



INDUSTRY INSIGHTS

Credit union market perspectives report

Q3 2023

Agenda

1. Summary of industry metrics
2. Emerging market trends
3. Consumer-level insights
4. Market-level insights



Summary of industry metrics



Summary of consumer credit industry metrics

Q2 2023	Origination Growth [†] (% YOY)	Balance Growth (% YOY)	Delinquency Rate [‡] (Point-in-Time)
Bankcard	+0.3%	+17.4%	1.71%
Auto	-9.4%	+5.8%	1.46%
Mortgage	-58.5%	+4.3%	0.51%
HELOC	-13.7%	+8.4%	0.56%
HELoan	+18.0%	+24.0%	0.57%
Personal Loan	-15.5%	+21.1%	2.14%

Source: TransUnion Credit Industry Insights Report; Q2 2023

† - Originations measured as YOY Growth Rate, Q1 2023

‡ - 90+DPD balance-level delinquency reflected for bankcard, mortgage ,HELOC and HELoan. All other products reflect a 60+DPD balance-level delinquency rate.



Emerging market trends



49% of consumers with student loans will have \$0 or less in excess monthly liquidity with the reinstatement of student loan payments

Expected student loan payment shock by mortgage holder status

Expected Payment Shock, by Mortgage Holder Status¹

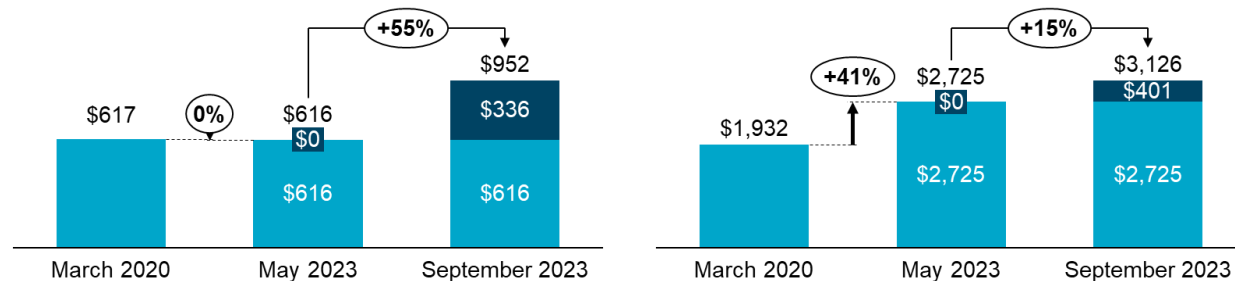
■ Student Loan Shock ■ Existing Payments

Non-Mortgage Holders

75% of Consumers, 61% of Balances

Mortgage Holders

25% of Consumers, 39% of Balances



1. Existing Payments is inclusive of private student loans or federal student loans not in forbearance

Market situation

- 26.8M consumers will be required to resume or commence payments on Federal Student Loans in August 2023
- 75% of those consumers don't hold mortgages and will experience a payment shock of 55% on average
- Consumers who do have mortgages are estimated to experience an average payment shock of 15%

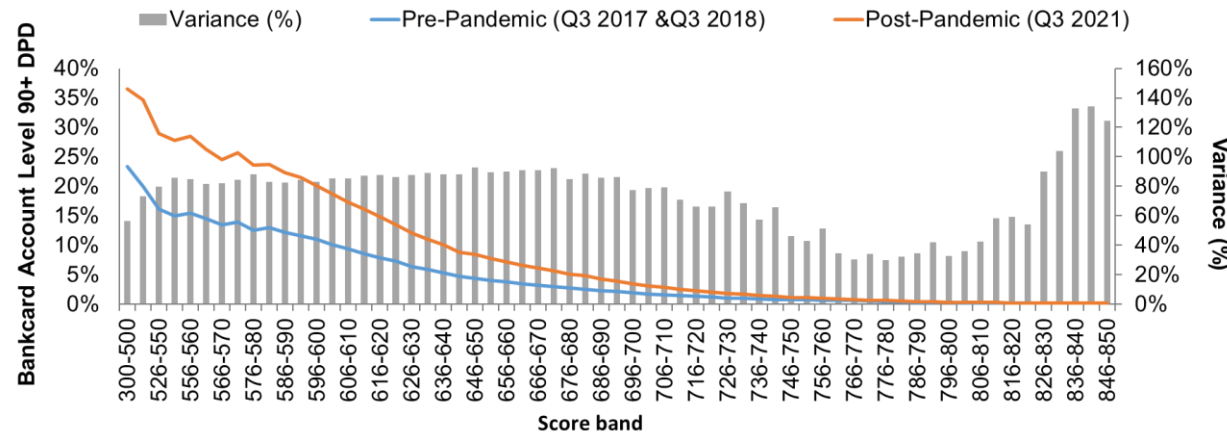
TransUnion perspective

- Nearly 50% of consumers are expected to have new payments of <\$200, while 19% are expected to have payments resume of \$500 or more
- Before the reinstatement of Federal student loan payments, roughly 22% of consumers with student loans have an average excess monthly liquidity of \$0 or less
- After Federal student loan payments are reinstated, 49% of consumers with student loans will have \$0 or less in excess monthly liquidity
- Aggregate Excess Payment algorithms represent a consumer's payments made above monthly minimums, serving as effective proxies for excess consumer liquidity
- Incorporating Aggregate Excess Payment and other liquidity attributes into underwriting criteria, marketing and ongoing portfolio management routines enables lenders to identify the highest risk consumers and apply more appropriate treatment strategies

Consumer scores have been on the rise, but performance of recent origination cohorts is deteriorating faster than pre-pandemic vintages

