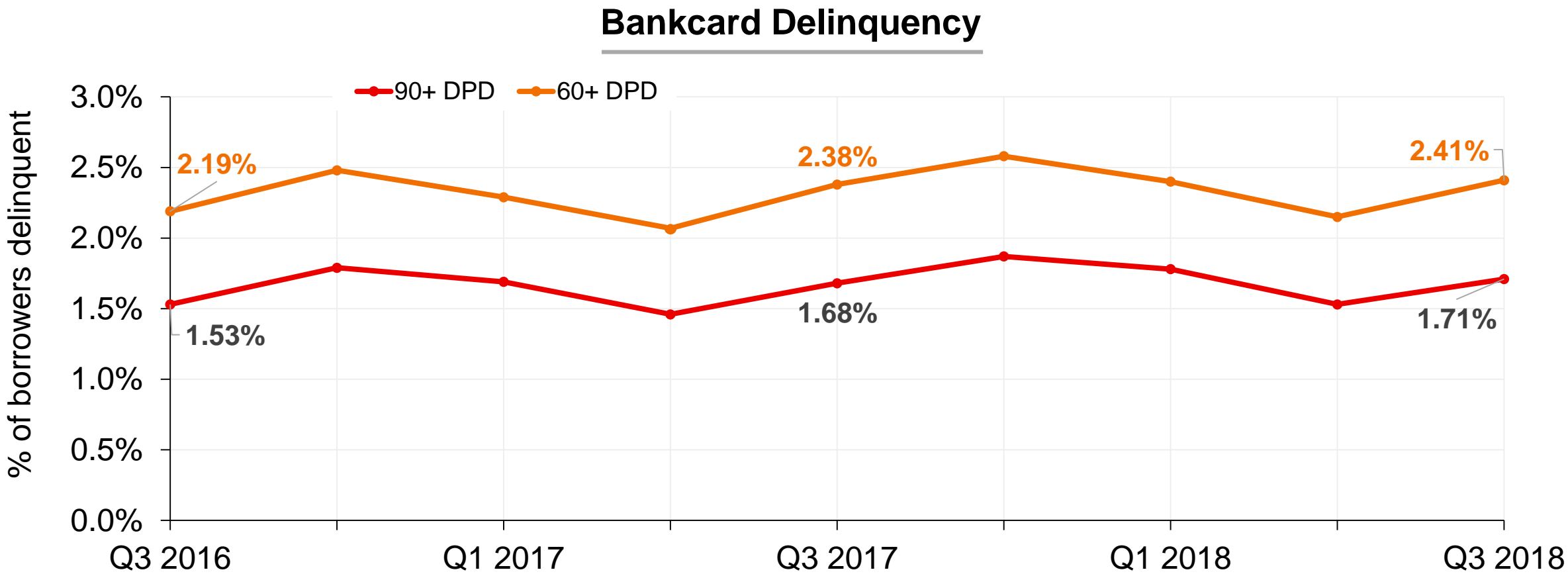
Average New Account Credit Line Growth



VantageScore® 3.0 risk ranges
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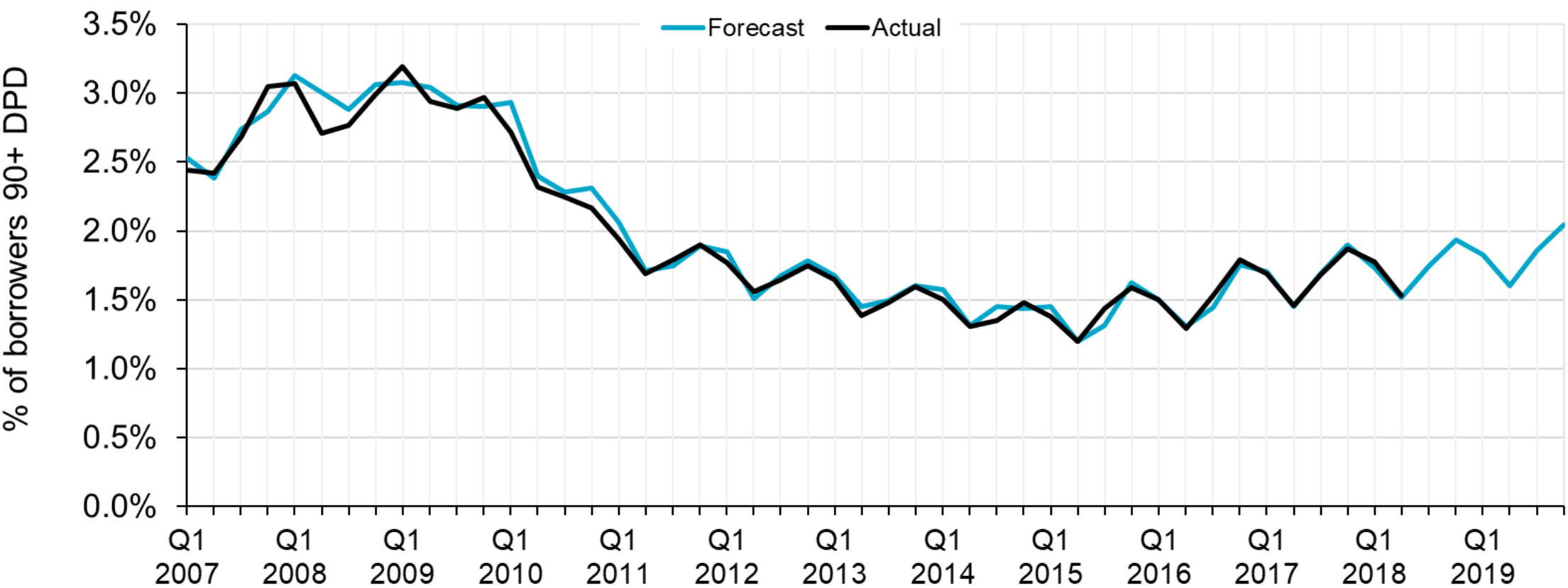


Slowing delinquency growth reflects lender risk management



Delinquency is expected to deteriorate through 2019

Forecasted Bankcard Delinquency



In summary

Balances have grown primarily due to a record number of consumers with access to a bankcard

Renewed origination growth is being managed through a reduction in the amount of credit extended

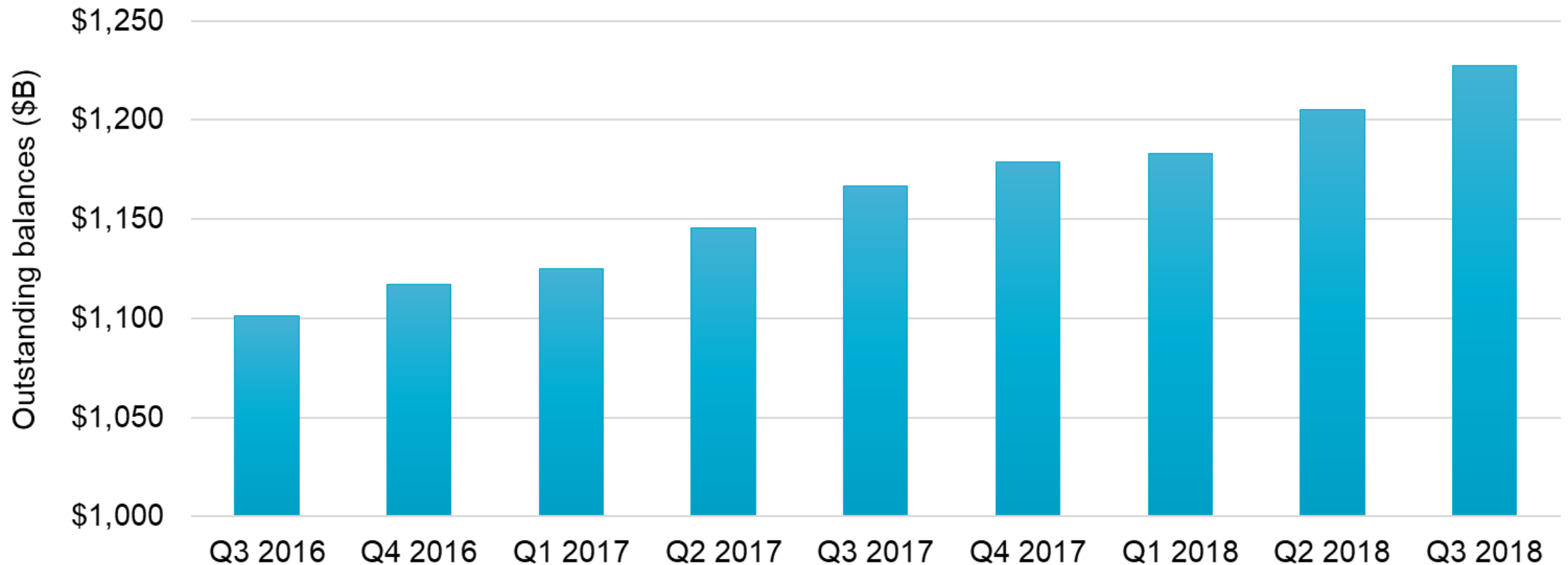
Bankcard performance is expected to worsen over the next year though remaining within “normal” limits

