

2024 TransUnion Financial Services Summit

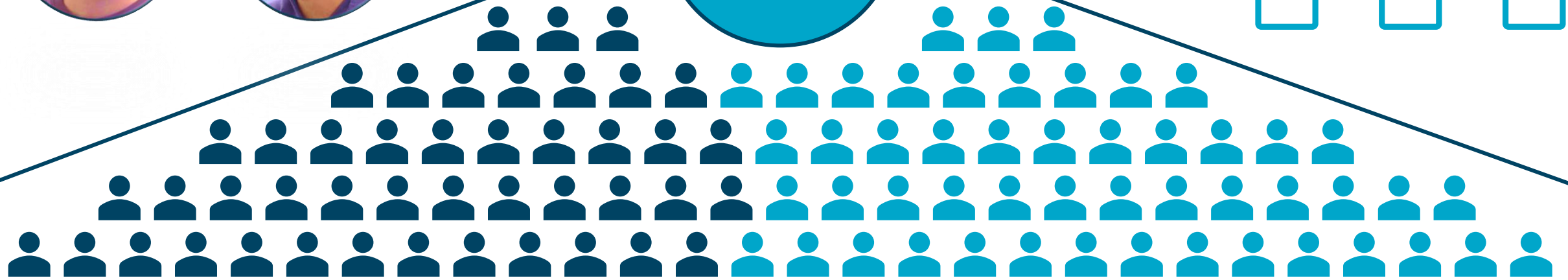
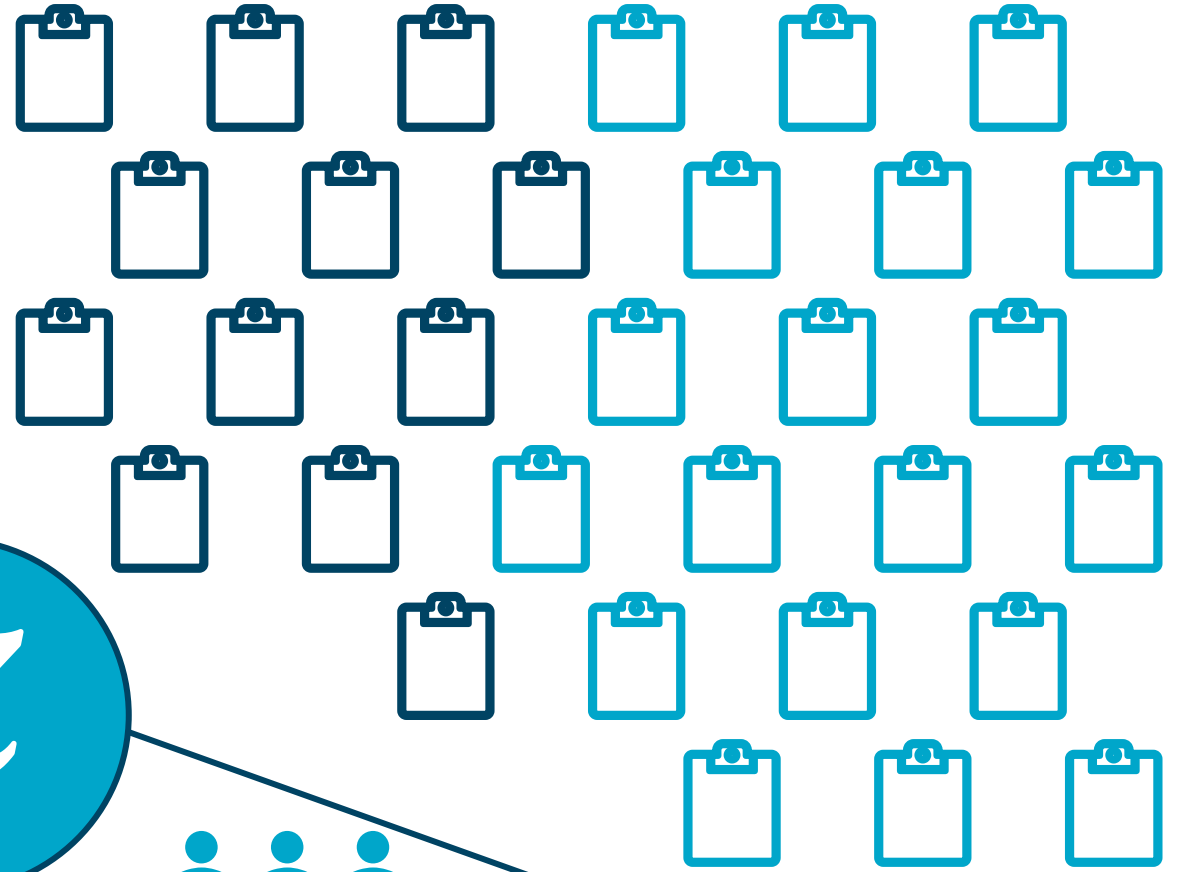
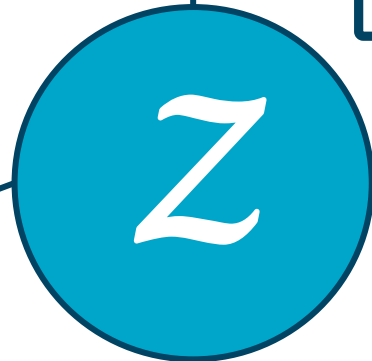
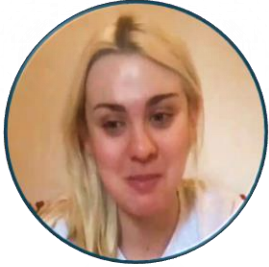
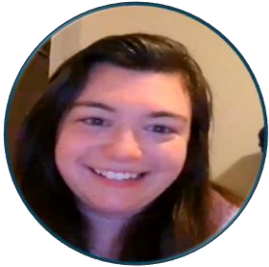
CHARTING A COURSE
FOR **GROWTH**

Solving for Gen Z

Michele Raneri

VP, Financial Services, Research and Consulting





Interviews

- ❑ Gen Z only
- ❑ Remote
- ❑ In person
- ❑ California
- ❑ Connecticut
- ❑ North Carolina
- ❑ Texas
- ❑ UK (using US credit)
- ❑ February-March 2024



Surveys

- ❑ Over 1,200 consumers
- ❑ Gen Z asked about today
- ❑ Millennials asked about 10 years ago
- ❑ February 2024

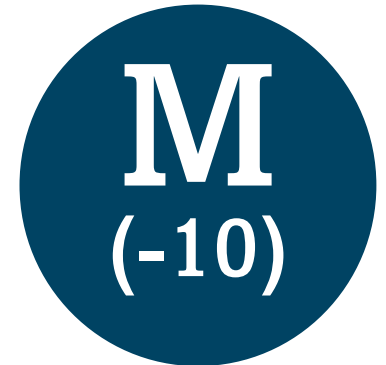
Credit Data

- ❑ Gen Z 22-24 Year olds December 2023
- ❑ Millennials 22-24 year olds December 2013



The study honed in on 22-24 year olds at different time periods to level the comparison between the two generation groups

Generation	Full generation age range as Of 2023 Q4	Focus age range	Timeframe for comparison analysis
Millennials	30 – 44	22 – 24	Q4 2013
Gen Z	12 – 29	22 – 24	Q4 2023



Interviews with Gen Z

- What comes to mind when you think about credit?
- How did you build credit?
- What is your credit score?



Video: GENZ 1

Interviews with Gen Z

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Today's Gen Zs said they were more impacted financially by the COVID pandemic than Millennials said they were by the Great Financial Crisis



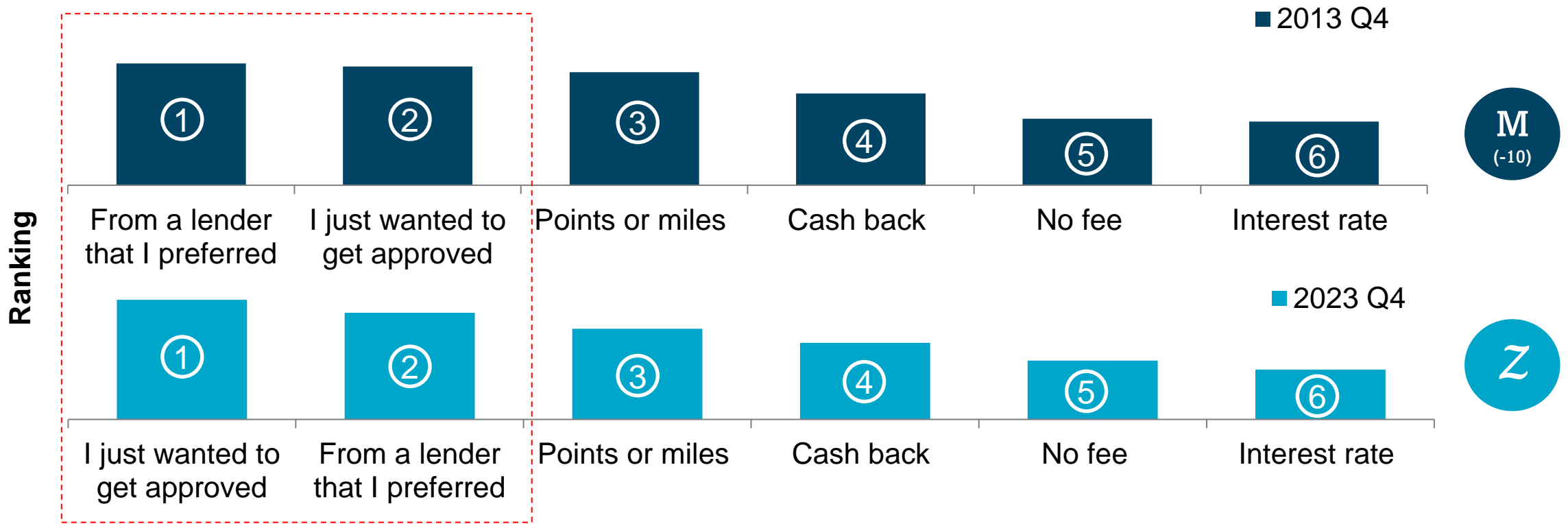
60% of Millennials said they had their finances negatively impacted by the Great Financial Crisis of 2007-09