Performance and distribution of pre-pandemic and post-pandemic cohorts

Bad %: Bankcard Trades 90+ DPD Ever in 15 Months by VantageScore® 4.0 Credit Score



Market situation

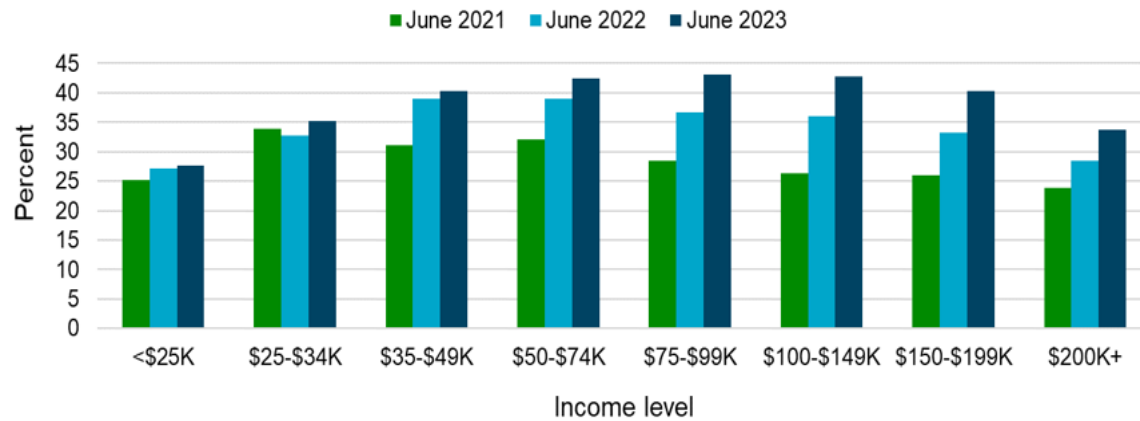
- Distributions of consumer credit scores have been on the rise since 2020, with more consumers now rated as Prime or above and fewer consumers rated as Near Prime or Subprime
- Trended scores rank order risk and predict outcomes effectively, but recent origination cohorts are performing notably worse than pre-pandemic origination cohorts

TransUnion perspective

- Pandemic-era government stimulus and lender accommodations offered unprecedented positive cash flow to consumers, resulting in significant paydowns in balances and less reliance on credit throughout 2020
- Many consumers experienced median score increases and have since acquired new debt in the form of credit cards, auto loans and new mortgage or home equity loans
- 2021 origination cohorts are performing materially worse, resulting in a negative performance shift of about 35 points (e.g., consumers with a 635 score today are performing similarly to those with a 600 score in 2019).
- Simply shifting risk tiers up by ~35 points achieves similar bad rate performance, but also results in a significant loss of high-performing opportunities
- Leveraging liquidity algorithms and other trended attributes as overlays enables lenders to isolate the riskiest consumers while approving consumers who are still performing in line with historical expectations

Growing number of consumers across income levels rely upon credit cards to meet their spending needs

US households relying upon credit cards to meet spending needs



Market situation

- Regardless of income level, consumers are depending more on their credit cards to meet spending needs
- This trend has mostly continued to increase year over year, driven primarily by inflationary pressures that consumers continue to face even though inflation pressures have started to decline

TransUnion perspective

- Even though inflation has started to show signs of cooling, pricing related to consumer goods and services will likely stay elevated, or take longer to reflect inflationary environment changes
- Low unemployment has contributed to consumer confidence equating to more spending in a rising interest rate environment
- Consumers will likely seek debt consolidation loans to help reduce the burden caused by the historically high interest rates
- Lenders should implement attributes that identify consumer liquidity issues into regular (monthly or quarterly) account reviews to stay ahead of potential credit risk degradations of loan portfolios

