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Consumer Financial Protection Bureau

A Perspective on Credit Card Usage and Consumer Performance

Ezra D. Becker

Vice President, Research and Consulting
Financial Services Group

ebecker@transunion.com

(312) 985-3113

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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



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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)



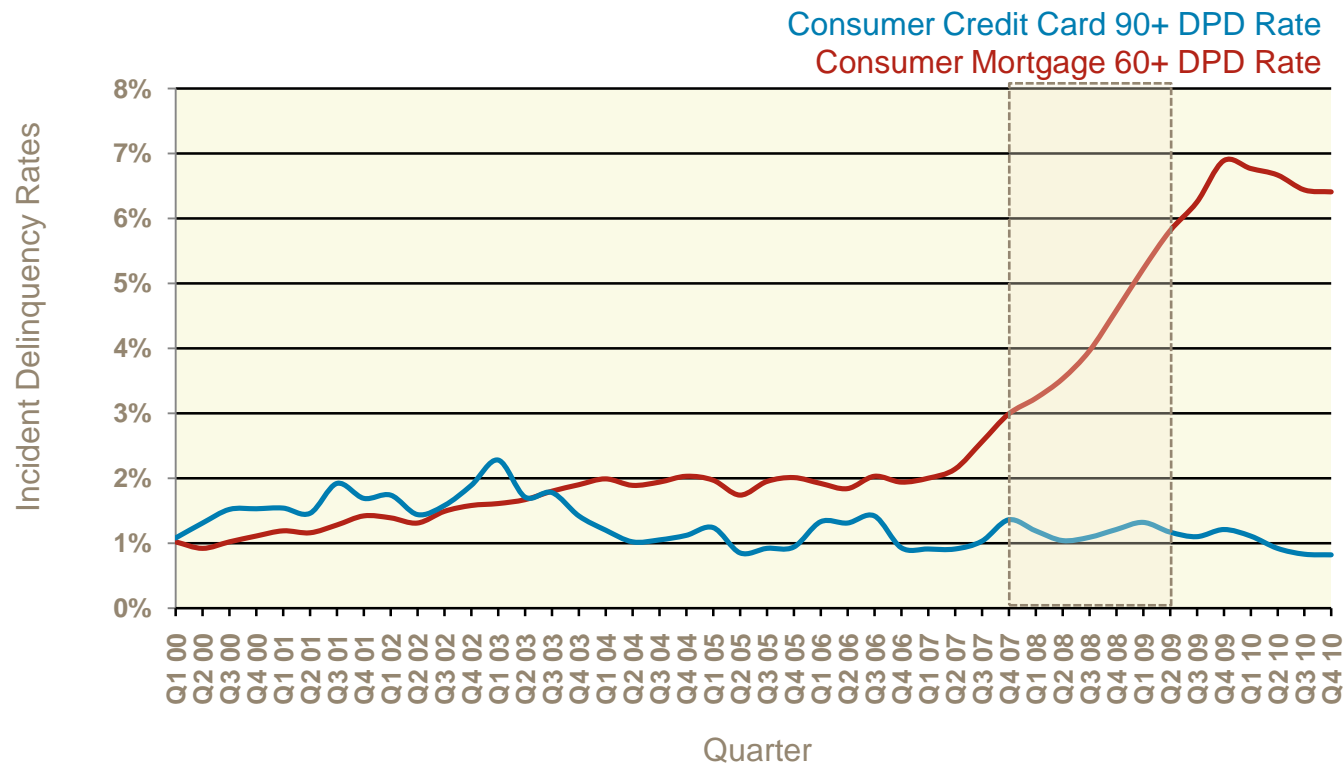
- Only in the most dire circumstances would one stop paying the mortgage



Trends in serious delinquency rates indicated that a material shift in payment prioritization had occurred

A Comparison of Product Delinquency Rates

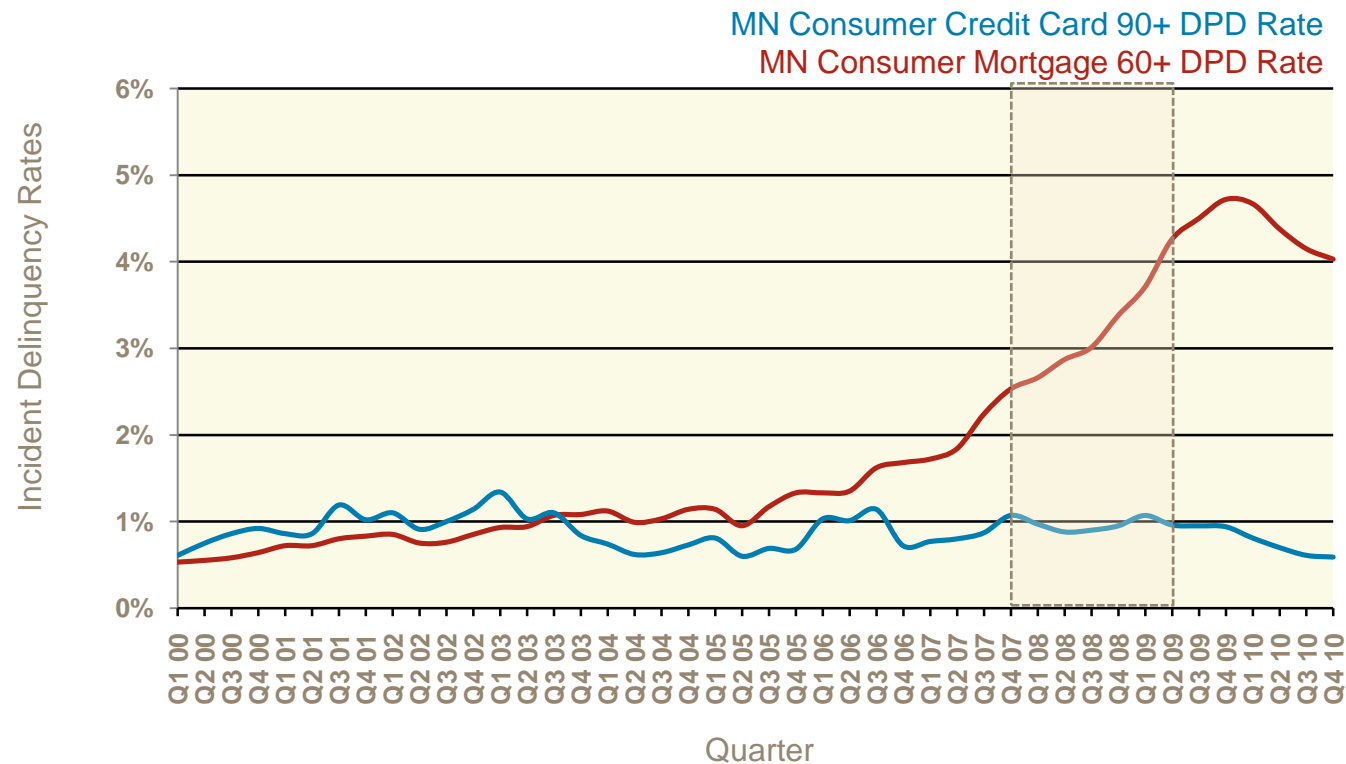
Source: TransUnion's Trend Data database



