



TransUnion Unsecured Personal Lending Industry Insights Report

Q3 2023

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Q3 2023 Quarter Highlights



Key Takeaways

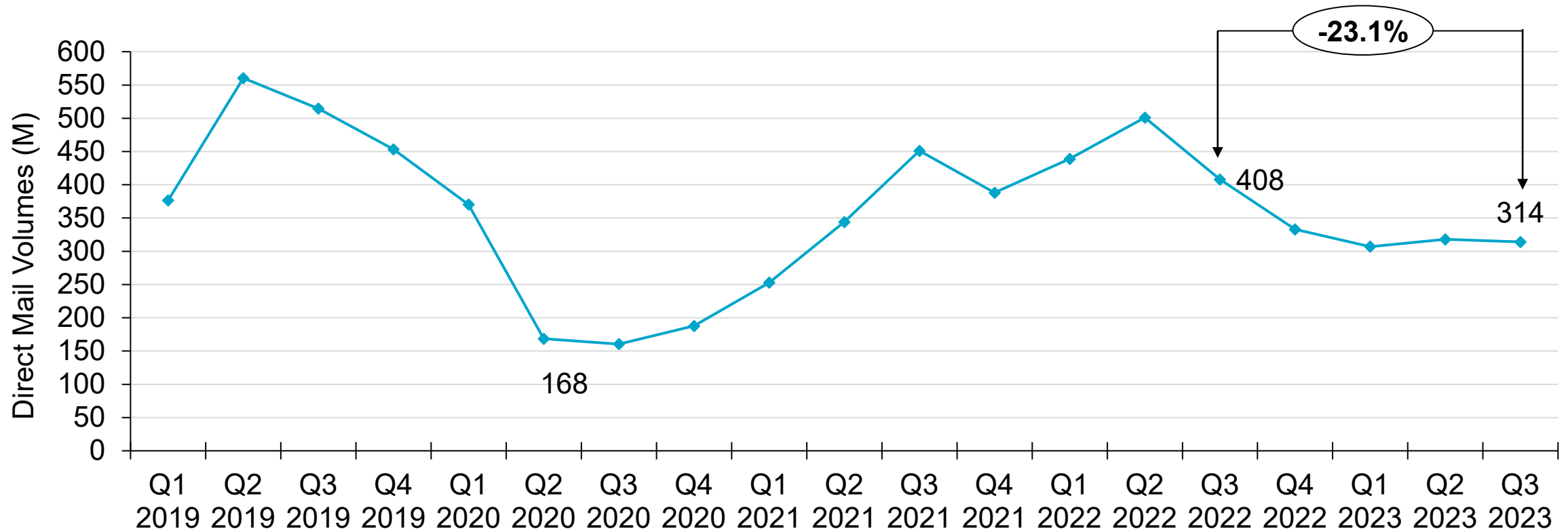
- Demand for unsecured personal loans (UPLs), per online inquiry volume, is lower than prior year; and similarly, direct mail prescreen volume and origination volume continue to trail the highs reached in H1 2022
- The distribution of originations has shifted in recent quarters to fewer subprime originations and lower share among FinTechs, while the share of originations in super prime and among banks increased
- Average loan amount and average length of loans have been relatively stable in Q2 2023 compared to the same quarter last year (increased ~1.1% to \$7.7K; decreased ~0.6% to 34.7 months, respectively), and estimated APR has remained mostly stable at around 19%
- Balances continue to grow across risk tiers to reach an overall record of \$241B in Q3 2023, driving the average balance per consumer higher to \$11.7K, with all risk tiers seeing higher balances
- Consumer-level delinquency rates increased after decreasing for three quarters in a row; for account-level vintage delinquencies, in aggregate recent vintages are not becoming delinquent as quickly

Demand and Supply



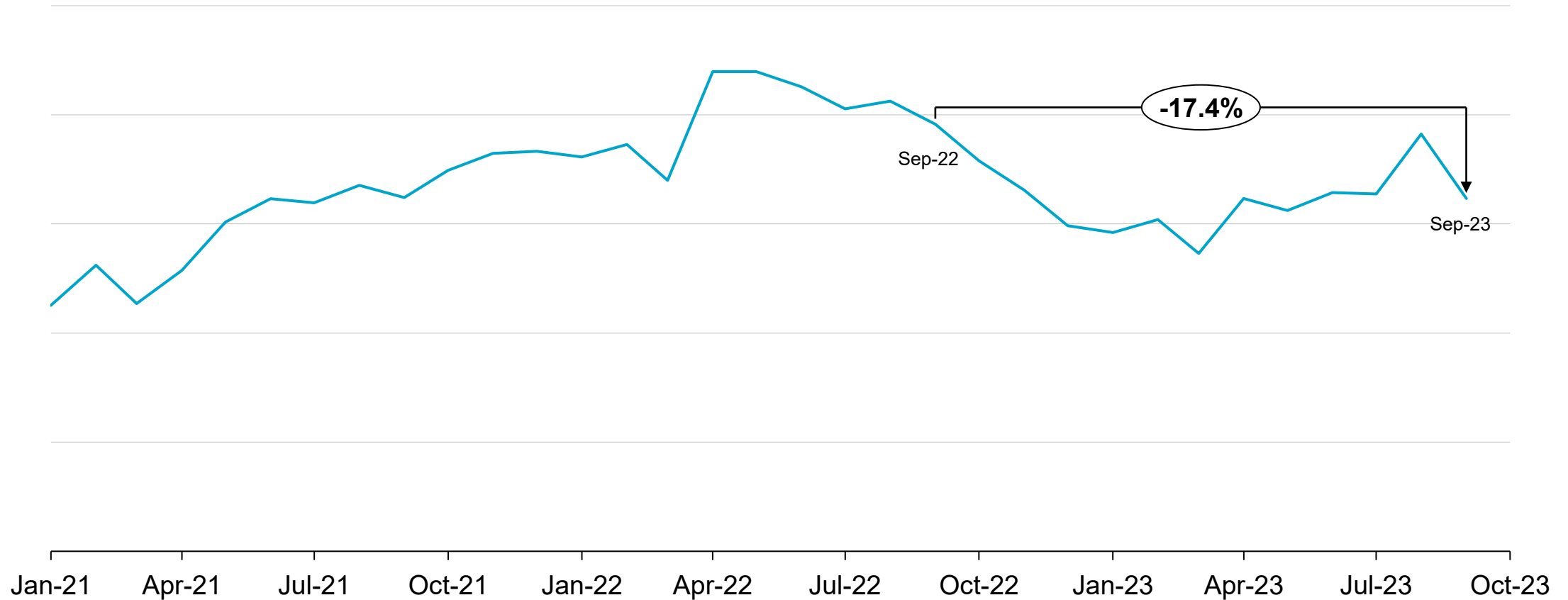
Unsecured personal loan (UPL) prescreen mail volumes in 2023 continue to lag behind prior year in Q3

UPL Prescreen Direct Mail



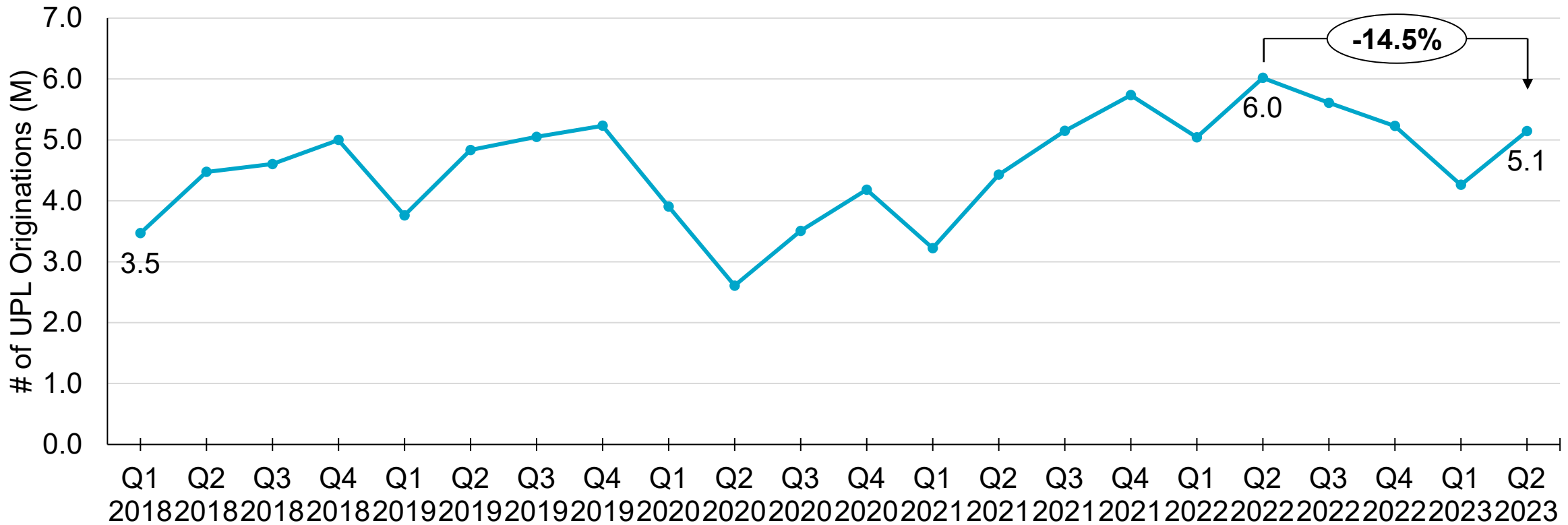
UPL online inquiry volumes fluctuated throughout Q3 2023, but even at its peak was still lower than the same time last year

UPL Online Inquiry Volume



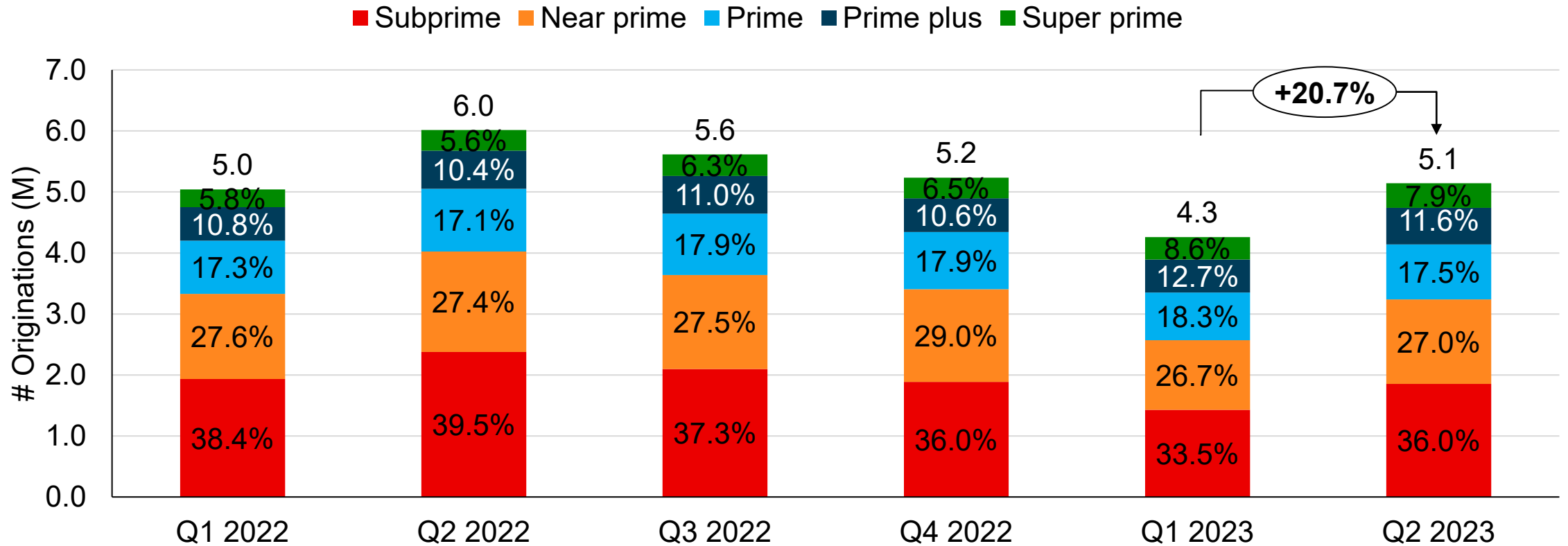
UPL origination volume increased in Q2 2023, but is still down from previous year

UPL Originations



As overall origination volume declines year-over-year, the risk tier distribution has shifted away from subprime to super prime

Total Number of Unsecured Personal Loan Originations 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+
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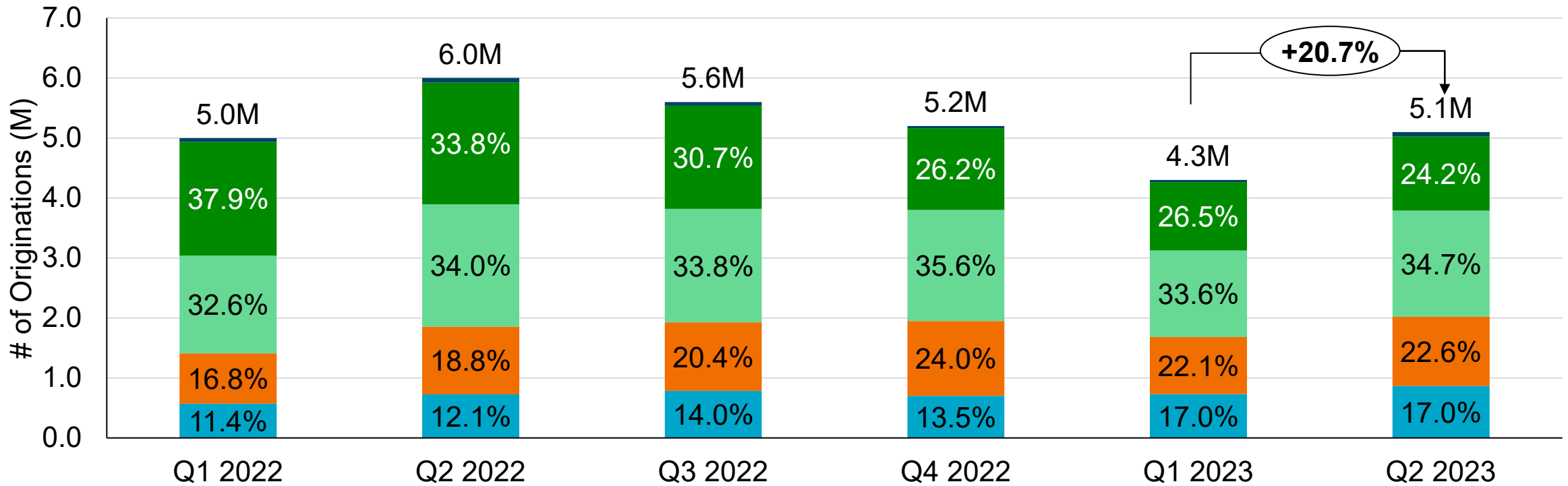
Totals may not equal 100 due to rounding
 Source: TransUnion US consumer credit database



FinTechs' share of originations has decreased significantly from a year ago, while banks' share of originations has grown the most

