Consumer Financial Protection Bureau

A Perspective on Credit Card Usage and Consumer Performance

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Summary

• Understanding credit card performance requires a view across product types

• This is one of the reasons it is tough to isolate clean metrics for credit card supply and demand

• We present here some usage trends that speak to the supply-demand dynamic

• We also explore how usage trends vary by geography and across the risk spectrum
An Example of Looking across Products: The Payment Hierarchy Reversal
Most lenders agree that the traditional payment hierarchy had been established for years

- The first product type to enter delinquency would be the credit card(s)

- The next to go would be the car loan(s)

- Only in the most dire circumstances would one stop paying the mortgage
Trends in serious delinquency rates indicated that a material shift in payment prioritization had occurred.

A Comparison of Product Delinquency Rates

Source: TransUnion’s Trend Data database
This trend was not isolated to specific geographic markets, but was occurring across the U.S.

A Comparison of Product Delinquency Rates in Minnesota

Source: TransUnion's Trend Data database

![Graph showing delinquency rates for Minnesota Consumer Credit Card 90+ DPD Rate and Minnesota Consumer Mortgage 60+ DPD Rate over time.]
This payment hierarchy reversal illustrates a behavioral change—consumers paying cards before mortgages

A View of Payment Prioritization

Source: TransUnion’s Trend Data database

- % of Consumers 30+ DPD on Mortgages / Current on Bankcards
- % of Consumers Current on Mortgages / 30+ DPD on Bankcards
- % of Consumers 30+ DPD on Mortgages and 30+ DPD on Bankcards
Further analysis of how payment preferences vary by age group can yield interesting insights

Payment Preference by Age Group

Source: A survey of 2,914 consumers performed the week of 10/12/09 for TransUnion by Zogby International

Survey Question: If you only have enough money to pay one of these loan obligations this month, would you pay your credit card bill or your mortgage?
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Some Perspectives on Credit Card Usage
Credit card usage grew over several years prior to the latest recession, then fell precipitously.

Ratio of Active Bankcard Users

Source: TransUnion's Trend Data database

Graph showing the ratio of borrowers who have an active bankcard over time, with a decline post-recession.
The drop in active bankcard usage has been more pronounced in higher-risk segments

Ratio of Active Bankcard Users

Source: TransUnion’s Trend Data database
The number of active bank cards per consumer hit a plateau a few years ago—and has fallen considerably.

Number of Active Bankcards per Consumer

Source: TransUnion’s Trend Data database
The number of active bank cards per consumer has dropped across the risk spectrum

Average # of Active Bankcards per Consumer

Source: TransUnion’s Trend Data database
Not surprisingly, there have been increases in consumer credit risk across geographies.

TransUnion Credit Risk Index

Source: TransUnion’s Trend Data database
Issuers have reduced card credit limits as part of their efforts to control risk exposure

Average Credit Limit of Active Bankcards per Cardholder

Source: TransUnion’s Trend Data database
Average credit limits have dropped across the risk spectrum

Average Credit Limit of Active Bankcards per Cardholder

Source: TransUnion’s Trend Data database
In general, we’ve seen a material drop in bankcard debt

Total Bankcard Debt per Consumer

Source: TransUnion’s Trend Data database
The reduction in bankcard debt has been across the risk spectrum

Total Bankcard Debt per Consumer

Source: TransUnion's Trend Data database
Summary

• Card usage has changed considerably over the past few years, and will continue to evolve
• A look across products is increasingly more critical
• Card demand and supply remain difficult to isolate and measure effectively
• Changing card usage is driven by an array of factors
  – Perceptions of card availability and lender scrutiny
  – Competing product availability
  – Consumer confidence and economic “stability”
  – Actual losses and risk considerations
  – Regulatory & legislative requirements
  – Other drivers
Thank You

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