This trend was not isolated to specific geographic markets, but was occurring across the U.S.

A Comparison of Product Delinquency Rates in Minnesota

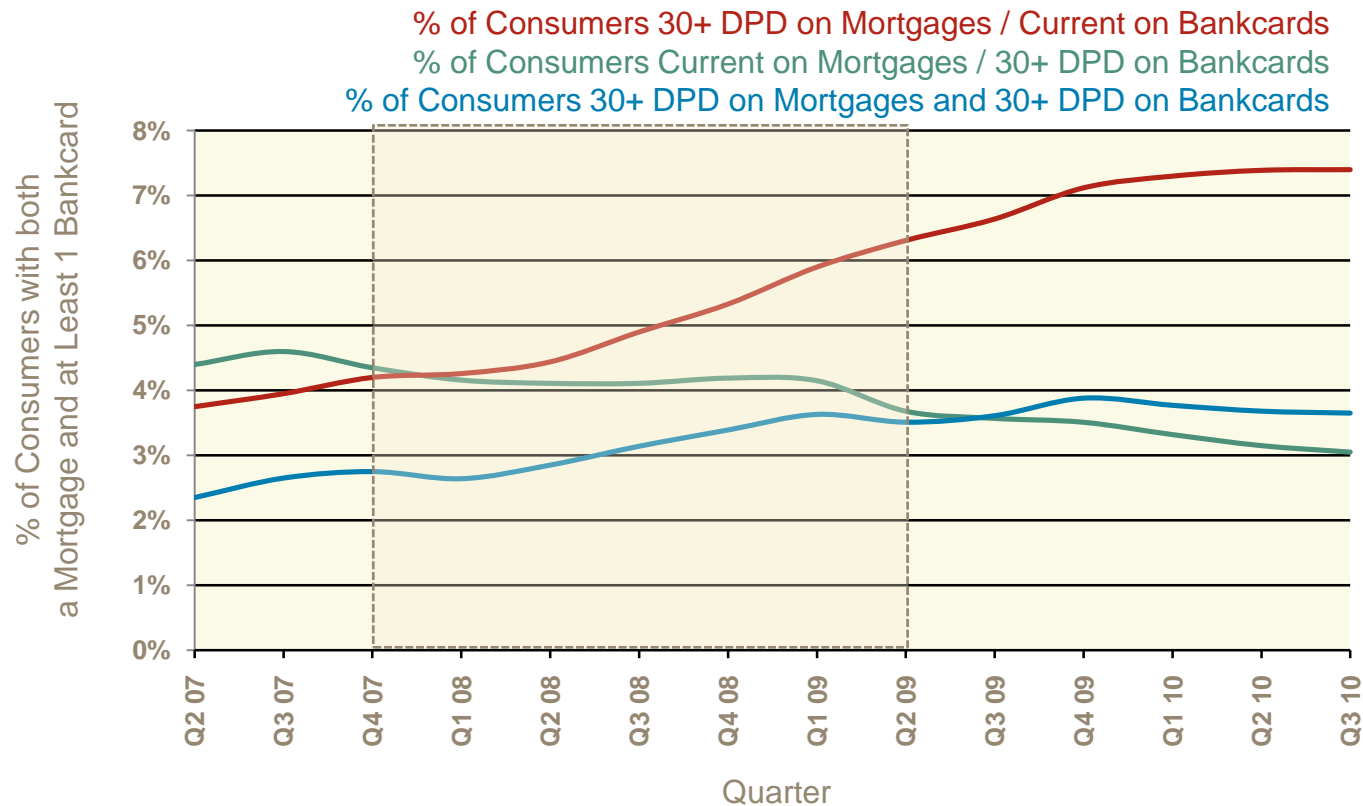
Source: TransUnion's Trend Data database



This payment hierarchy reversal illustrates a behavioral change—consumers paying cards before mortgages