UPL Originations by Lender Type

Bank Credit Union Finance Company FinTech Others



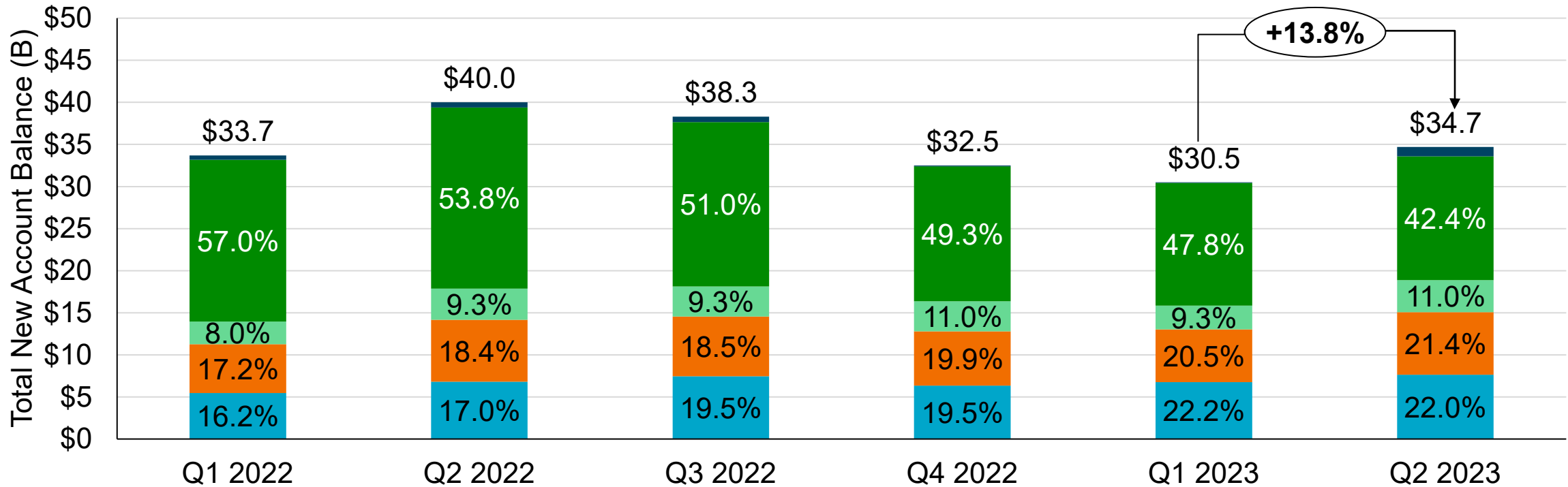
+20.7%



Total new account balance is lower versus prior year, with FinTechs' share continuing to fall as banks' share grew the most

UPL New Account Balance by Lender Type

■ Bank ■ Credit Union ■ Finance Company ■ FinTech ■ Others



Key Takeaways: Demand & Supply

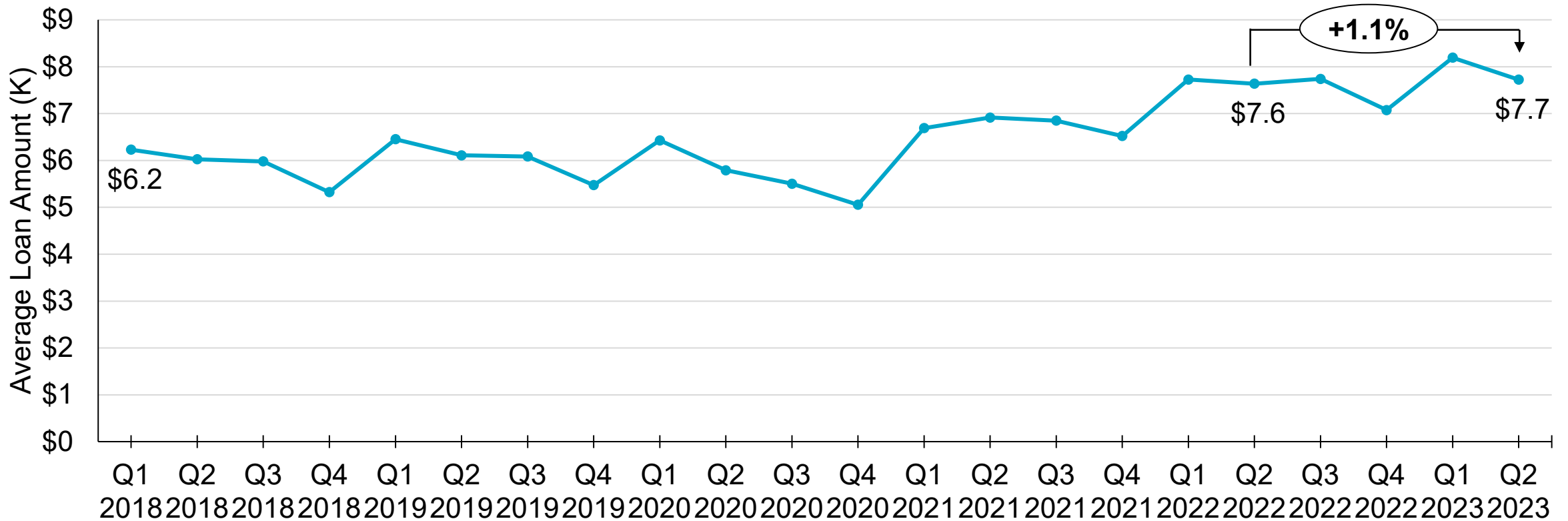
- Prescreen direct mail volume for UPLs continue to trail behind prior year volumes, as does online inquiry volume for UPL
- Similarly, UPL originations in Q2 2023 are depressed from where they were in the prior year by nearly 15%
- Origination distribution by risk tier and lender type are shifting towards super prime consumers versus subprime, with banks gaining share as FinTechs' share continues to fall
- FinTechs also have a smaller share of total new account balance, just over 42% from ~54% a year ago; meanwhile, banks' share grew from 17% to 22%

Loan Terms



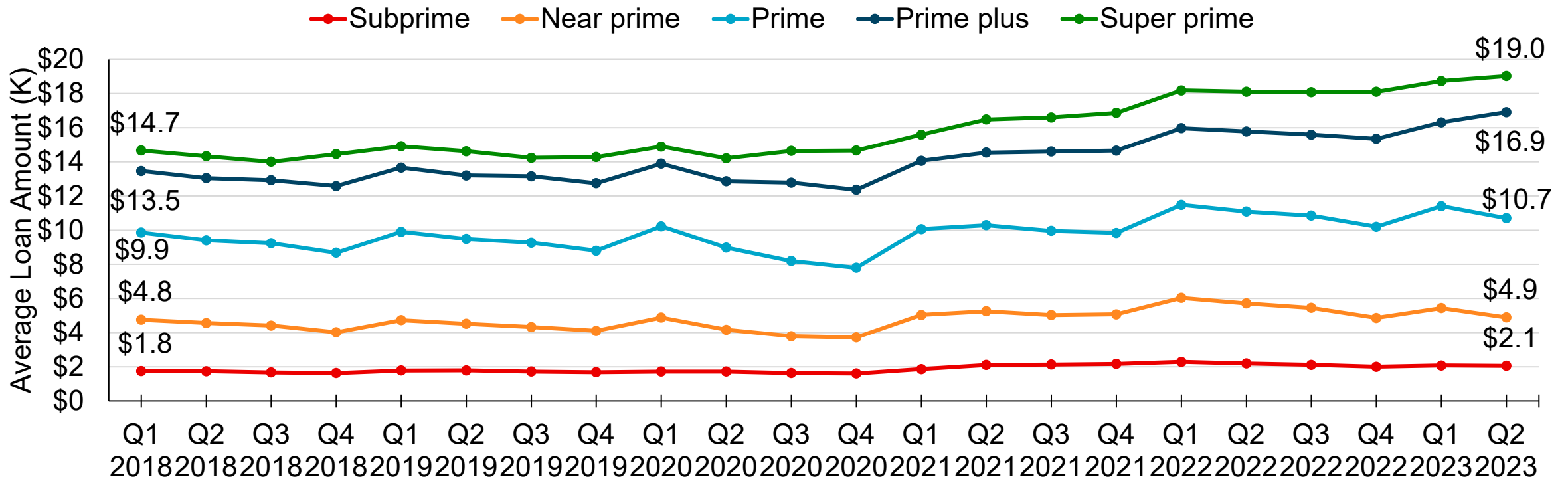
Average origination loan amount continues to grow, with the Q2 2023 amount just higher than a year ago by 1%

Average Origination Loan Amount



The average loan amount increased in Q2 2023 for above prime risk tiers, while it held steady for subprime and fell for the other tiers

Average Origination Loan Amount by Risk Tier



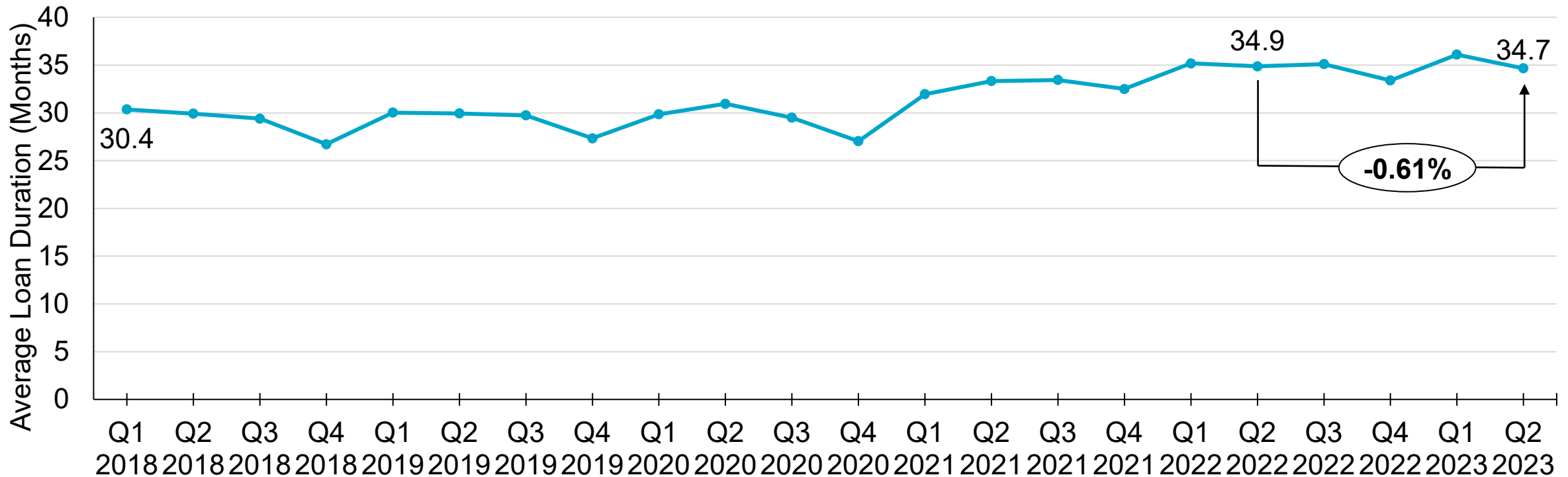
NOTE: Consumers' risk tiers is determined at the end of the quarter prior to origination to approximate risk tier at time of origination
VantageScore® 4.0 risk ranges:

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



Average origination loan duration has remained mostly steady at around 35 months since 2022

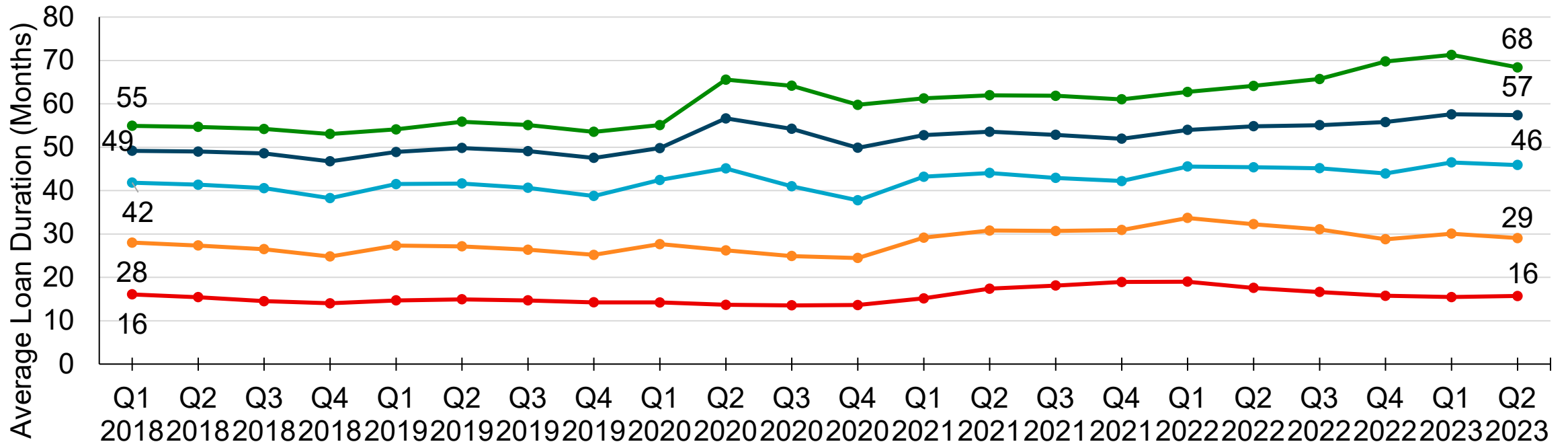
Average Origination Loan Duration



Average loan duration is higher for prime and above risk tiers compared to prior year, whereas it is lower for the other tiers

Average Origination Loan Duration by Risk Tier

● Subprime ● Near prime ● Prime ● Prime plus ● Super prime



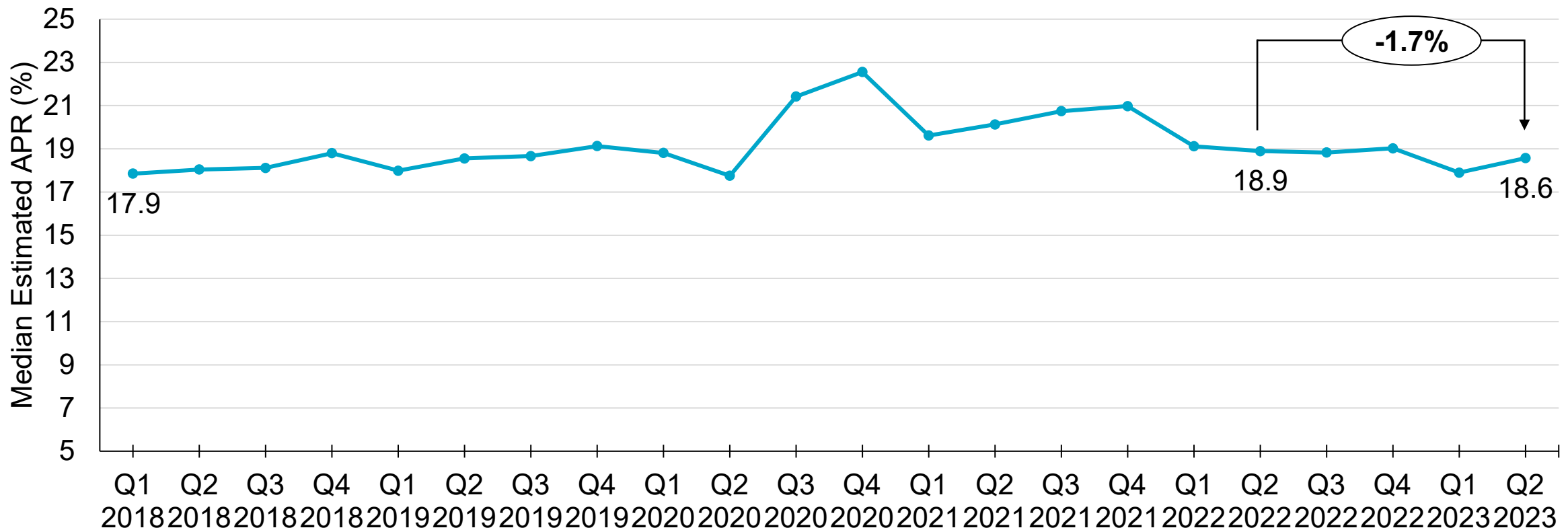
NOTE: Consumers' risk tiers is determined at the end of the quarter prior to origination to approximate risk tier at time of origination
 VantageScore® 4.0 risk ranges:

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



Median estimated APRs spiked in 2020 but have stabilized since 2022 to around 19%

Median Estimated Origination APR



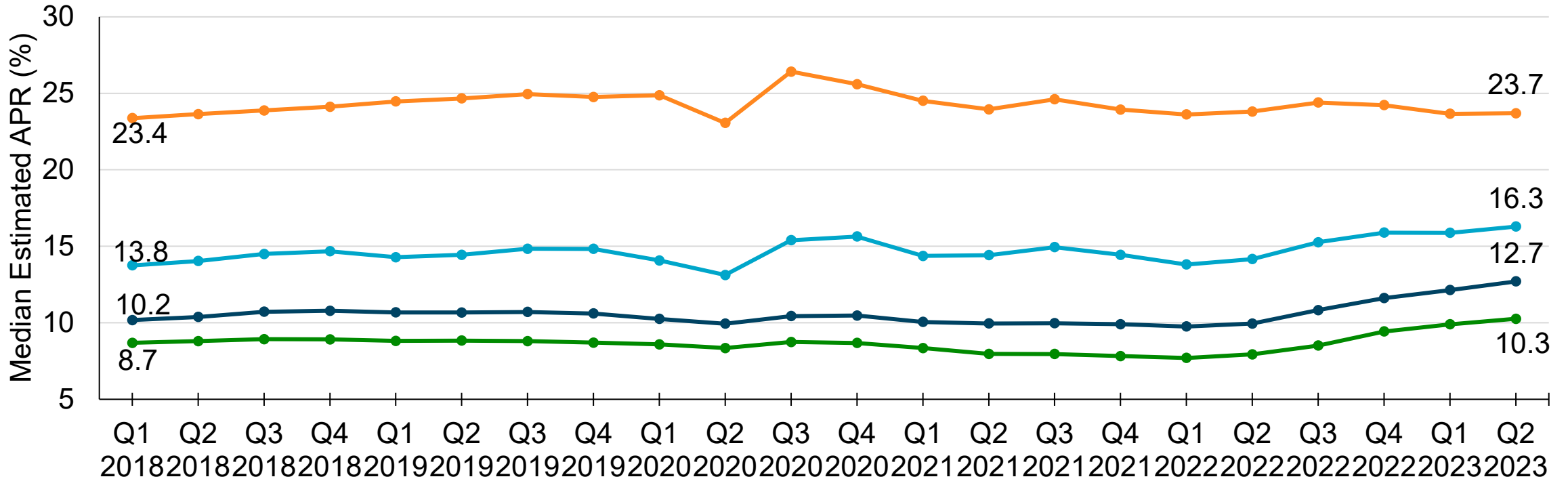
NOTE: Estimated APR is a calculated field based on payment frequency, loan amount, and the due amount; it does not account for fees.



Median estimated APRs increased for the prime and above risk tiers in Q2 2023 compared to prior year, but held steady for near prime

Median Estimated Origination APR by Risk Tier

— Near prime — Prime — Prime plus — Super prime



NOTE: Subprime is not shown as it is too sensitive to outliers; hence, its trendline is not reflective of what is occurring in the marketplace overall versus what is occurring with specific lenders. Consumers' risk tiers is determined at the end of the quarter prior to origination to approximate risk tier at time of origination

VantageScore® 4.0 risk ranges:

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



Key Takeaways: Loan Terms

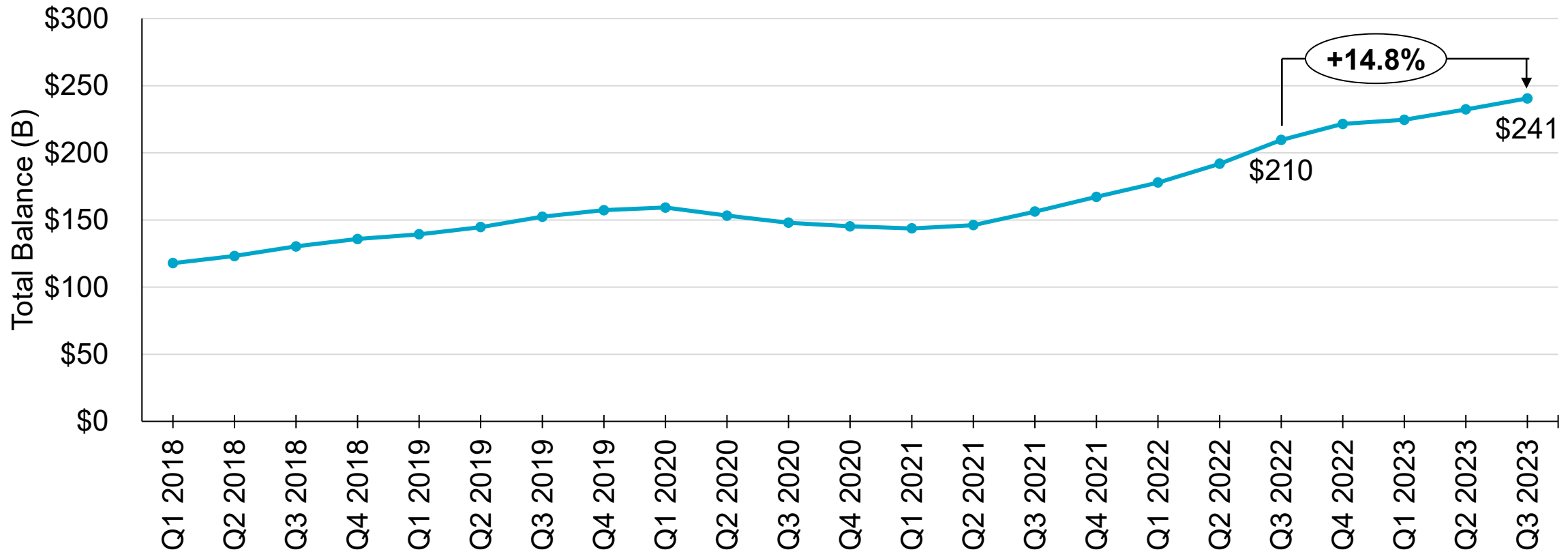
- The average origination amount for UPLs reached \$7.7K in Q2 2023 – just 1% higher than the same quarter last year – driven by higher origination amounts for above prime risk tiers while other tiers received lower amounts or had no change (subprime) versus prior year
- The duration of UPLs continues to be right around 35 months on average – which has been the case since 2022
- Estimated median APRs continue to move higher in recent quarters for prime and above risk tiers, but the overall median APR in Q2 2023 is stable compared to the same quarter last year at nearly 19%

Balances



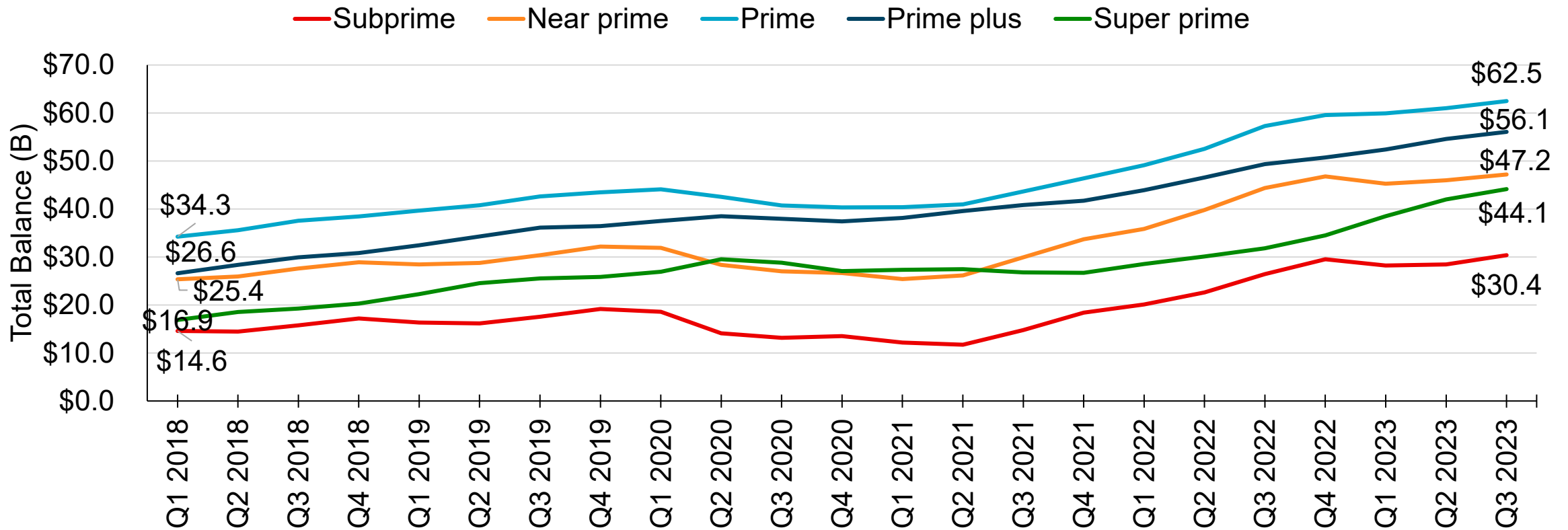
Total UPL balance continues to grow each quarter and reach record highs, with the total reaching \$241B in Q3 2023

Total UPL Balance



Total UPL balance continues to grow across risk tiers, with the super prime risk tier realizing the largest gain versus prior year

Total UPL 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+

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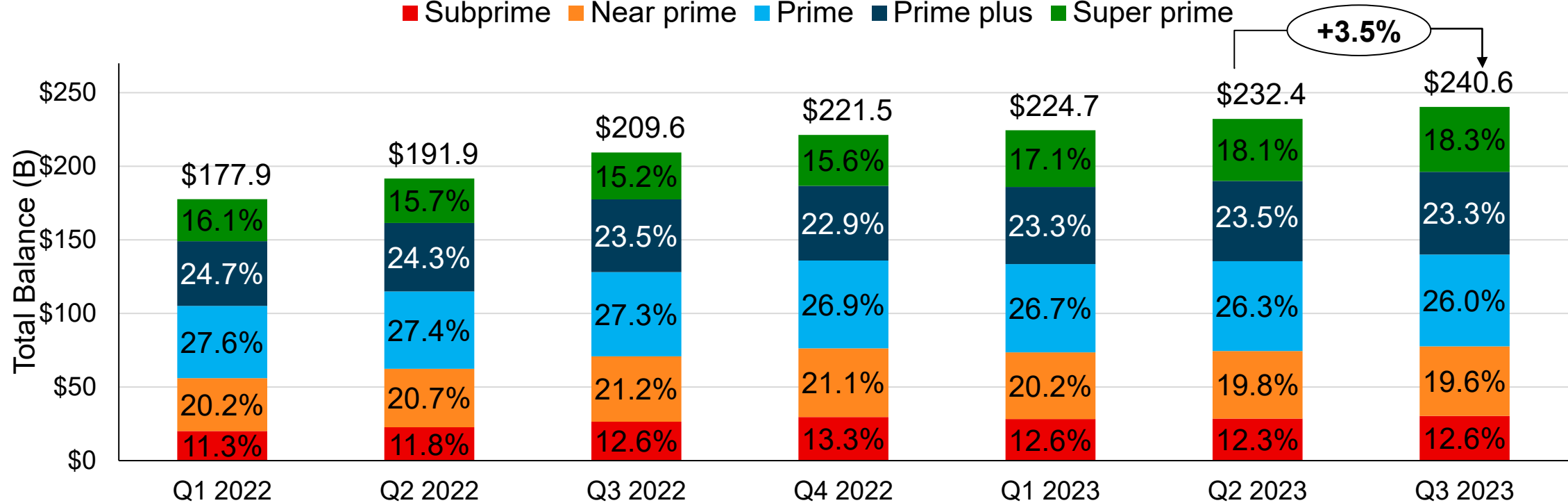
Source: TransUnion US consumer credit database



As total UPL balance grew, the risk tier distribution has shifted with super prime borrowers' share growing versus prior year

Total Unsecured Personal Loan Balances by Risk Tier

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



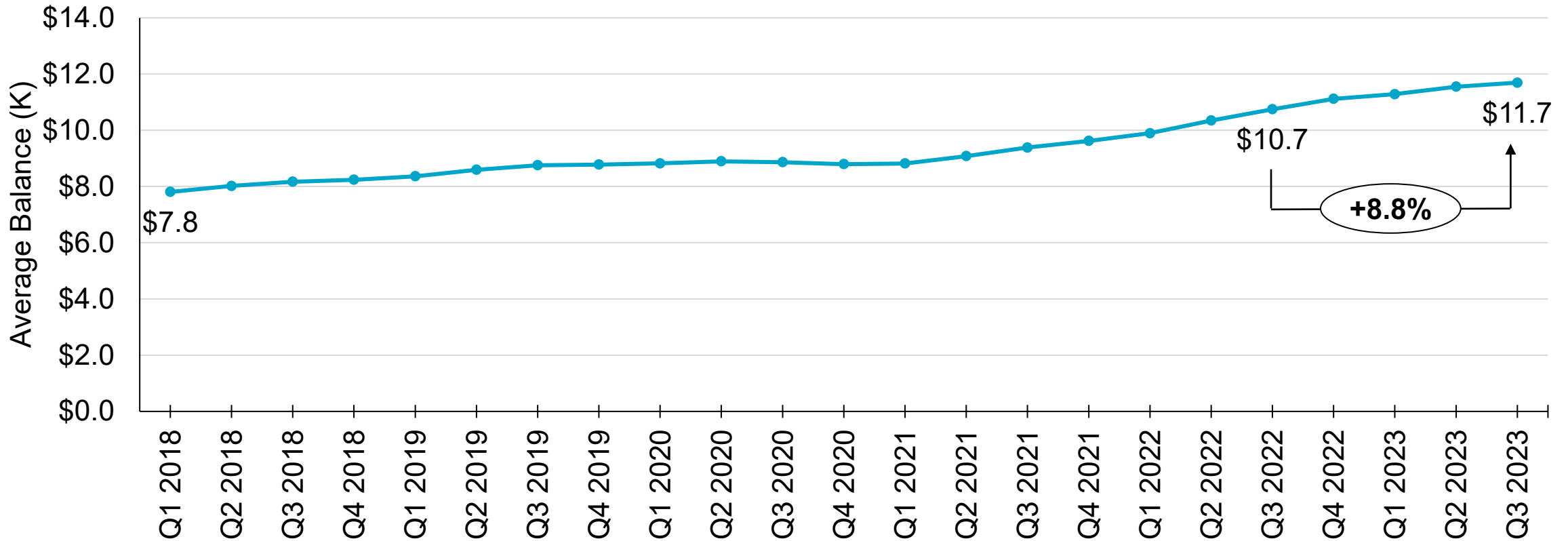
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Totals may not equal 100 due to rounding
 Source: TransUnion US consumer credit database