Auto Loans & Leases

Auto balances grew 5.2% YOY for the third consecutive quarter



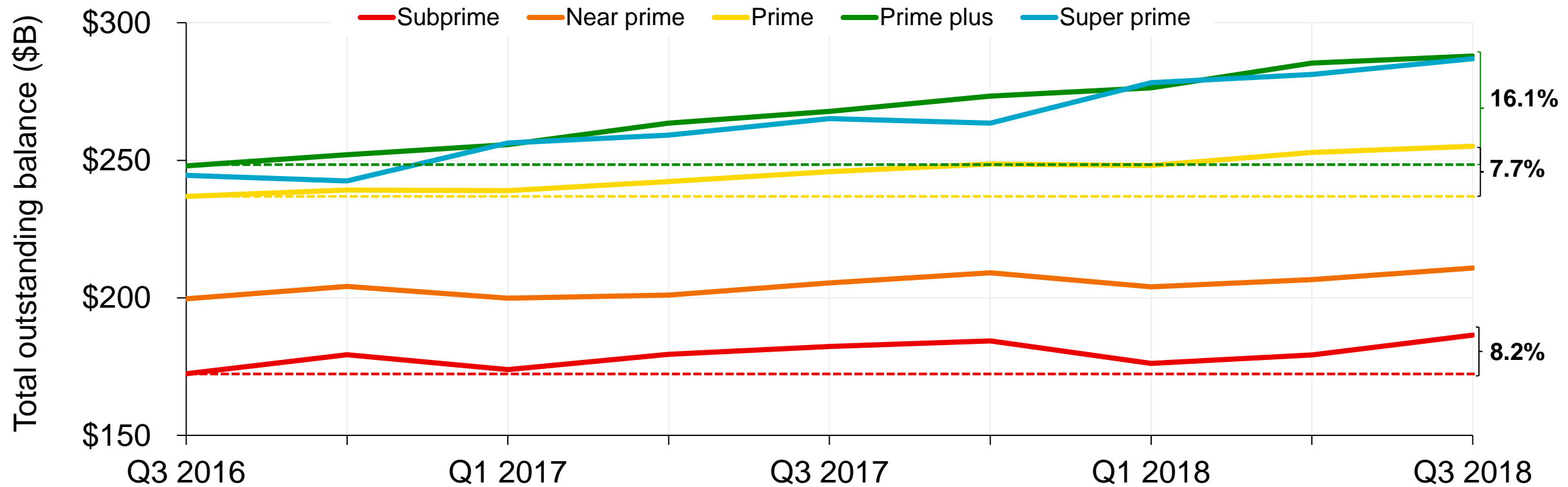
Outstanding Auto Balances





Auto balance growth was driven by above prime tiers

Outstanding Auto Balances



VantageScore® 3.0 risk ranges

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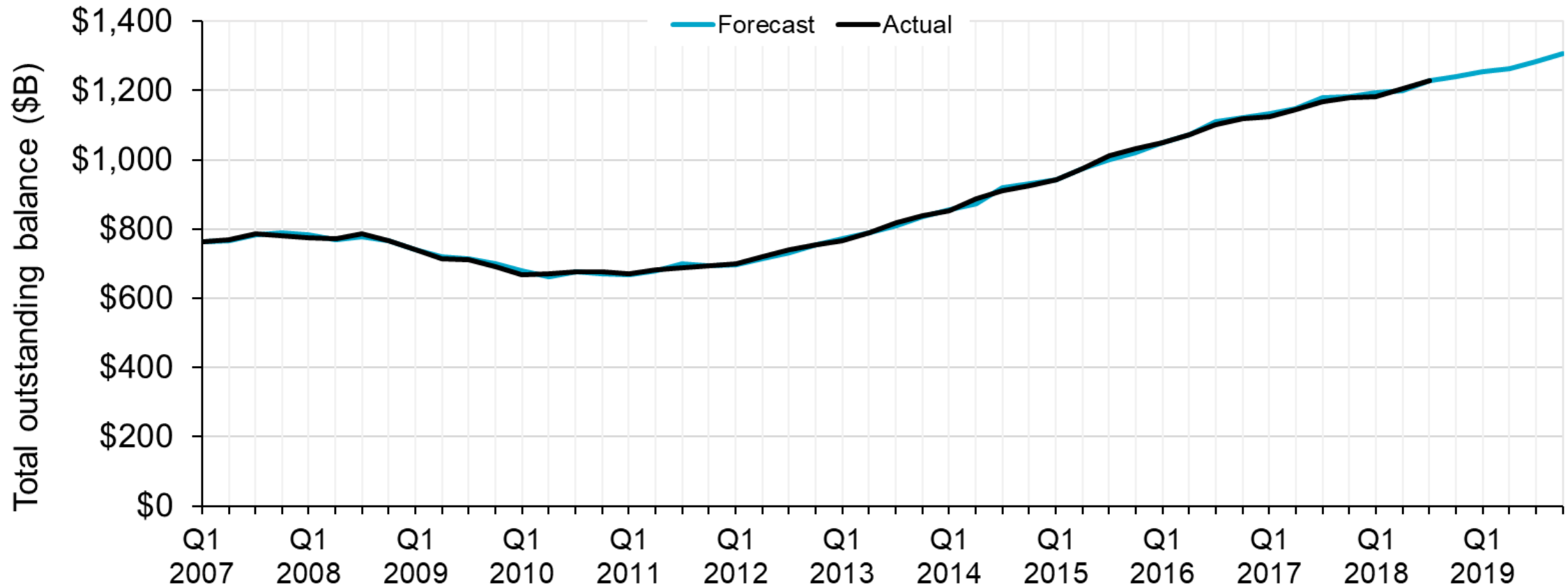


Source: TransUnion consumer credit database

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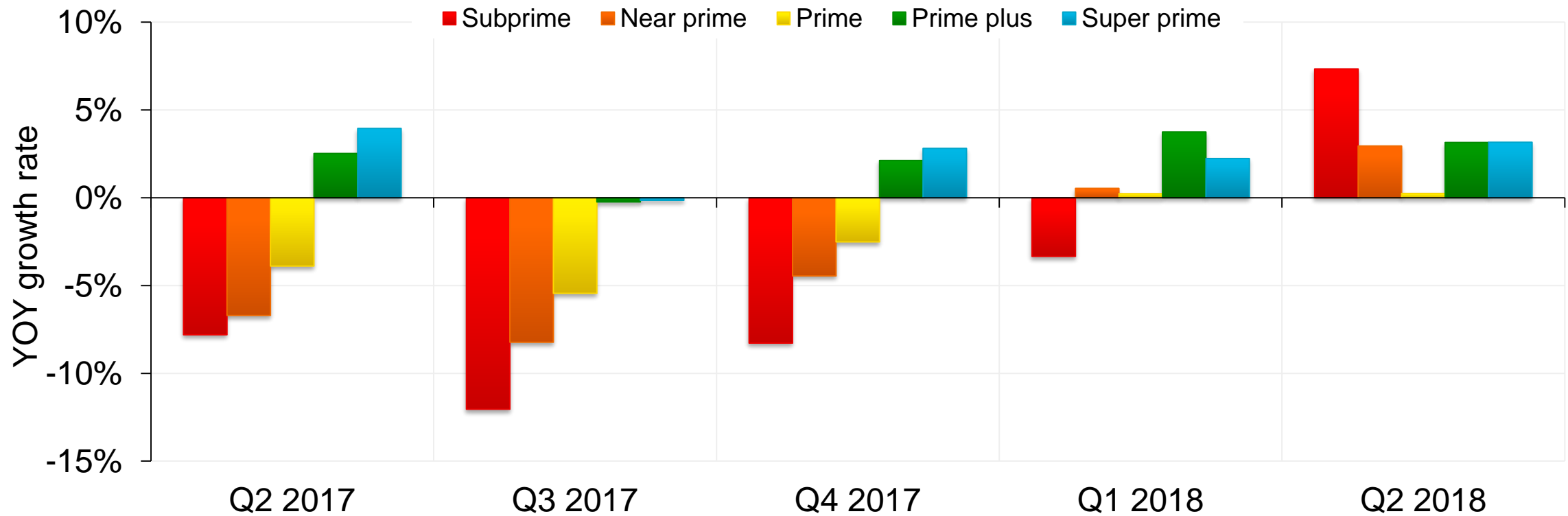
Auto balances forecasted to grow 6.4% through 2019

Forecasted Outstanding Auto Balances



Auto originations saw growth for a second quarter

Auto Origination Growth



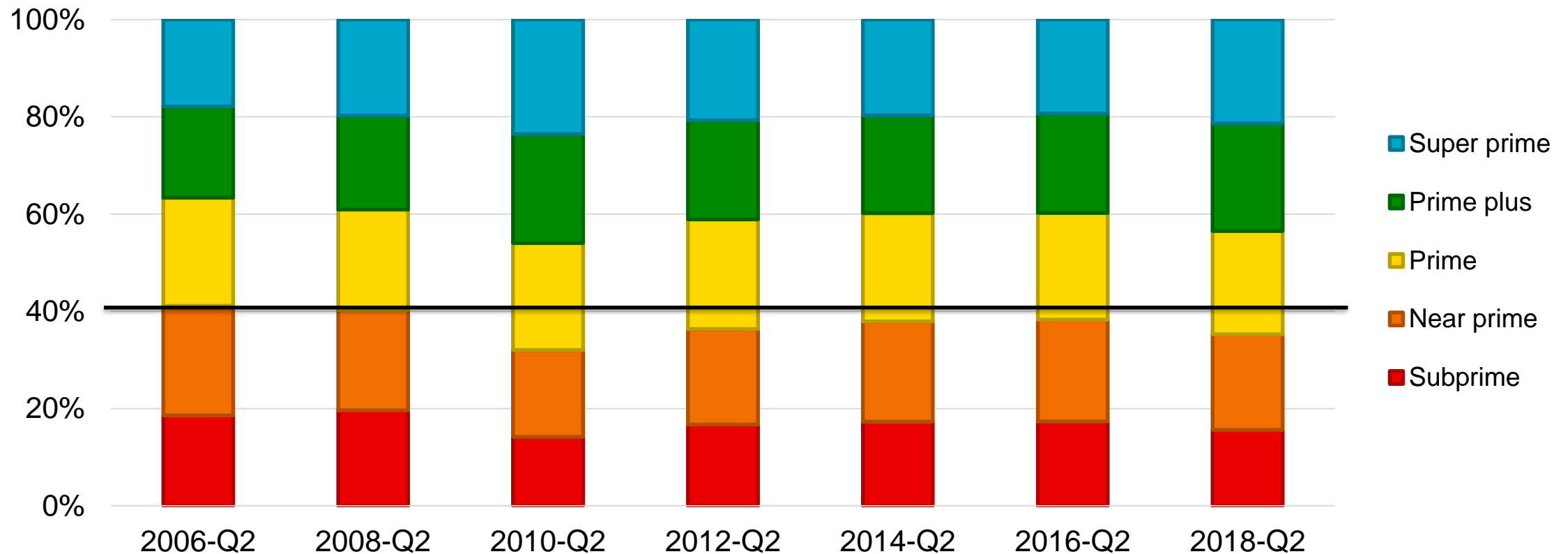
VantageScore® 3.0 risk ranges

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Source: TransUnion consumer database

