



— VISION 2016 —

TAKE CONTROL

A ROADMAP FOR **GROWTH**



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Find the pearls –
identifying more
responsive and profitable
consolidation candidates





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Introducing:

- **Melton Knight**
Experian
- **Denise McKendall**
Experian





Topics



- Overview of consumer landscape
- Debt consolidation products
- Profile of debt consolidators
- Identifying debt consolidation candidates



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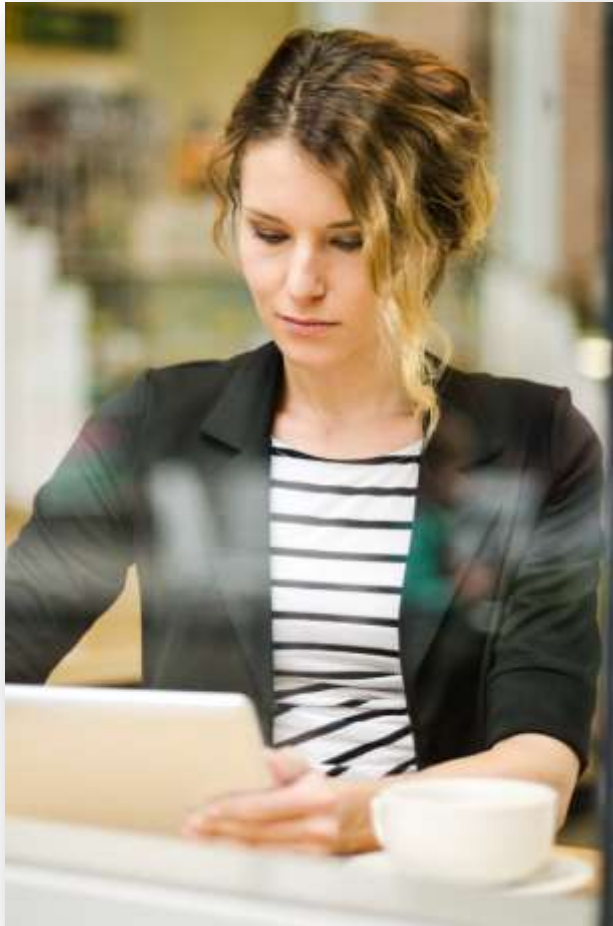
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Overview of consumer landscape





Consumer trends

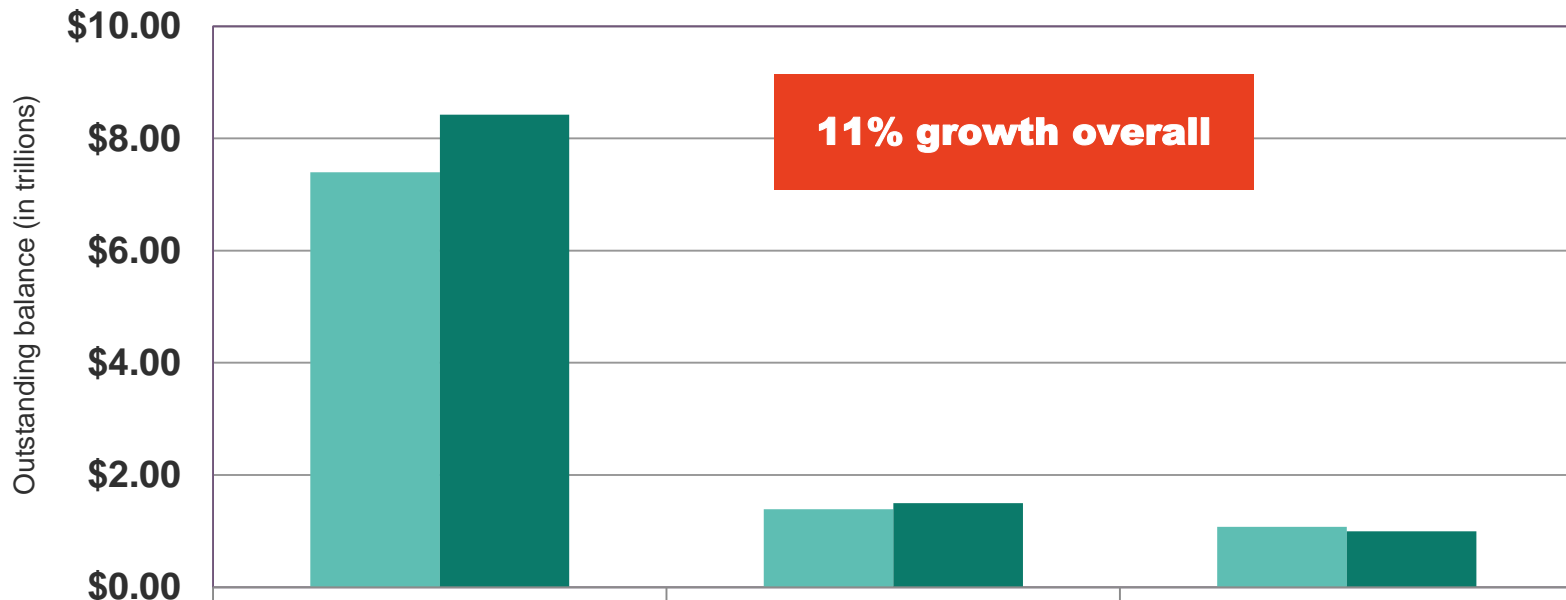


- Larger amounts of consumer debt observed over the last three years
 - ▶ Leading to an increase in consumer activities to consolidate that debt
 - ▶ Signs that the new balances are within acceptable levels of risk
- Regional differences impact offer strategy



The growth of consumer debt

Consumer debt decreases by 7% overall in the Sub-prime range



	Prime	Nonprime	Subprime
Past	\$7.39 trillion	\$1.39 trillion	\$1.07 trillion
Present	\$8.42 trillion	\$1.50 trillion	\$1.00 trillion
% Change	14%	8%	-7%