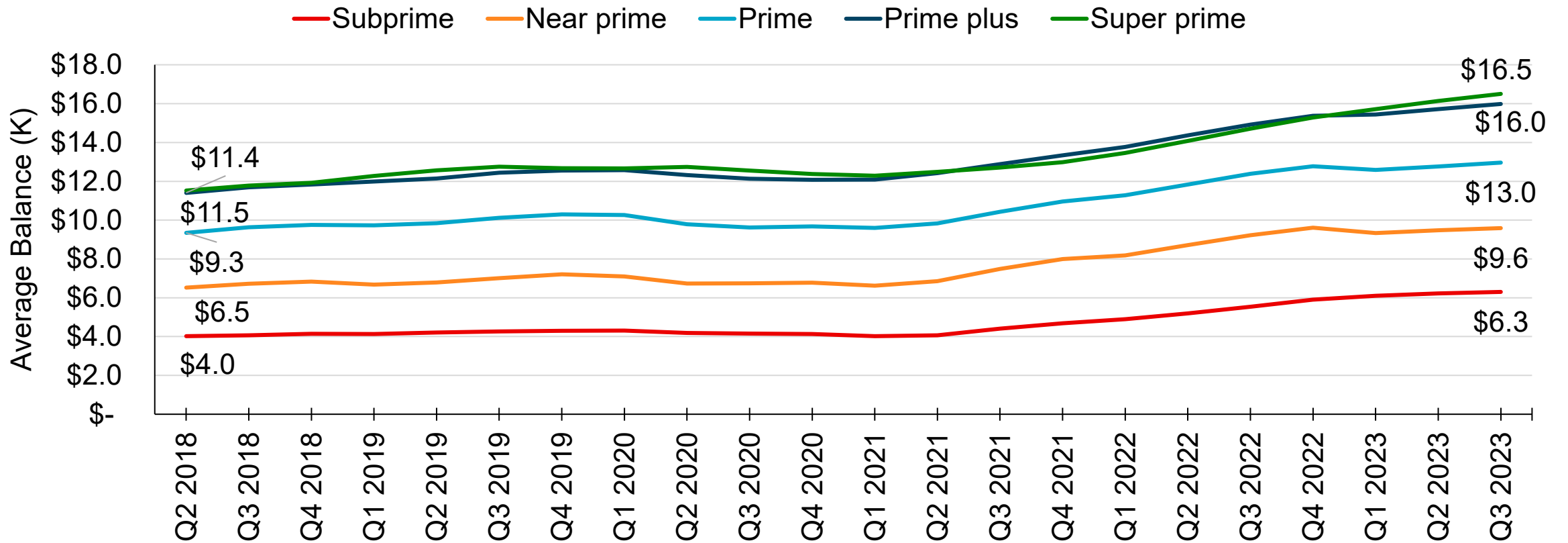
Consumers' average UPL balance has gone up for the past several quarters and now is at a record high of \$11.7K

Average Balance per Consumer



For each risk tier, consumers' average balance grew in Q3 2023

Average Balance per Consumer 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+

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Source: TransUnion US consumer credit database



Key Takeaways: Balances

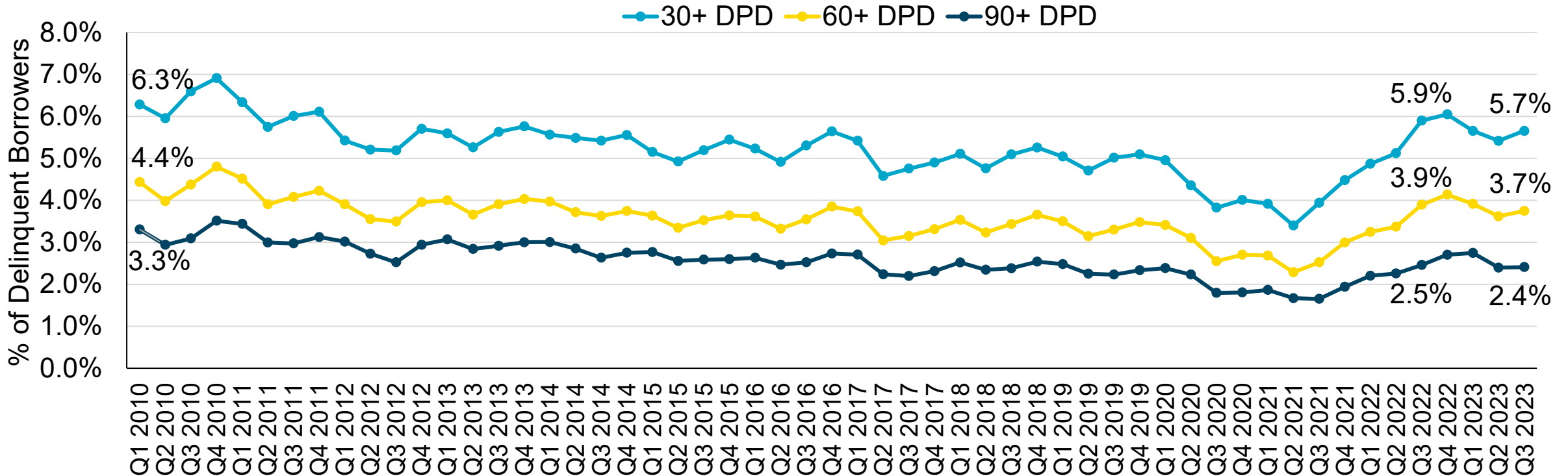
- Total UPL balance continues to increase quarterly, most recently reaching \$241B in Q3 2023 – a nearly 15% increase from the same quarter last year
- Balance increases occurred for all risk tiers, with the super prime tier realizing the biggest gains year-over-year, so the distribution by risk tier has shifted with some growth in share for super prime borrowers
- The average balance per consumer increased to \$11.7K – nearly a 9% increase versus prior year – with the per consumer balance increasing for all risk tiers

Delinquencies

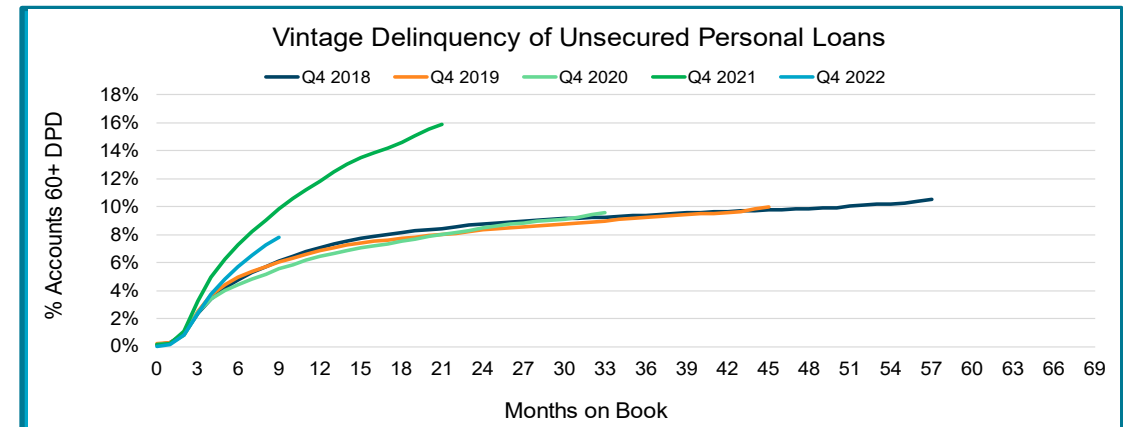
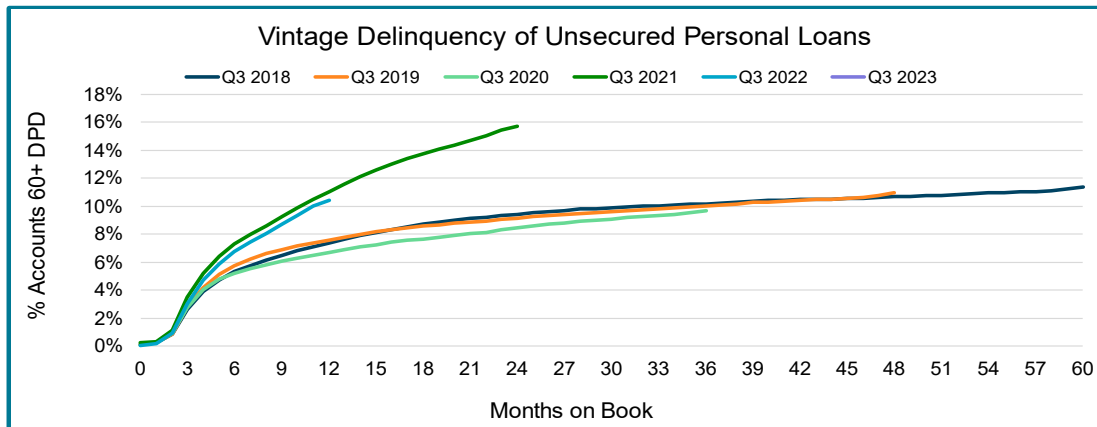
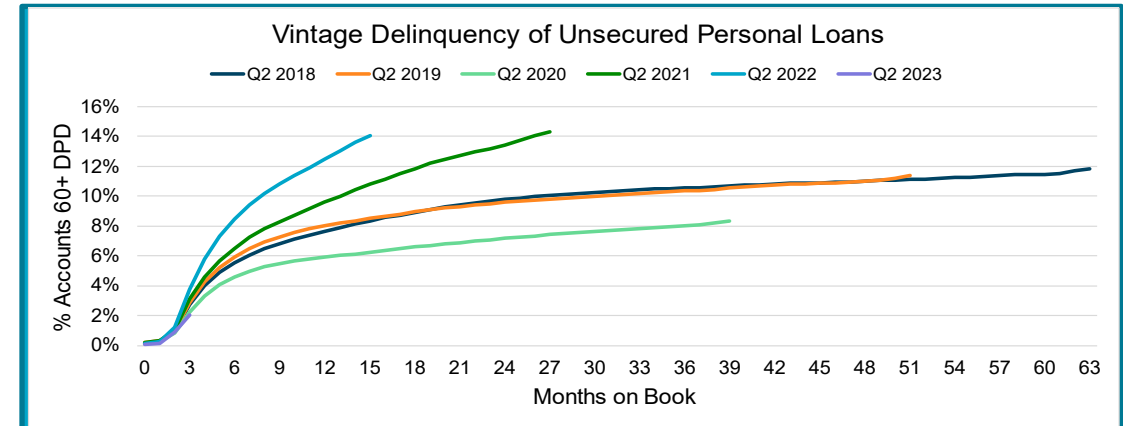
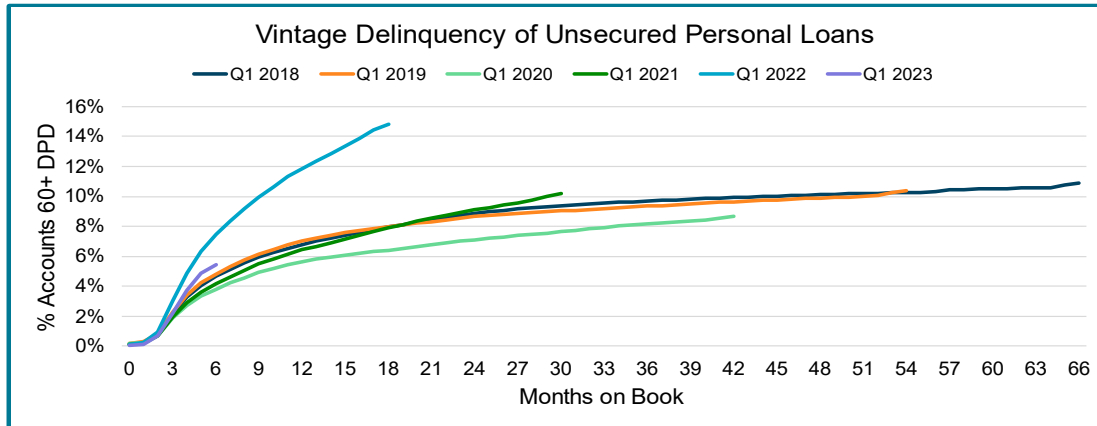


Consumer-level delinquency rates ticked up in Q3 2023 after declining in recent quarters, but the rates were just below prior year

Consumer Delinquency Rates



Vintage delinquency trends for UPLs from Q1-Q4 highlights that recent vintages are not becoming delinquent as quickly



Vintage curves contain data through September 2023

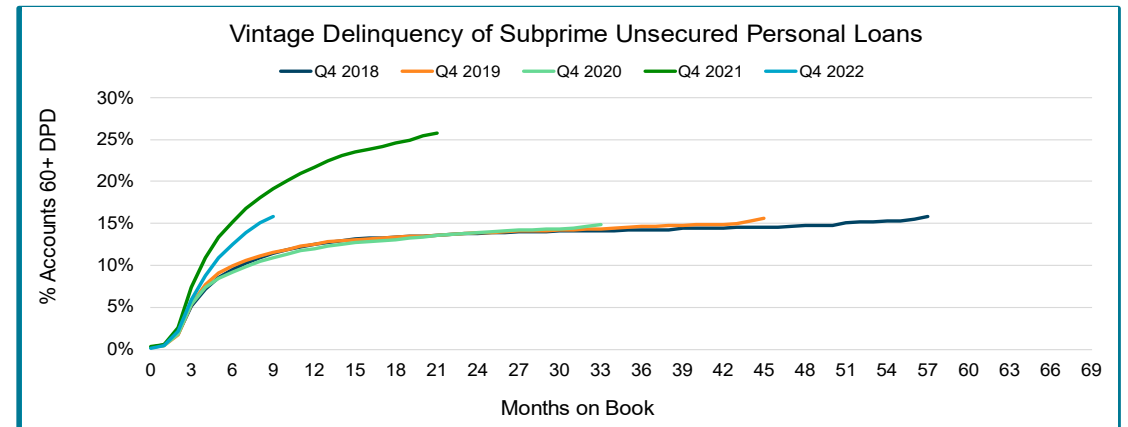
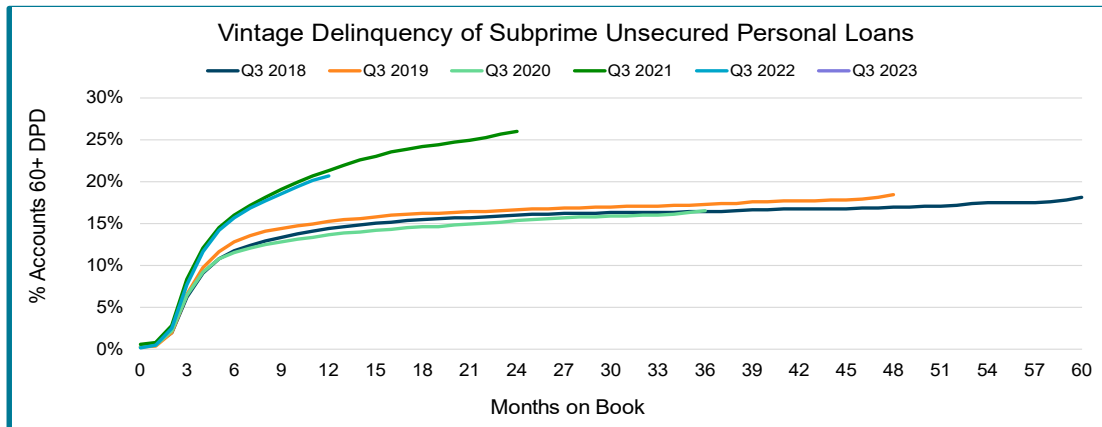
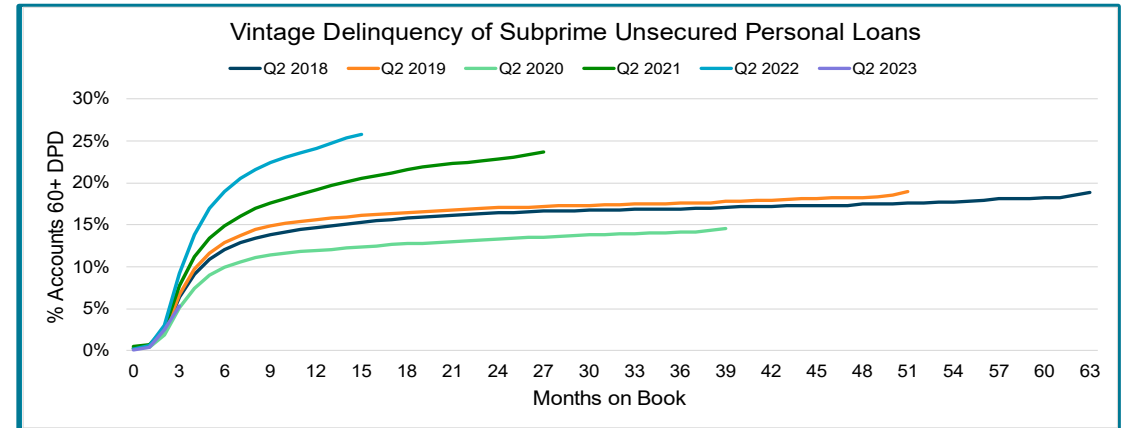
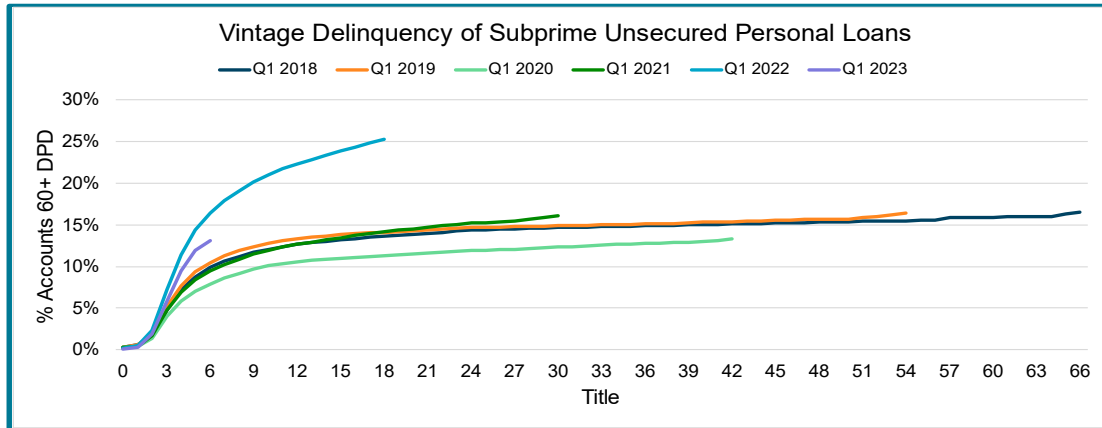
VantageScore® 4.0 risk ranges