75% of Gen Z said they had their finances negatively impacted by the pandemic induced recession

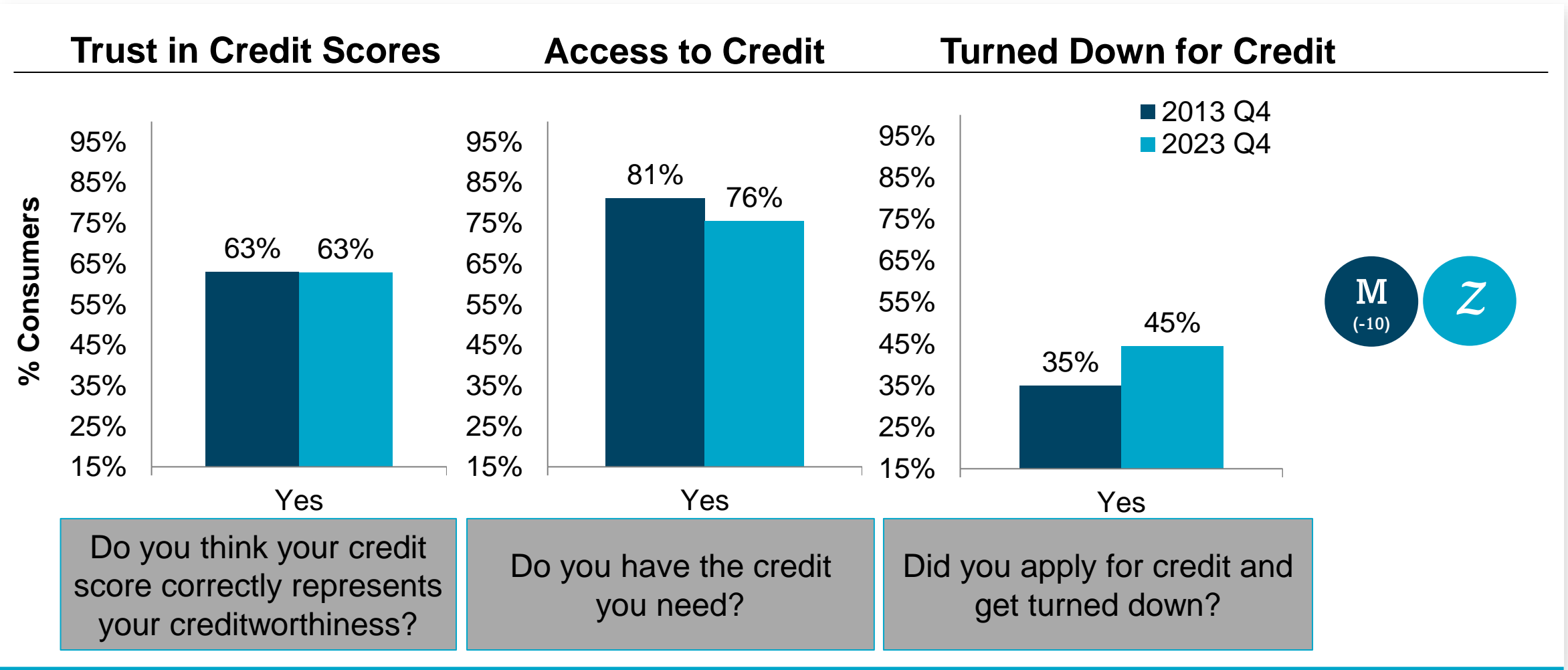
Younger people developing their credit primarily want to get approved and have an affinity to lenders

Credit Card Features Ranked



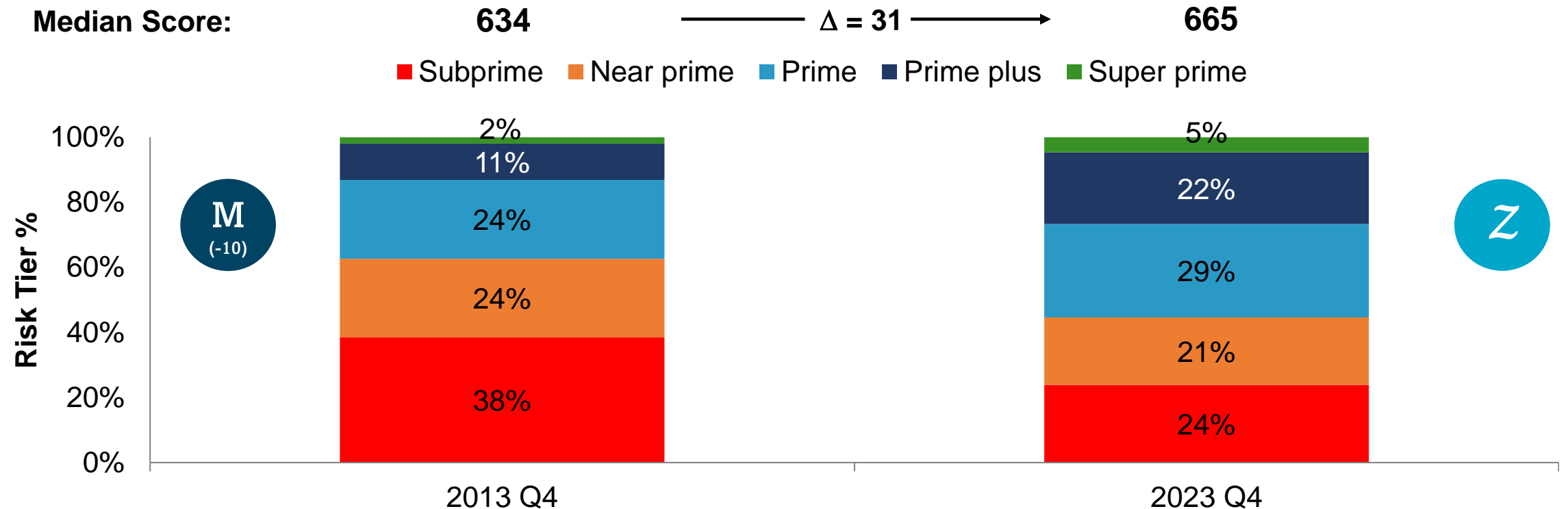
Rank the features of a credit card that are most important to you

Both groups trust their scores capture true creditworthiness, and fewer Gen Z today feel they have access to the credit they need



Gen Zs have higher scores and scores

Risk Tier Distribution of 22-24 Year Olds



Notes:

1. VantageScore® 4.0 credit score ranges: Subprime = 300–600, Near prime = 601–660, Prime = 661–720, Prime plus = 721–780, Super prime = 781+



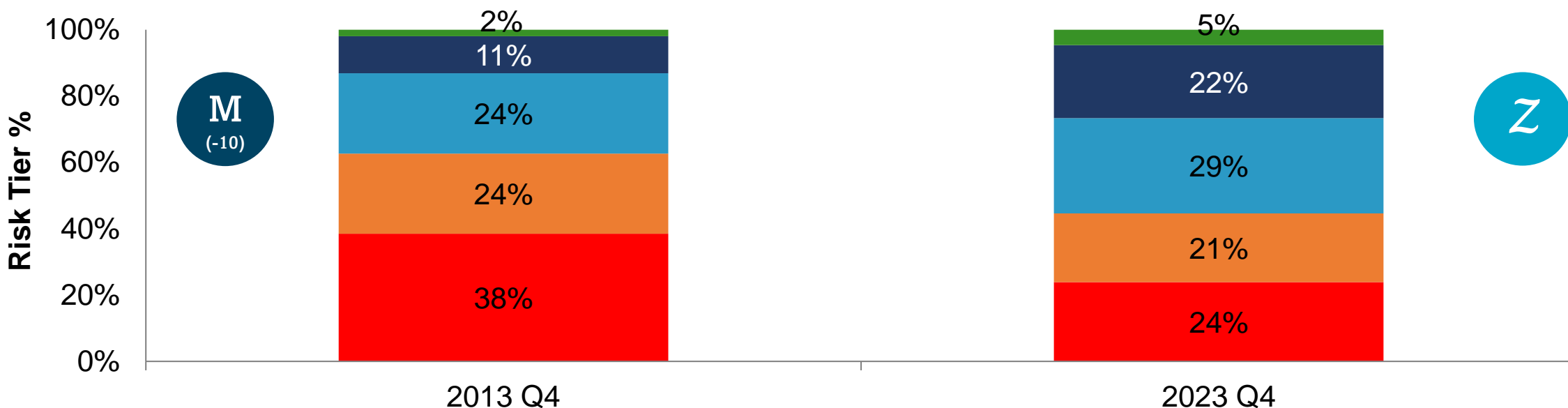
Gen Zs have not kept pace with the increase of the entire population