Source: Census Bureau Household Pulse Survey and Oxford Economics



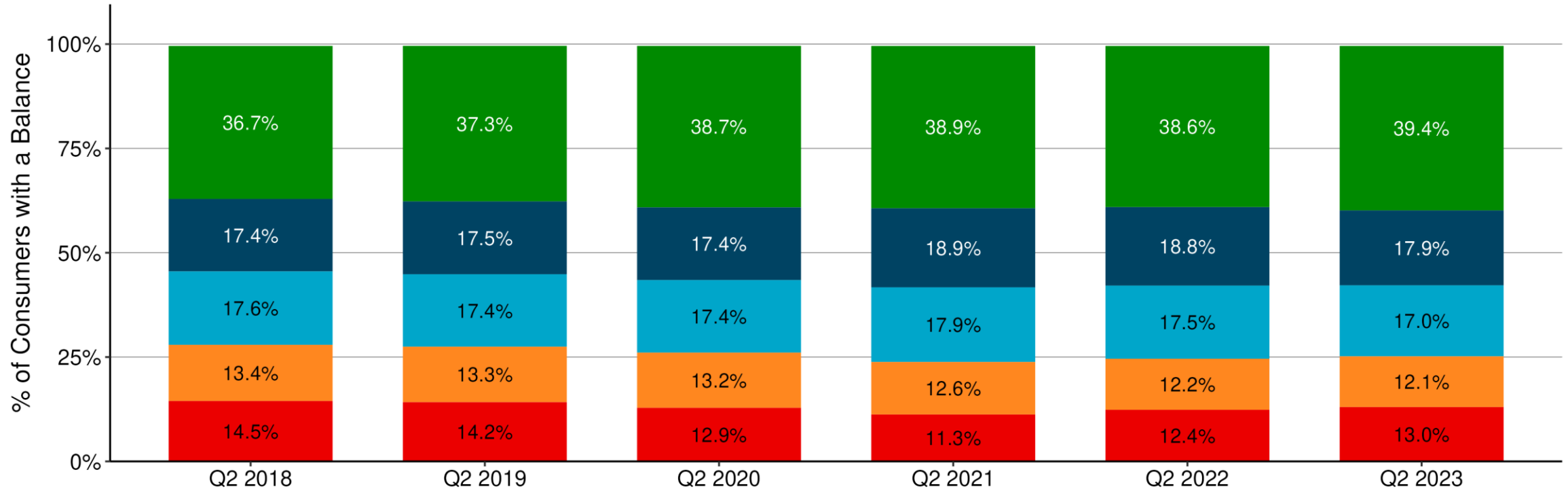
Consumer-level insights



Most tiers experienced a slight decrease, while the super prime distribution increased in Q2

Consumer Risk Distribution

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



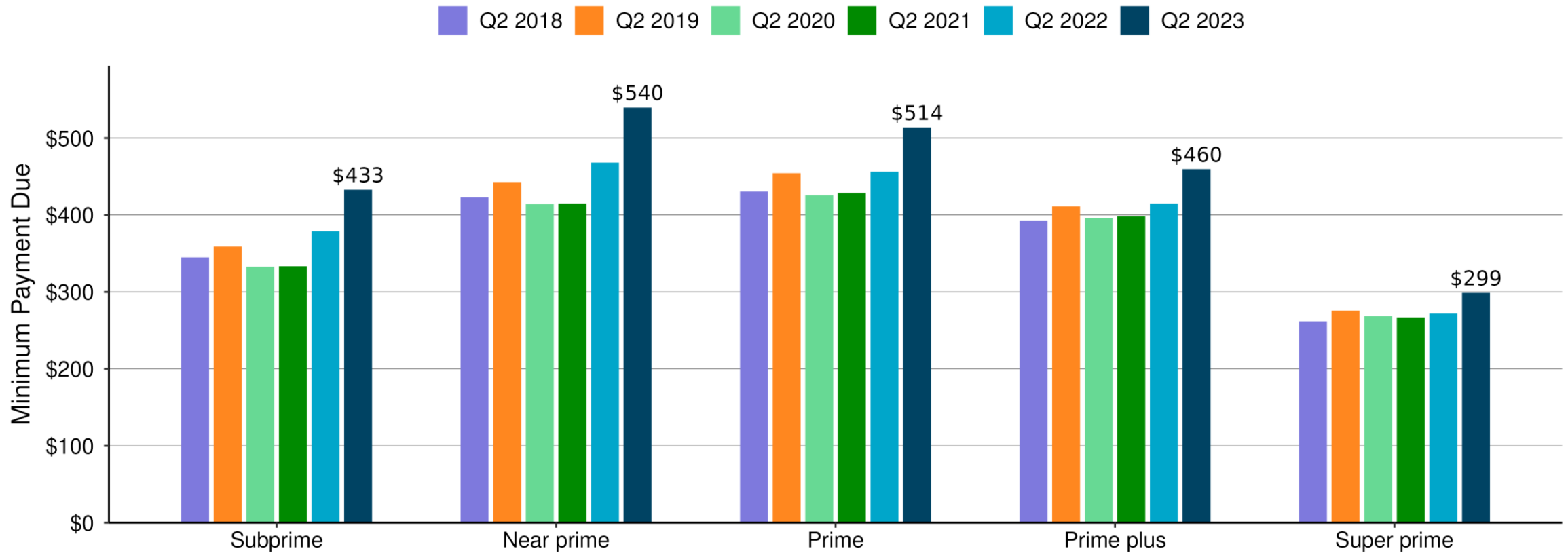
VantageScore® 4.0 risk ranges
 Subprime = 300–600; Near prime = 601-660; Prime = 661-720; Prime plus = 721-780; Super prime = 781-850

Source: TransUnion U.S. consumer credit database



Non-mortgage balance growth has translated into higher minimum payment due obligations across the risk spectrum

Average Non-mortgage Minimum Payment Due per Consumer with a Balance, by Risk Tier