A View of Payment Prioritization

Source: TransUnion's Trend Data database

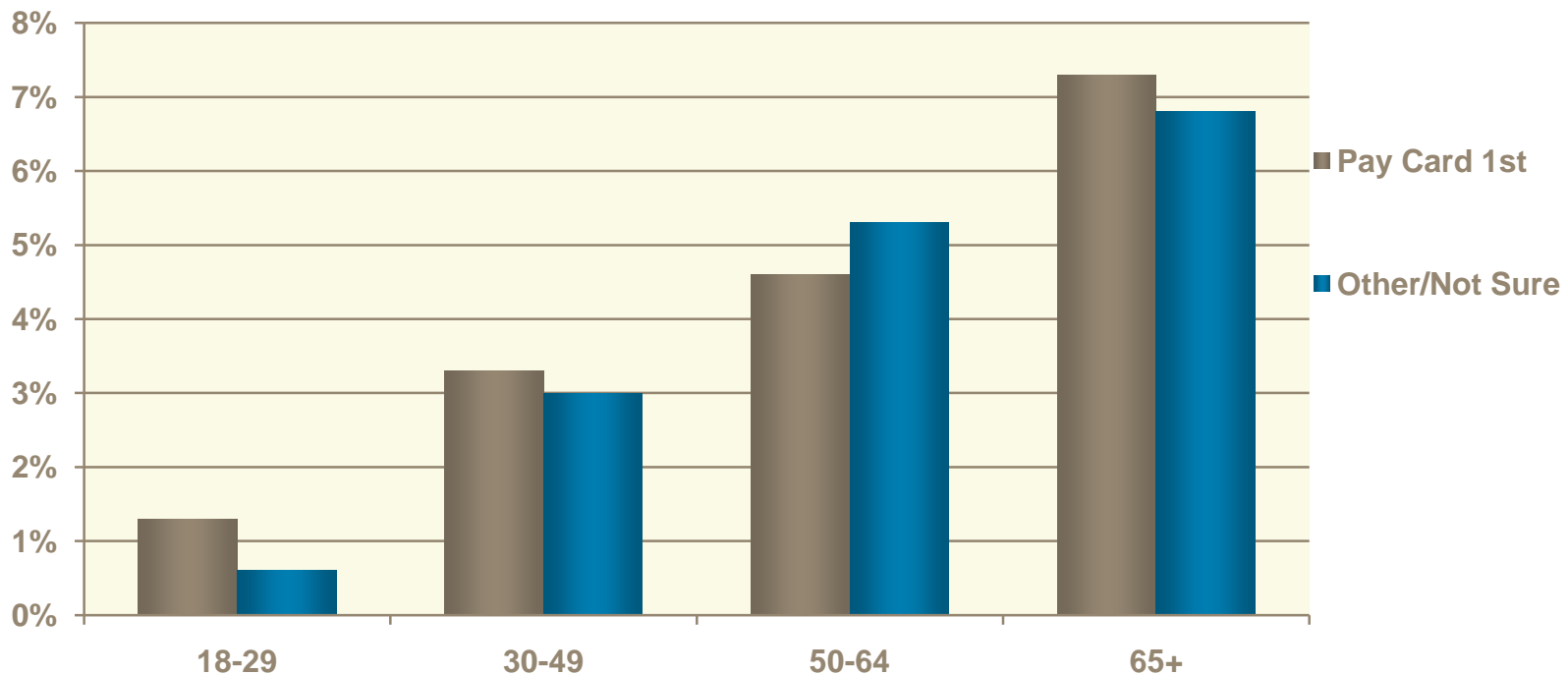


Further analysis of how payment preferences vary by age group can yield interesting insights

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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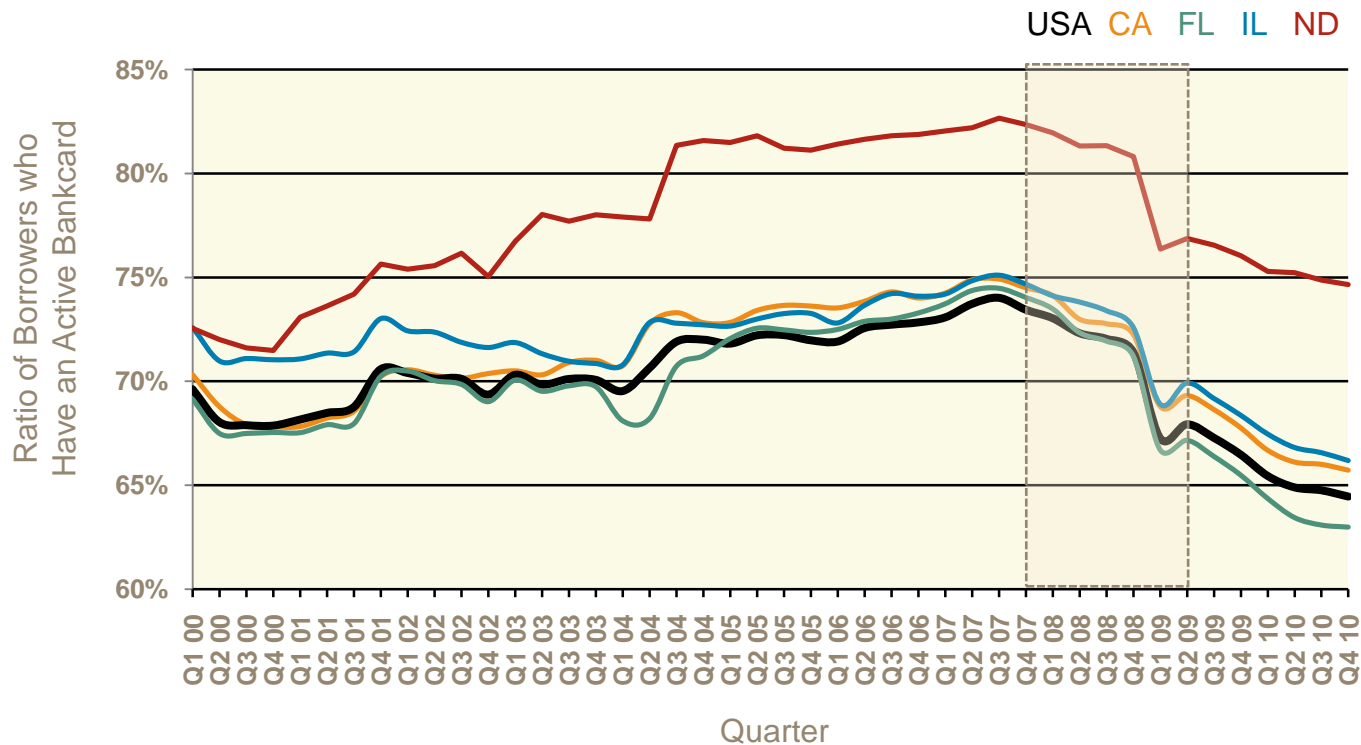
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Some Perspectives on Credit Card Usage