Population Median Score: **657** $\Delta = 56$ **713**

Risk Tier Distribution of 22-24 Year Olds

Median Score: **634** $\Delta = 31$ **665**

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



Notes:

1. VantageScore® 4.0 credit score ranges: Subprime = 300–600, Near prime = 601–660, Prime = 661–720, Prime plus = 721–780, Super prime = 781+



Gen Zs have lower median scores compared to the entire population

Population Median Score: **657** $\Delta = 56$ **713**

Risk Tier Distribution of 22-24 Year Olds

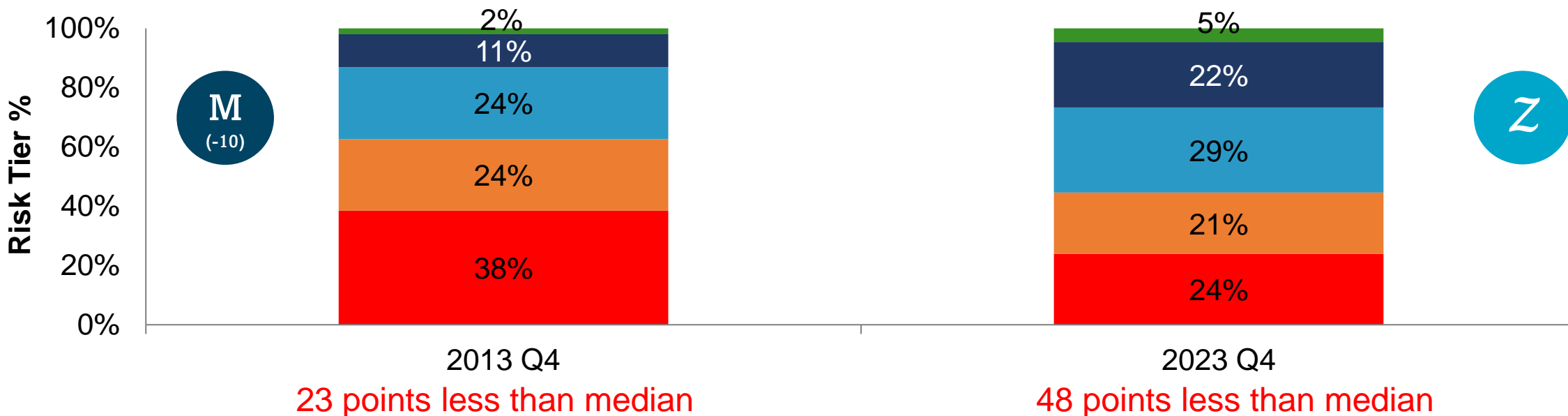
Median Score:

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



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1. VantageScore® 4.0 credit score ranges: Subprime = 300–600, Near prime = 601–660, Prime = 661–720, Prime plus = 721–780, Super prime = 781+



Interviews with Gen Z

- Credit or debit?
- Have you had an authorized user card?
- What kind of credit do you use?
- What do you look for when shopping for credit?



Video: GENZ 2

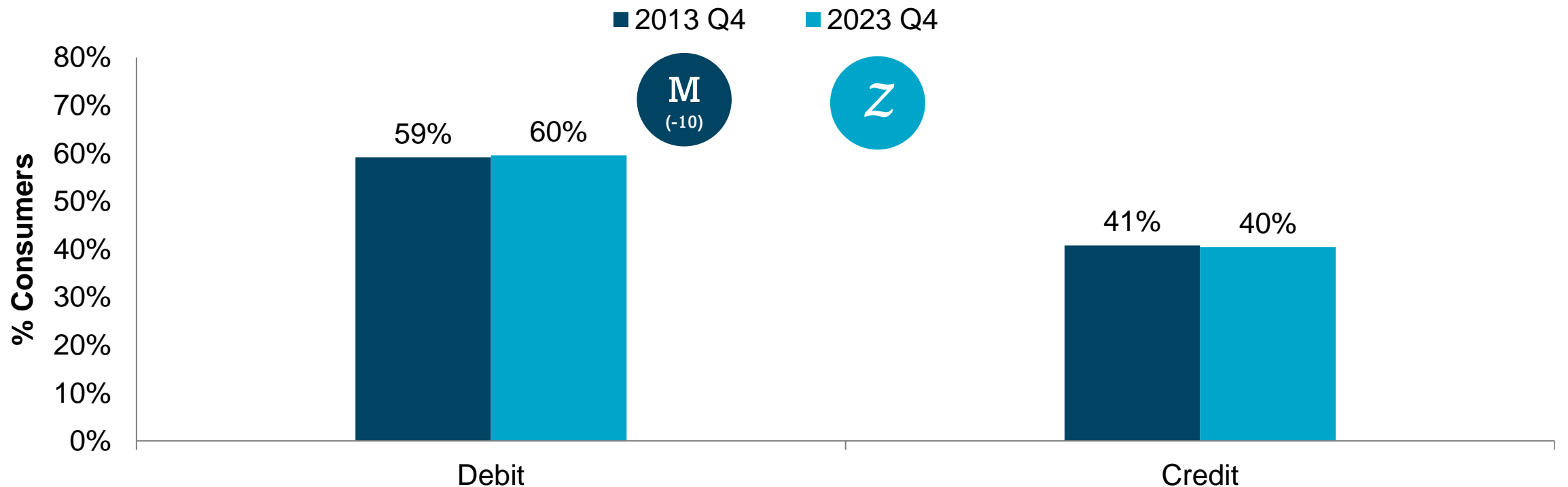
Interviews with Gen Z

- Credit or debit?
- Have you had an authorized user card?
- What kind of credit do you use?
- What do you look for when shopping for credit?



About 40% of young consumers use credit more often than debit and has held steady over time

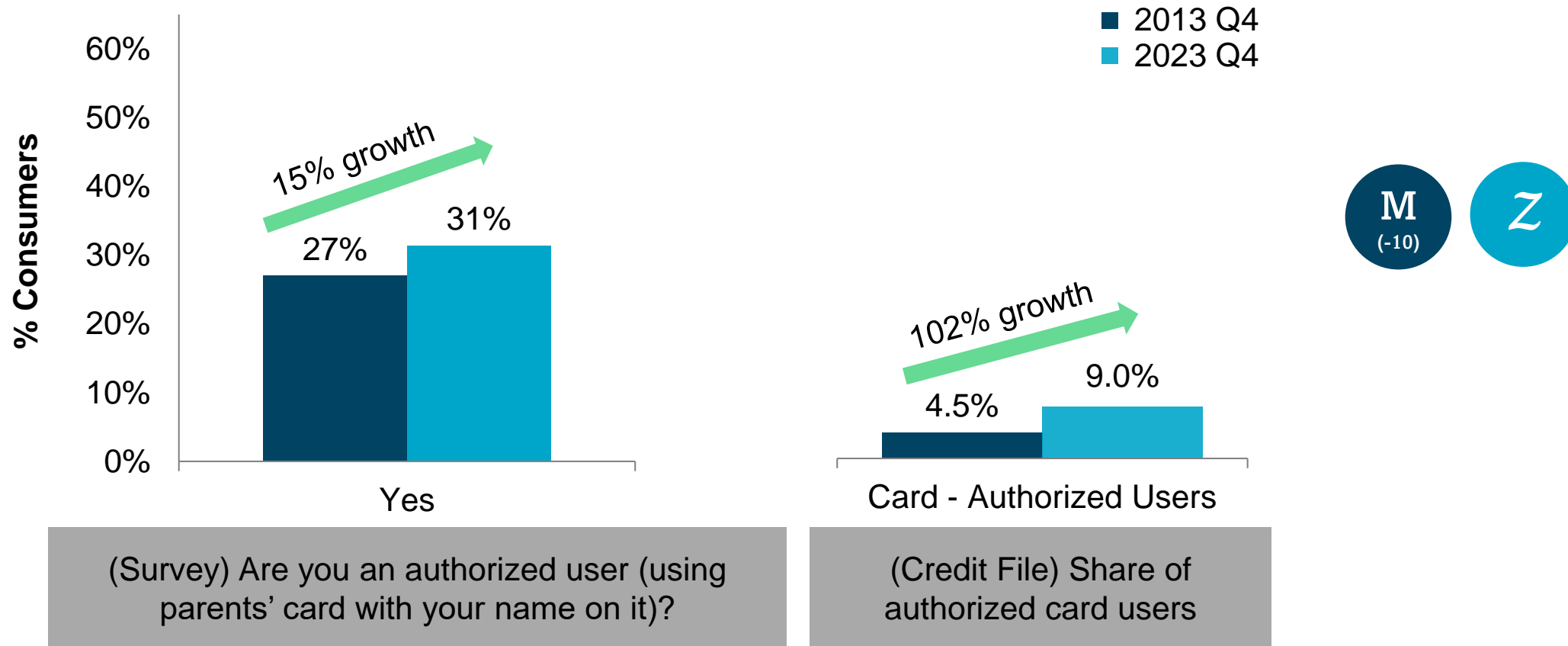
Credit vs. Debit



Do you use a credit card or a debit card more often?