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

Source: TransUnion US consumer credit database



Subprime vintage delinquencies, by H2 2022, were lagging prior year – a trend that seems to be continuing for Q1 2023



Vintage curves contain data through September 2023

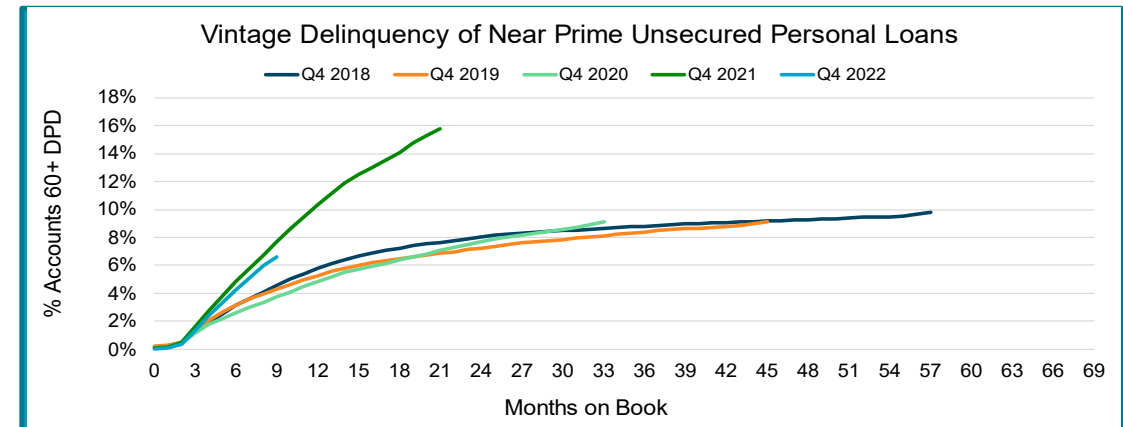
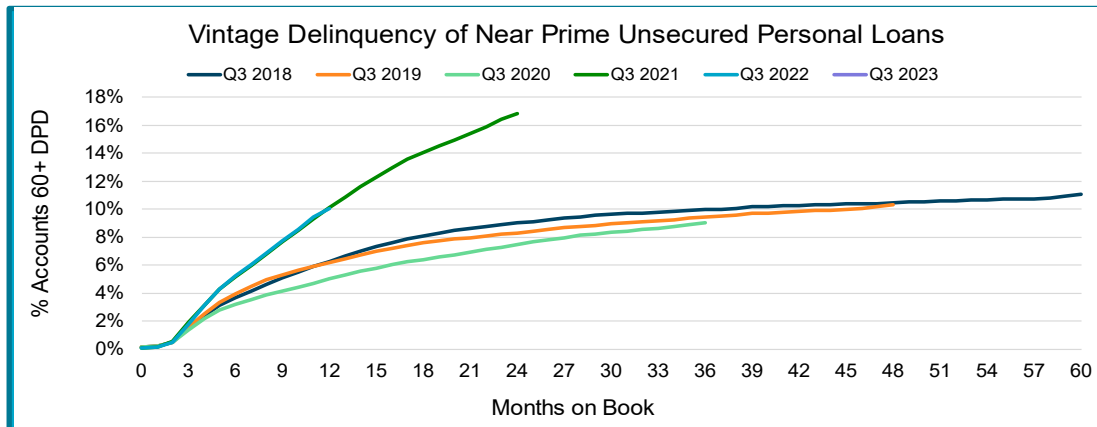
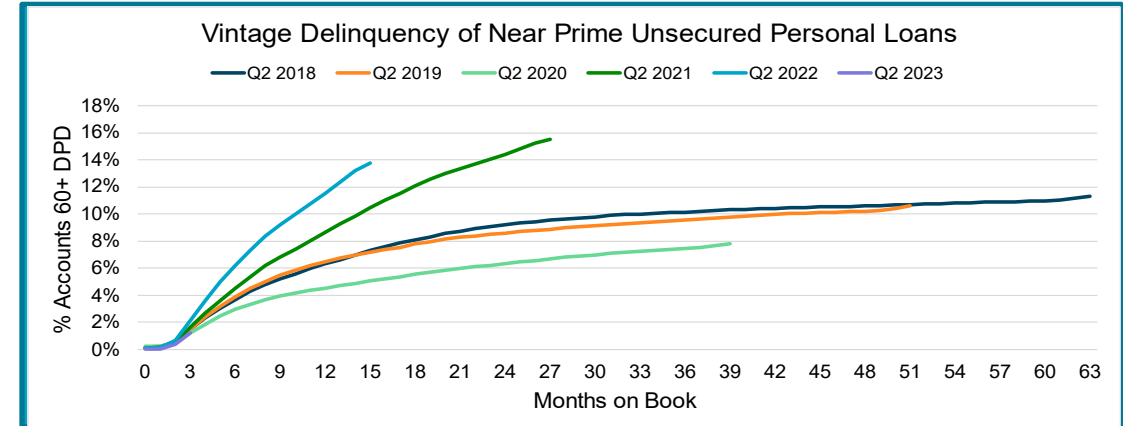
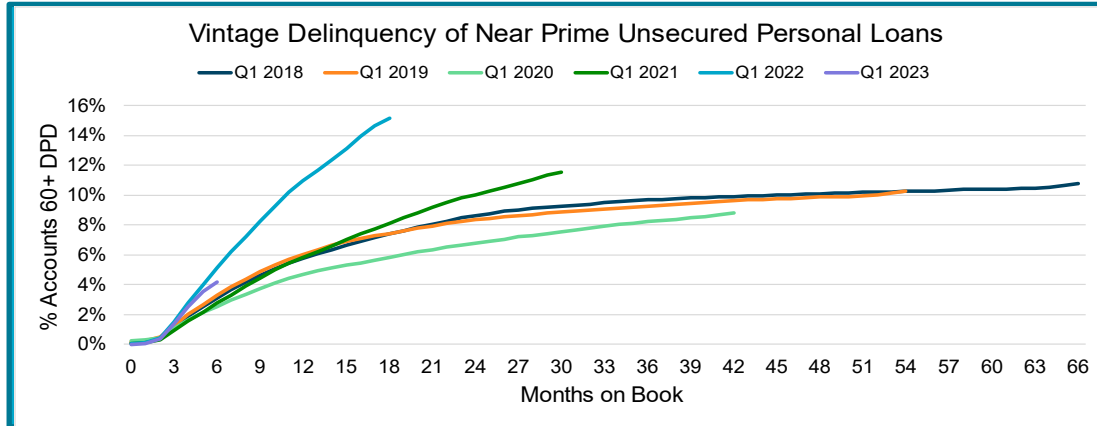
VantageScore® 4.0 risk ranges

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

Source: TransUnion US consumer credit database



Near prime vintage delinquencies were on par with prior year by H2 2022 – a trend that seems to be continuing for Q1 2023



Vintage curves contain data through September 2023

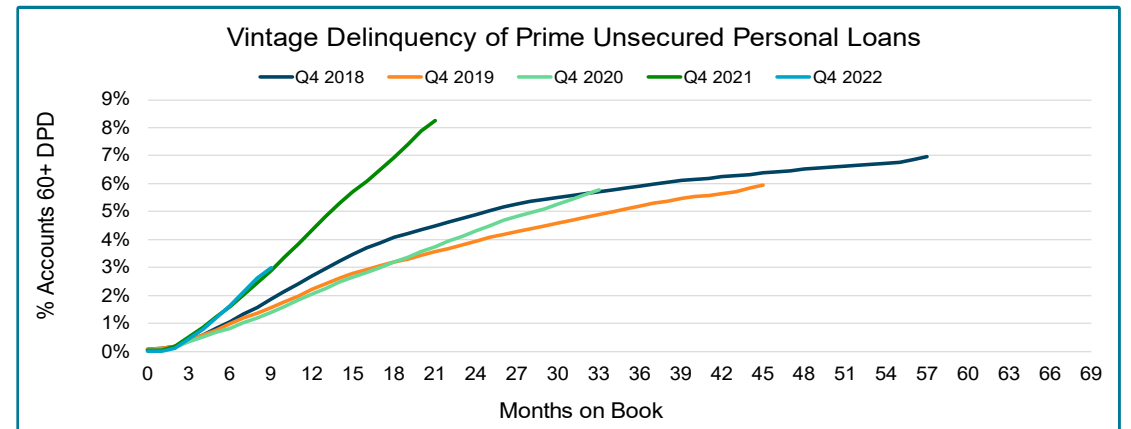
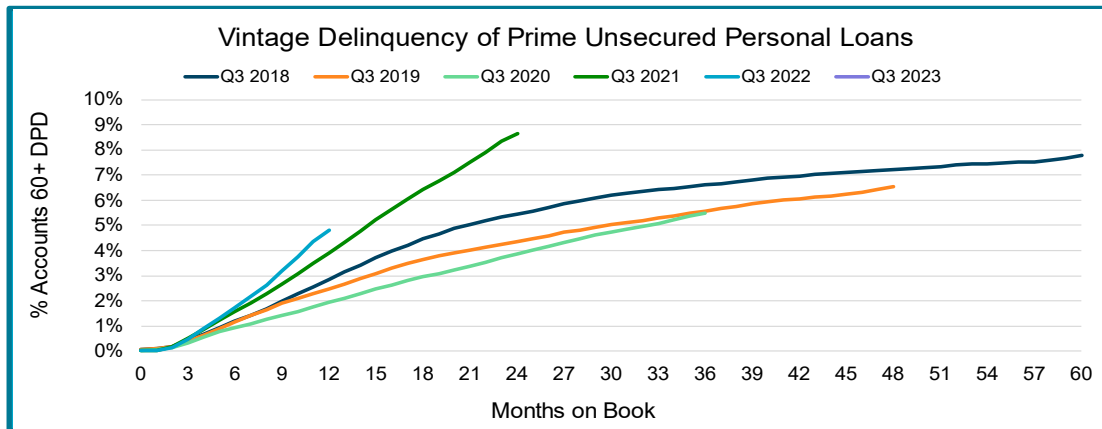
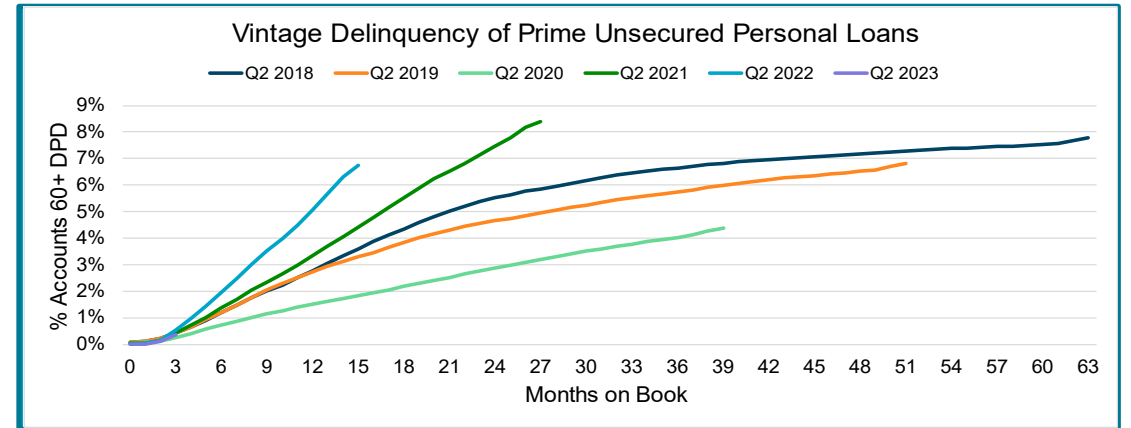
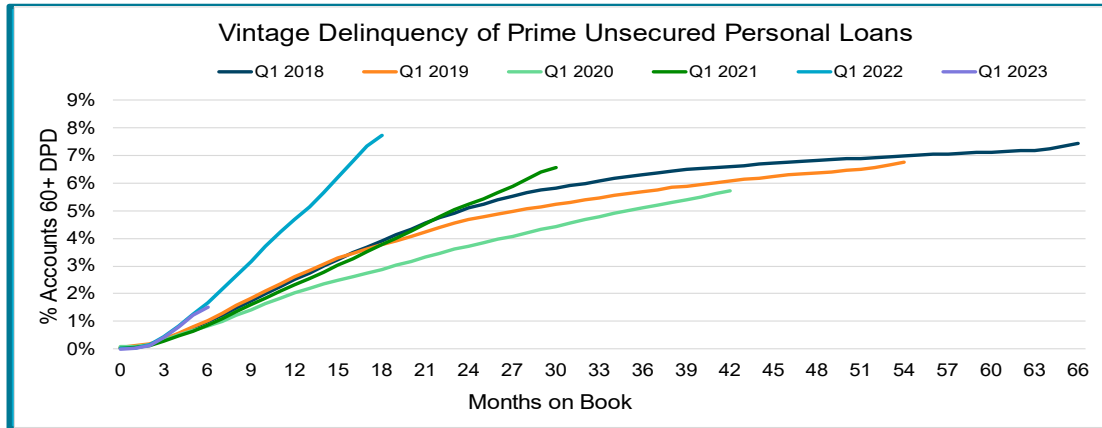
VantageScore® 4.0 risk ranges