Recent subprime growth didn't strongly shift the origination mix

Risk Distribution of Auto Originations



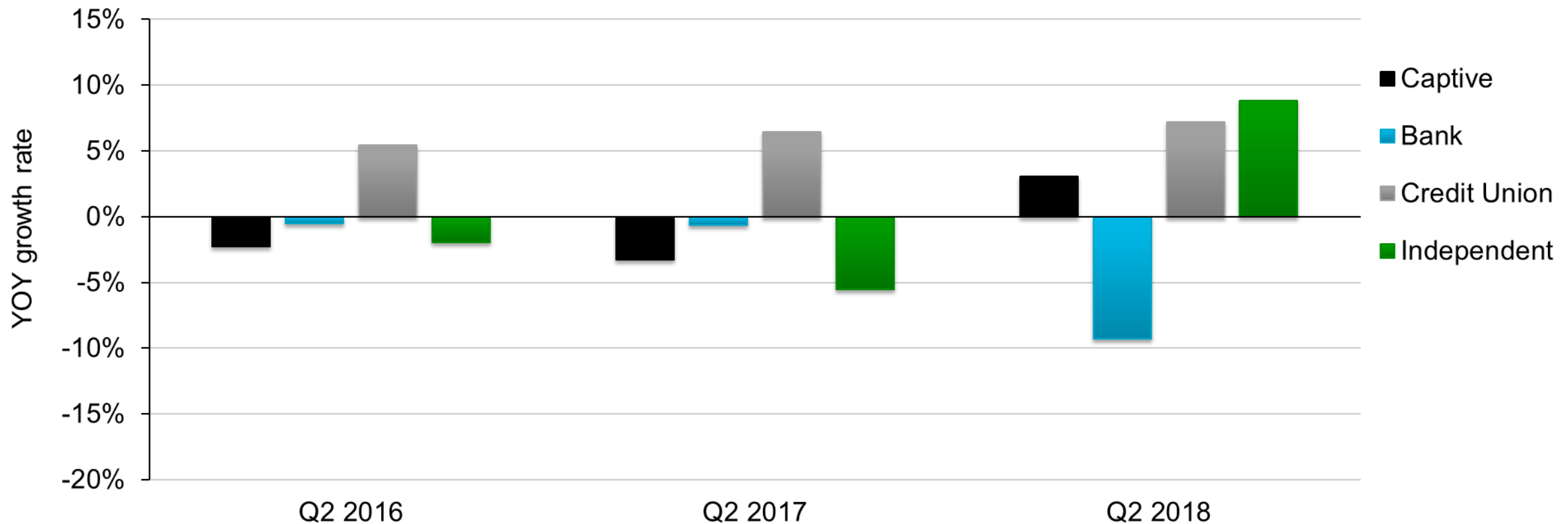
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While most lenders slowed originations, credit unions continued to originate new auto loans

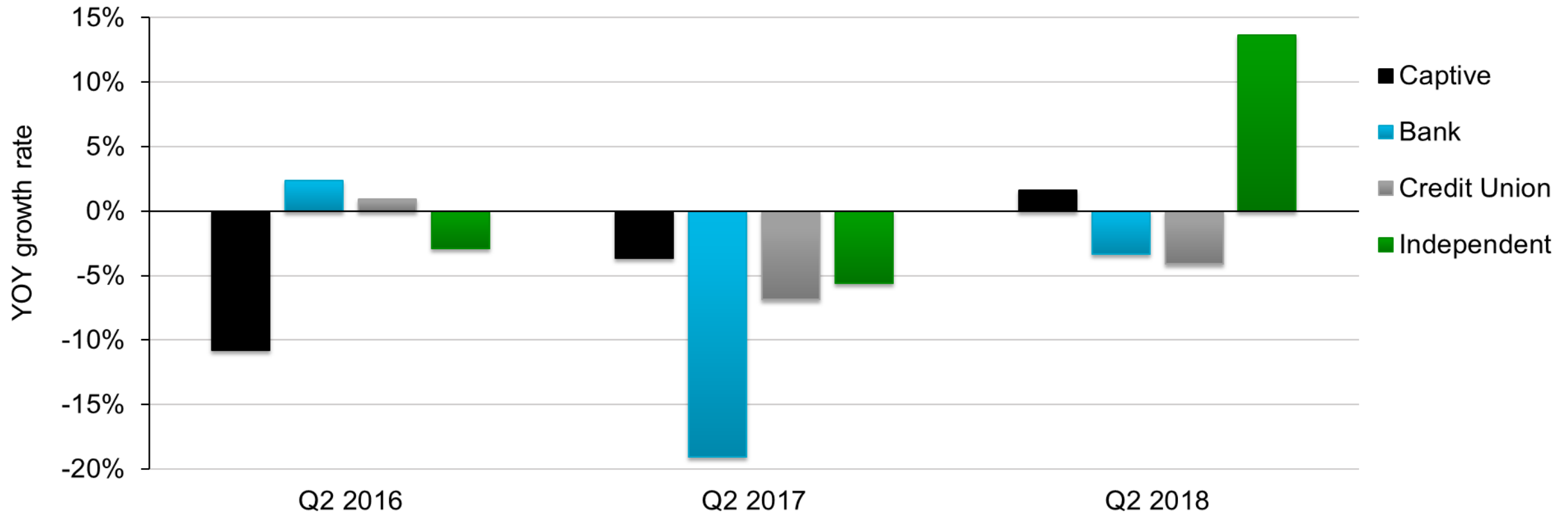


Auto Loan & Lease Originations



Independents drove subprime growth in the second quarter

Subprime Auto Loan & Lease Originations

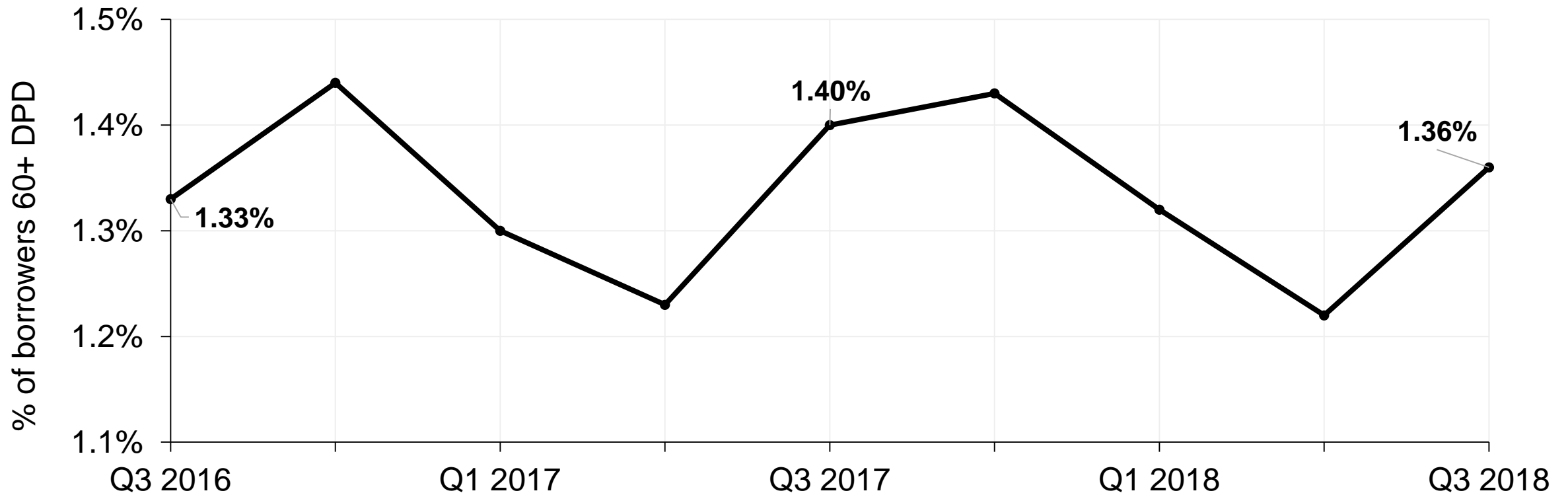


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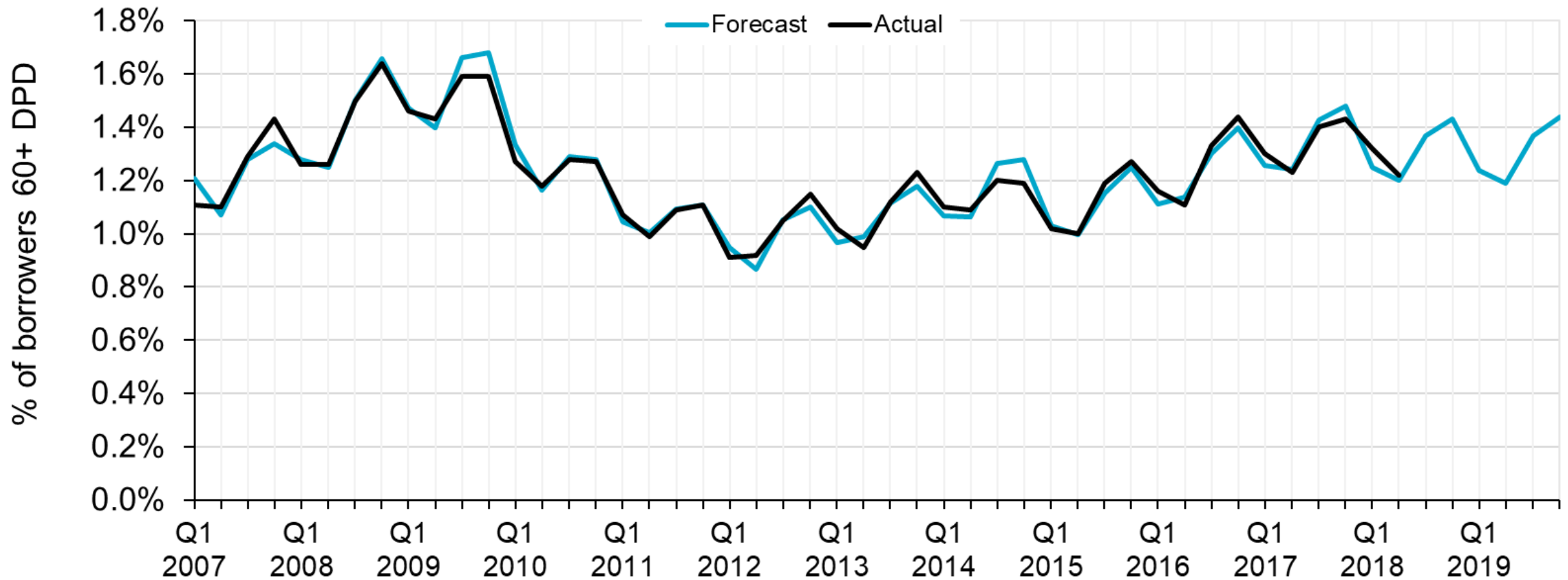
Auto delinquency rates showed improvement