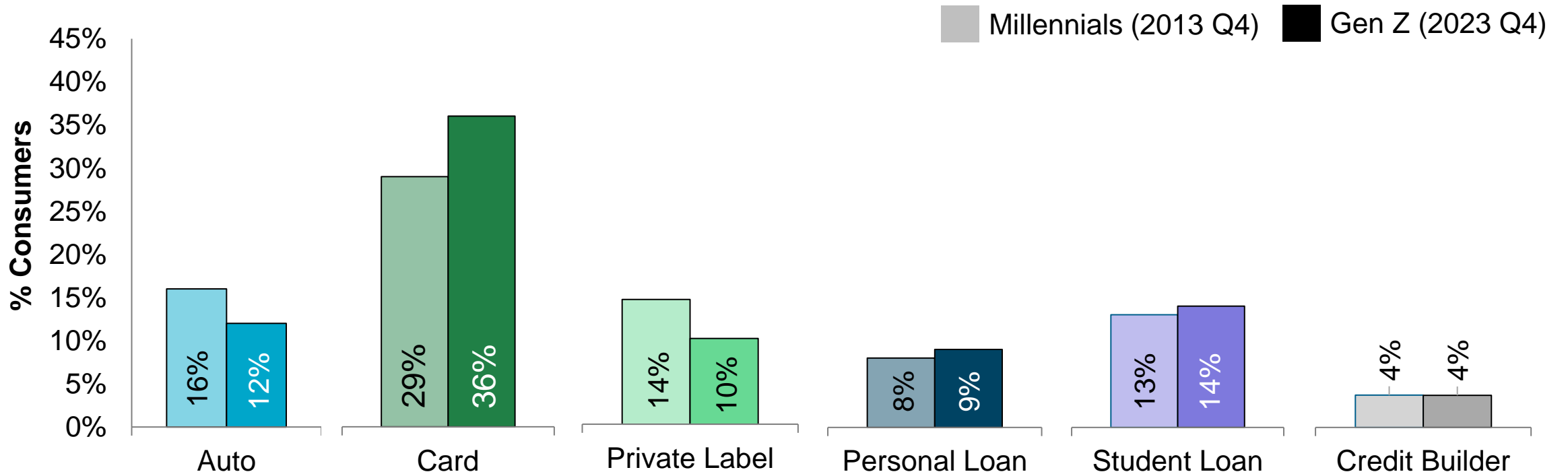
Gen Z said they are authorized users on cards, but what was observed on the credit file far outpaces the survey

Authorized Users: Survey vs. Credit File



The sentiment of Gen Zs is cards are more useful, while auto has declined

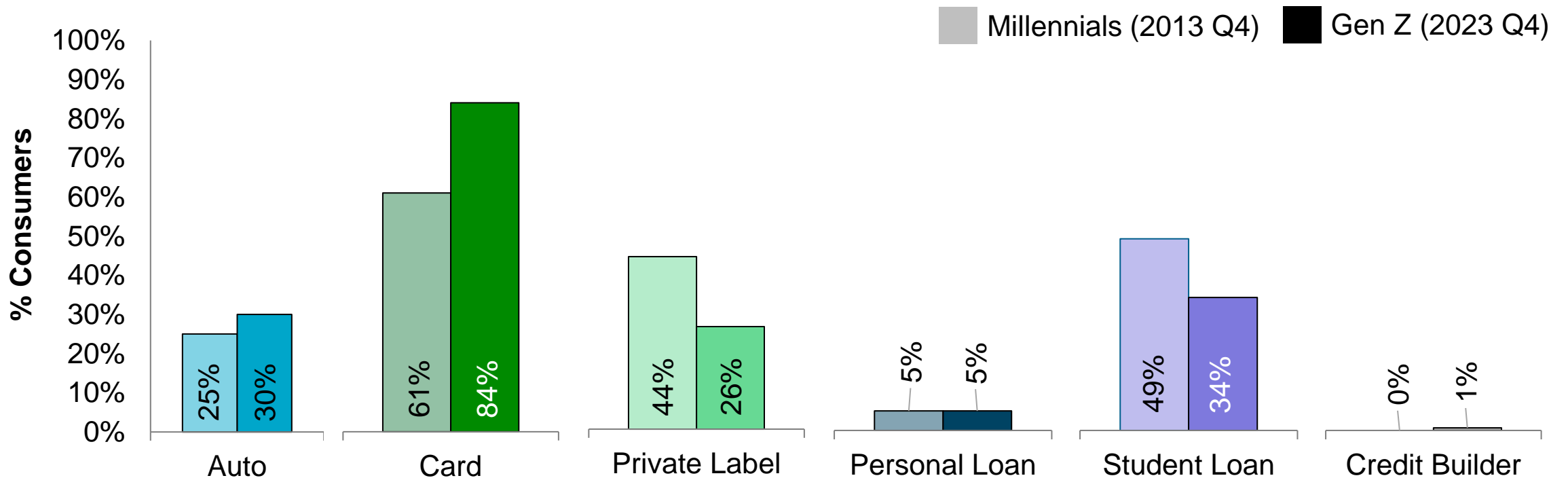
Most Useful Credit Product



Rank order credit products in terms of their usefulness to you

Credit card usage has increased significantly but so has auto

Product Penetration for 22-24 Year Olds

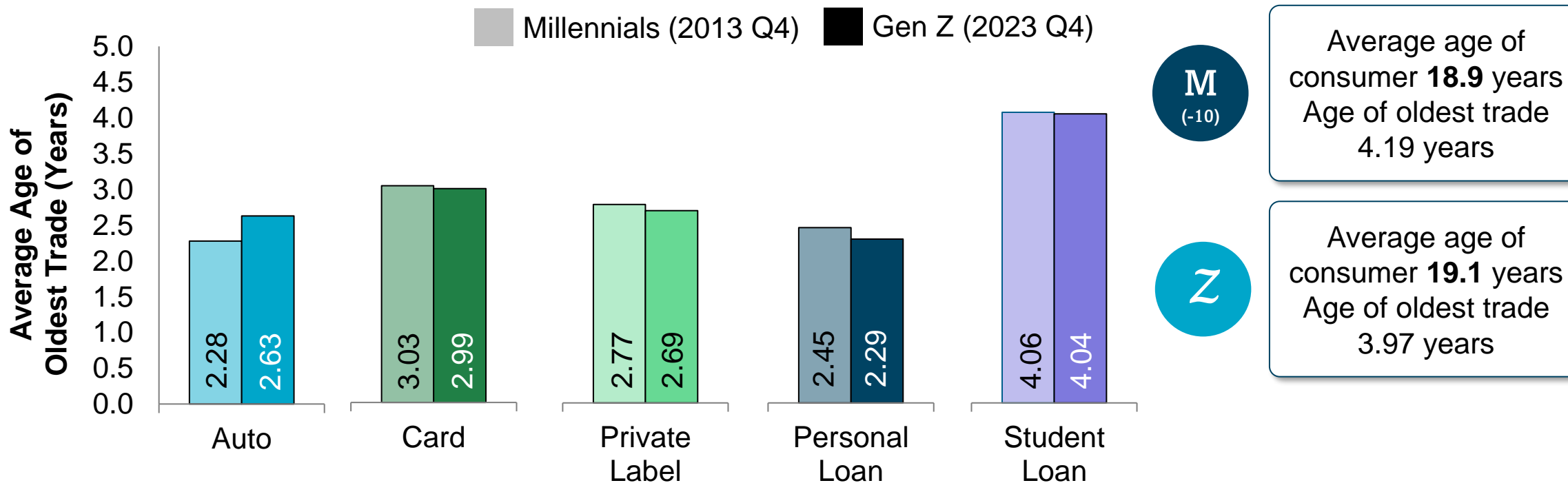
**Notes:**

The % values for all products combined add up to well above 100% as a given consumer can have several products.



Gen Z are starting their credit experience slightly later than their counterparts 10 years ago did

Average Age of Oldest Trade by Product for 22-24 Year Olds

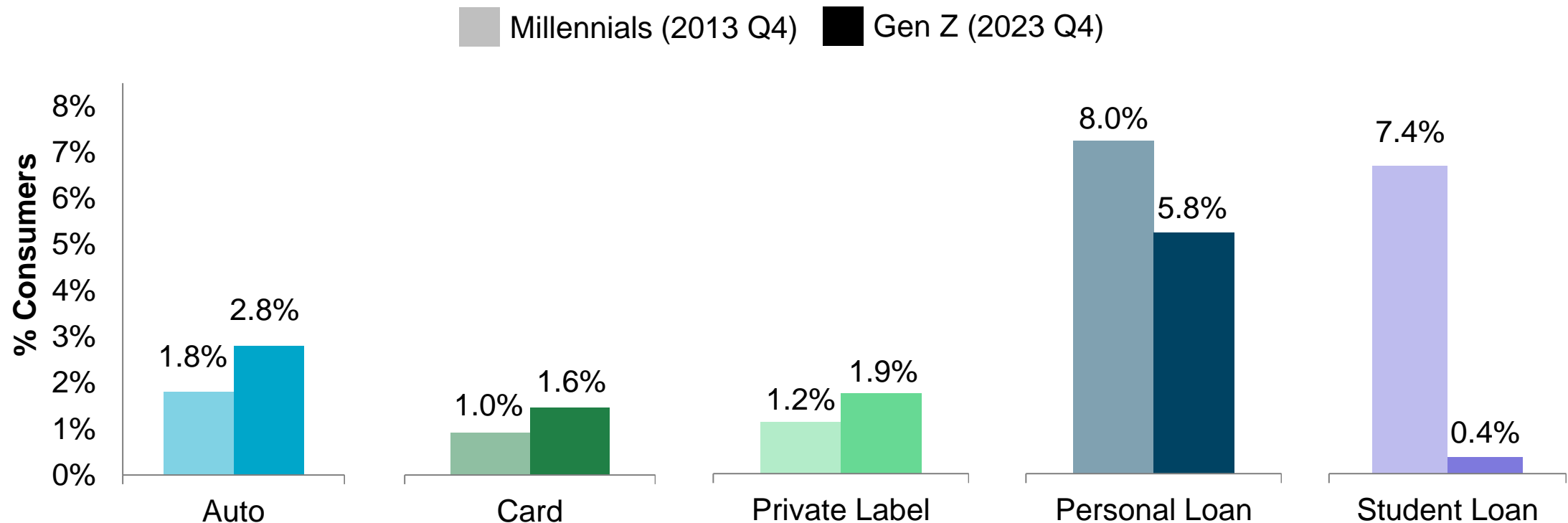


Notes:

1. In computing the average age of oldest trade, all trades – even those closed and with zero balance – are considered.
2. This view excludes Mortgage and derivative products as the share of 22-24 consumers with those products are insignificantly small.