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

Source: TransUnion US consumer credit database



Prime vintage delinquencies from 2022 Q1-Q3 are elevated compared to historical trends, with some deceleration in Q4



Vintage curves contain data through September 2023

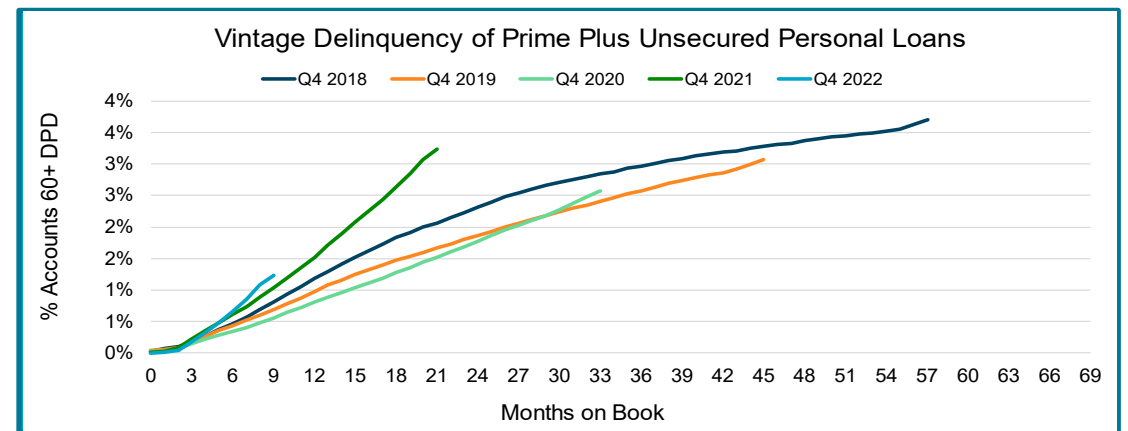
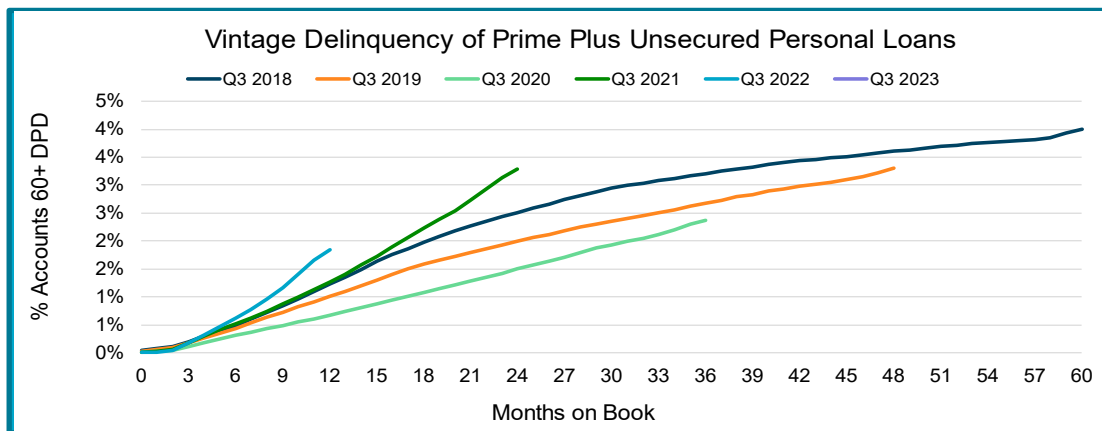
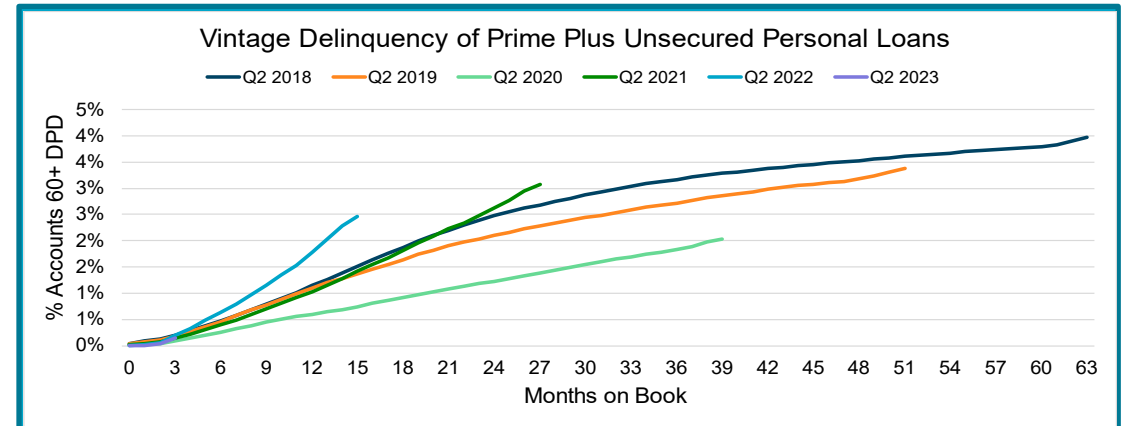
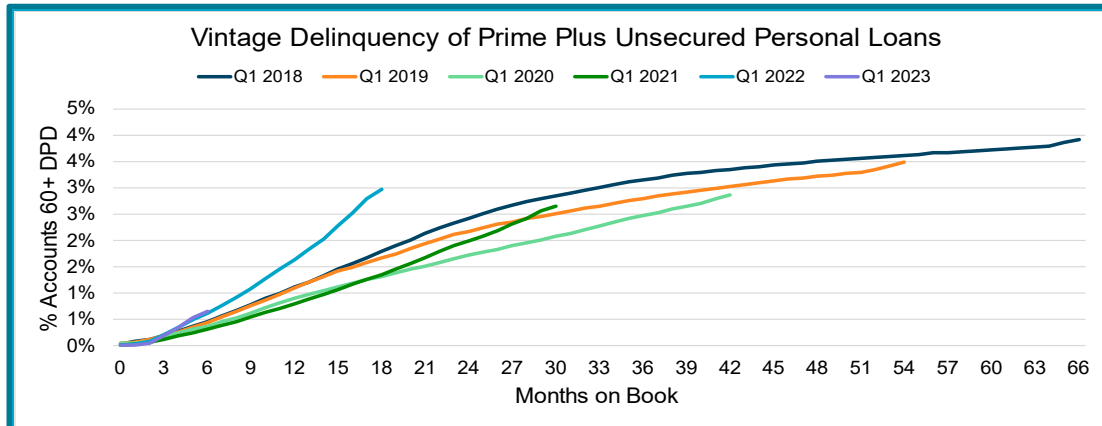
VantageScore® 4.0 risk ranges

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

Source: TransUnion US consumer credit database



Prime plus vintage delinquencies continue to be elevated over historical trends for vintages from 2022 and 2023



Vintage curves contain data through September 2023

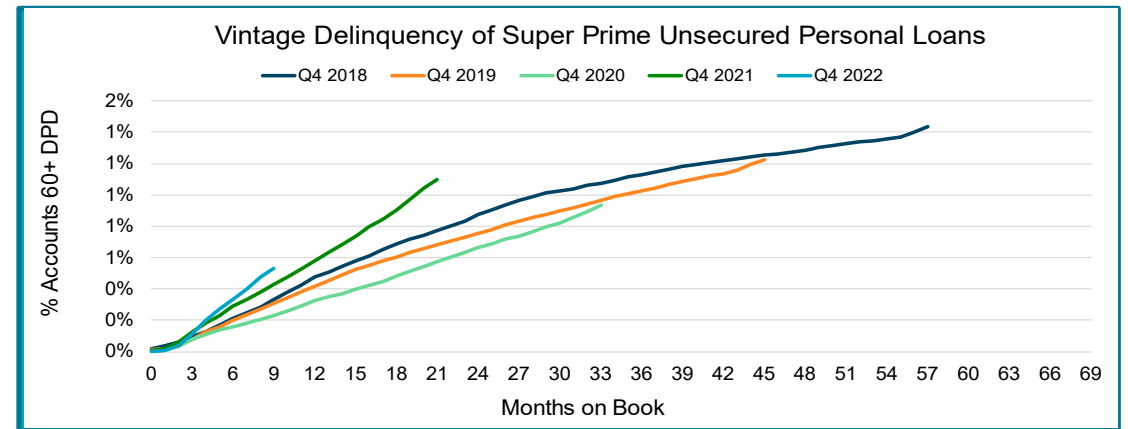
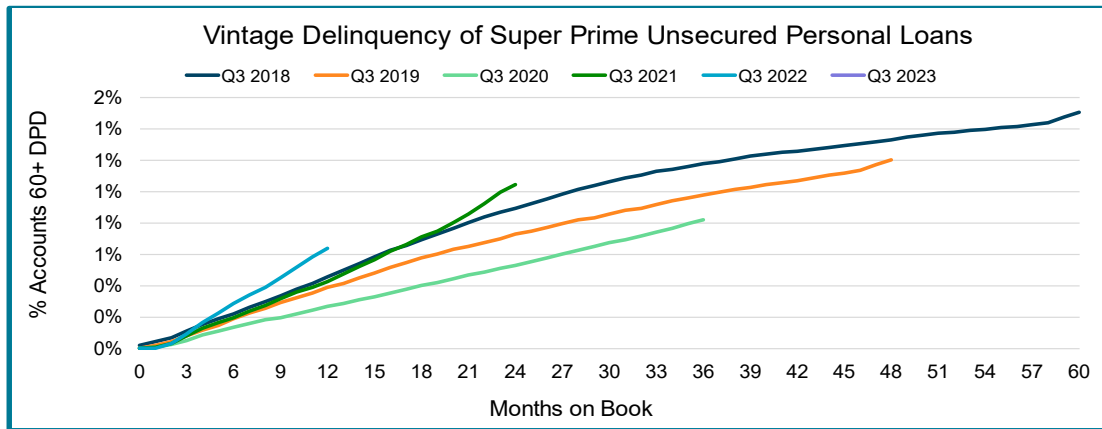
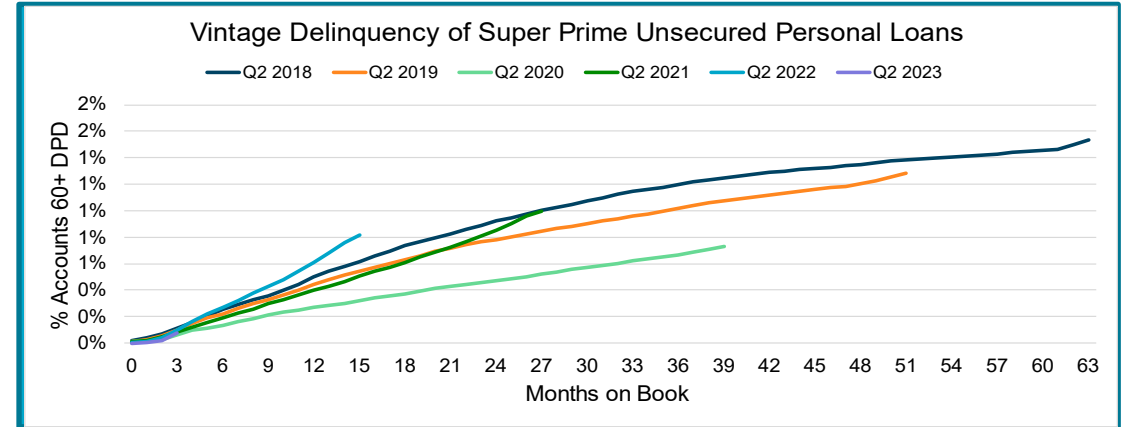
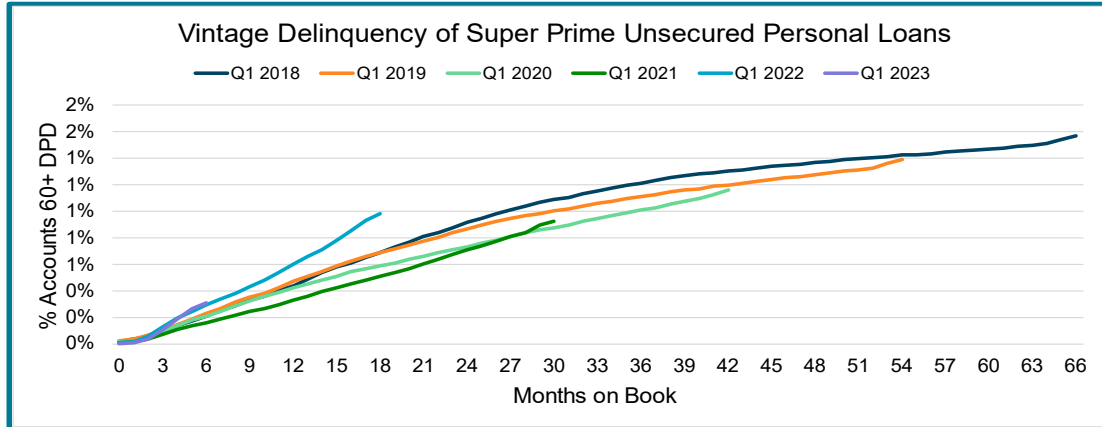
VantageScore® 4.0 risk ranges

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

Source: TransUnion US consumer credit database



Super prime vintage delinquencies continue to be elevated over historical trends for vintages from 2022 and 2023



Vintage curves contain data through September 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 US consumer credit database



Key Takeaways: Delinquencies

- Point-in-time consumer-level delinquency rates for 30+, 60+, and 90+ days passed due are just slightly lower than they were a year ago, but Q3 2023 rates were higher compared to the recent two quarters of decline
- Aggregate account-level vintage delinquencies highlight that vintages in 2022 and 2023 are not becoming delinquent as fast as previously seen
- However, vintage delinquency trends vary by risk tier, with the above prime tiers showing recent vintages still becoming delinquent at a faster pace, whereas the other tiers had some deceleration to at least be on par with prior year rates if not better

Spotlight: The Impact of Federal Student Loan Repayment Resumption for UPLs



Table of Contents

1. Student Loan Market Context
2. Expected Payment Shock Analysis: UPL Borrowers
3. Ability to Pay Indicators for Student Loans: UPL Borrowers