Source: Experian IntelliViewSM

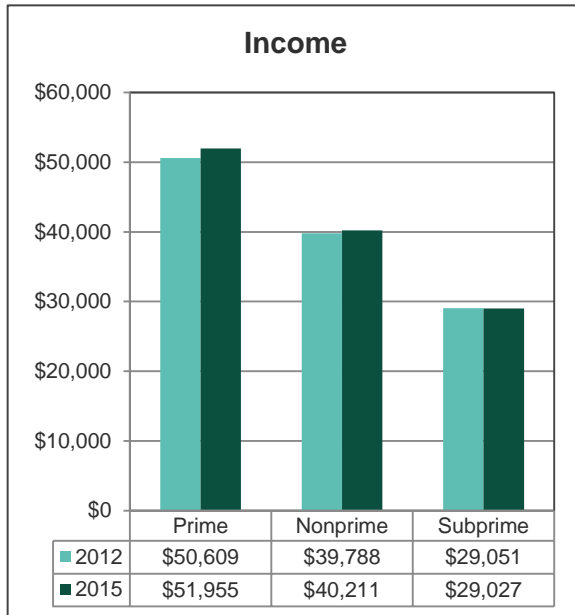


Changes in consumer behavior

Across three key metrics, significant improvement is seen

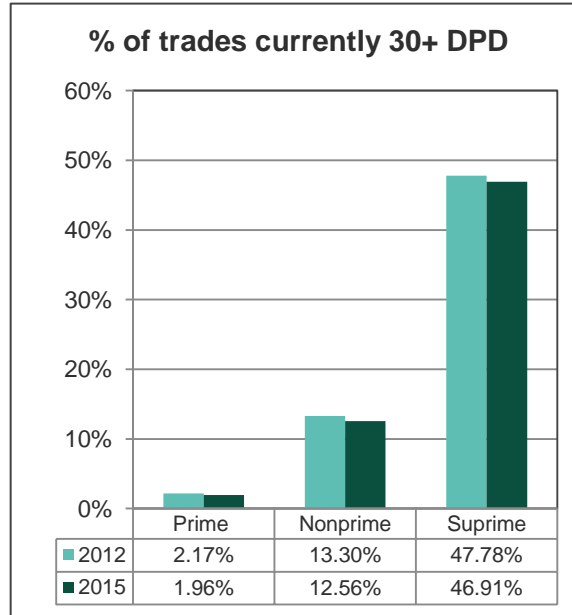


Capacity for debt



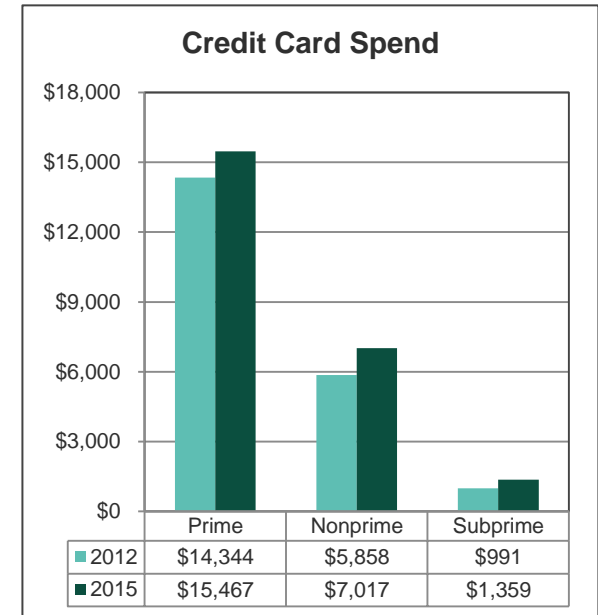
The largest income change was in the 'Prime' risk range: **\$1,346 dollars**

Performance on debt



30+ day delinquency is down across all risk ranges, **particularly in 'Nonprime'**

Usage of debt



'Subprime' credit card spend **increases by \$1,123 or 40%**



National growth by debt consolidation product

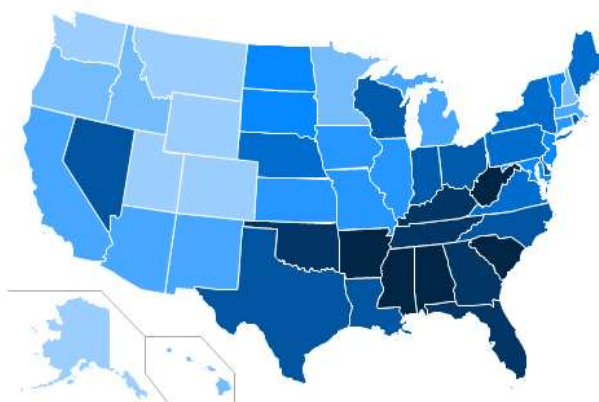
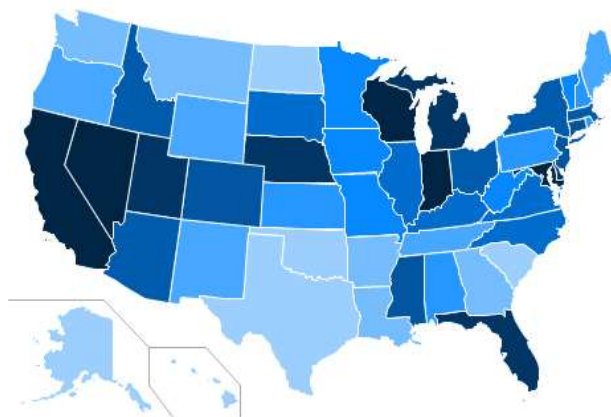
2013 to present