Gen Z are more delinquent on auto, credit cards and private label

Consumer Level Serious Delinquency¹ for 22-24 Year Olds



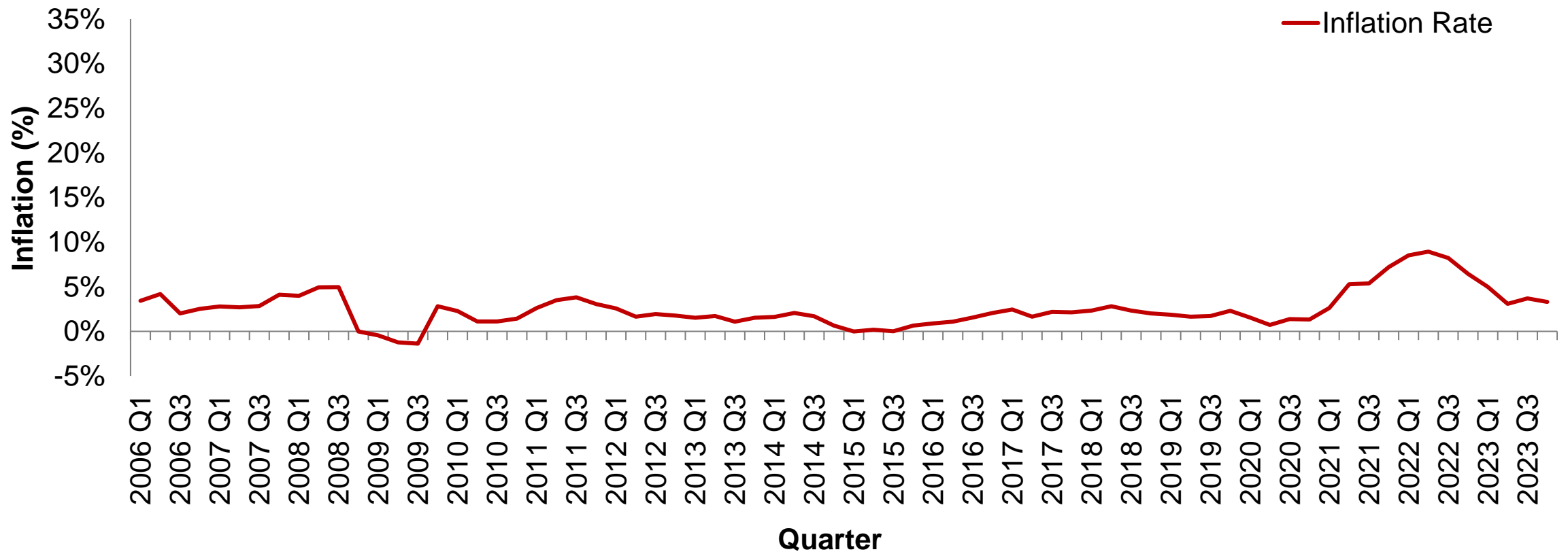
Notes:

1. Serdelinquency is defined as 90+ DPD for Card, Private Label and Mortgage, and 60+ DPD for all the other products.



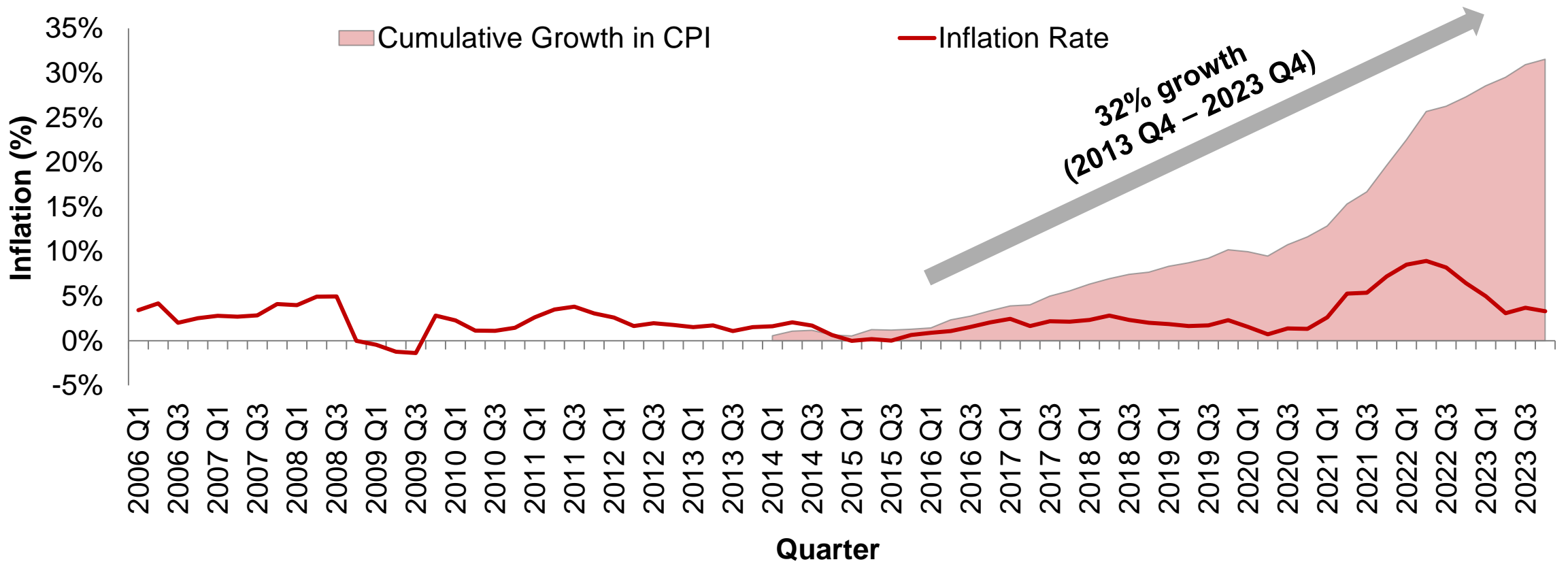
Gen Z have come of age during a high inflation economy