VantageScore® 4.0 risk ranges

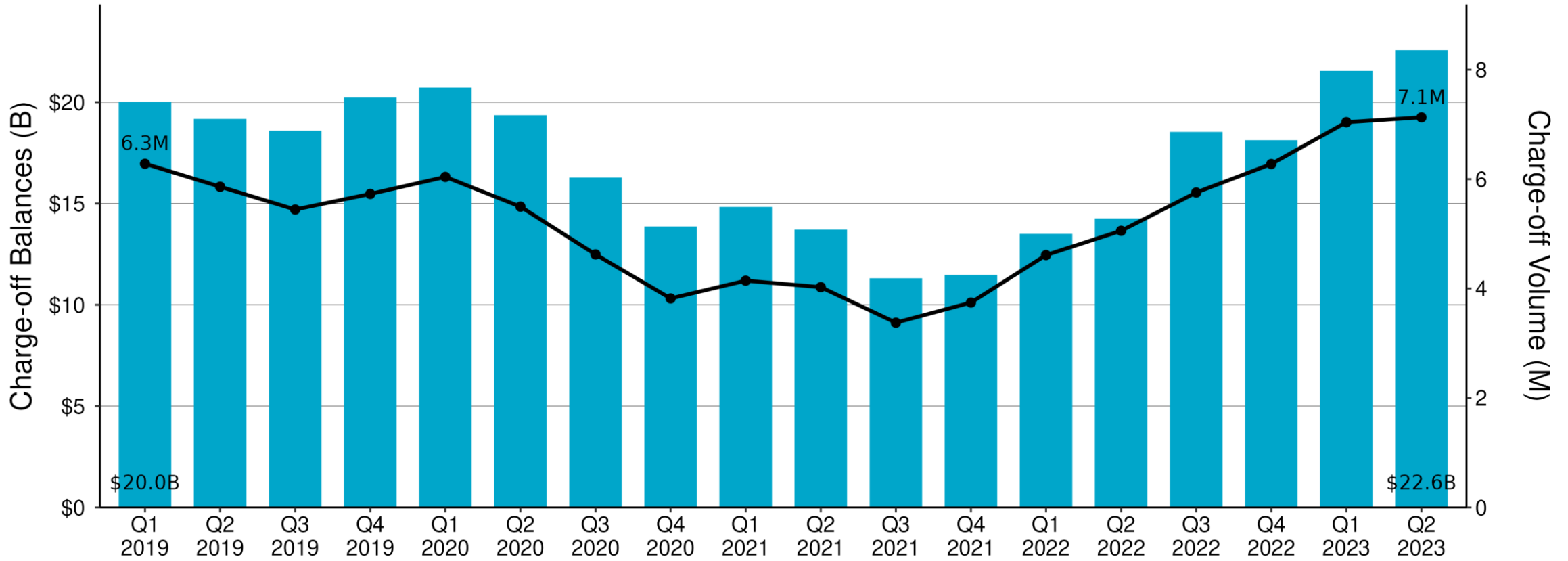
Subprime = 300–600; Near prime = 601-660; Prime = 661-720; Prime plus = 721-780; Super prime = 781-850

Source: TransUnion U.S. consumer credit database



Increase in serious delinquency rates has led to higher charge-off volumes

Total Volume and Balances of Accounts Entering Charge-off



Source: TransUnion US consumer credit database





Market-level insights

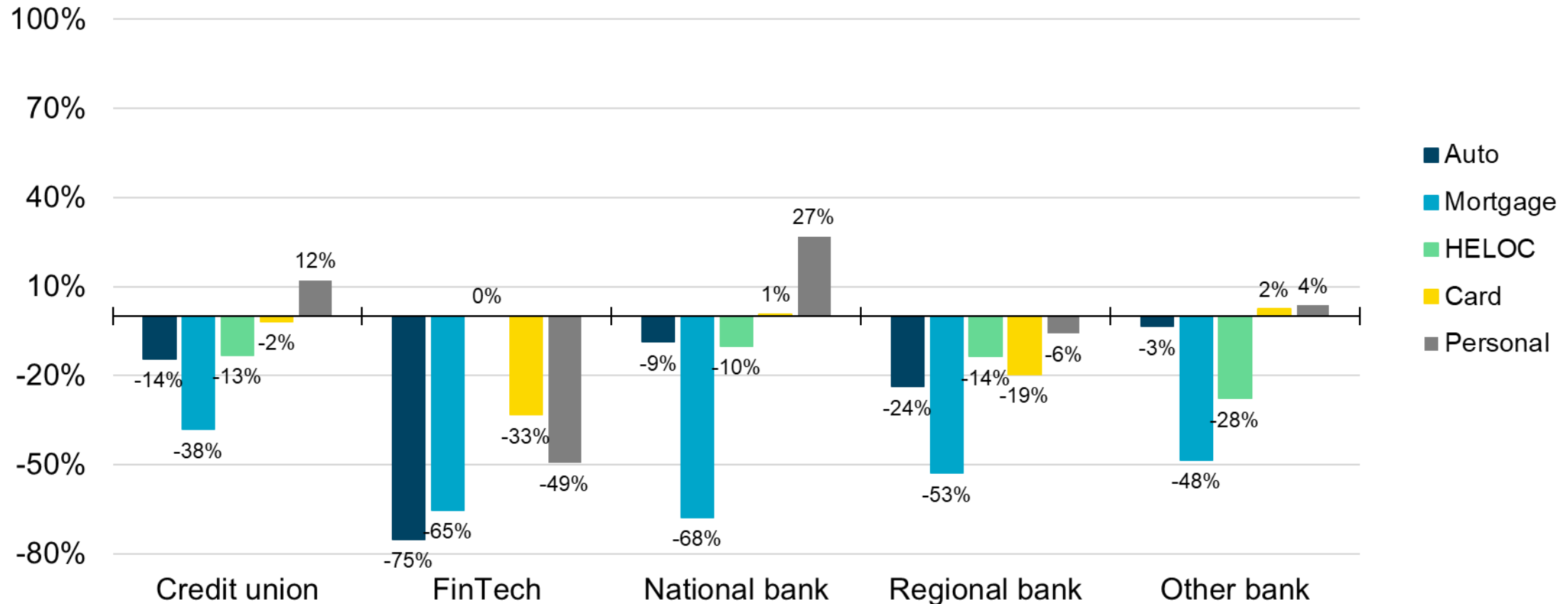


Business

Commodities
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News
Long ha
for Tesco
Company
has sales
spiral but
profits fall
global crisis, warns IMF

Some lenders experienced growth in credit card and personal loans, but overall, most originations declined across products