Overall, new account volume has increased 84% nationally

Personal loan

Bankcard

HELOC



Source: Experian IntelliViewSM

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Debt consolidation products





Options available to debt consolidators



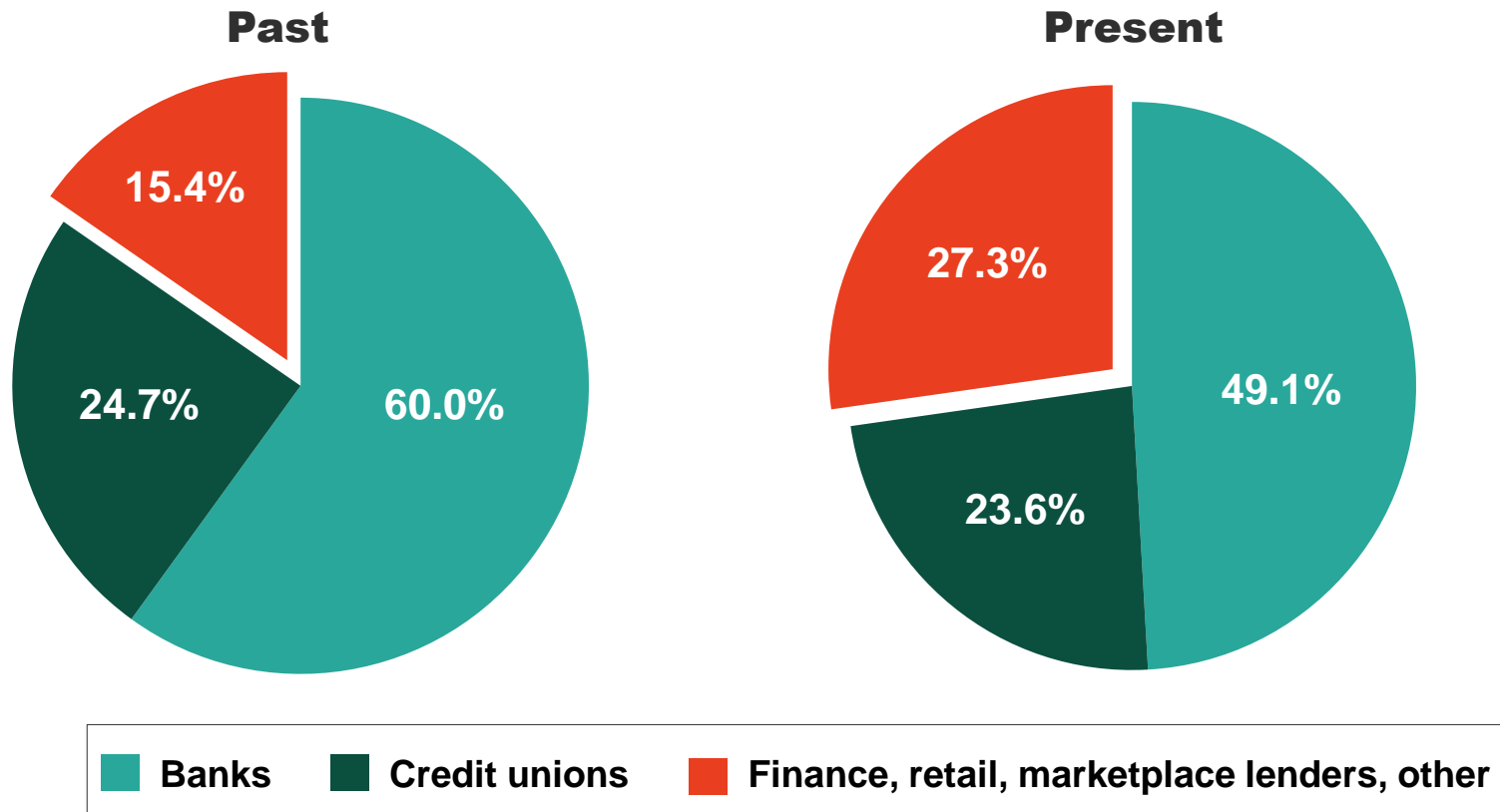
- Debt consolidators are leveraging three primary 'products' to consolidate existing debt:
 - ▶ **Personal loans**
 - ▶ **Bankcards**
 - ▶ **HELOCs**
- At the product level, we have observed significant shifts in both the risk levels and types of lenders offering the product option



Personal loan

Two-year distribution of outstanding balances by lender type

The share of **personal loan** balances held by finance and marketplace lenders increased from 14.4% to 27.3%