Credit card usage grew over several years prior to the latest recession, then fell precipitously

Ratio of Active Bankcard Users

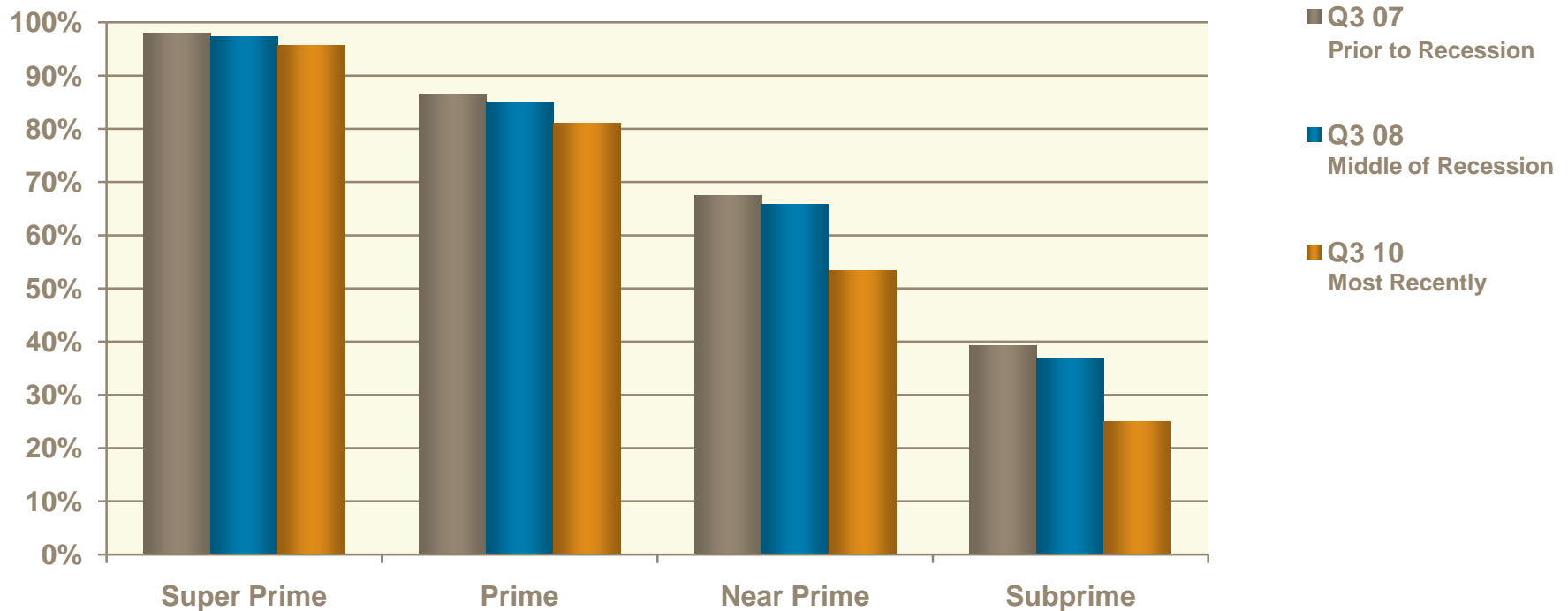
Source: TransUnion's Trend Data database



The drop in active bankcard usage has been more pronounced in higher-risk segments