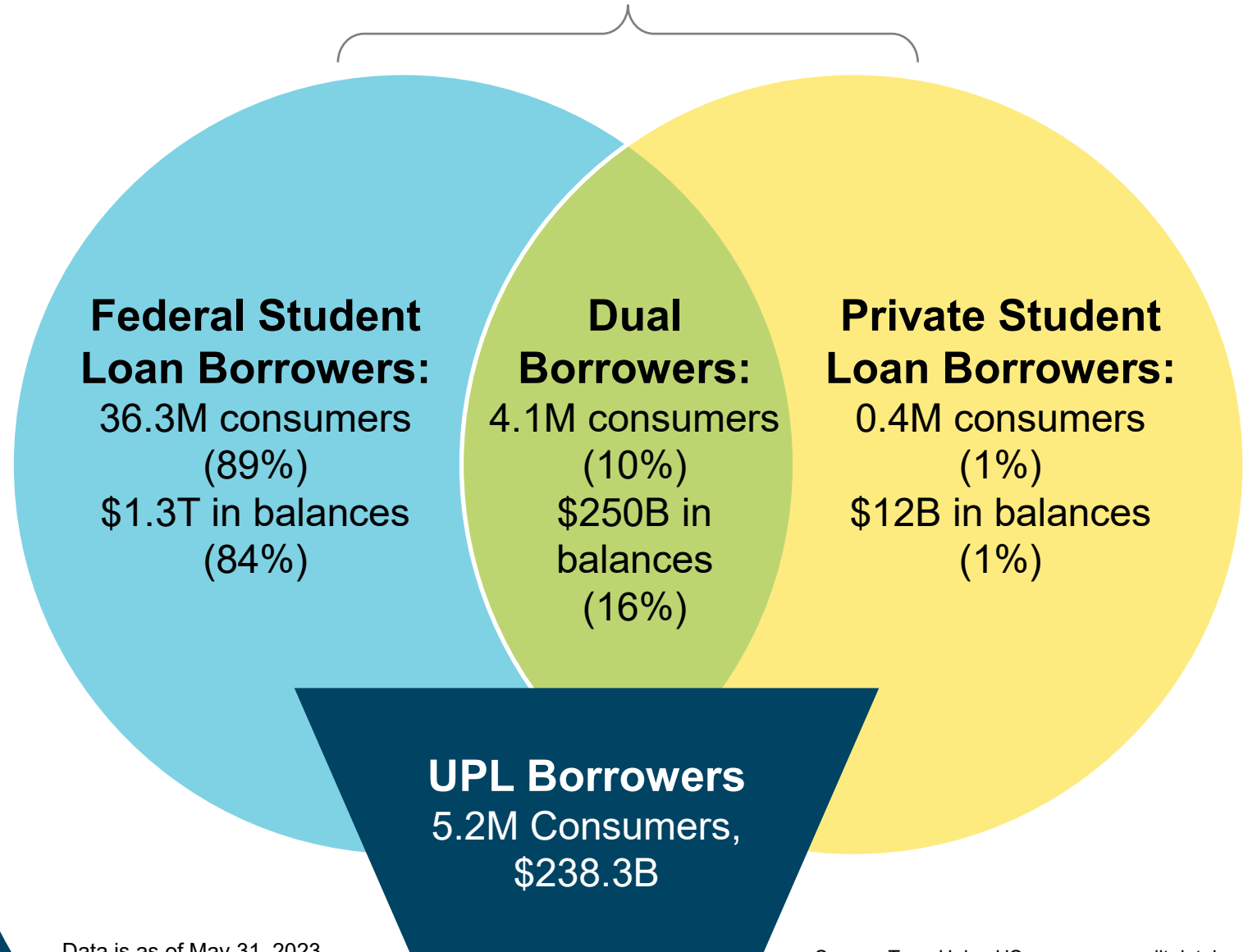
Student Loan Market Context



The student loan market is dominated by federal student loan borrowers

UPL borrowers account for ~13% of all student loan borrowers

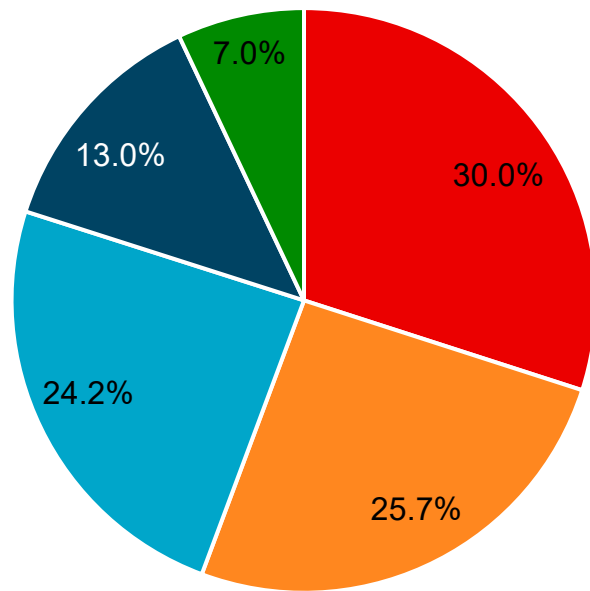
40.6 M consumers with student loans, totaling \$1.6T in balances



~56% of UPL borrowers with a student loan are below prime; however, borrowers from above prime tiers had the highest payment rates

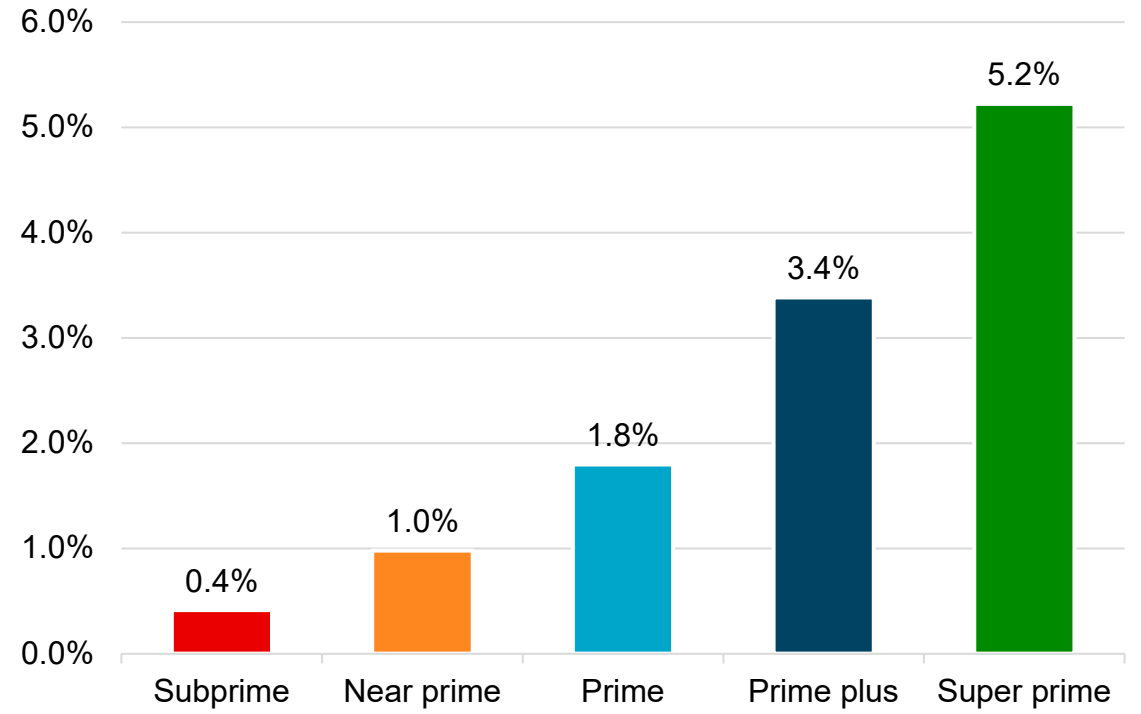
% Distribution of UPL borrowers with an active student loan

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



% of UPL borrowers making payment on their student loans while in forbearance

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



Data as of June 2023 based on a subset of the full UPL market: lenders representing ~85% of Q4 2022 originations



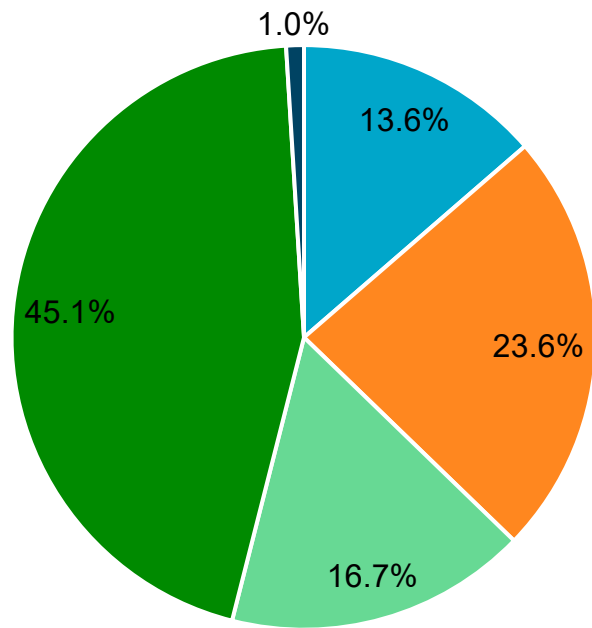
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Source: TransUnion US consumer credit database

FinTech has 45% of UPL borrowers with a student loan, but the repayment rate was highest for borrowers who originated with banks

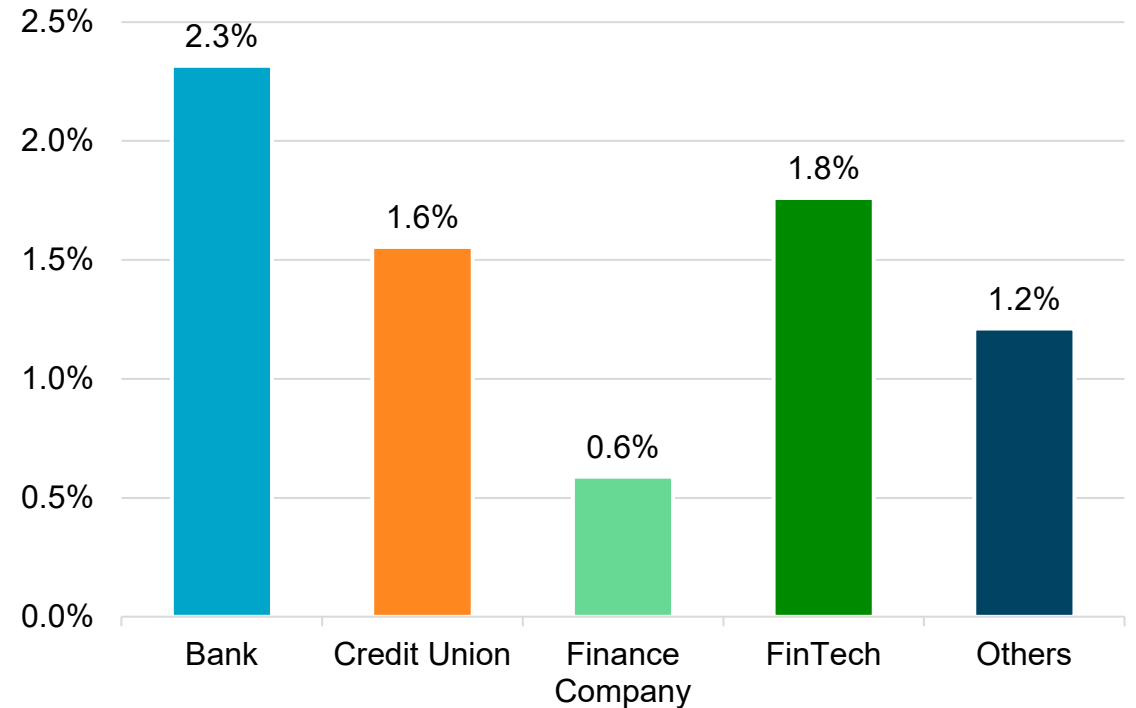
% Distribution of UPL borrowers with an active student loan

■ Bank ■ Credit Union ■ Finance Company ■ FinTech ■ Others



% of UPL borrowers making payment on their student loans while in forbearance

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Data as of June 2023 based on a subset of the full UPL market: lenders representing ~85% of Q4 2022 originations



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Source: TransUnion US consumer credit database

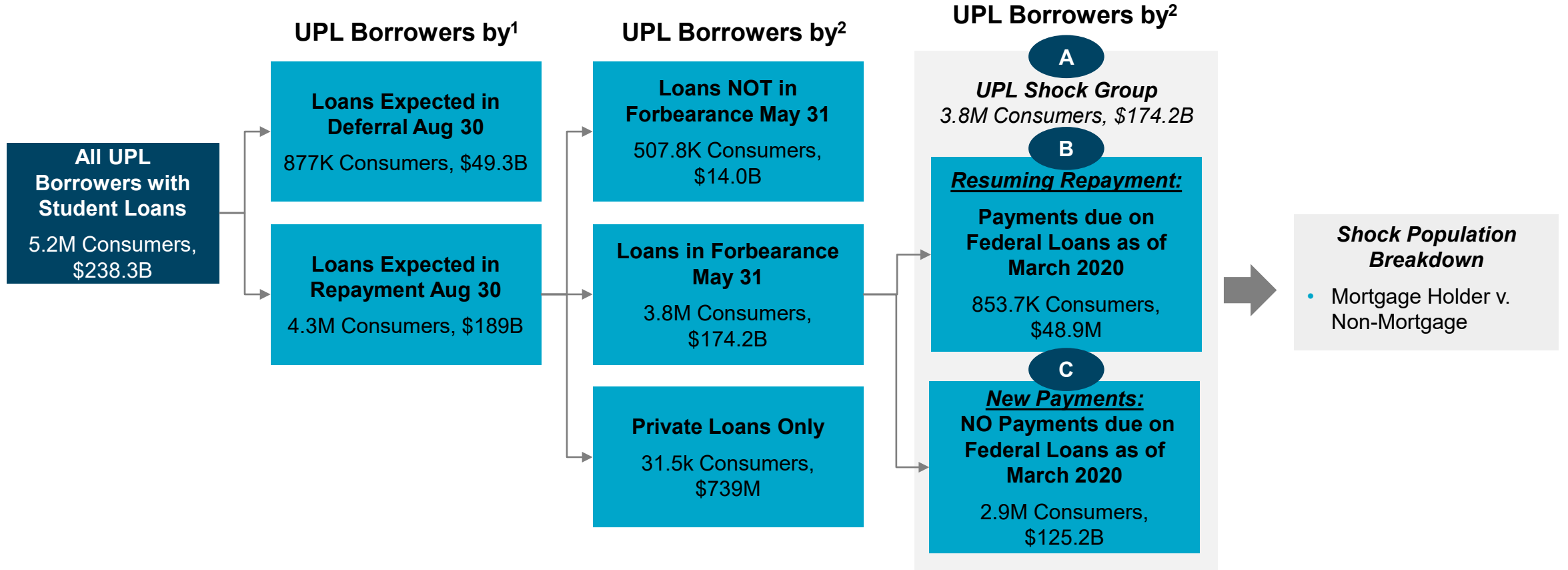
Expected Payment Shock Analysis: UPL Borrowers



Certain assumptions were made to enable a simulation of expected student loan payment shock

- **Payment shock** is the estimated student loan monthly payment due for all loans in forbearance and expected to begin repayment
- **Payment Due Amounts:**
 - For student loans in repayment as of March 2020, assumed the payment amount would not change with the end of the payment holiday
 - For student loans in forbearance as of May 2023, identified if the loan would be expected to be in repayment at the end of the payment holiday, and estimated the payment due as 1% of student loan balance based on validation off a sample
- Accounts all rolled up to the **consumer level** into three groups: federal only, mixed, private only (deferral/forbearance/loan types all have assumptions upon roll up)
- Not able to identify **Direct or FFEL or Perkins or PLUS** Loans
- Not able to identify grace period loans
- Not accounting for **income-driven repayment plans (IDR's)** or **Debt Forgiveness**
- Not accounting for prior defaults, forbearance or payments made during the pandemic

The UPL study population was identified as borrowers expected to be in repayment in August who had loans in forbearance as of May 2023