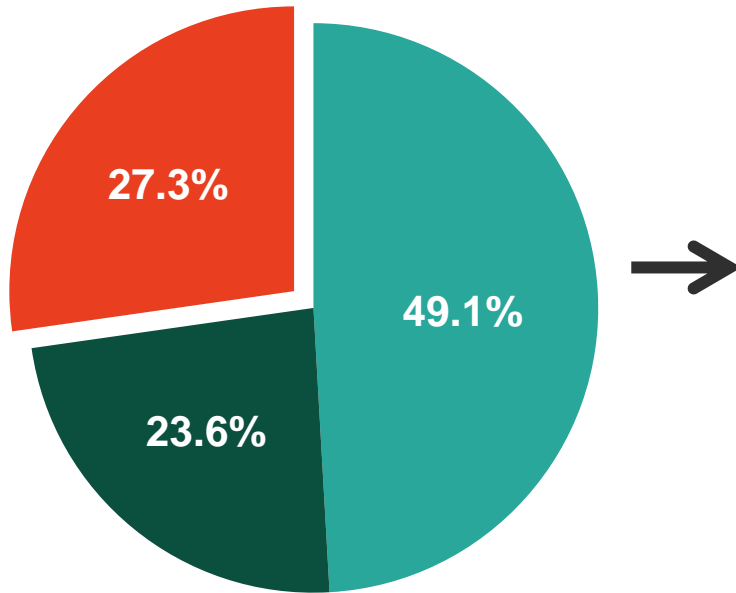
Source: Experian IntelliViewSM



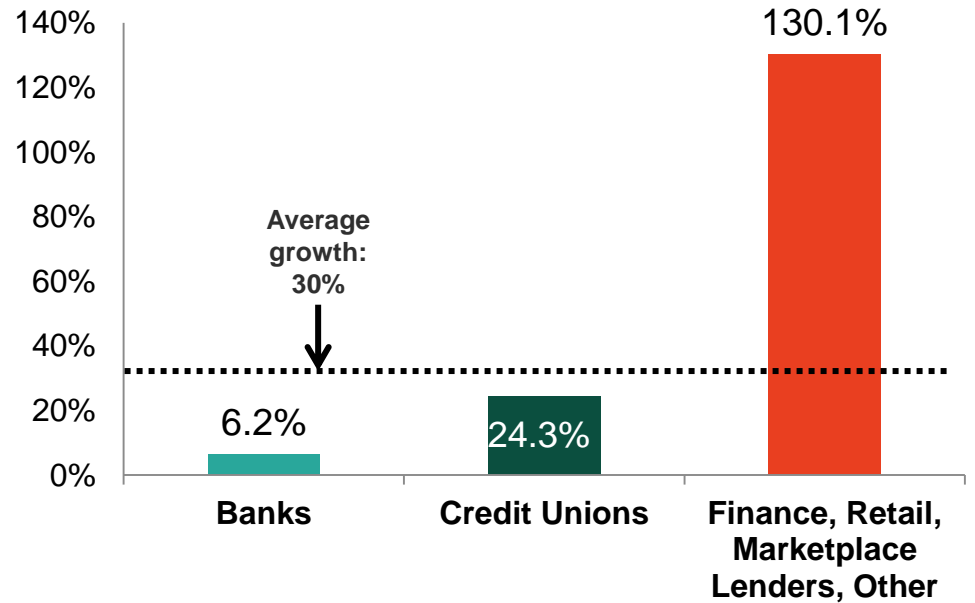
Personal loan growth

Two-year growth by lender type

2015 Distributions



Change in balance over two years



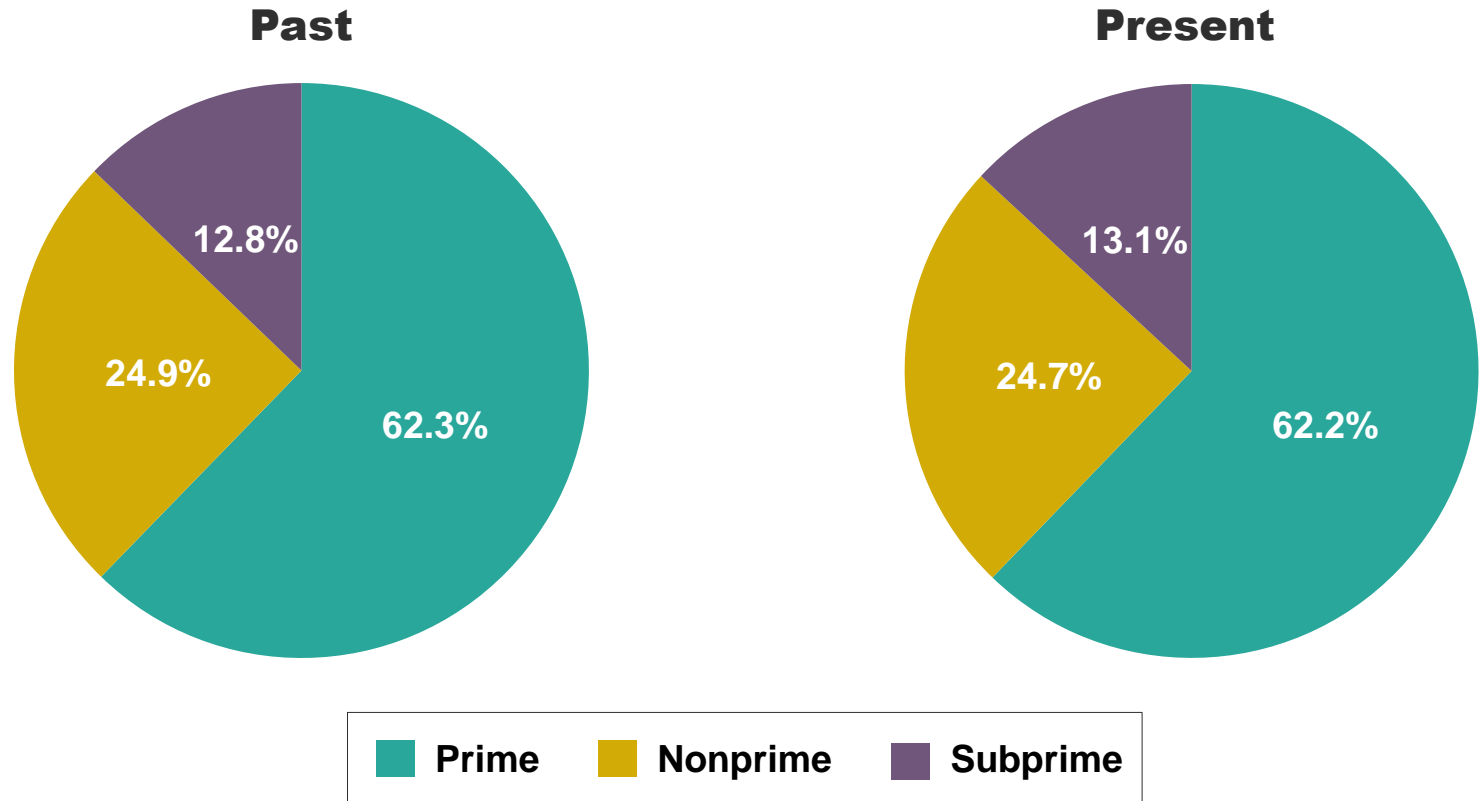
Source: Experian IntelliViewSM



Growth of bankcard

Two-year outstanding balances by risk segment

The share of **bankcard** balances remains steady by risk level