Ratio of Active Bankcard Users

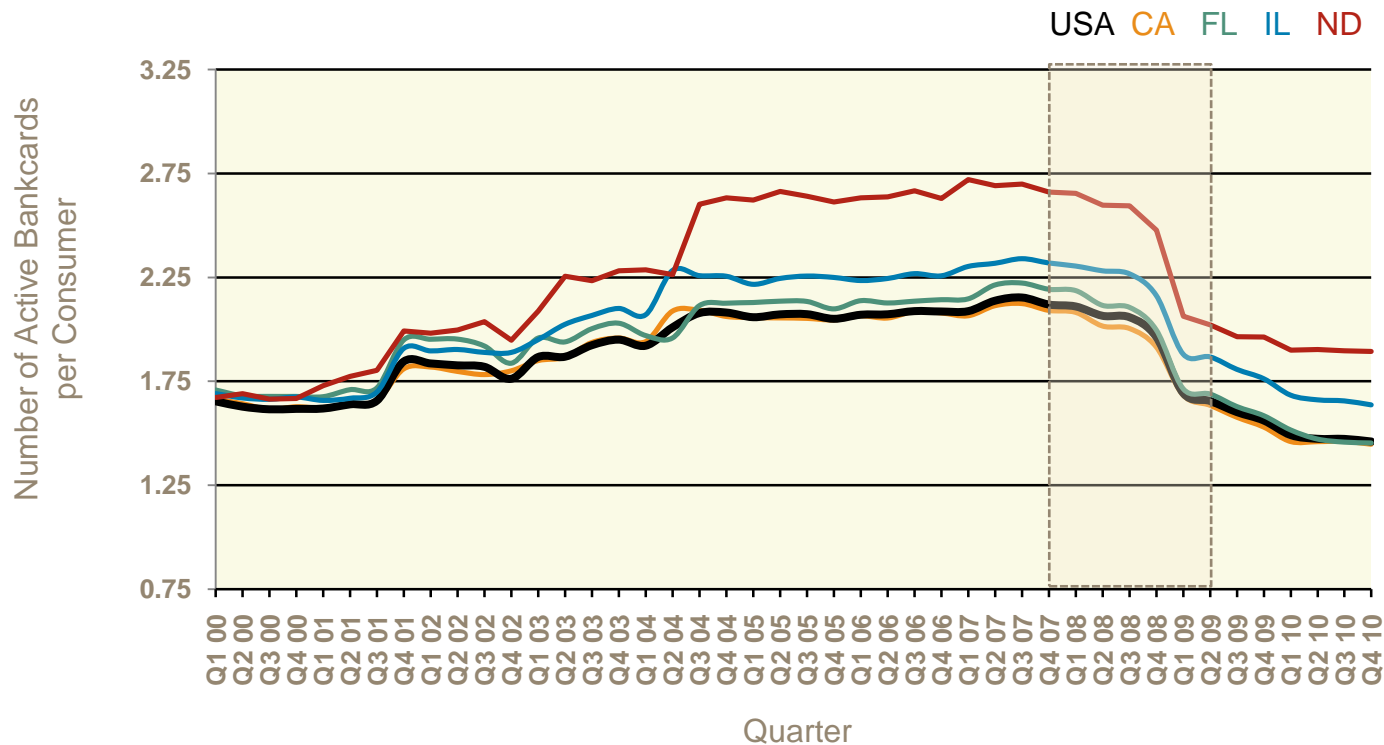
Source: TransUnion's Trend Data database



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

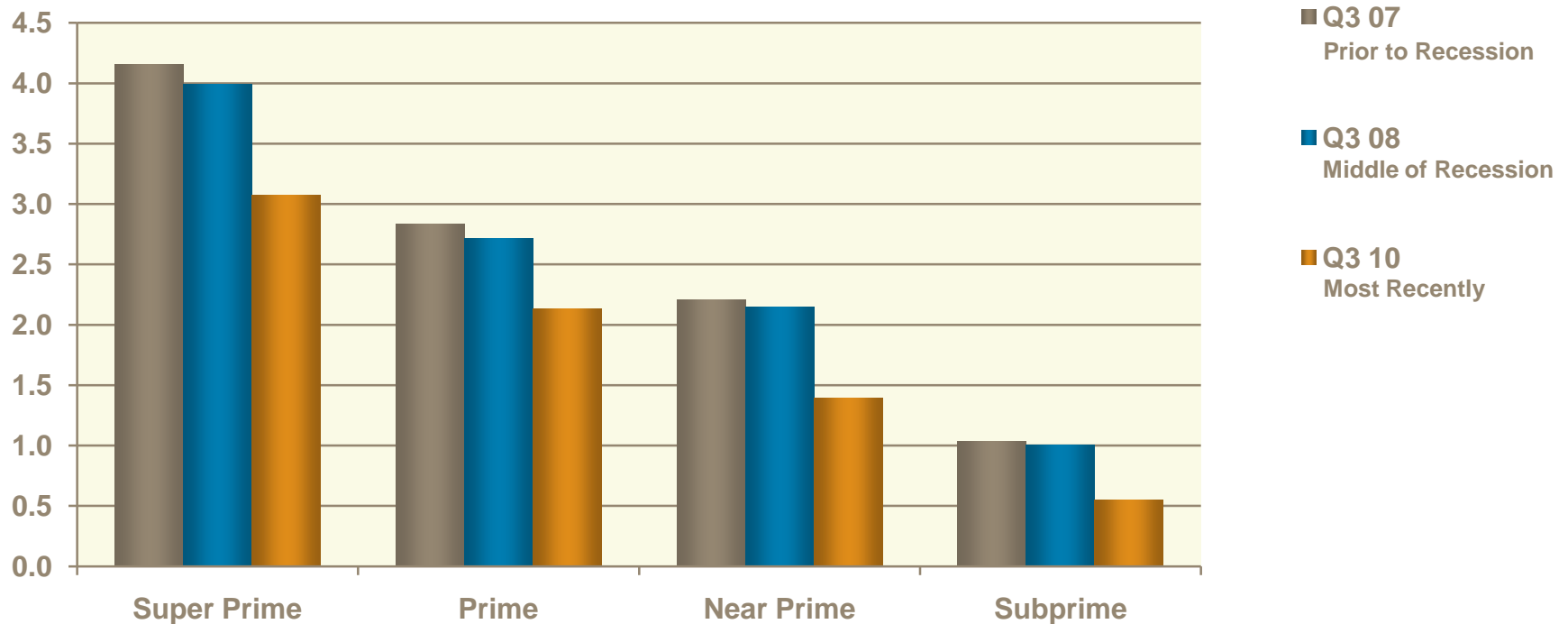
Source: TransUnion's Trend Data database



The number of active bank cards per consumer has dropped across the risk spectrum