U.S. Inflation

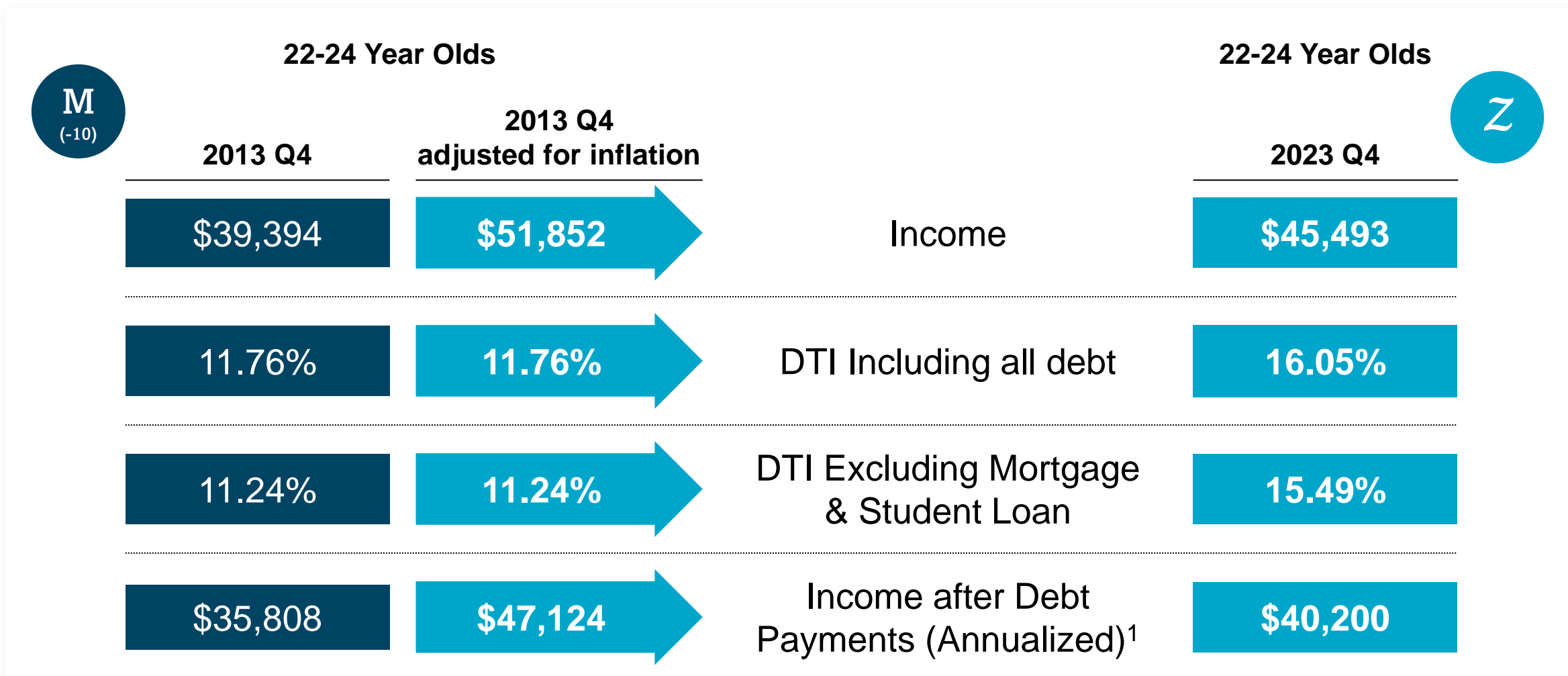


Gen Z have come of age during a high inflation economy, resulting in 32% cumulative inflation over 10 years

U.S. Inflation



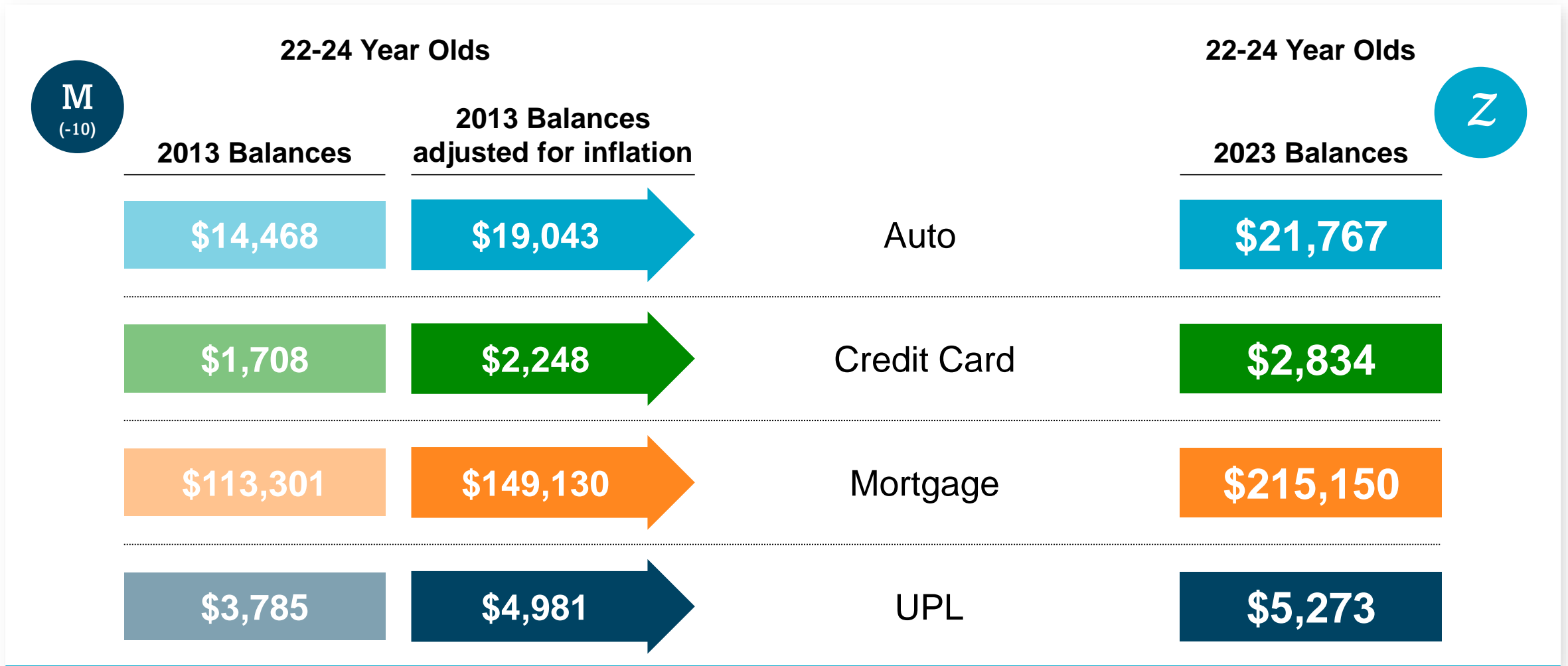
Debt-to-Income comparison reflects a tougher situation for Gen Z


Notes:

- Income after debt payments is annualized and computed as the difference of the monthly gross income and the total minimum payment due. Calculations exclude rental and utilities debt for all consumers.



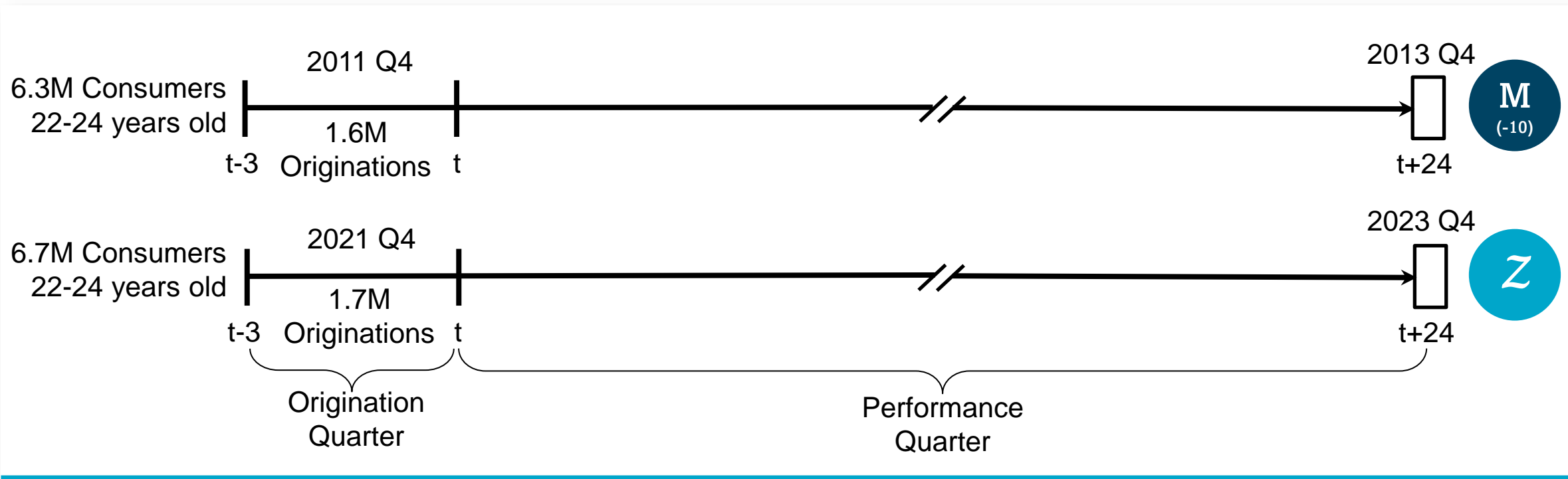
Increasing balances reflect higher inflationary pressures on Gen Z



Origination and Performance



TU identified 22-24 year olds who originated¹ in 2011 Q4 or 2021 Q4, and tracked their performance² over the following 24 months



Originations: Auto; Card; Mortgage; Personal Loan

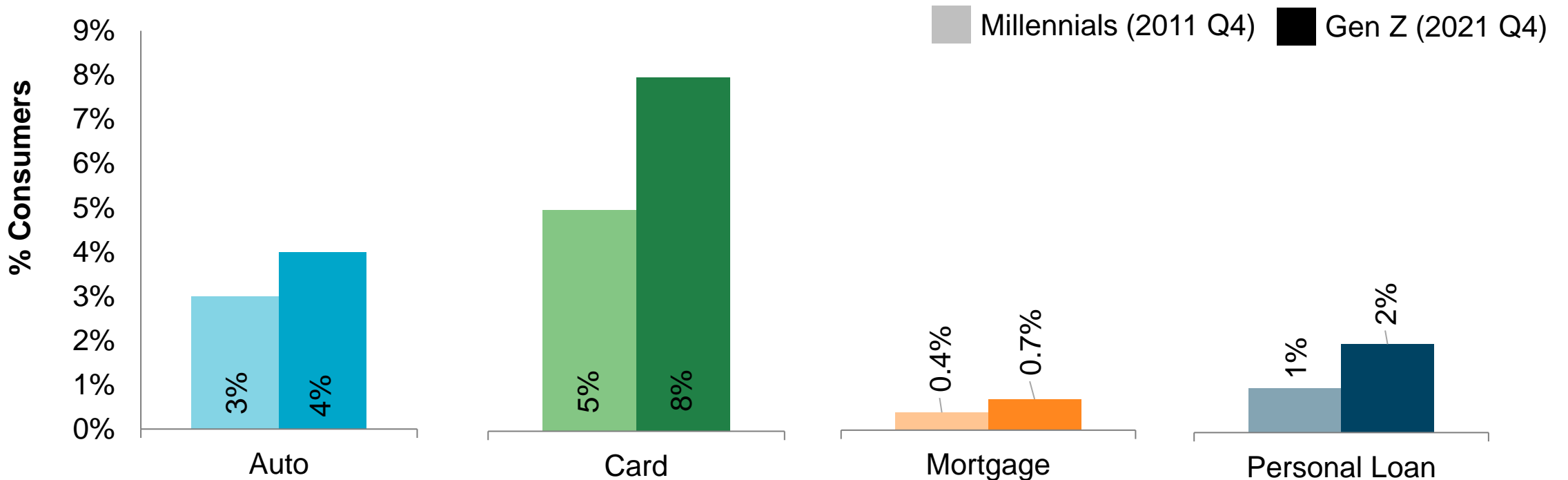
Notes:

1. Originations are from Q4 (Oct – Dec) and risk tier was determined at the end of Q3.
2. Performance is measured as serious delinquency, which is defined as 90+ DPD for Card, Private Label and Mortgage, and 60+ DPD for all the other products.