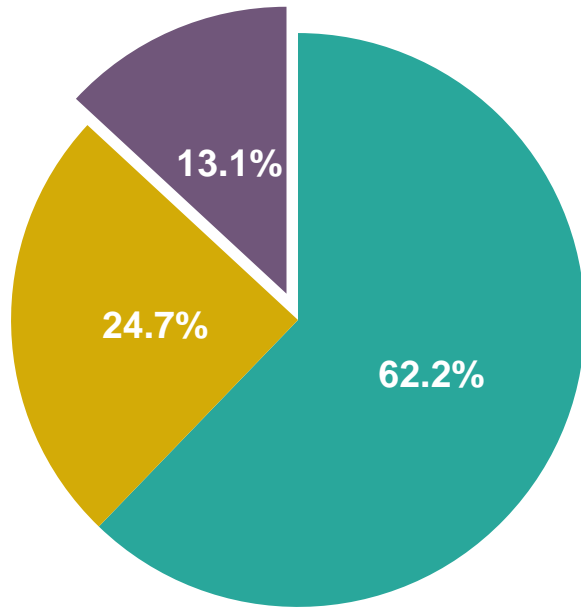
Source: Experian IntelliViewSM



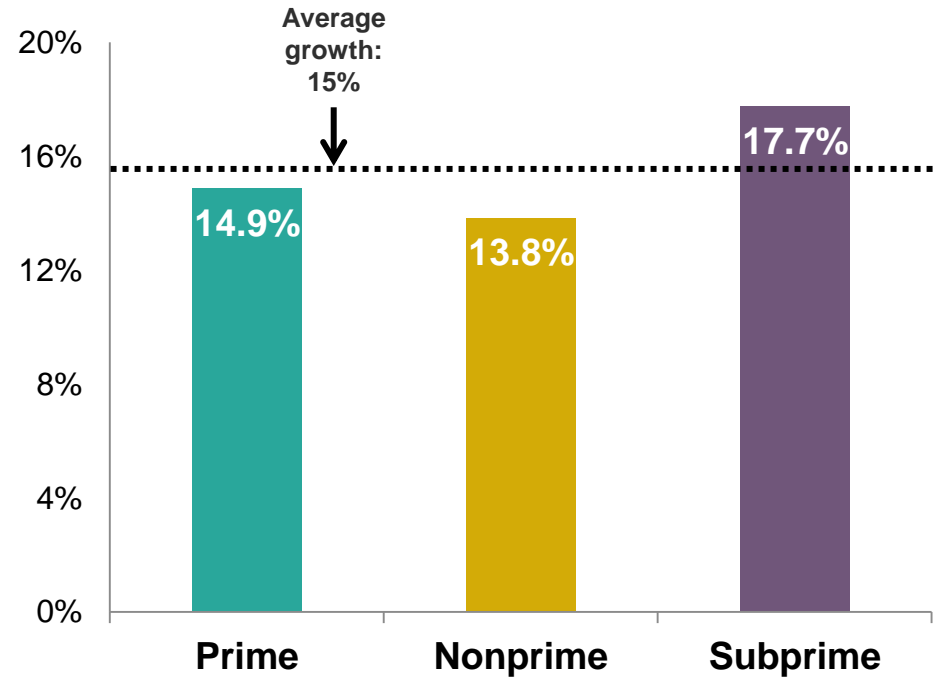
Growth of bankcard

Growth of outstanding balance by risk segment

2015 Distribution



Change in balance over two years



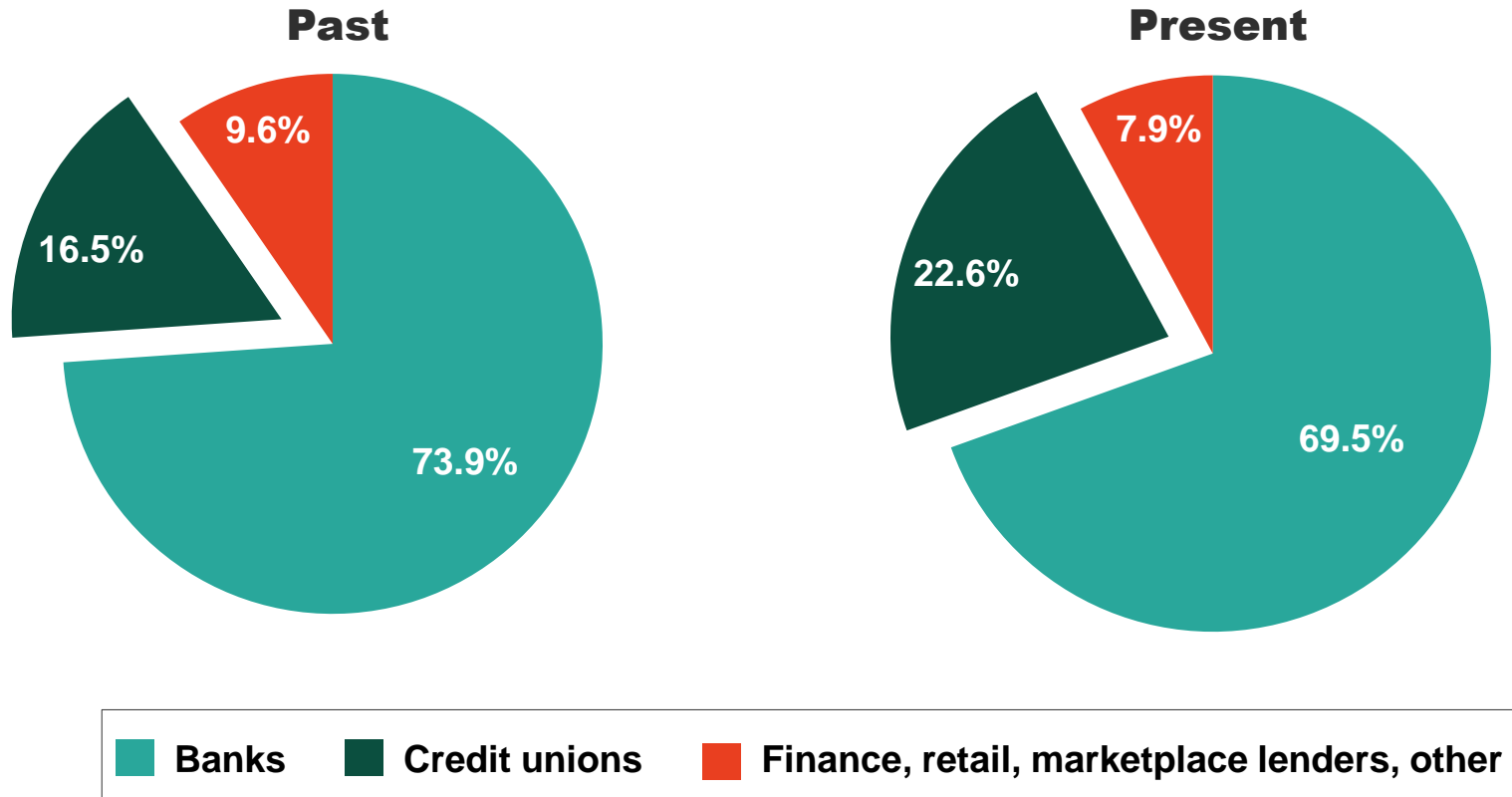
Source: Experian IntelliViewSM



Growth of HELOC

New accounts by lender type

The share of **HELOC** balances held by credit unions lenders increased from 16.5% to 22.6%