Average # of Active Bankcards per Consumer

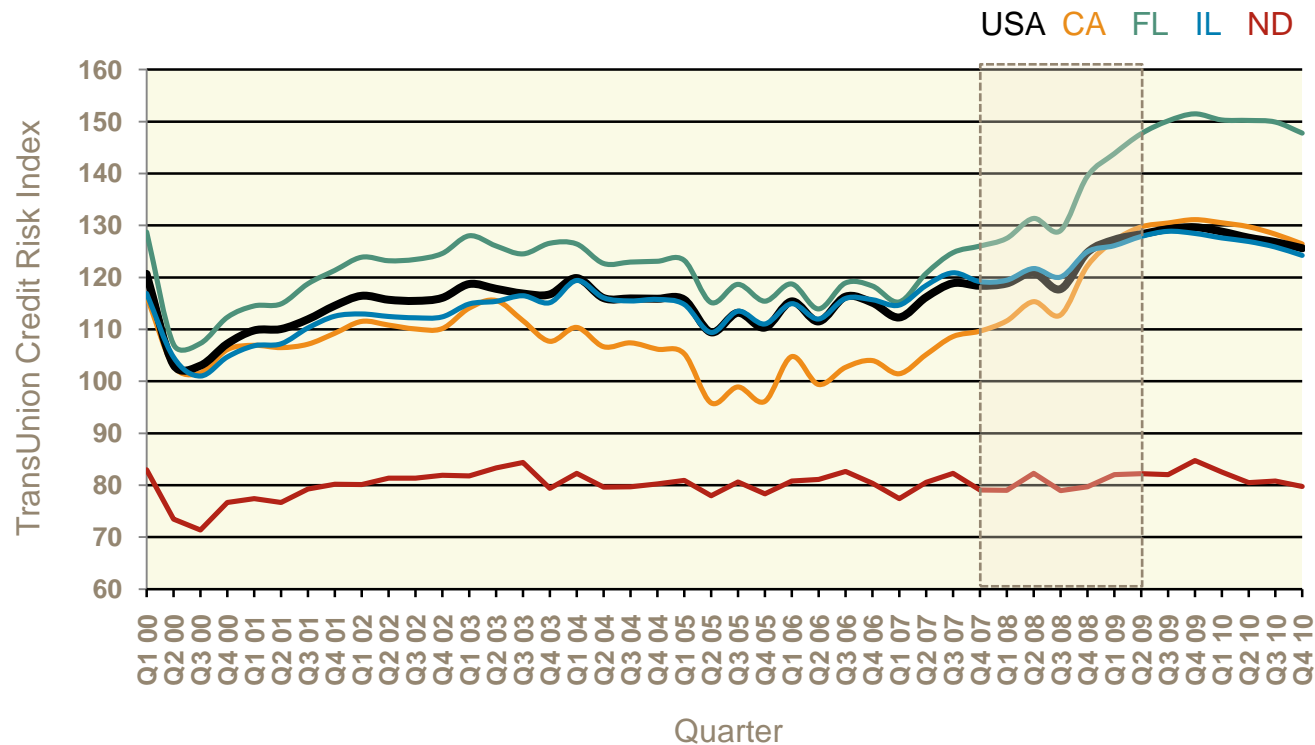
Source: TransUnion's Trend Data database



Not surprisingly, there have been increases in consumer credit risk across geographies

TransUnion Credit Risk Index

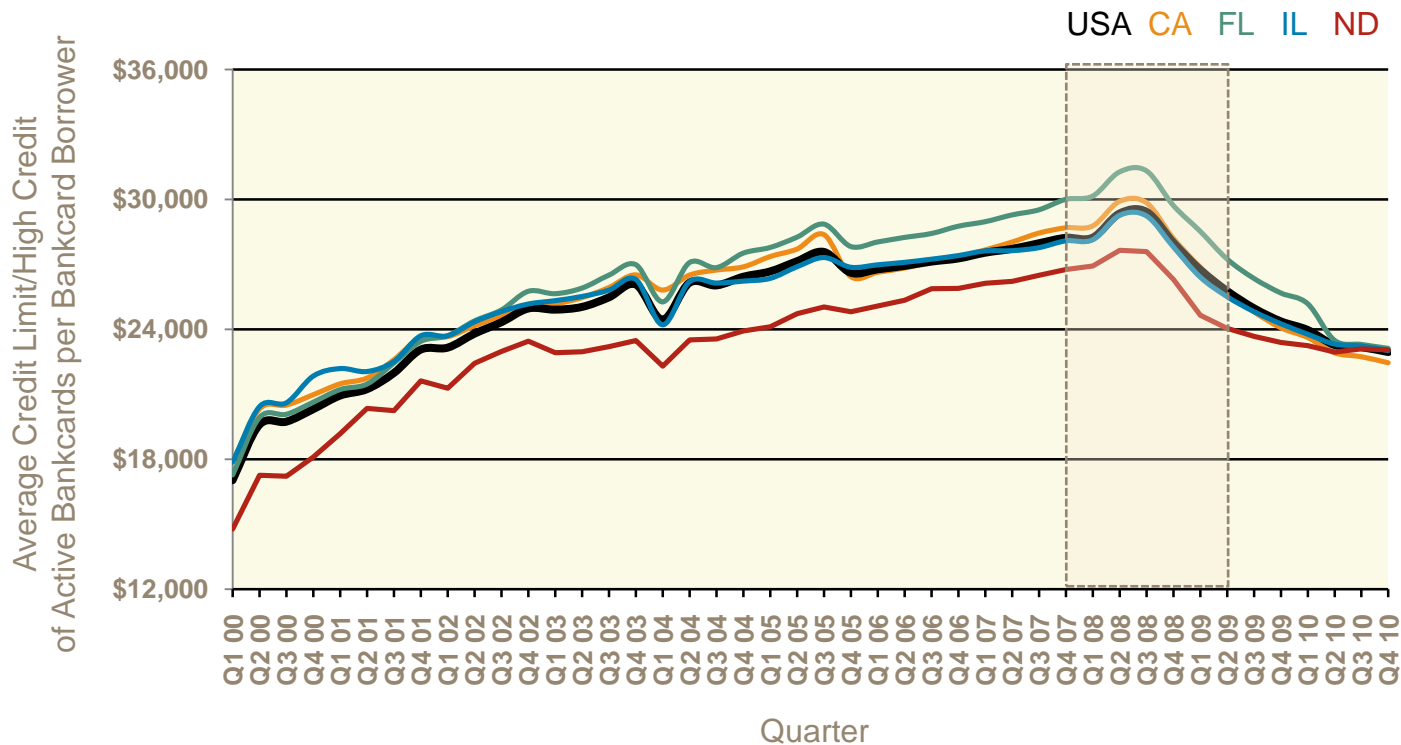
Source: TransUnion's Trend Data database