Auto, card, personal loan, and mortgage have gained popularity among Gen Z compared to Millennials at the same age

Percentage¹ of Consumers by Originated Product for 22-24 Year Olds



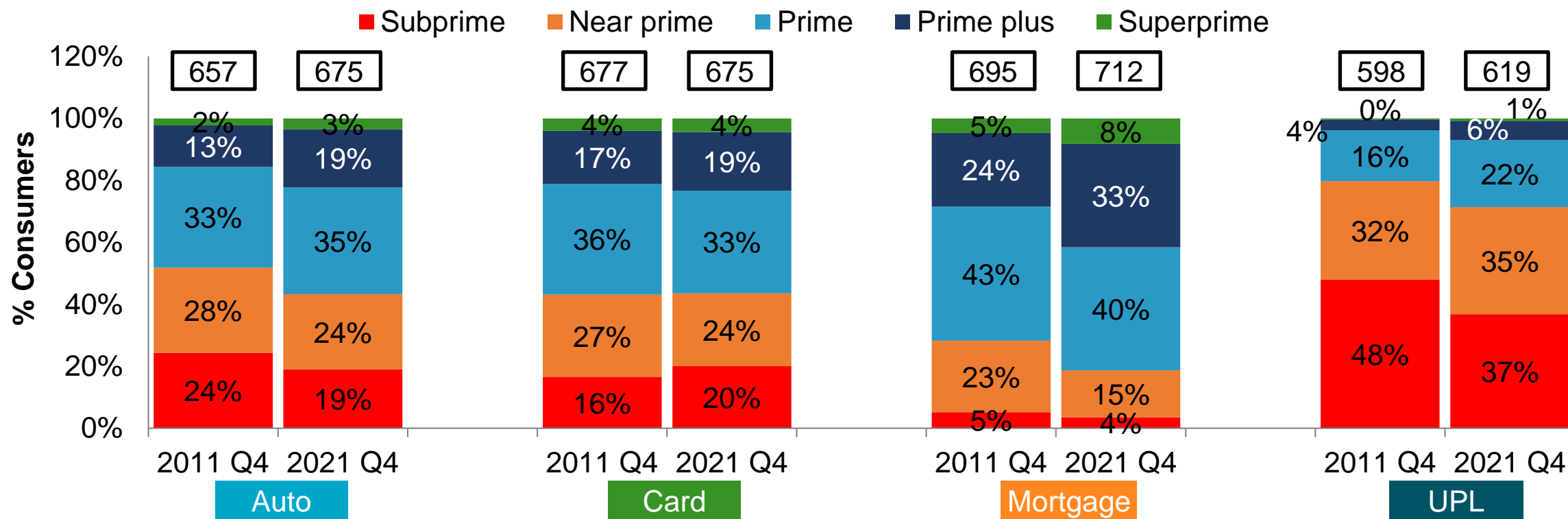
Notes:

1. Percentages don't add up to 100% as the denominator is all 22-24 year old consumers and not just those who originated any product.



Creditworthiness of originating consumers has generally increased for Gen Z, except in the case of bankcard where it has been flat

Risk Distribution² by Product Origination for 22-24 Year Olds



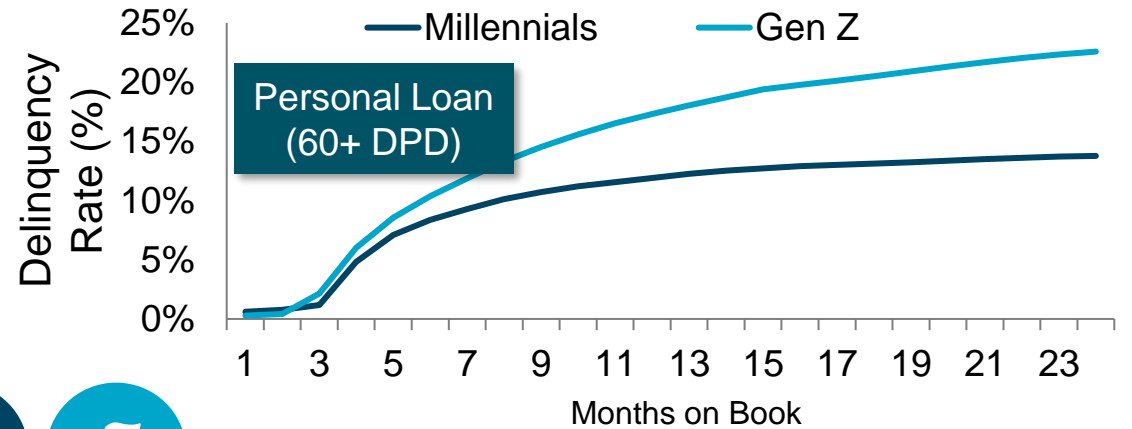
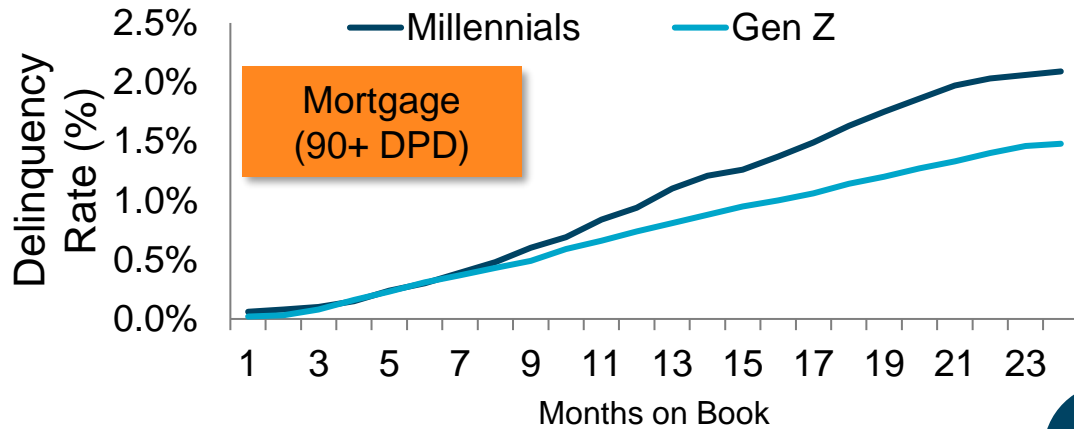
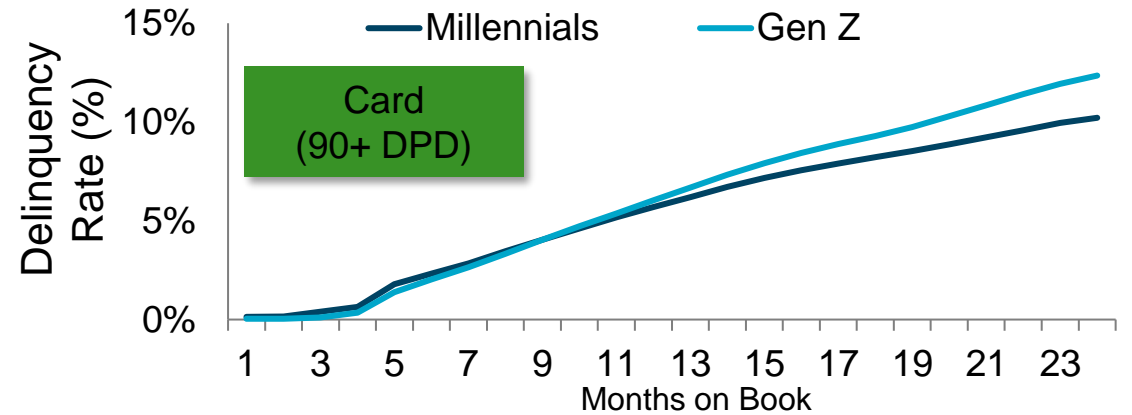
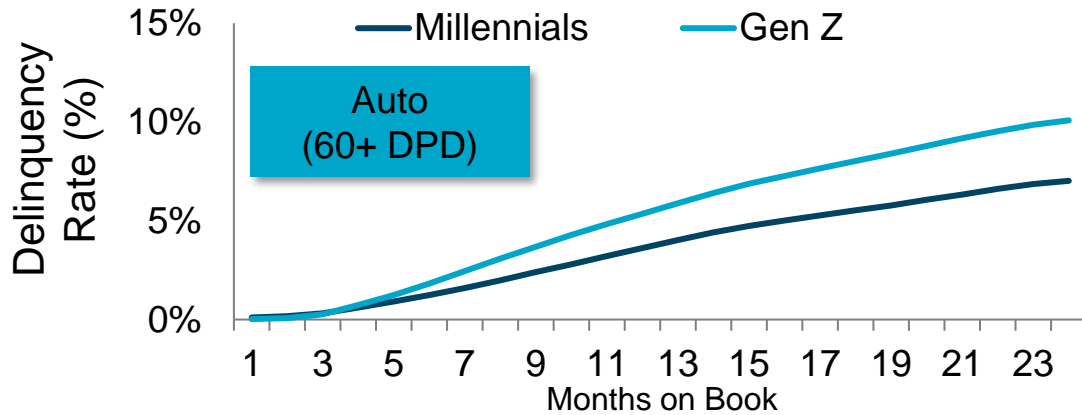
Notes:

1. VantageScore® 4.0 credit score ranges: Subprime = 300–600, Near prime = 601–660, Prime = 661–720, Prime plus = 721–780, Super prime = 781+
2. These capture riskiness of the consumers right before origination and the numbers in the boxes denote the median risk scores.
3. Scoring criteria changed over the last 10 years and has some role to play here.