Auto Delinquency



Auto delinquency rates forecasted to remain stable

Forecasted Auto Delinquency



In summary

Auto lending has begun to rebound following pullback in 2016 and 2017

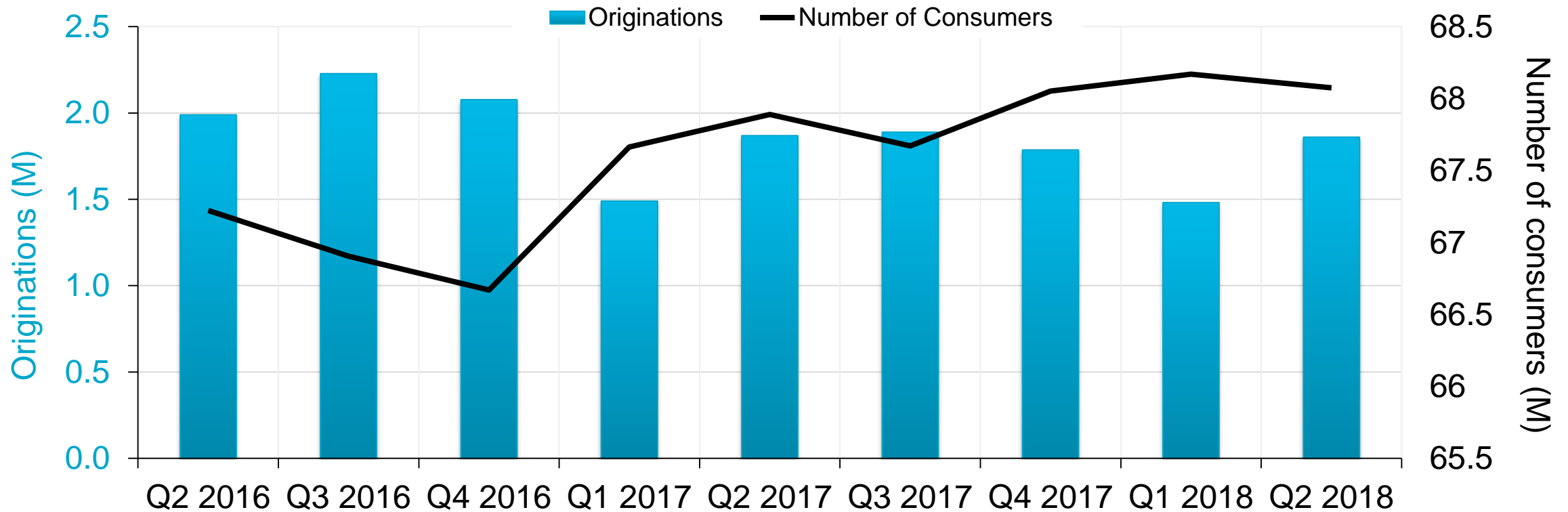
Performance has remained relatively steady over the past three years

Auto origination growth may be limited due to affordability but the industry will continue to see growth

Real Estate Lending

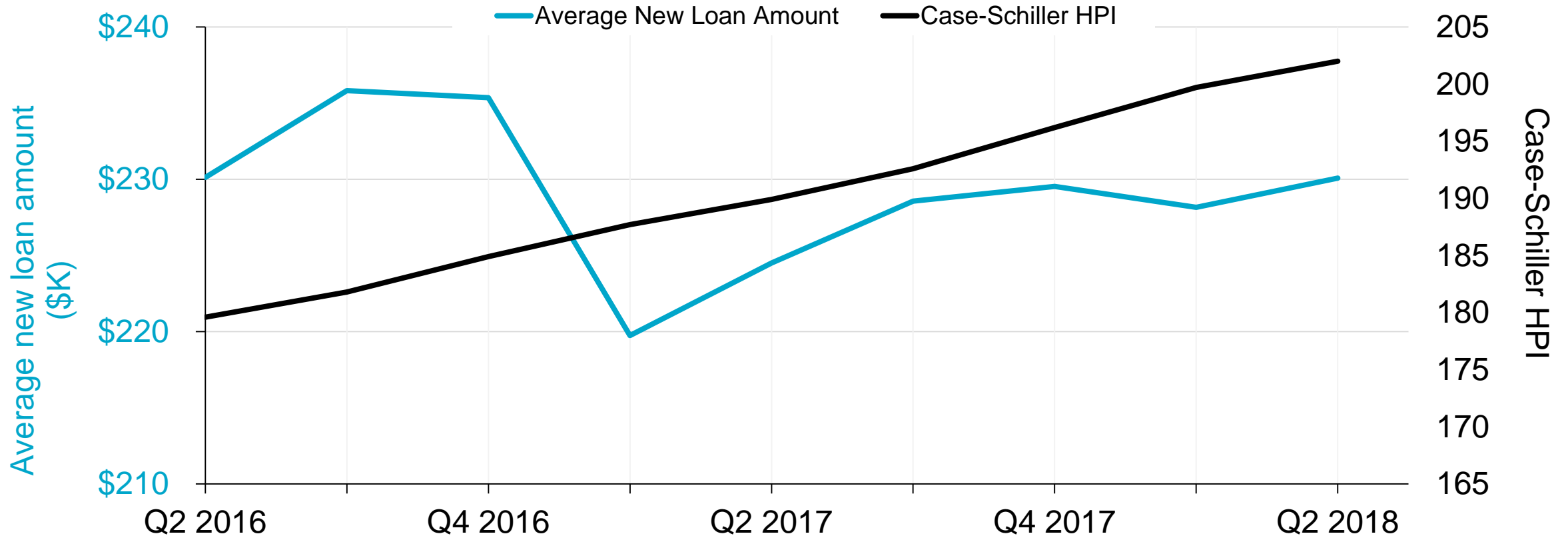
Mortgage saw limited growth in 2018

Mortgage Growth



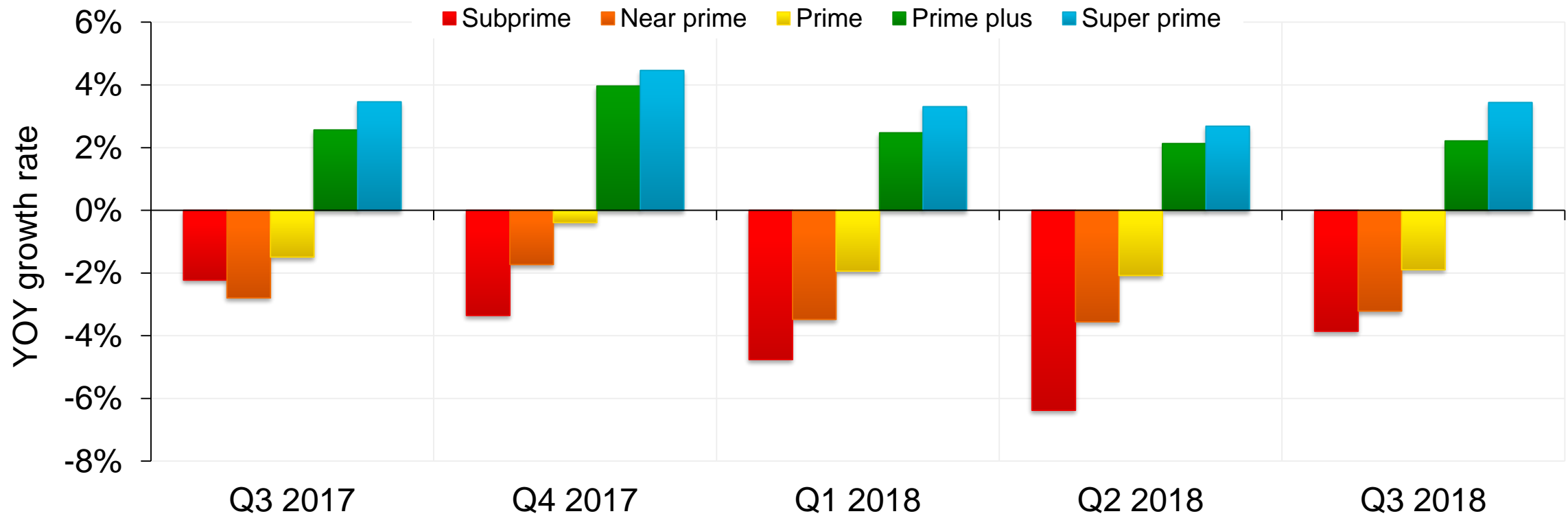
Home prices are outpacing average originating balances

Home Prices vs. New Mortgage Values



Mortgage growth entirely driven by above prime consumers

Mortgage Consumer Growth

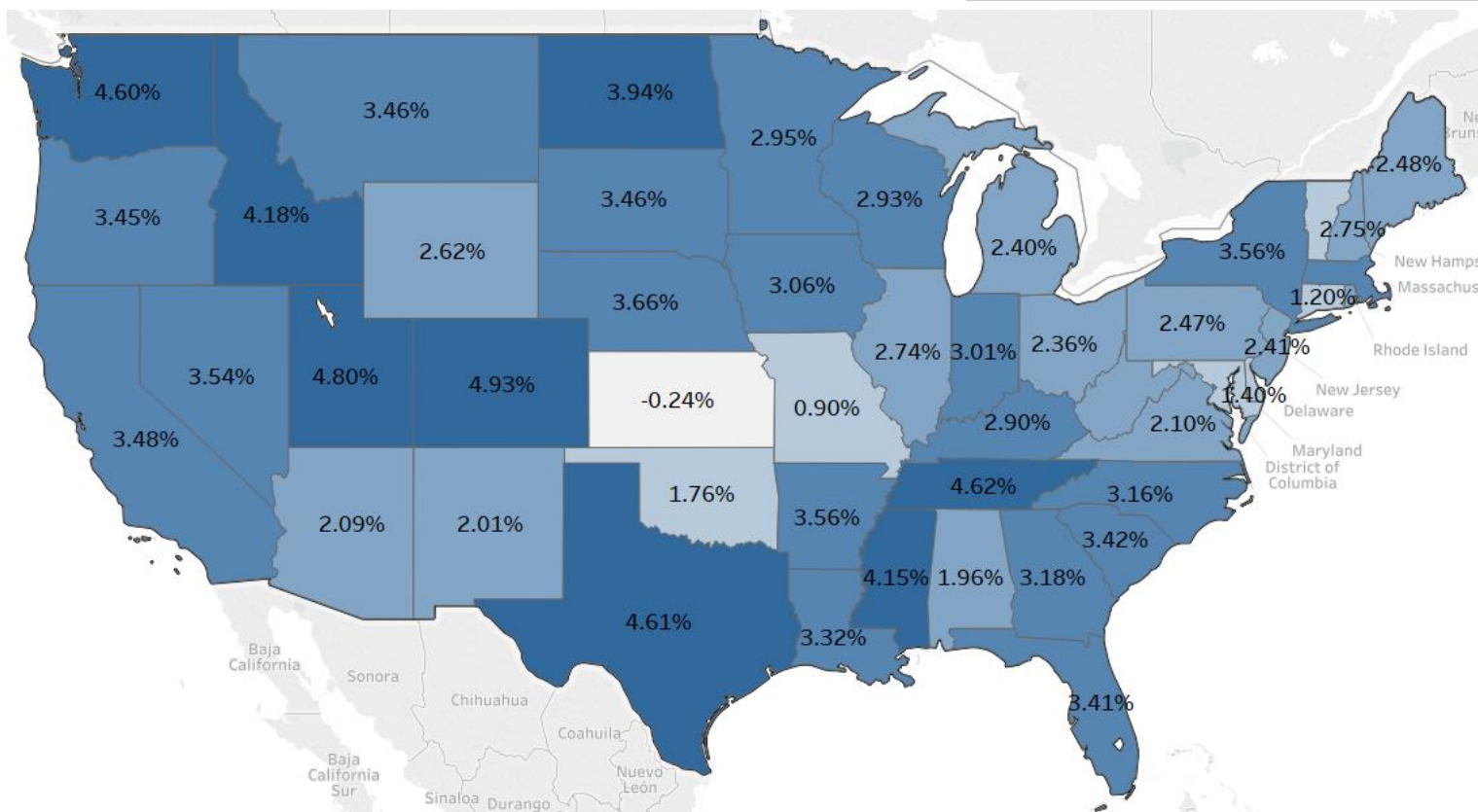


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Average mortgage balances grew around 3% in Q3 2018