Issuers have reduced card credit limits as part of their efforts to control risk exposure

Average Credit Limit of Active Bankcards per Cardholder

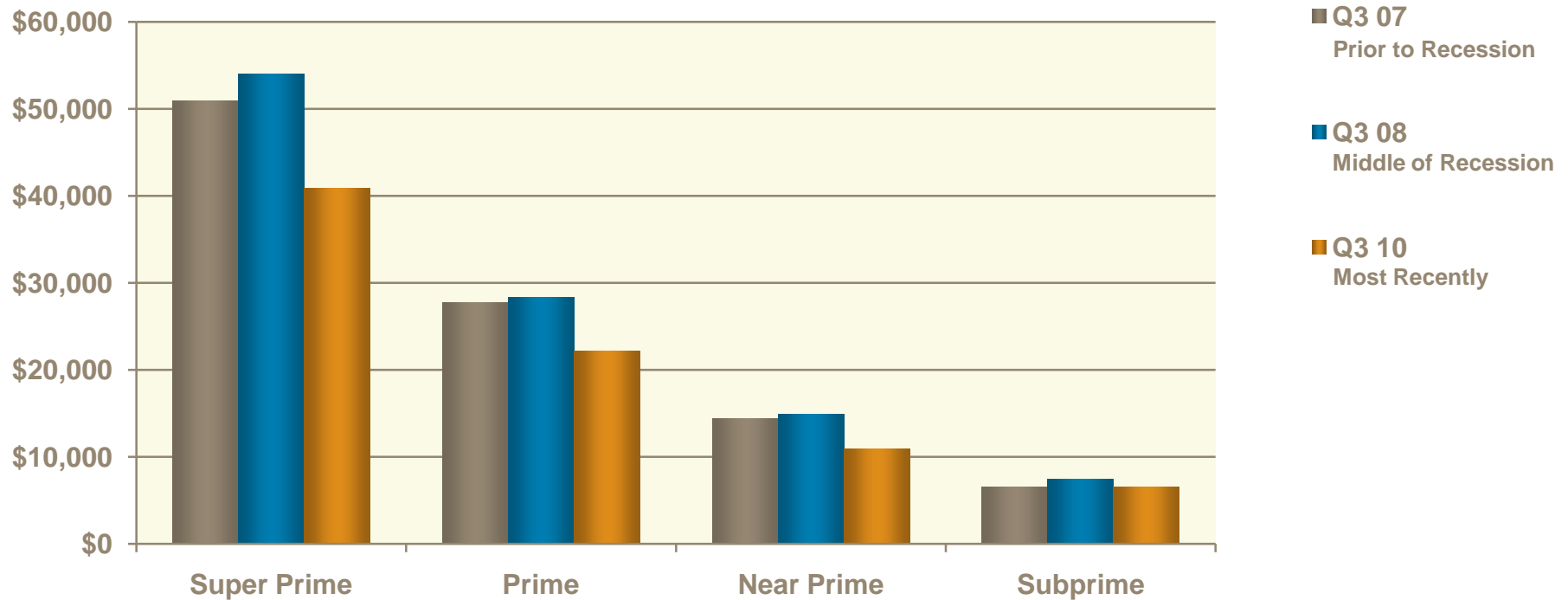
Source: TransUnion's Trend Data database