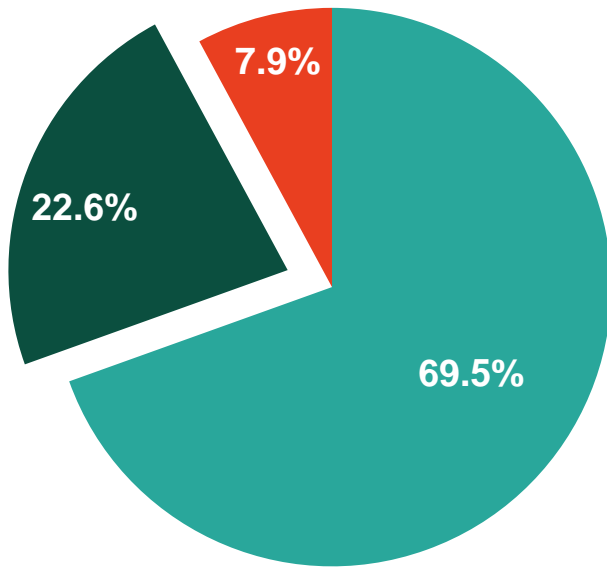
Source: Experian IntelliViewSM



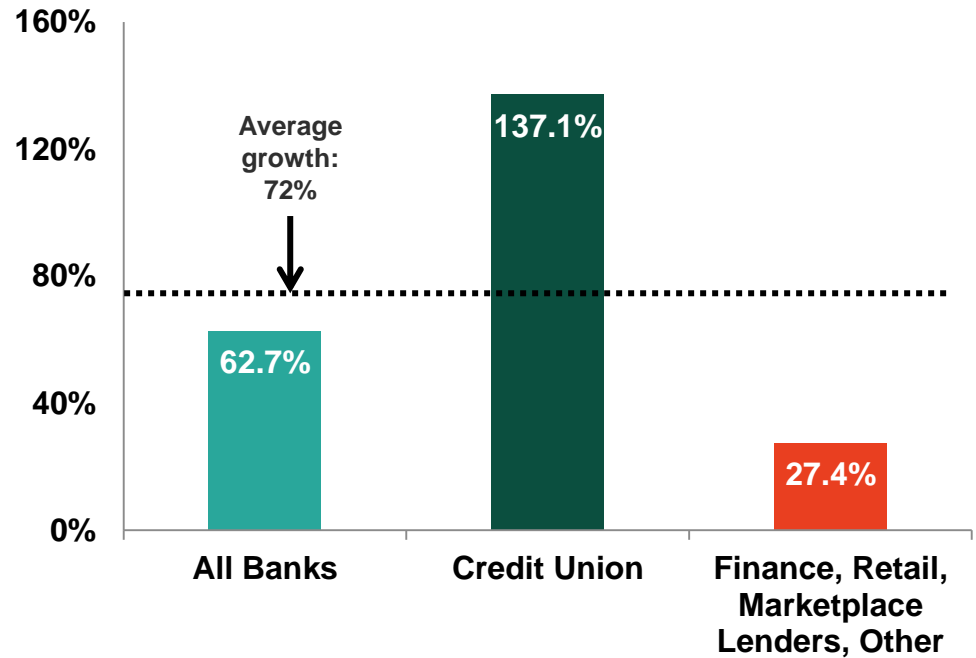
Growth of HELOC

New accounts by lender type

2015 Distribution



Change in balance over two years



Source: Experian IntelliViewSM



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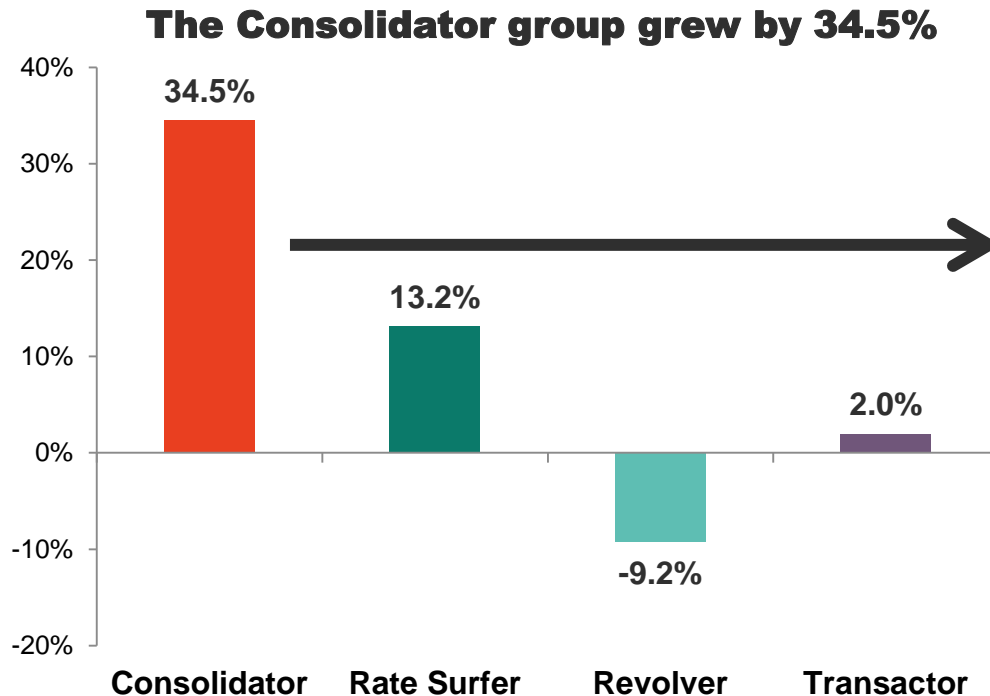
Profile of debt consolidators





Profile of a debt consolidator

Changes in bankcard behavior over last two years



Profile of a Consolidator

Average VantageScore® = 744

Average Income (wage) = \$76,016

Average bankcard spend: \$52,434

41% have an open auto loan

23% have an open HELOC

Average student loan balance of \$4,767

1.1% of trades are 30 or more days delinquent or derogatory

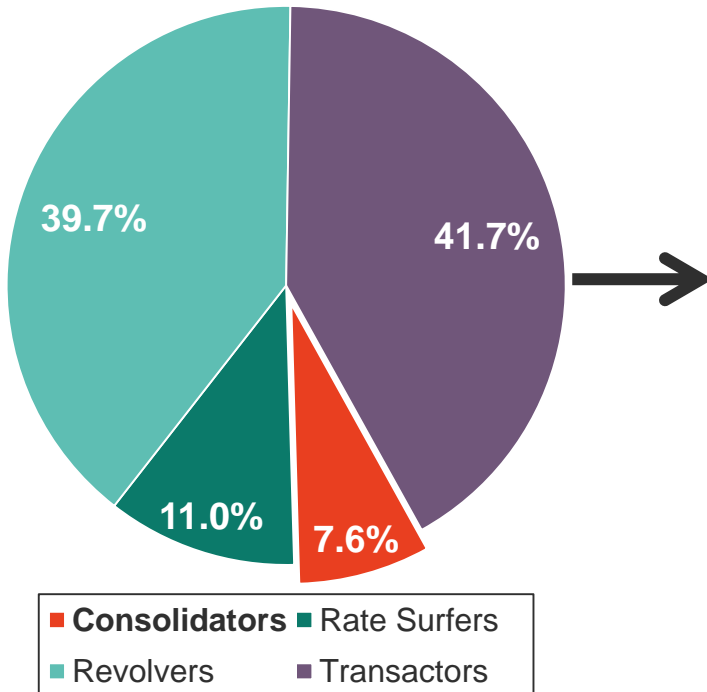
Average bankcard statement balance is \$11,990

Average bankcard revolving balance \$7,453



Trends in consolidation activity

2015 Distribution



The table below shows the change in specific Consolidator activities from 2013 to 2015