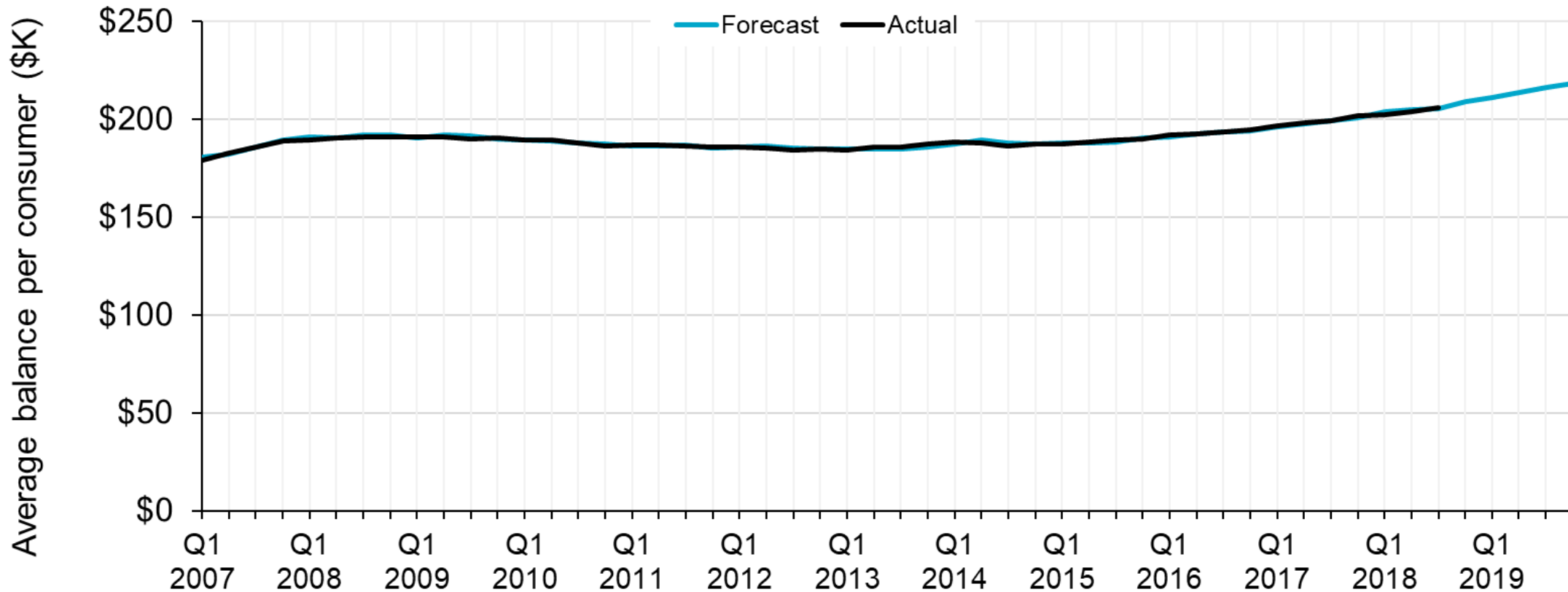
YOY Change in Consumers' Average Balances



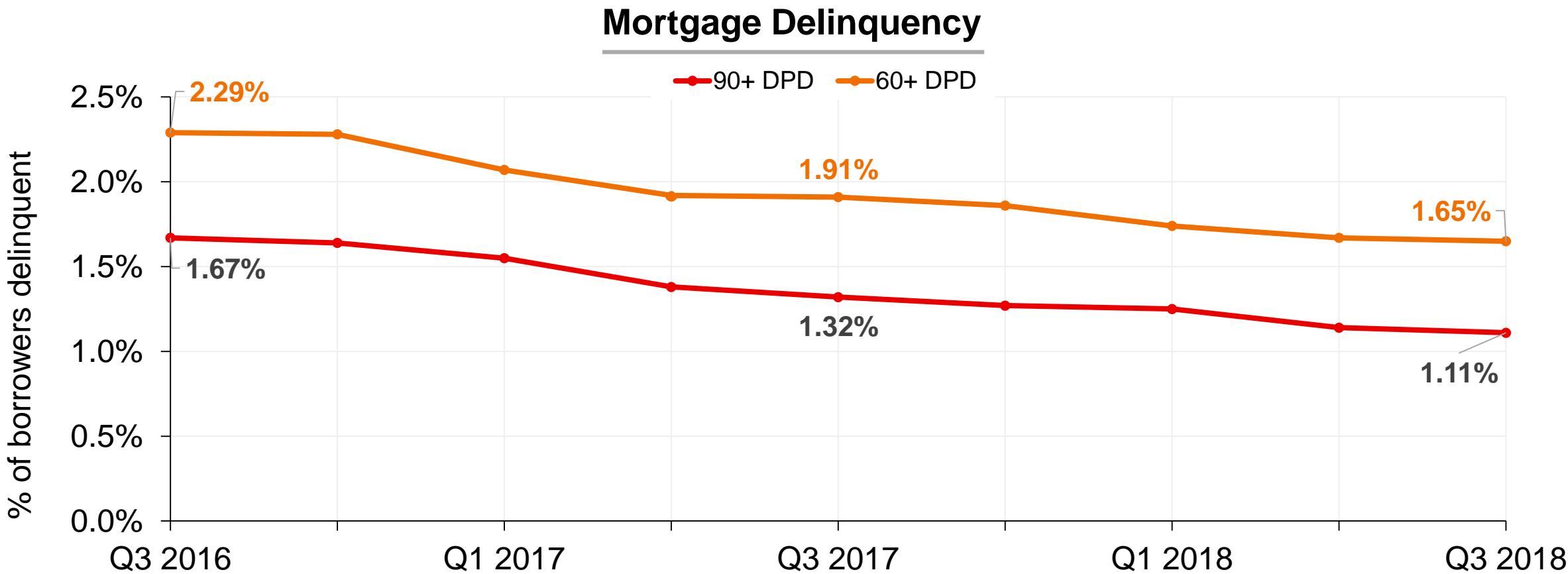
Top 5 MSAs	YOY change in average balance
New York-Northern New Jersey-Long Island, NY-NJ-PA	3.3%
Los Angeles-Long Beach-Santa Ana, CA	3.8%
Chicago-Naperville-Joliet, IL-IN-WI	2.2%
Washington-Arlington-Alexandria, DC-VA-MD-WV	3.6%
San Francisco-Oakland-Fremont, CA	4.2%