Average credit limits have dropped across the risk spectrum

Average Credit Limit of Active Bankcards per Cardholder

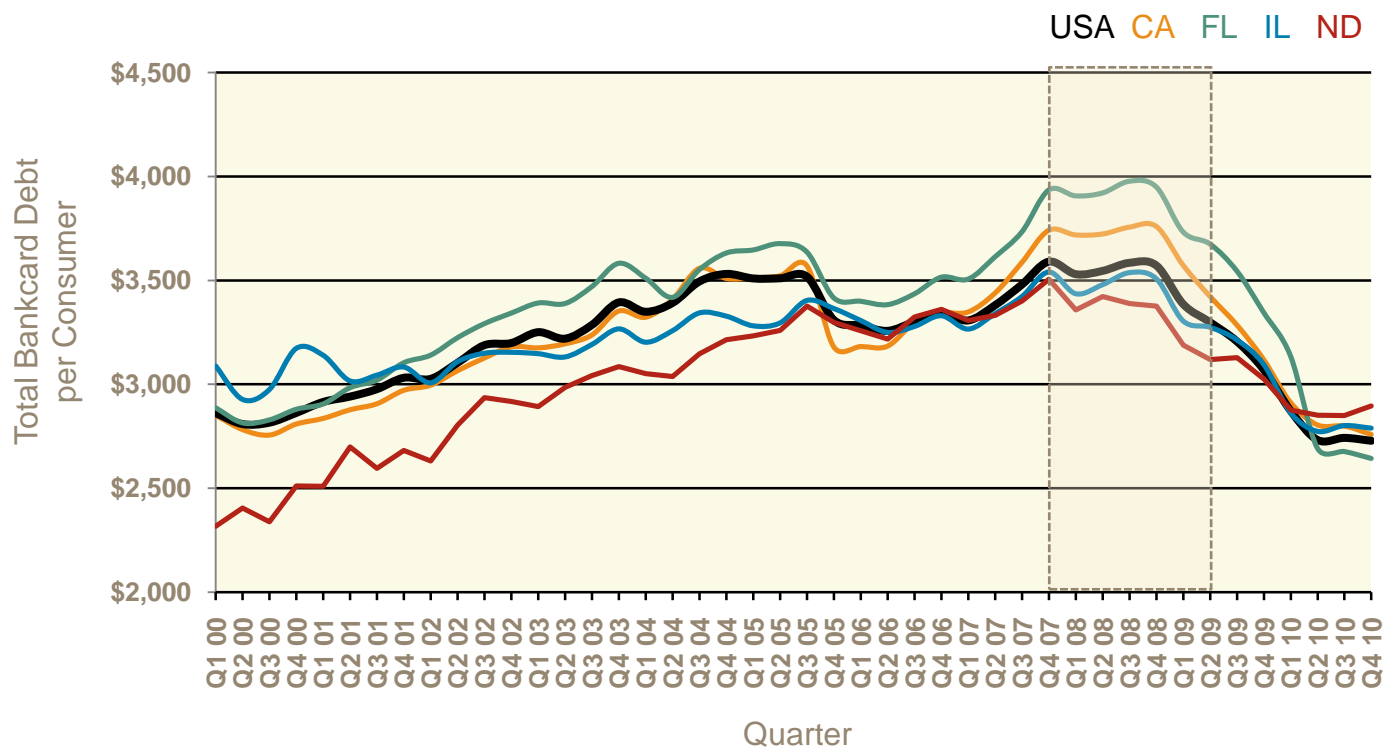
Source: TransUnion's Trend Data database



In general, we've seen a material drop in bankcard debt

Total Bankcard Debt per Consumer

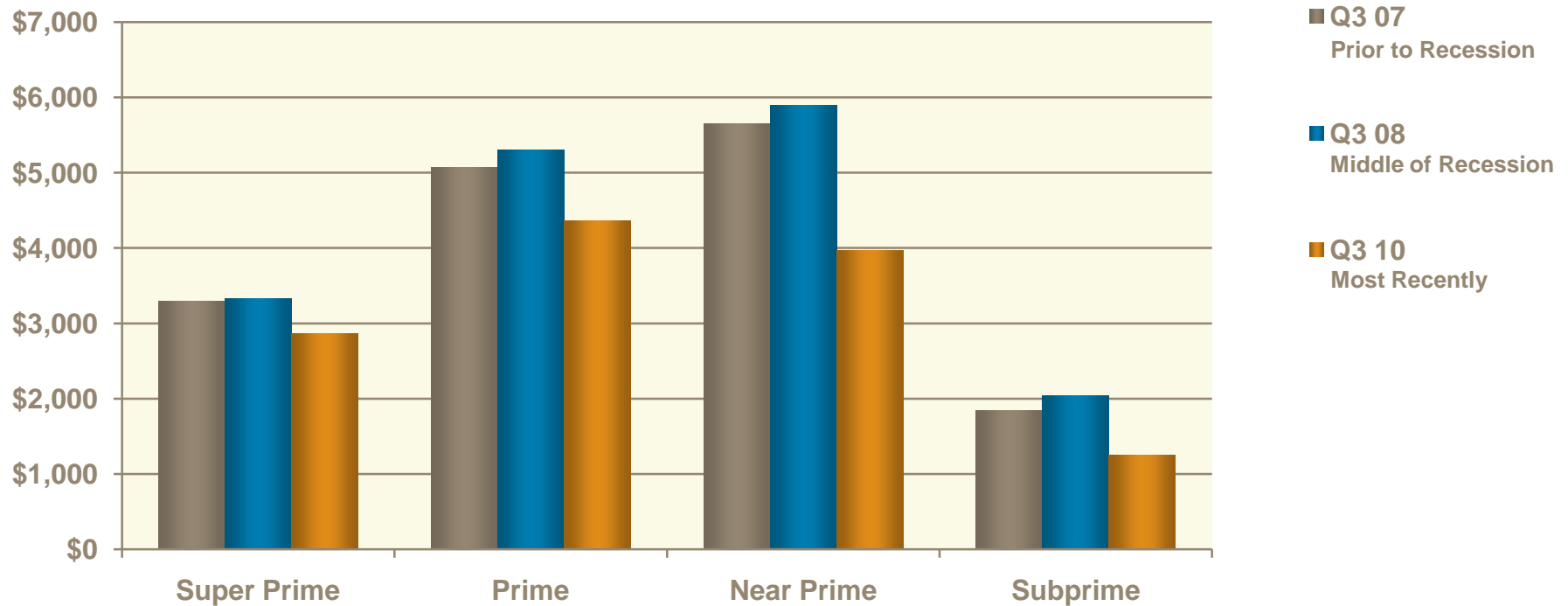
Source: TransUnion's Trend Data database



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

Ezra Becker

(312) 985-3113

ebecker@transunion.com