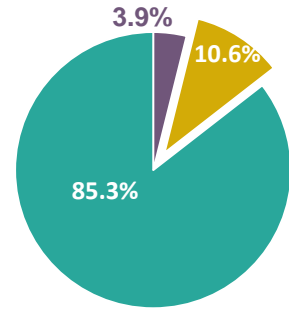
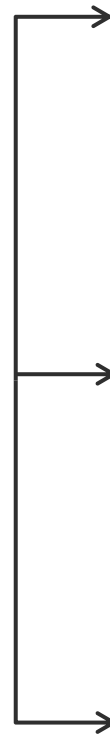
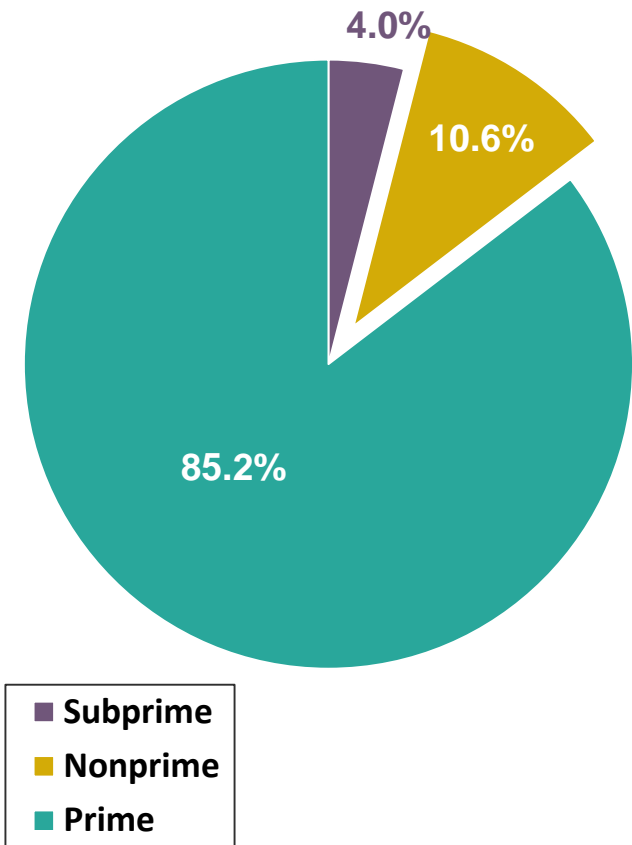
	Past	Present	% Change
Average # of consolidation activities	1.4	1.5	7.1%
Average sum of consolidation balances	\$5,580	\$6,016	7.8%
Average time between consolidation activities	20.6 months	19.9 months	-3.4%
Average balance transfer to new card	\$2,663	\$3,211	20.6%
Average balance transfer to existing card	\$2,218	\$2,199	0.9%



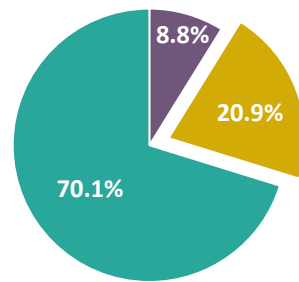
Consolidators

Risk segment comparison

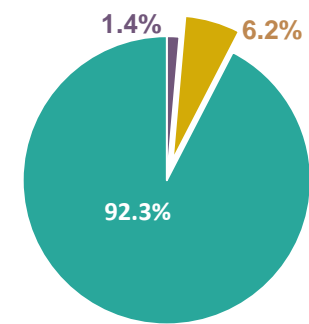
All Consolidators



With 1+ Bankcard



With 1+ Personal Loans

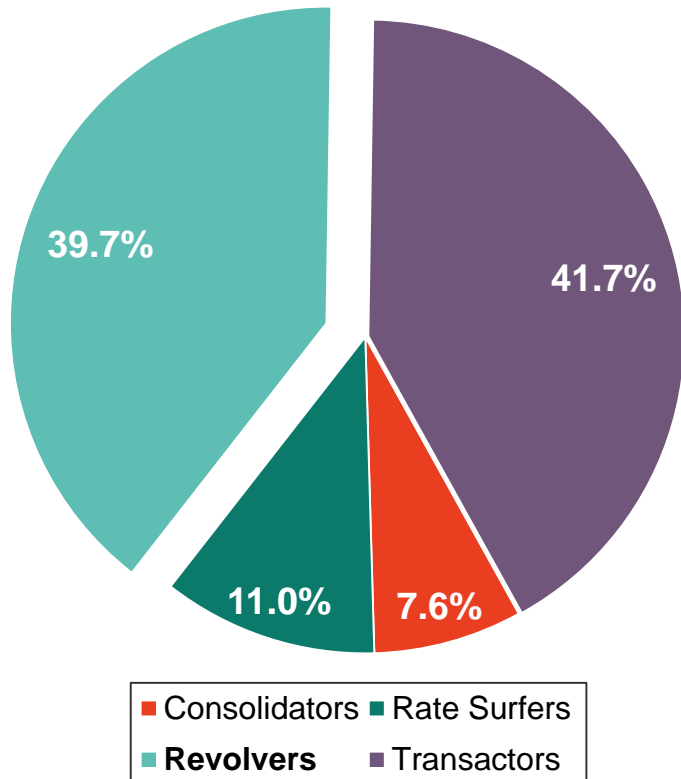


With 1+ HELOC

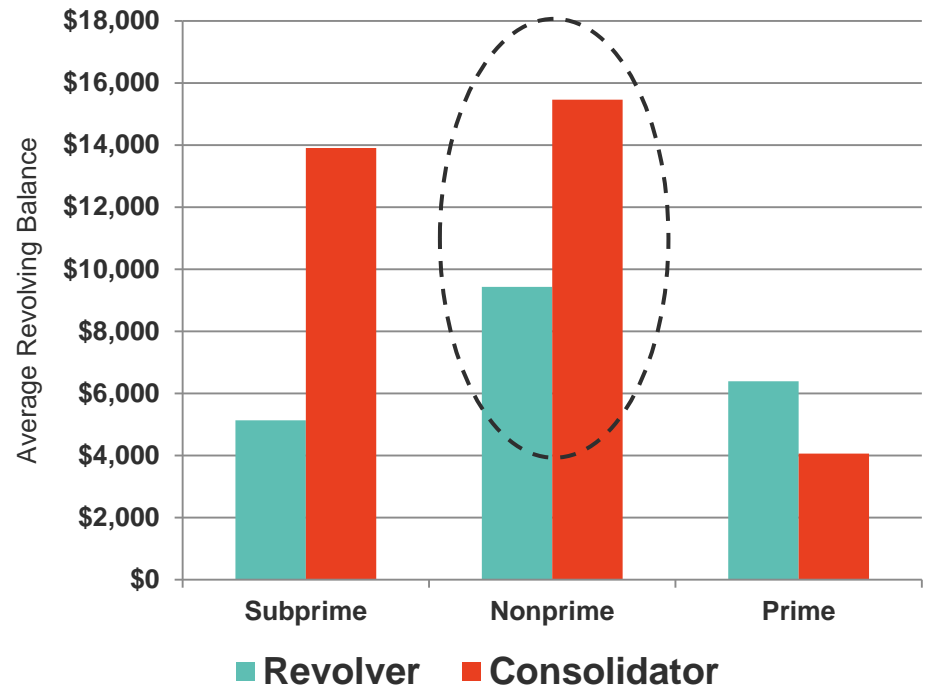


Next wave of consolidators

2015 Distributions



The average revolving balances are highest in the Non Prime segment





Profile of a Revolver

Find the pearls

Profile of a Revolver

Average VantageScore® = 649

Average income (wage) = \$48,062

Average bankcard spend: \$7,256

39% have an open auto loan

8% have an open HELOC

Average student loan balance of \$5,226

12.9% of trades are 30 or more days delinquent or derogatory



Prime

Average VantageScore® = 735

Average income (wage) = \$54,310

Average bankcard spend: \$9,367

39% have an open auto loan

12% have an open HELOC

Average student loan balance of \$4,343

2.9% of trades are 30 or more days delinquent or derogatory

Nonprime

Average VantageScore® = 633

Average income (wage) = \$47,550

Average bankcard spend: \$7,853

43% have an open auto loan

6% have an open HELOC

Average student loan balance of \$5,875

10.6% of trades are 30 or more days delinquent or derogatory

Subprime

Average VantageScore® = 536

Average income (wage) = \$39,401

Average bankcard spend: \$3,188

35% have an open auto loan

3% have an open HELOC

Average student loan balance of \$6,557

32.1% of trades are 30 or more days delinquent or derogatory



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Identifying debt consolidation candidates