Data is as of May 31, 2023

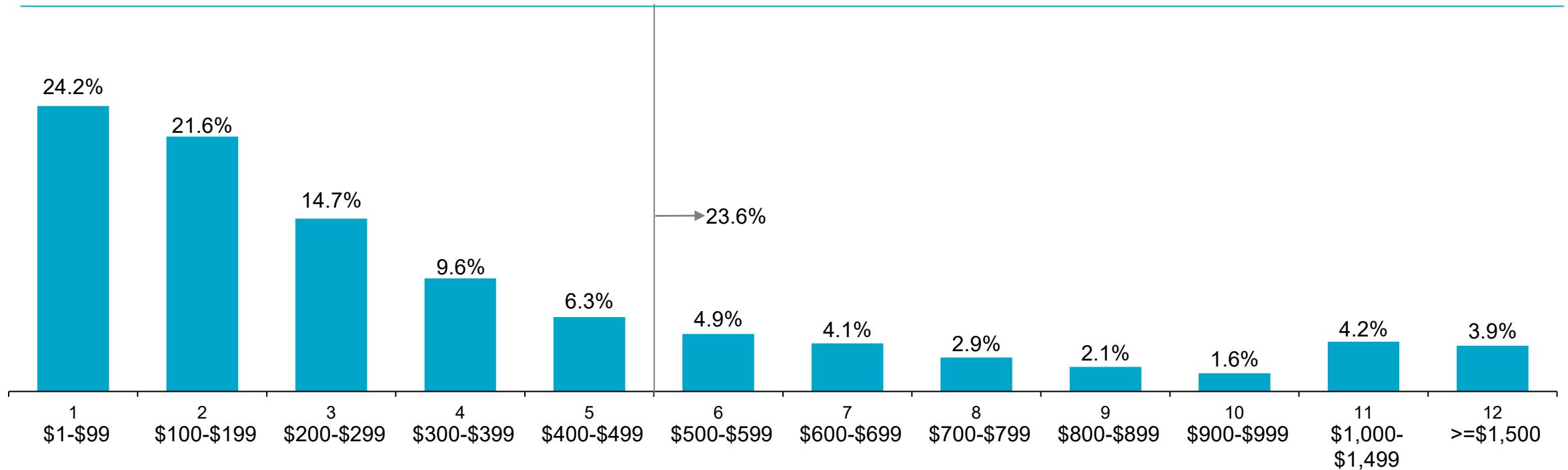
1. At least 1 account deferred as of 5/31/23 | 2. At least 1 account in forbearance as of 5/31/23. Includes Federal and Private Loans

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Source: TransUnion US consumer credit database

Nearly half of UPL borrowers who will experience a payment shock are expected to have a payment <\$200, with 24% expected to pay \$500+

Distribution of Expected Payment Amount Among UPL Borrowers



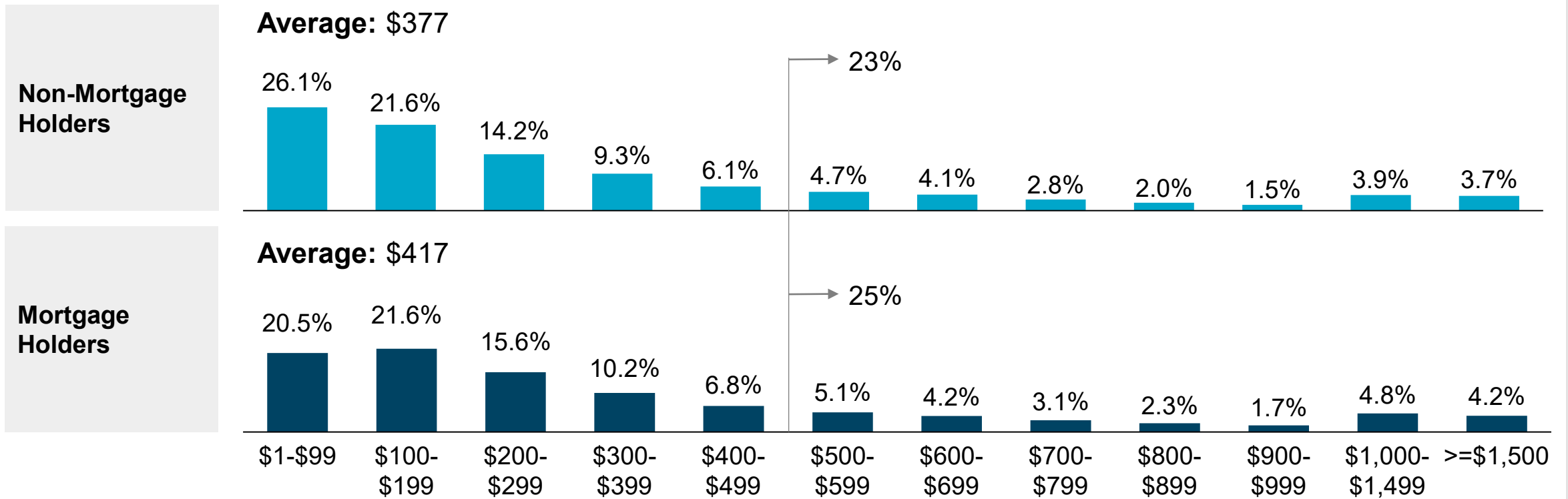
Data is as of May 31, 2023

Percentages may not sum to 100% due to rounding



UPL borrowers with mortgages are more likely to have higher student loan payments: 25% are expected to have a payment due of \$500+

Distribution of Expected Federal Student Loan Payment Amount, by Mortgage Holder Status



Data is as of May 31, 2023

Percentages may not sum to 100% due to rounding

Determination of mortgage status based on presence of open mortgage trade as of May 31, 2023

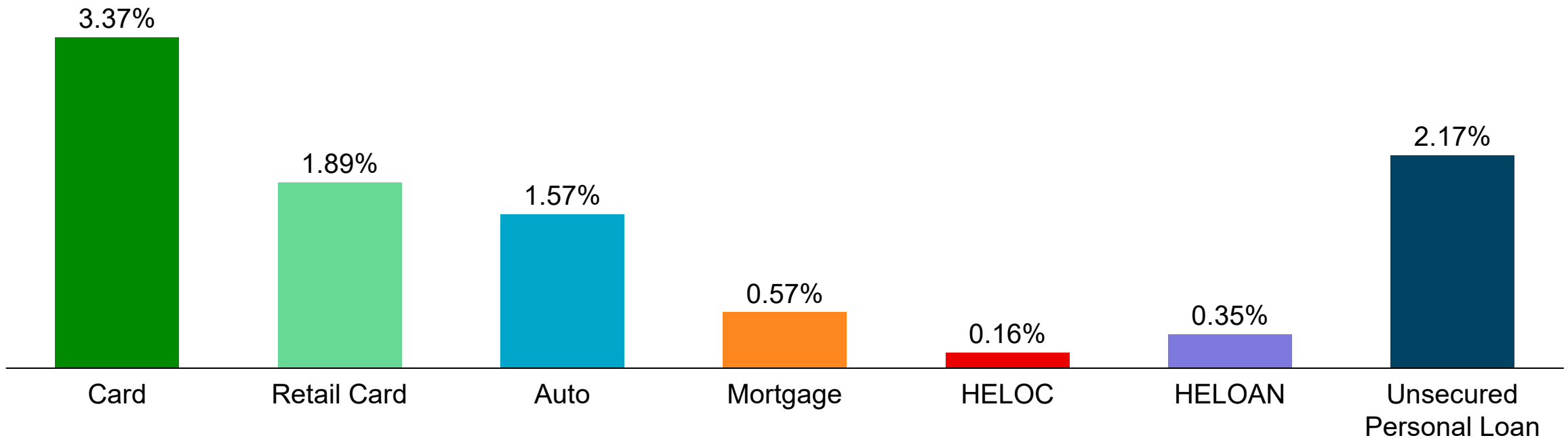


Ability to Pay Indicators for Student Loans: UPL Borrowers



UPL borrowers with student loans are more likely to be delinquent on their unsecured debt

Percentage of UPL Borrowers with Student Loans with Current Serious* Delinquencies by Product



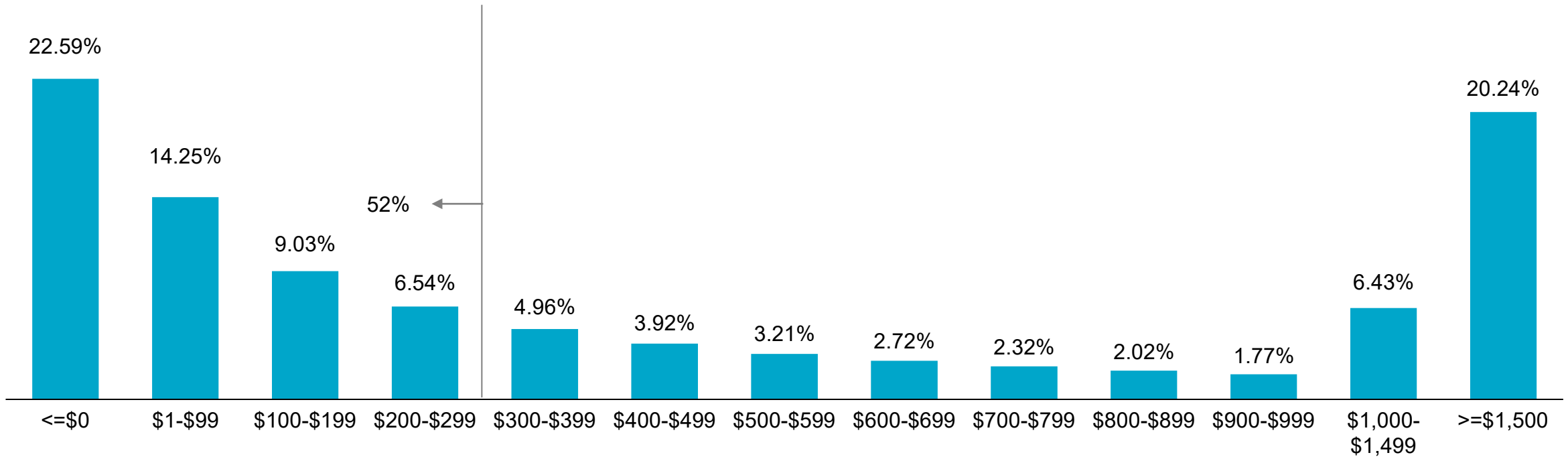
Data is as of May 31, 2023

*Serious delinquency considered as 90+DPD for card, mortgage, private label, HELOAN and HELOC, 60+ DPD for all other products



Over half of UPL borrowers with student loans have aggregate excess payment amounts below \$300 in Q2 2023

Distribution of Aggregate Excess Payment (3 Month Average)



Data is as of May 31, 2023

Percentages may not sum to 100% due to rounding

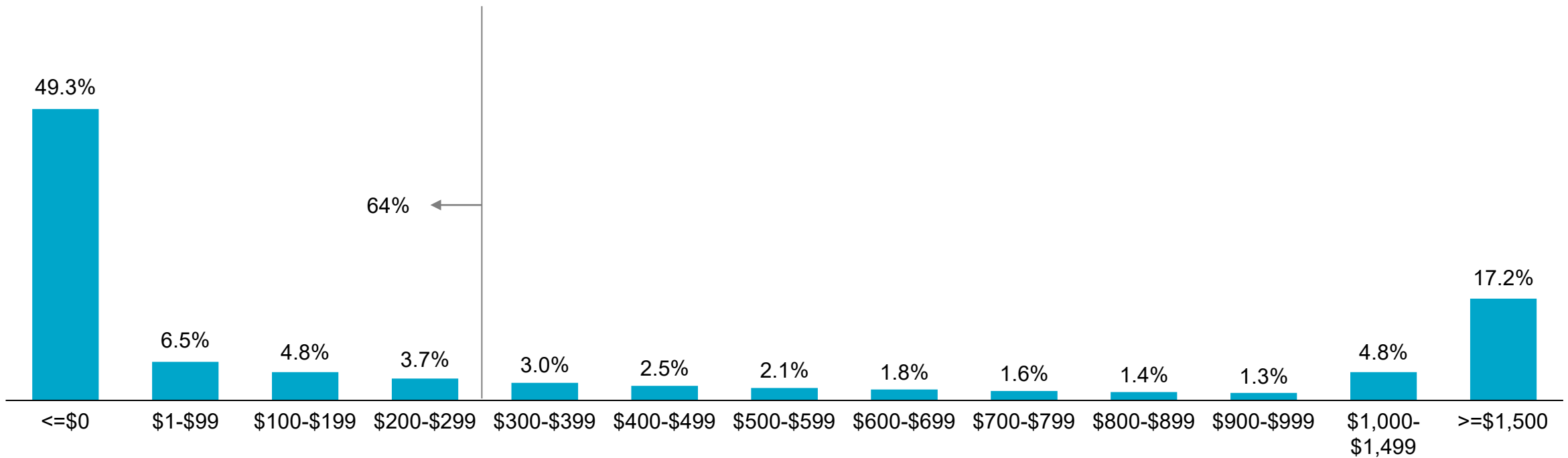
Aggregate Excess Payment= Total Payment Amount- Total Minimum Payment Due

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After accounting for the expected student loan payment shock, nearly 50% of UPL borrowers are left without any excess capacity

Distribution of Aggregate Excess Payment (3 Month Average) after Payment Shock



Data is as of May 31, 2023

Percentages may not sum to 100% due to rounding

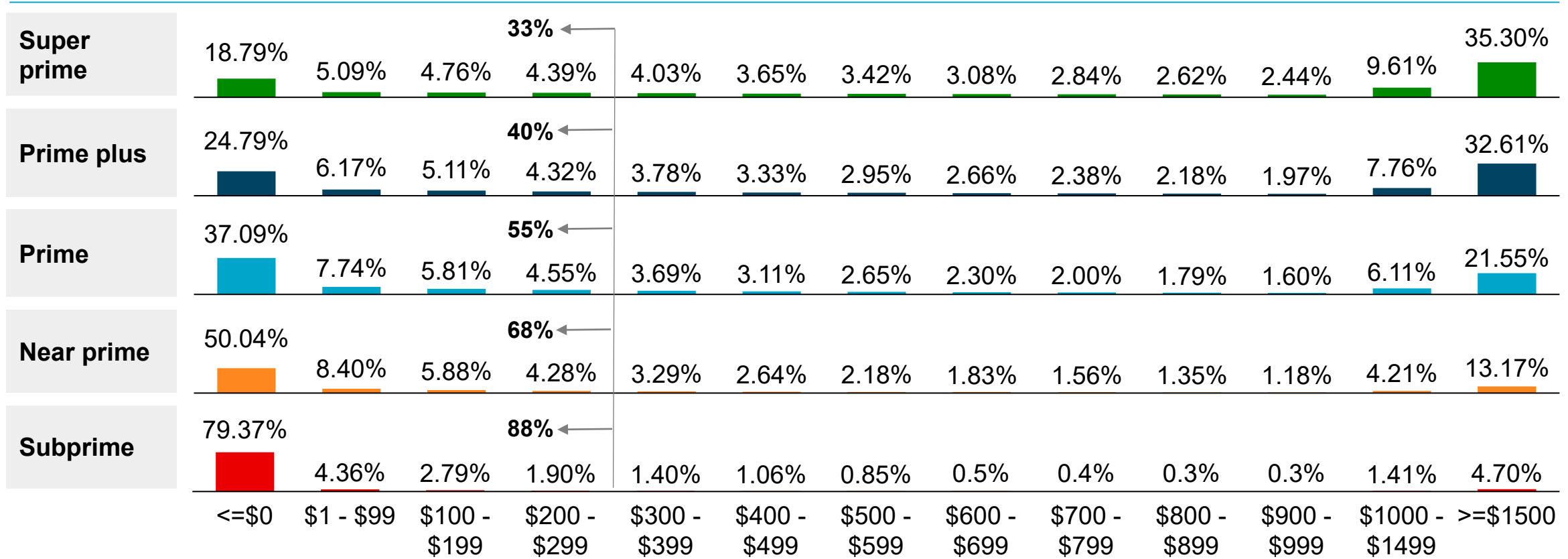
Aggregate Excess Payment= Total Payment Amount- Total Minimum Payment Due

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The majority of below prime UPL borrowers with student loans will have no aggregate excess payment capacity after the payment shock

Distribution of Aggregate Excess Payment (3 Month Average) after Payment Shock, by Risk Tier



Data is as of May 31, 2023

Percentages may not sum to 100% due to rounding

VantageScore® 4.0 risk ranges:

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

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Source: TransUnion US consumer credit database





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