Average consumer balances expected to continue to climb

Forecasted Average Mortgage Balance per Consumer

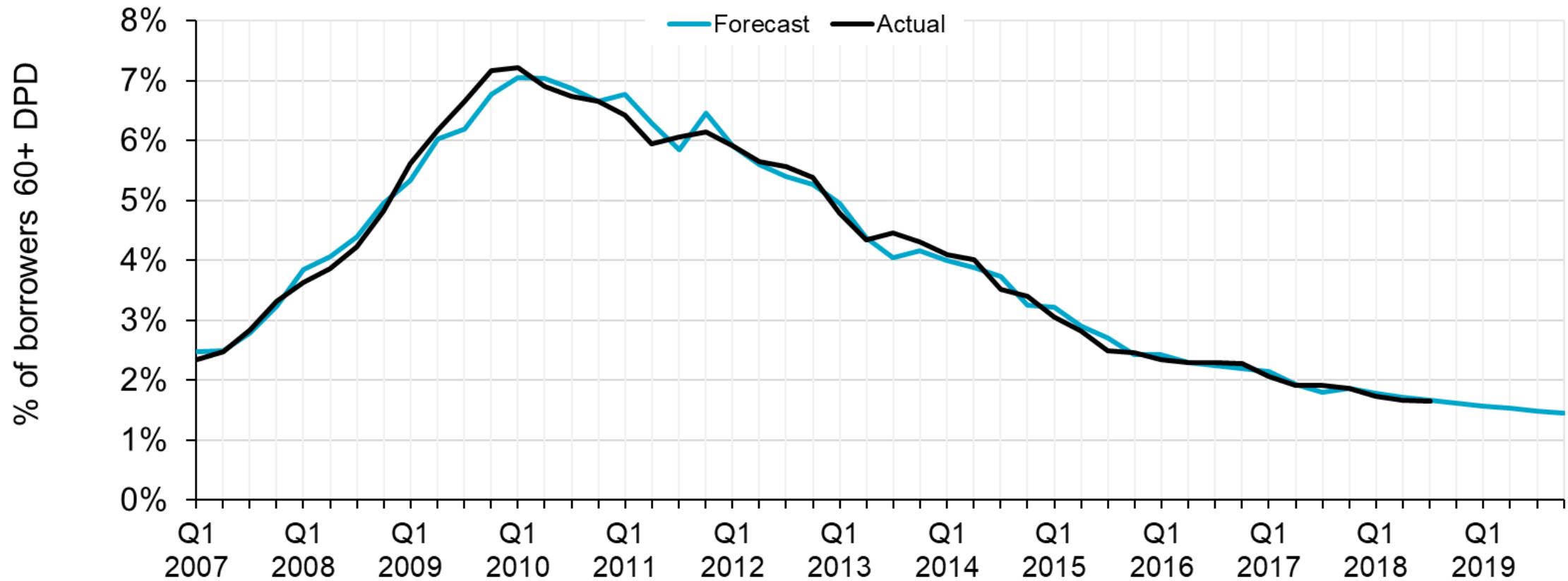


Mortgage delinquency continued to historic lows



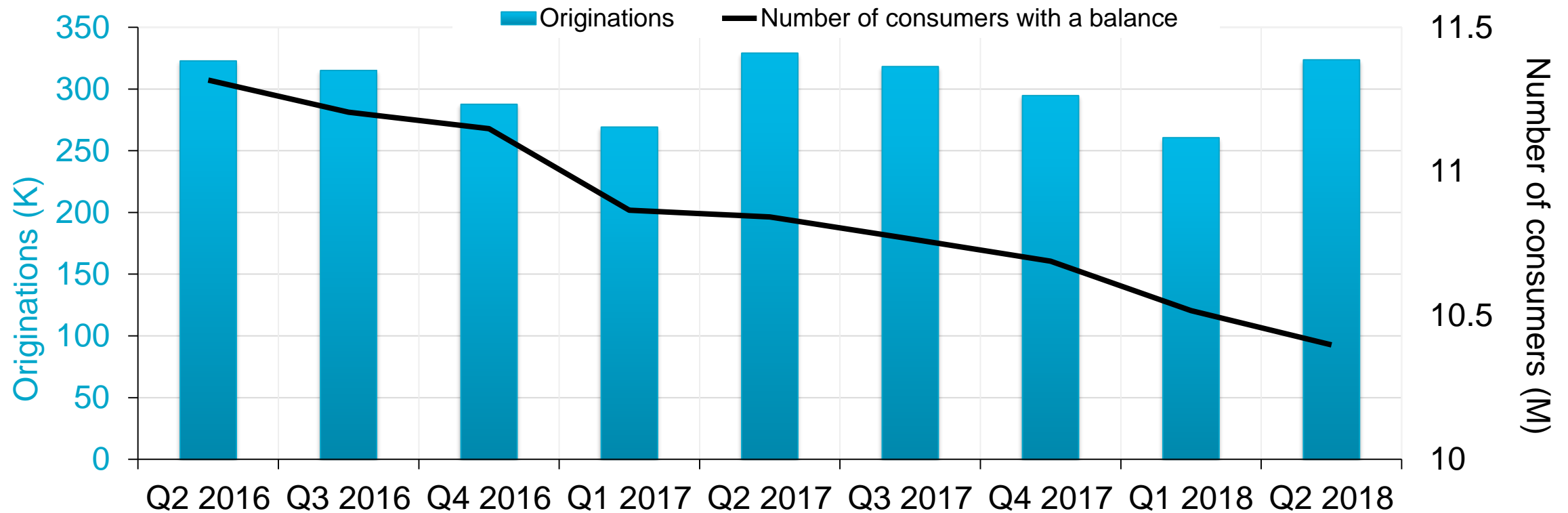
Mortgage delinquency expected to reach record lows

Forecasted Mortgage Delinquency



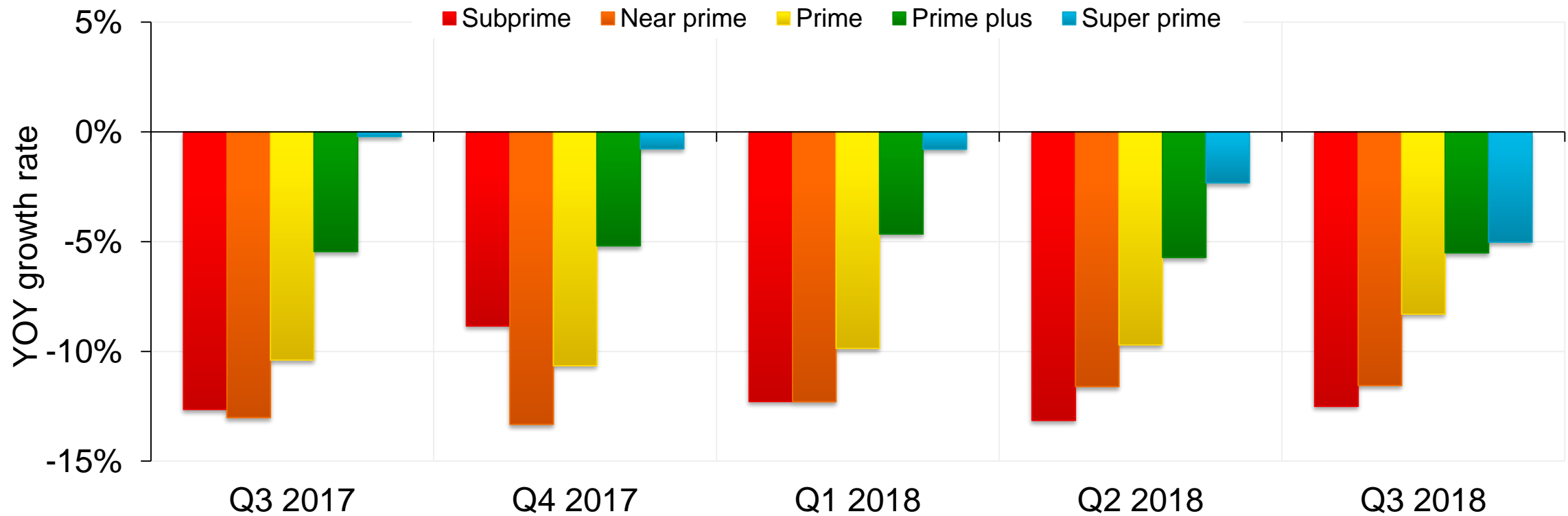
HELOC originations remain stagnant

HELOC Consumer Growth



HELOC balances continue to decline post recession

HELOC Balance Growth

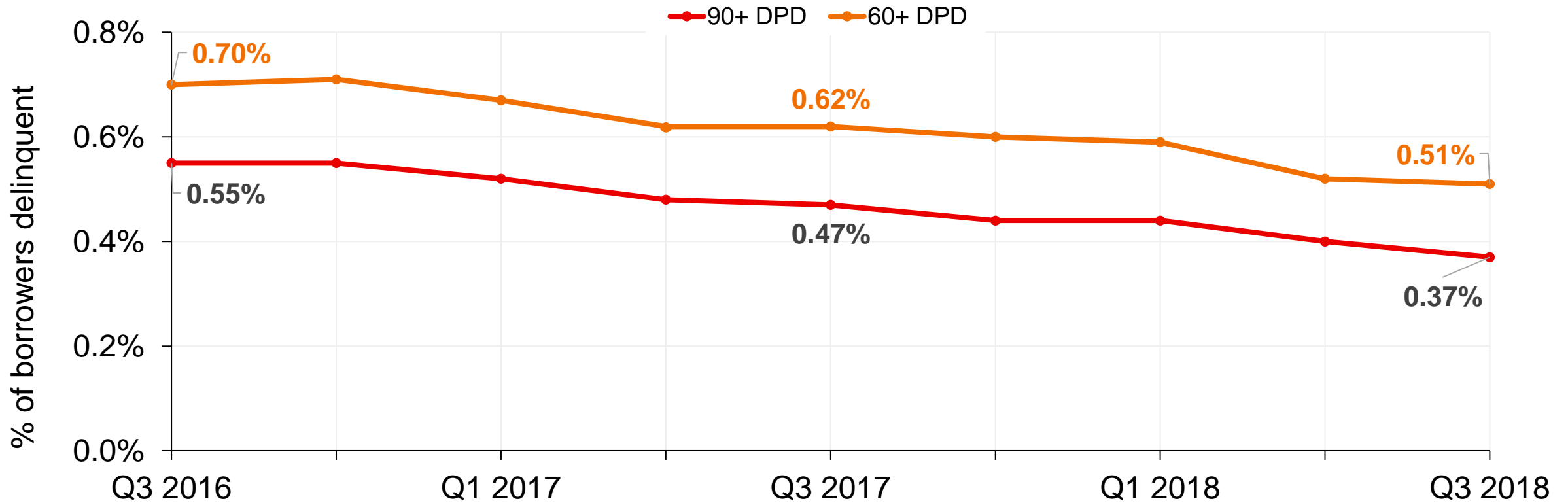


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HELOC delinquency remains virtually non-existent

HELOC Delinquency



In summary

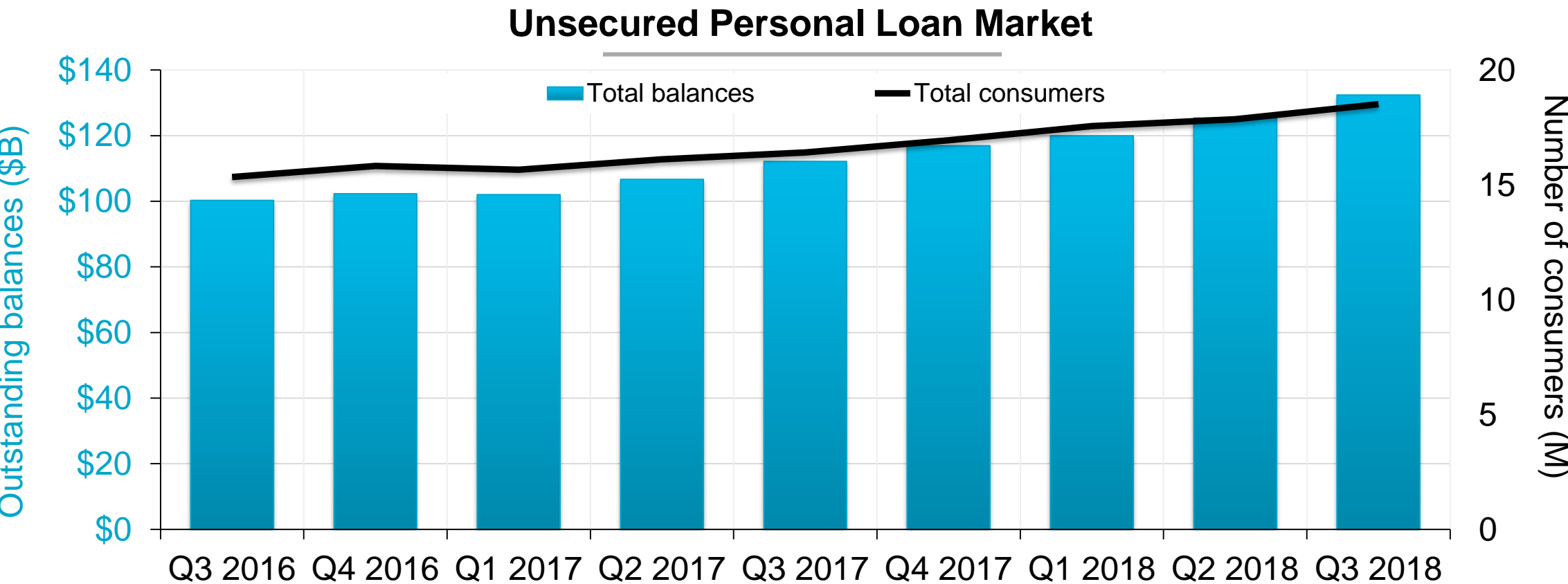
Mortgages continue to soften as originations slow and the cost of home ownership continues to rise