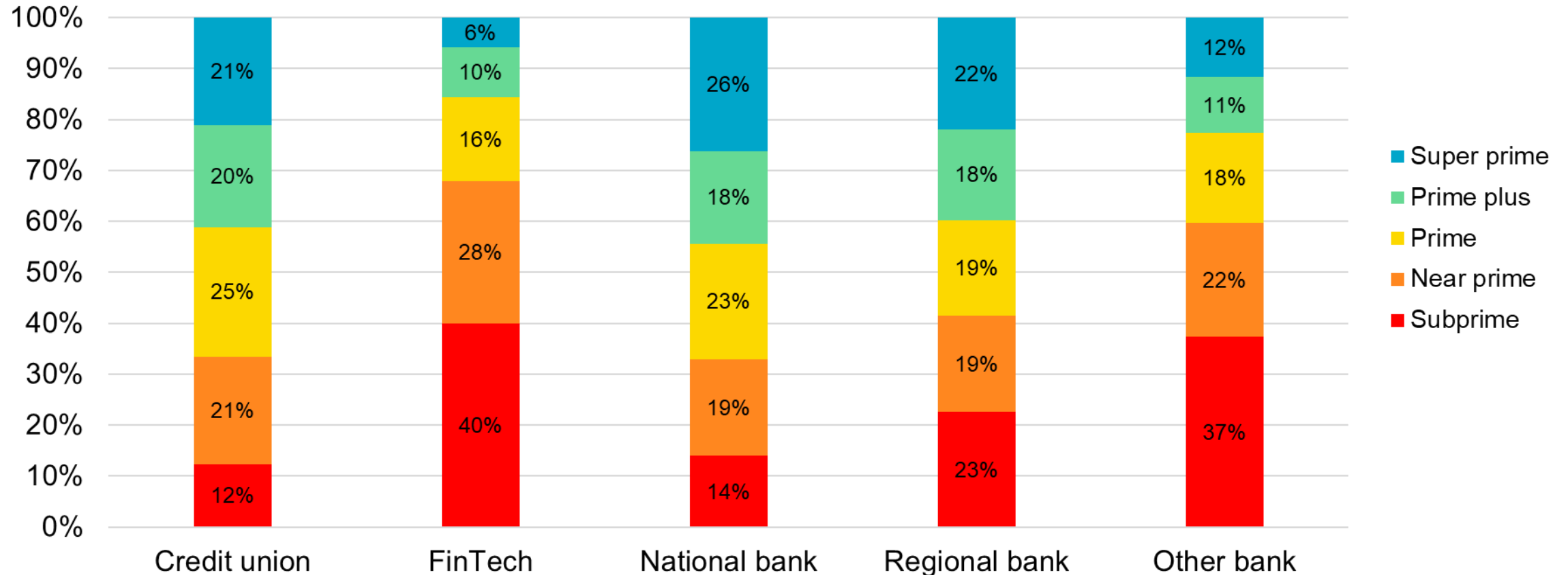
New loan origination growth by product type and lender; Q1 2023



Source: TransUnion U.S. consumer credit database

National banks continue to originate more conservatively than their credit union, bank, and FinTech peers

Risk distribution of new loan originations by lender type; Q1 2023



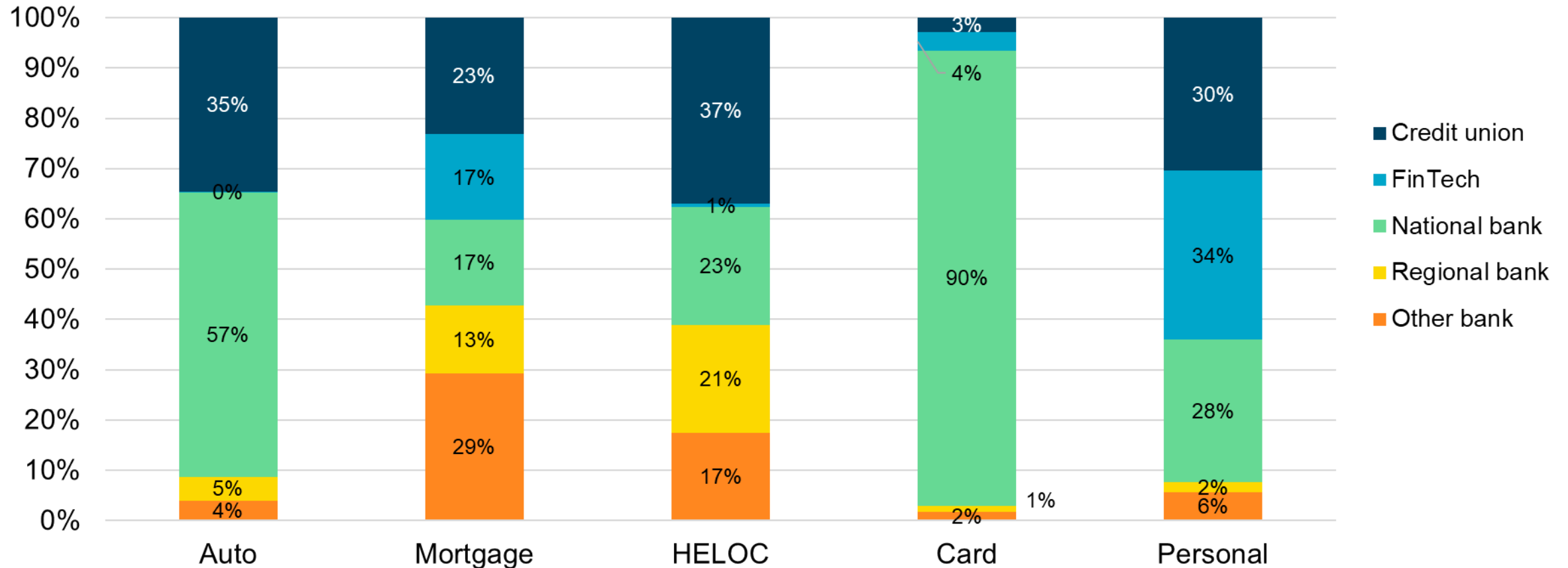
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Totals may not equal 100 due to rounding
 Source: TransUnion U.S. consumer credit database