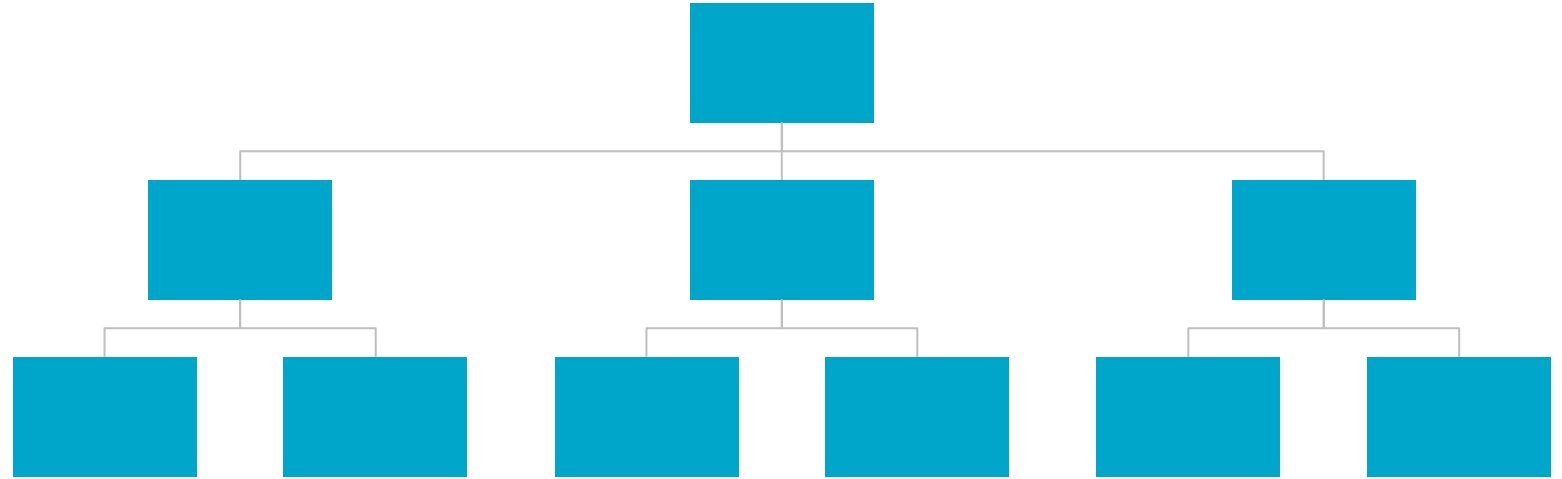


Gen Z perform worse than their historical counterparts on their auto, card and personal loan obligations

Account Level Serious Delinquency for Originations 24 Months Prior by 22-24 Year Olds



Segmentation analysis was performed to discern lower risk from higher risk Gen Zs



Data Evaluated:

- VantageScore[®] 4.0
- TruVision[™] attributes
 - Trended attributes
 - Liquidity attributes

Key attributes that separate risk for new cards includes utilization, balances, total monthly obligations, and AEP

Card Prime Performance (90+ DPD)

Overall Bad Rate: 8% (100%)

Number of instances revolving trade utilization exceeded 50% in 12 months < 7

Months since the oldest trade was opened \geq 32

Total monthly obligations in all accounts < \$277

Number of installment trades \geq 2

Average Aggregate Excess Payment (AEP) over 6 months \geq \$159

2% bad rate (12% of population)

Number of instances revolving trade utilization exceeded 50% in 12 months between 16 and 39

Total balance on open revolving trades over 12 months > \$2,644

Maximum open-to-buy on revolving accounts in 24 months < \$699

Total monthly obligations over 3 months > \$290

17% bad rate (2% of population)



Key attributes that separate risk for new cards includes utilization, balances, total monthly obligations, and AEP

Card Prime Performance (90+ DPD)

Overall Bad Rate: **8% (100%)**

- Lower occurrences of 50% utilization
- Longer credit history
- Lower monthly payments
- Previous installment loans
- Makes excess payments on debts

2% bad rate (12% of population)

- Higher occurrences of 50% utilization
- Higher balances on revolving credit
- Higher monthly payments
- Low open-to-buy on revolving credit

17% bad rate (2% of population)



Interviews with Gen Z

- How stressed are you about credit (1-10)?
- How confident are you that you understand credit (1-10)?
- Where did you learn about credit?



Video: GENZ 3

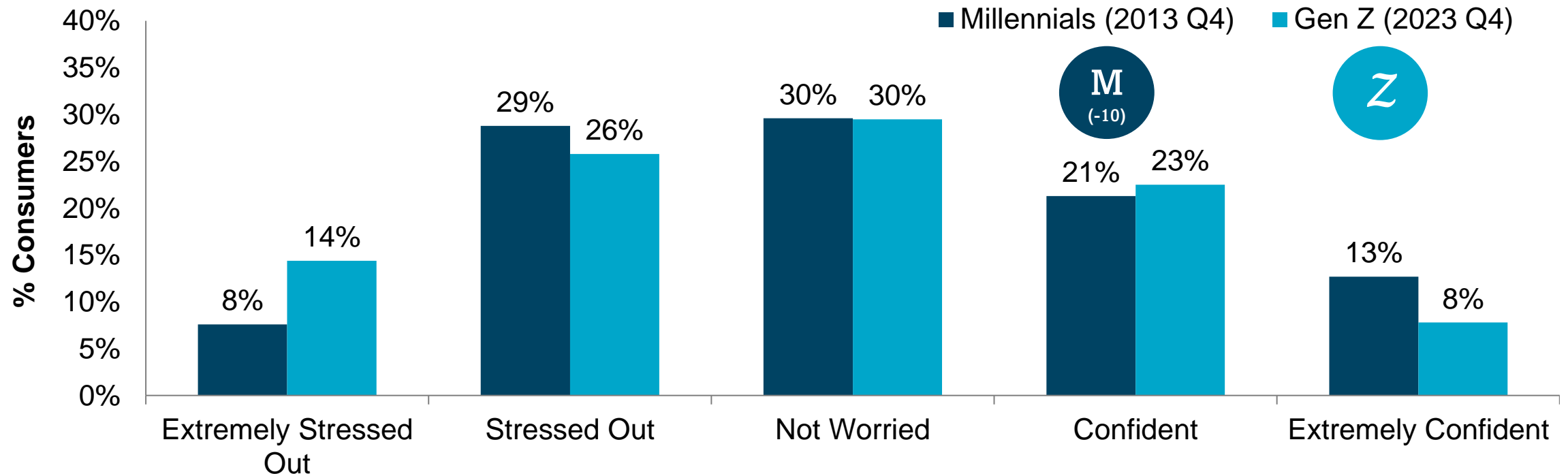
Interviews with Gen Z

- How stressed are you about credit (1-10)?
- How confident are you that you understand credit (1-10)?
- Where did you learn about credit?



Gen Z consumers perceive themselves as more stressed and less confident about credit

Attitude towards Credit



How confident or stressed out do you feel about your financial situation?

Gen Z sees opportunity in credit but isn't completely confident in how to use credit

Interviews

- See credit useful and important
- Generally positive
- Can be stressful
- Not always confident in how to use it
- Want more education
- Use authorized user cards
- Use credit and debit cards



Gen Z want additional credit but are turned down more

Interviews

- See credit useful and important
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- Use credit and debit cards

Survey

- Believe their credit scores
- Loyal to lenders
- Just want to get approved for credit
- Was more negatively financially impacted by recession
- Getting turned down for credit more
- Authorized users increased



Gen Z are later to start credit and they have higher balances, higher debt-to-income, and worse performance compared to Millennials

Interviews

- See credit useful and important
- Generally positive
- Can be stressful
- Not always confident in how to use it
- Want more education
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- Use credit and debit cards

Survey

- Believe their credit scores
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- Just want to get approved for credit
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Credit Data

- Gen Z starting to use credit little later than Millennials
- Wages not keeping up with inflation
- Balances increasing even adjusted for inflation, especially for mortgage
- DTI higher for Gen Z
- Except for mortgage, Gen Z perform worse than Millennials on products
- Doubling of authorized card users