In spite of increasing home equity, the HELOC market continues to shrink due to the pay down of older vintages

Serious delinquencies are forecasted to continue their downward trend in the real estate markets

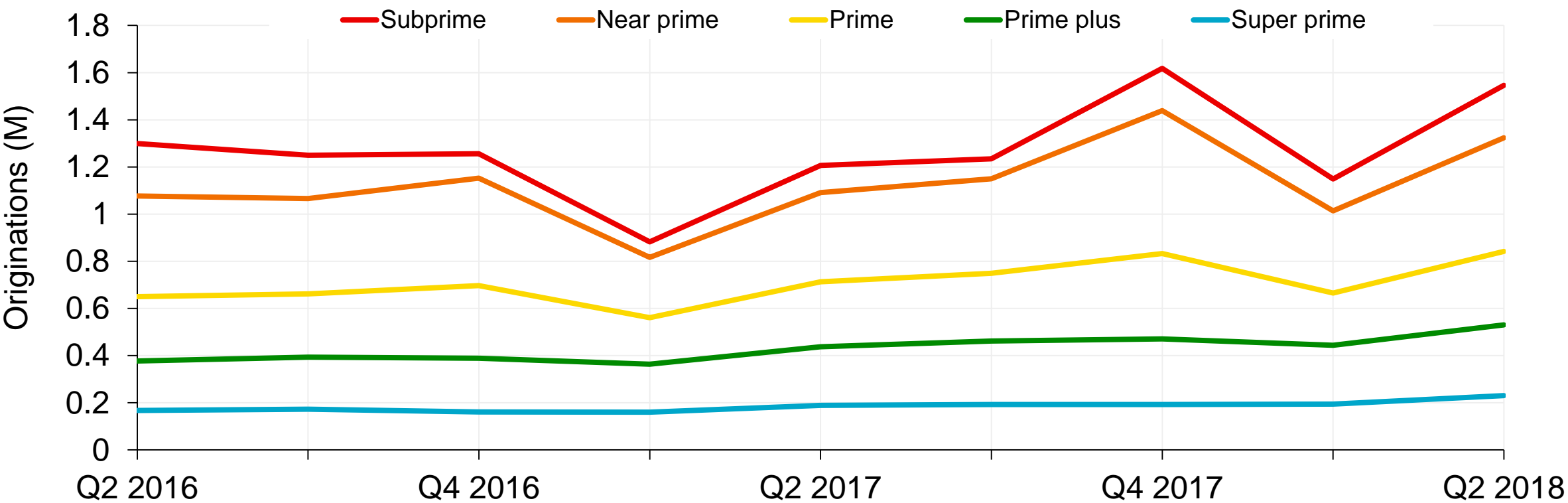
Unsecured Personal Installment Loans

Unsecured personal loans take on a new high



Record 4.5 million unsecured loan originations in Q2 2018

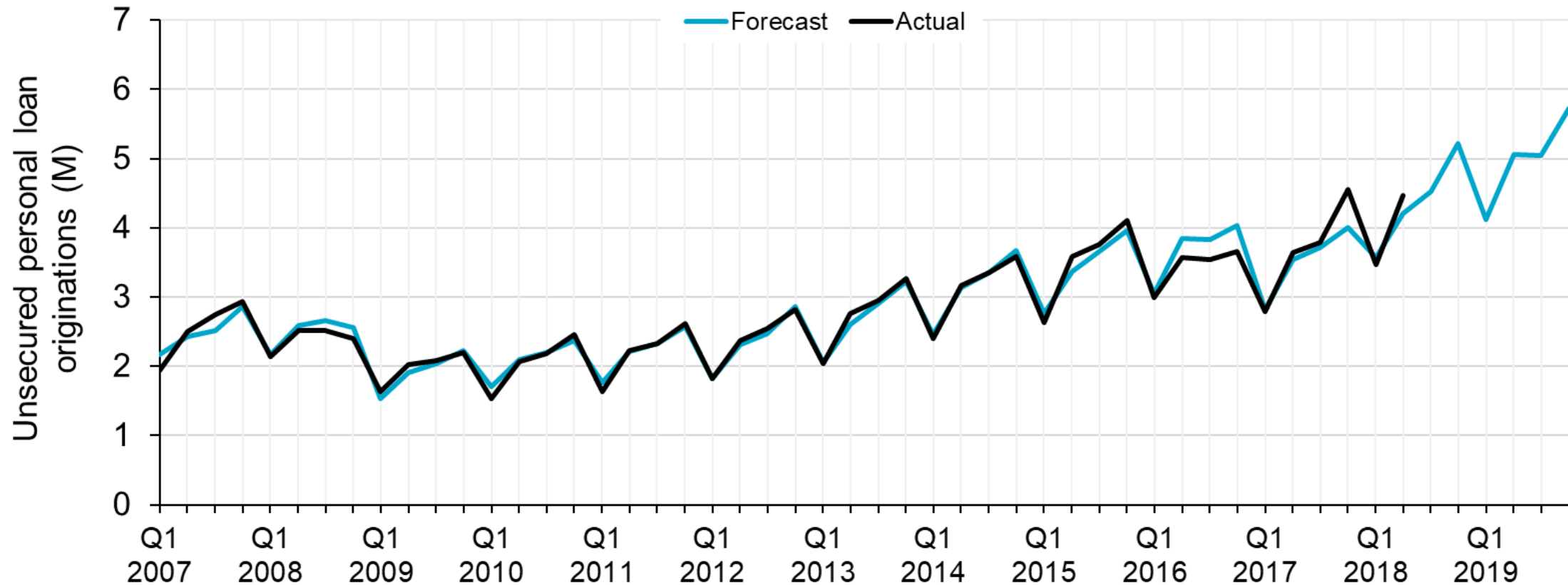
Unsecured Personal Loan Originations



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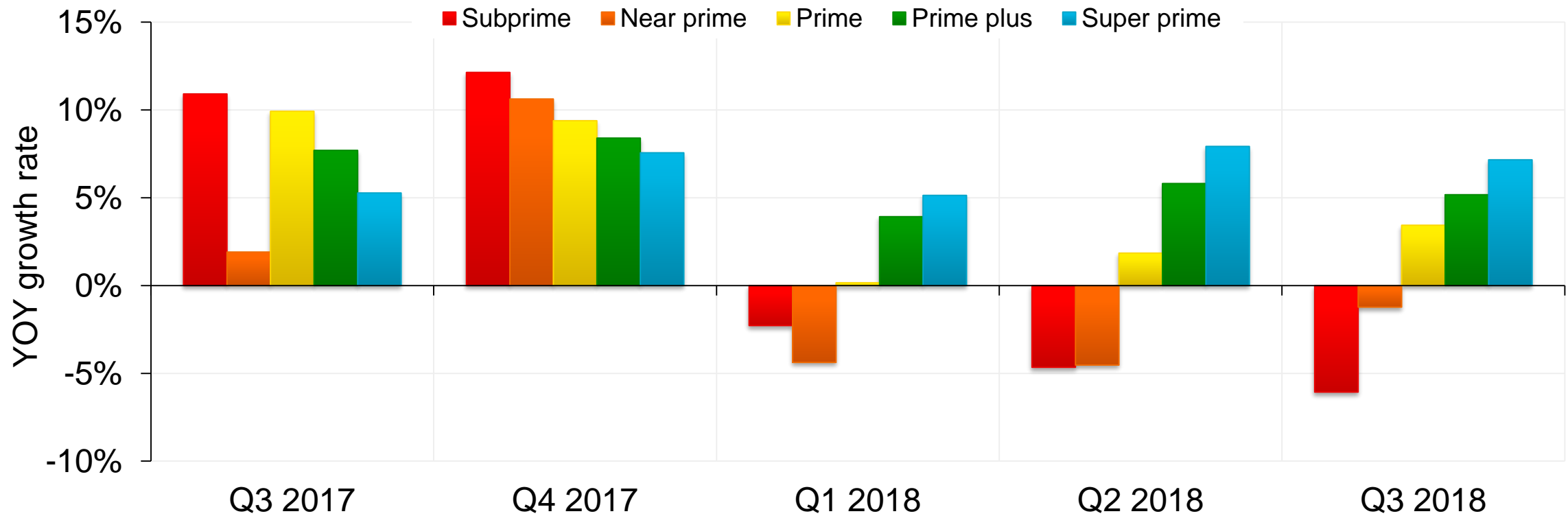
Personal loan growth expected to continue into next year