FinTechs grew origination share in personal loans, while credit unions gained share in HELOC and auto loans

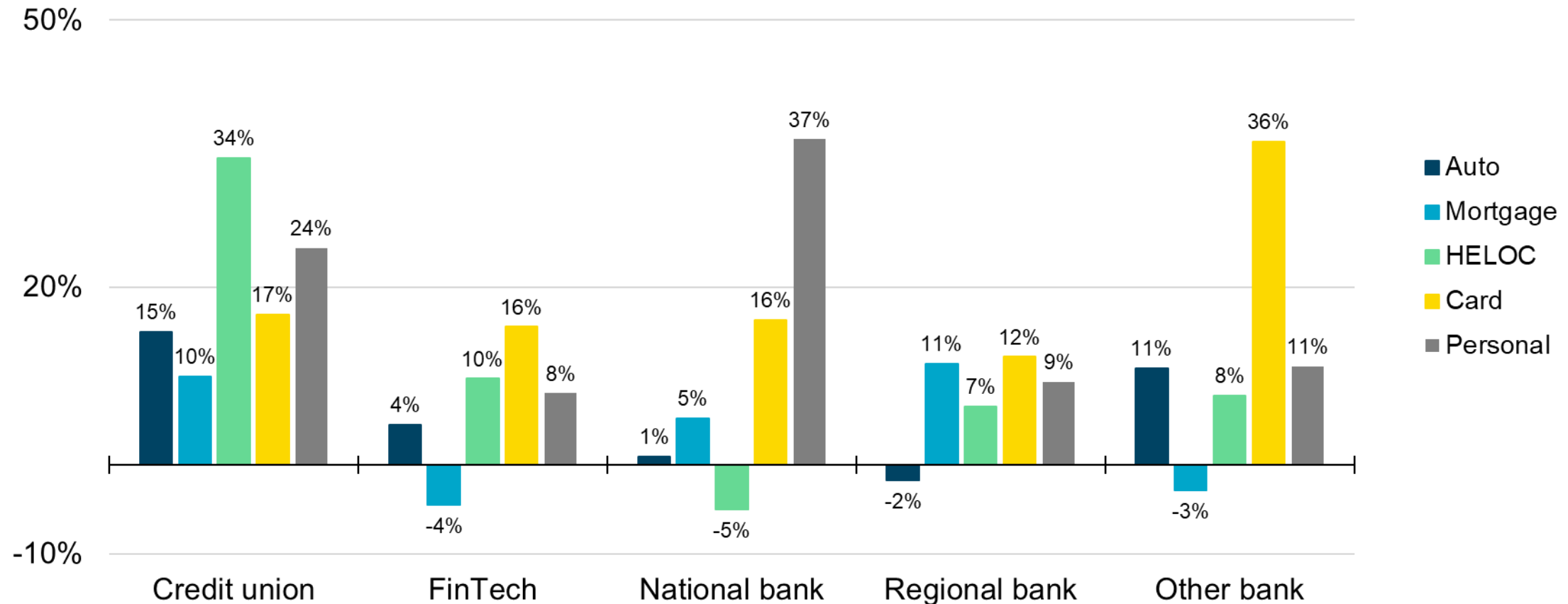
Market share of new loan originations by product and lender type; Q1 2023



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

Credit unions were the only lender to experience balance growth across all products; largest gains in both HELOC and personal loans

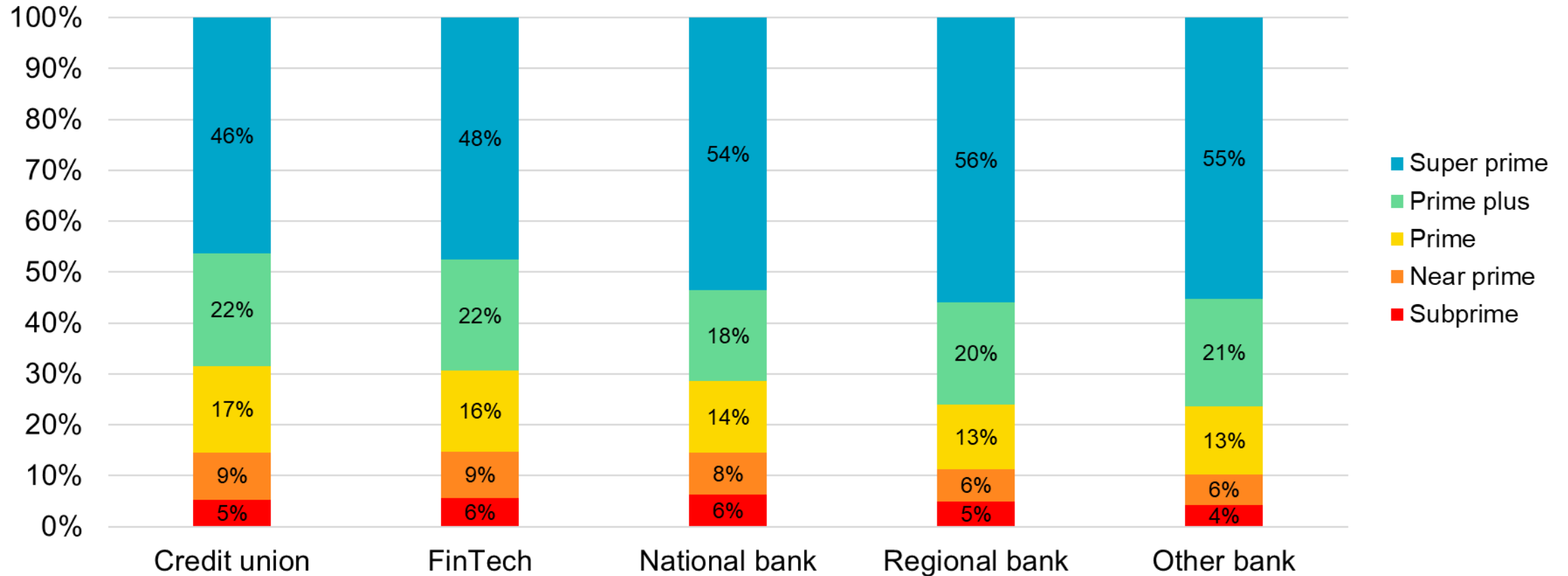
Outstanding balance growth by product and lender type; Q2 2023



Source: TransUnion U.S. consumer credit database

National and regional banks maintain the most conservative portfolios

Risk distribution of outstanding balances by lender type; Q2 2023



VantageScore® 4.0 risk ranges

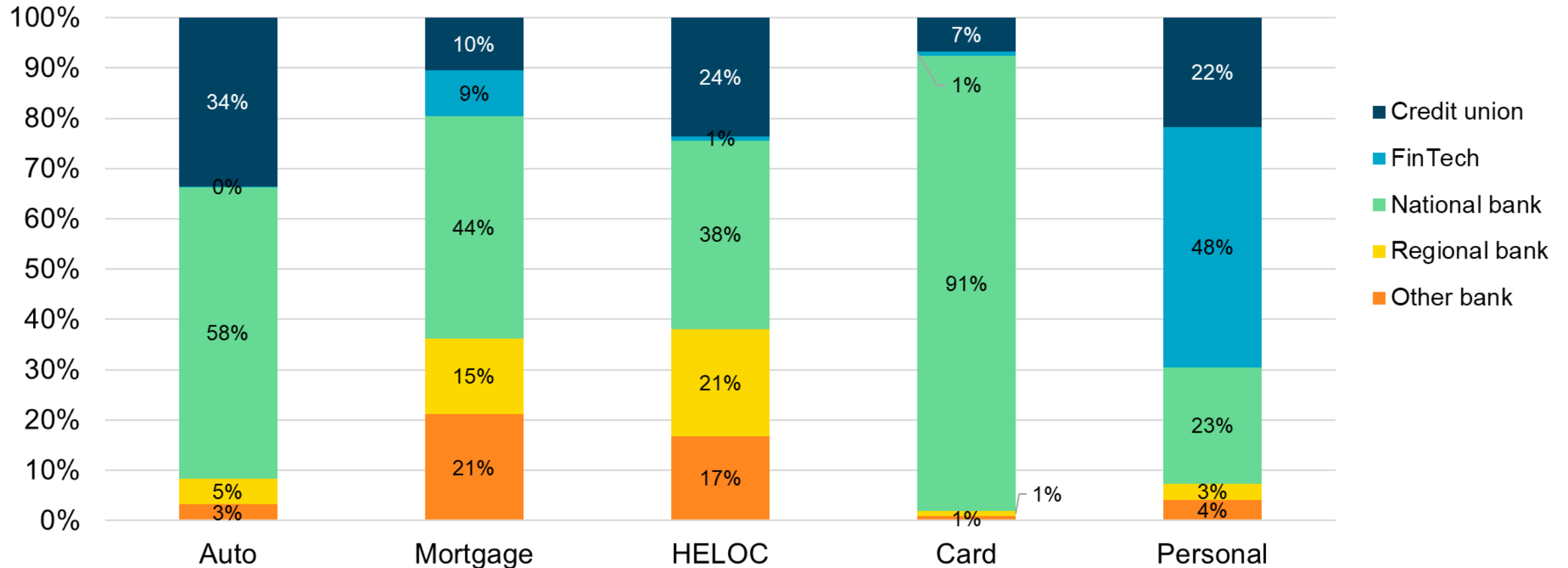
Subprime = 300–600; Near prime = 601–660; Prime = 661–720; Prime plus = 721–780; Super prime = 781–850

Source: TransUnion U.S. consumer credit database



FinTechs slightly grew their share of mortgage and personal loan balances, while maintaining their share in card and HELOC