Forecasted Unsecured Personal Loan Originations



Average new loan amounts up due to growth in above prime

Average New Personal Loan Balance Growth



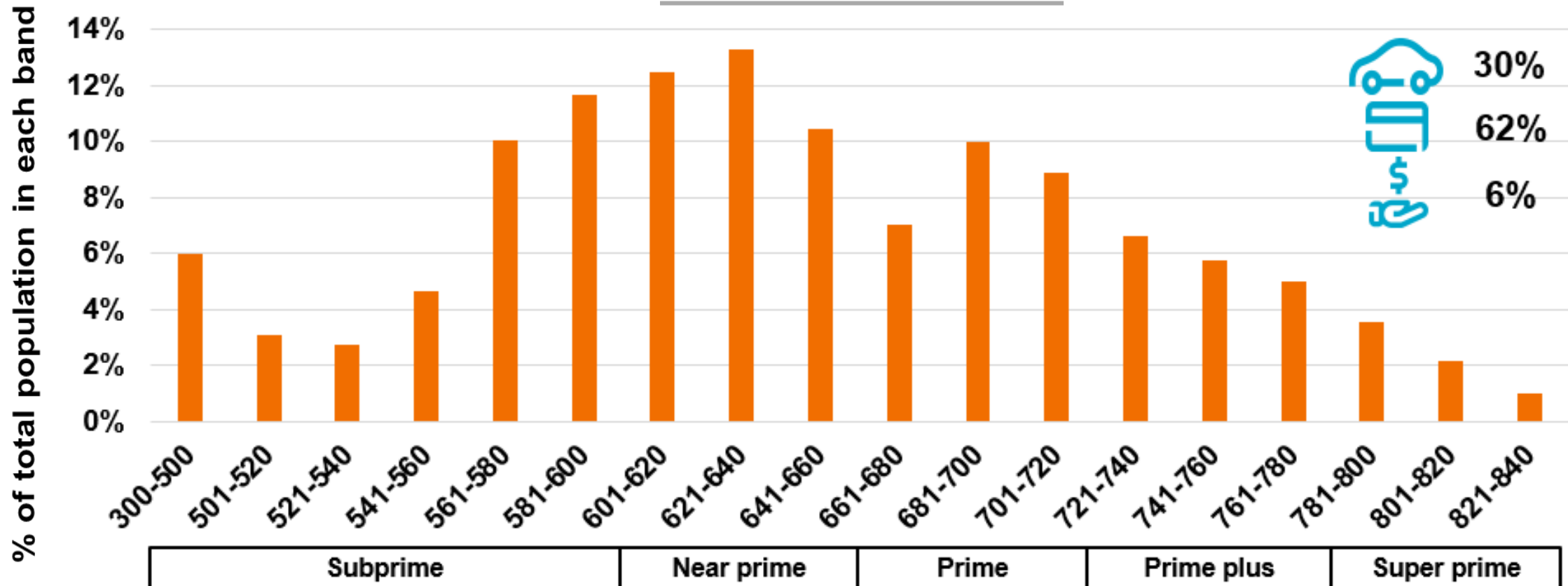
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Further opportunity for growth exists in the personal loan market

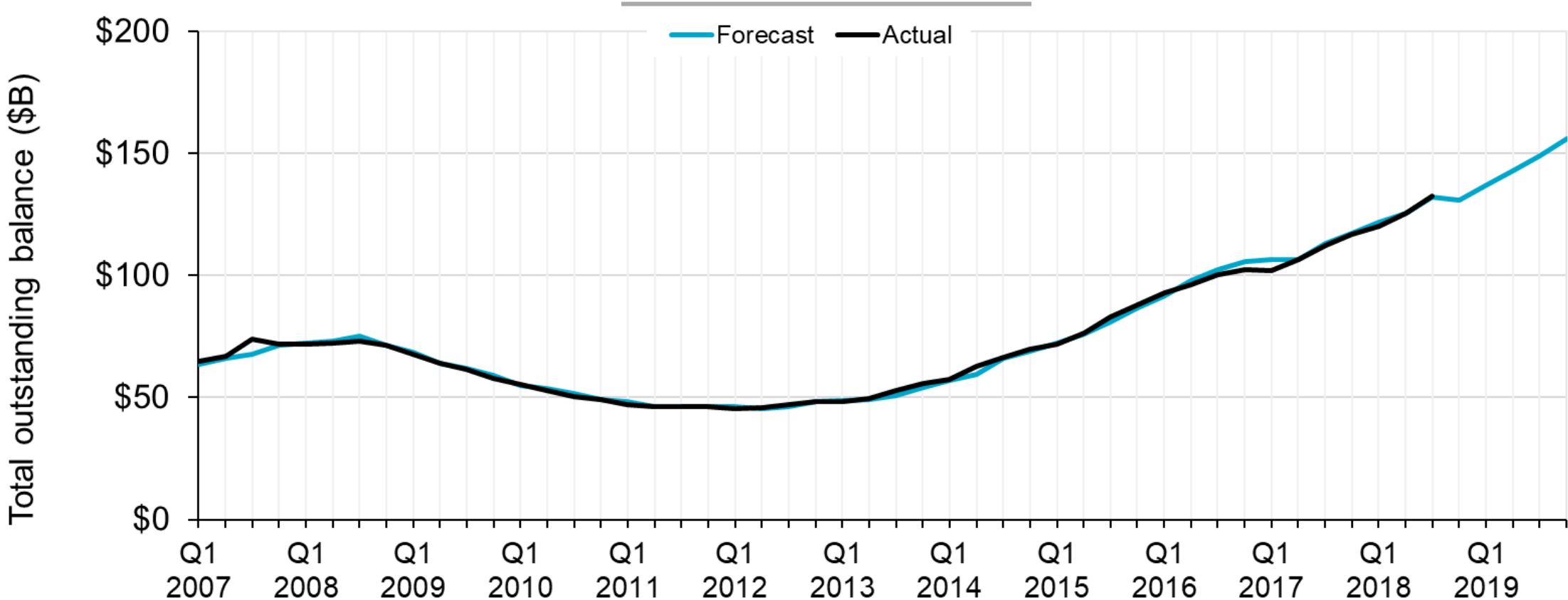


Unsecured Personal Loan Penetration



Total balances expected to continue to record high in 2019

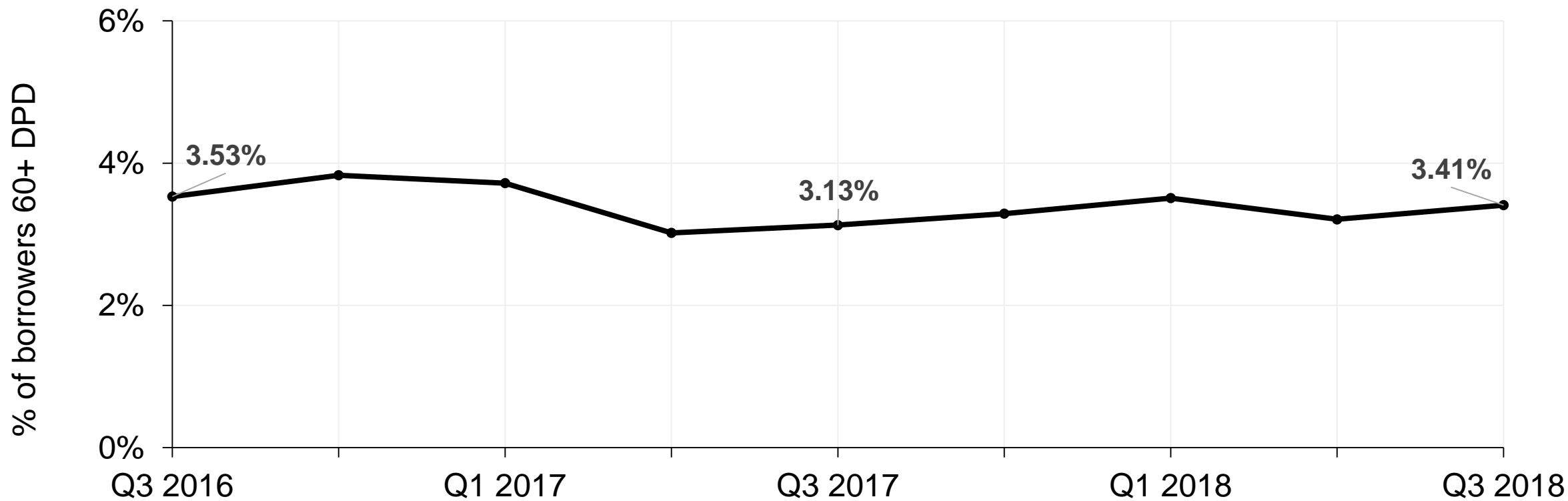
Forecasted Outstanding Personal Loan Balances





Upticks in personal loan delinquency are acceptable

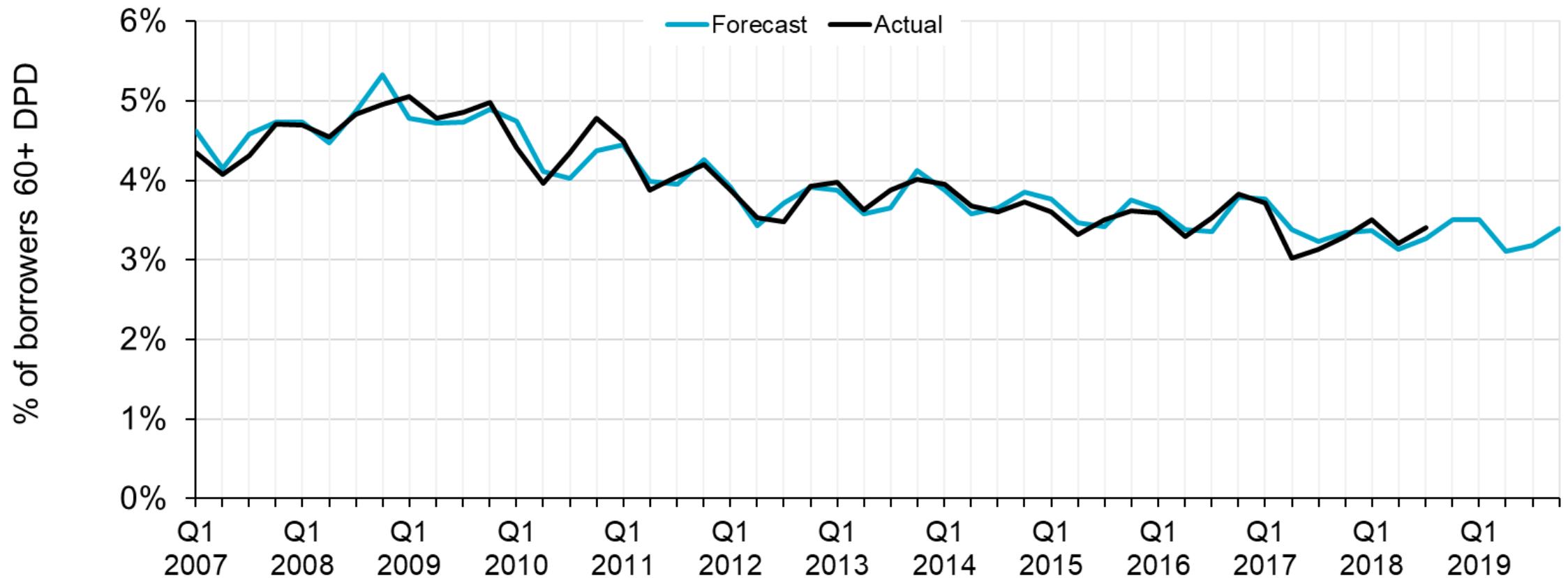
Unsecured Personal Loan Delinquency



Above prime share will keep overall delinquency from worsening



Forecasted Unsecured Personal Loan Delinquency



In summary

Personal loans have reemerged as a staple of the American consumer's financial portfolio

Recent double-digit growth rates are due to suppressed growth last year compounded with a growing interest in the product

The number of consumers with a personal loan will continue to grow in 2019, potentially outpacing recent balance growth