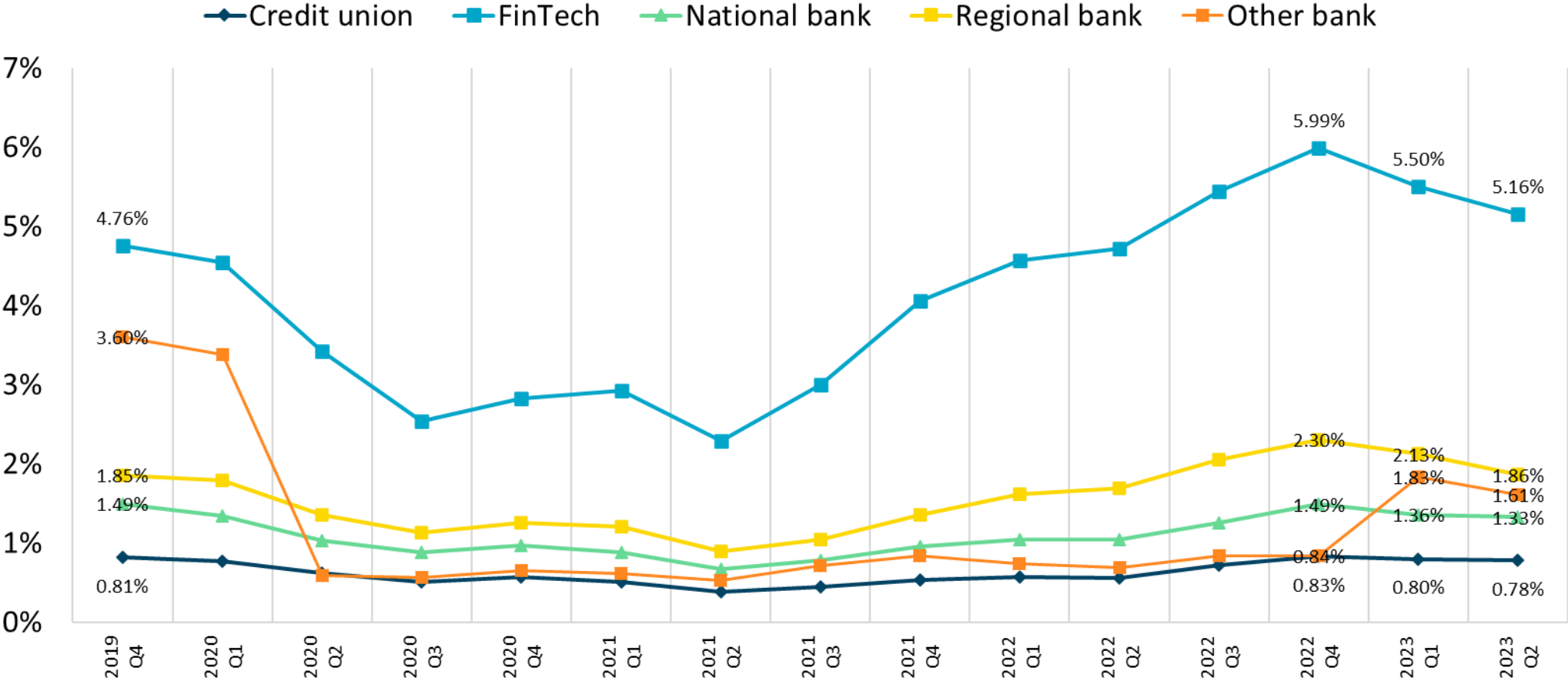
Market share of outstanding balances by product and lender type; Q2 2023



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

Delinquency decreased across all lenders in Q2, with FinTechs seeing the largest decline

Lender delinquency trend, 60+ days past due; point-in-time

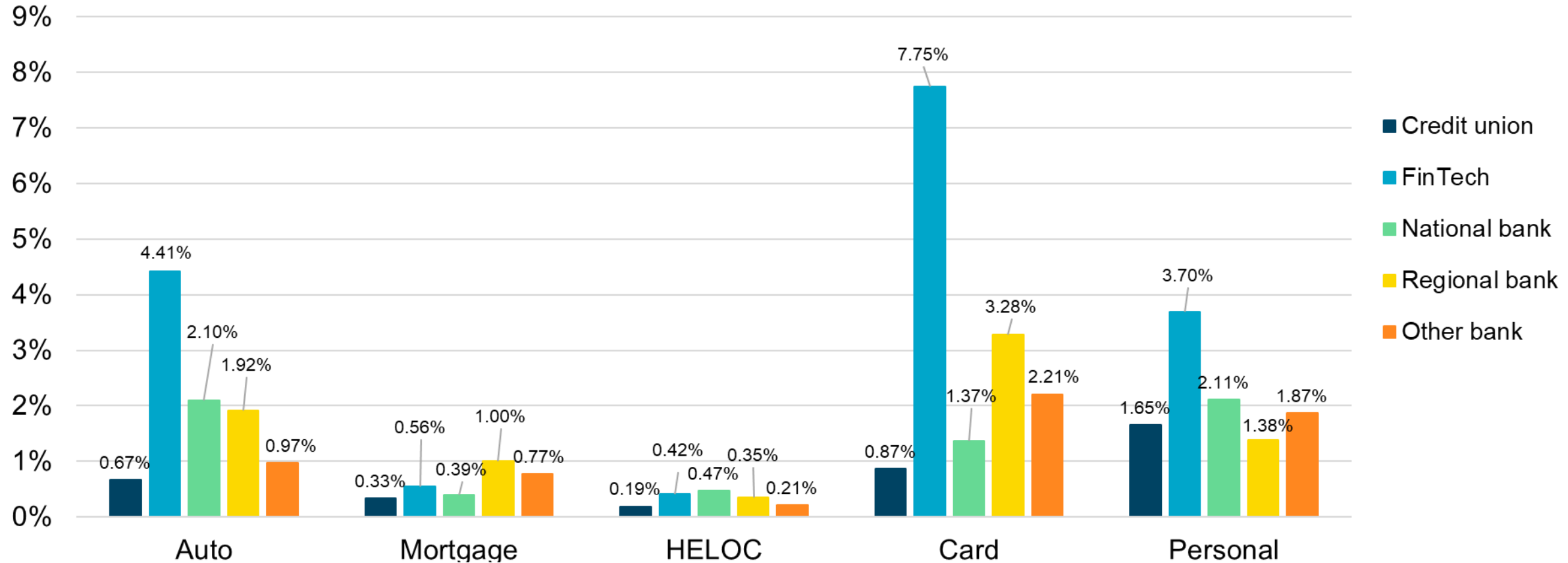


Source: TransUnion U.S. consumer credit database



Credit unions saw slight improvements in card and personal loans, while FinTechs experienced the opposite

Lender delinquency by product type, 60+ days past due; point-in-time



Source: TransUnion U.S. consumer credit database



For more information email
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