Making the right offer

Based on the consumer's credit behavior, the consolidation strategy and product offer will vary

There will be two consolidator populations:

▪ **'Current' Consolidators:**

- ▶ Already displaying consolidation behavior
- ▶ Offer a product based on their outstanding balances and current APR
- ▶ Must be competitive in order to be offer of choice

▪ **'Future' Consolidators:**

- ▶ Customers who are currently Revolvers
- ▶ Risk level migrating to medium or high – limiting their future offers
- ▶ Offer a product based on their outstanding balances and current APR



Debt consolidation product strategy

Balance transfer offer	Personal loan offer	HELOC offer
<ul style="list-style-type: none">▪ Lowest risk, with no historical delinquency▪ Revolving debt spread across multiple credit cards▪ Has a mortgage, but no personal loans▪ High total debt, but paying a low APR	<ul style="list-style-type: none">▪ Medium / high risk, with some historical delinquencies▪ Already has a personal loan and multiple open mortgages. Suggests no equity for a HELOC▪ Lower total debt, but paying much higher APR	<ul style="list-style-type: none">▪ ALL risk levels, even with historical delinquency▪ Revolving debt spread across multiple credit cards▪ Has a mortgage and a personal loan▪ Higher total debt, and paying a higher APR

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Balance transfer offer to a Consolidator

'Prime' risk segment

		Consumer A	
Risk indicator	Credit score	Prime	←
	Past delinquency	None	
Types of debt	# Credit cards with balance	3	←
	# Open auto loans	1	
	# Open personal loans	0	←
	# Open mortgages	1	
Debt levels	Revolving debt \$ (EIRC)	\$7,500	
	Installment debt (excludes mortgage)	\$10,000	
	Total debt (excludes mortgage)	\$17,500	←
	Average interest rate (EIRC)	6.99%	

Balance transfer offer

- Lowest risk, with **no** historical delinquency
- Revolving debt spread across multiple credit cards
- Has a mortgage, but no personal loans
- High total debt, but paying a low APR



Personal loan offer to a Consolidator

'Non Prime' risk segment

		Consumer B
Risk indicator	Credit score	Near prime
	Past delinquency	3 in last 2 yrs.
Types of debt	# Credit cards with balance	1
	# Open auto loans	1
	# Open personal loans	2
	# Open mortgages	2
Debt levels	Revolving debt \$ (EIRC)	\$3,000
	Installment debt (excludes mortgage)	\$5,000
	Total debt (excludes mortgage)	\$8,000
	Average interest rate (EIRC)	11.99%

Personal loan offer

- Medium / high risk, with **several** historical delinquencies
- Multiple personal loans **and** open mortgages. Suggests no equity for a HELOC
- Lower total debt, but paying much higher APR



HELOC offer to a Consolidator

'Sub Prime' risk segment

		Consumer C
Risk indicator	Credit score	Sub prime
	Past delinquency	1 in last 2 yrs.
Types of debt	# Credit cards with balance	4
	# Open auto loans	1
	# Open personal loans	1
	# Open mortgages	1
Debt levels	Revolving debt \$ (EIRC)	\$10,000
	Installment debt (excludes mortgage)	\$12,000
	Total debt (excludes mortgage)	\$22,000
	Average interest rate (EIRC)	13.99%

HELOC offer

- Highest risk, with **some** historical delinquency
- Revolving debt spread across multiple credit cards
- Has a mortgage **and** a personal loan
- High total debt and paying a high APR



Balance transfer offer to a Revolver

'Prime' risk segment

		Consumer D
Risk indicator	Credit score	Prime
	Past delinquency	None
Types of debt	# Credit cards with balance	3
	# Open auto loans	1
	# Open personal loans	0
	# Open mortgages	1
Debt levels	Revolving debt \$ (EIRC)	\$14,500
	Installment debt (excludes mortgage)	\$2,500
	Total debt (excludes mortgage)	\$17,000
	Average interest rate (EIRC)	11.99%

Balance transfer offer

- Lowest risk, with **no** historical delinquency
- Revolving debt spread across multiple credit cards
- High revolving debt
- Moderate to high APR



Personal loan offer to Revolver

'Non Prime' risk segment

		Consumer E
Risk indicator	Credit score	Non Prime
	Past delinquency	2 in last 2 yrs.
Types of debt	# Credit cards with balance	4
	# Open auto loans	1
	# Open personal loans	1
	# Open mortgages	2
Debt levels	Revolving debt \$ (EIRC)	\$8,500
	Installment debt (excludes mortgage)	\$4,000
	Total debt (excludes mortgage)	\$12,500
	Average interest rate (EIRC)	14.99%

Personal loan offer

- Medium risk, with **several** historical delinquencies
- Personal loan **and** multiple mortgages. Suggests no equity for a HELOC
- Moderate total debt, but paying much higher APR



Debt consolidation messaging

	Existing	New offer
Number of loans	4	1
Revolving debt	\$11,000	0
Other debt	\$12,000	0
Total debt (excludes mortgage)	\$23,000	\$25,000
EIRC / new loan rate	19.99%	11.6%
Total monthly payment	\$658	\$521
Term	Multiple	48 month

Benefits of consolidation

- Combined four loans into one easy payment
- \$2,000 cash out
- Low payment-saving approximately \$137 a month
- Debt paid off in only four years

“ He who would search for pearls must dive below. ”

— John Dryden



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Breakout Session Survey

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1. How would you rate the presenters' knowledge?
 Excellent Above average Average Below average Poor

2. How would you rate the presenters' delivery?
 Excellent Above average Average Below average Poor

3. How would you rate the presenters' time management?
 Excellent Above average Average Below average Poor

4. How useful was the session information?
 Very useful Somewhat useful Neutral
 Somewhat not useful Not useful

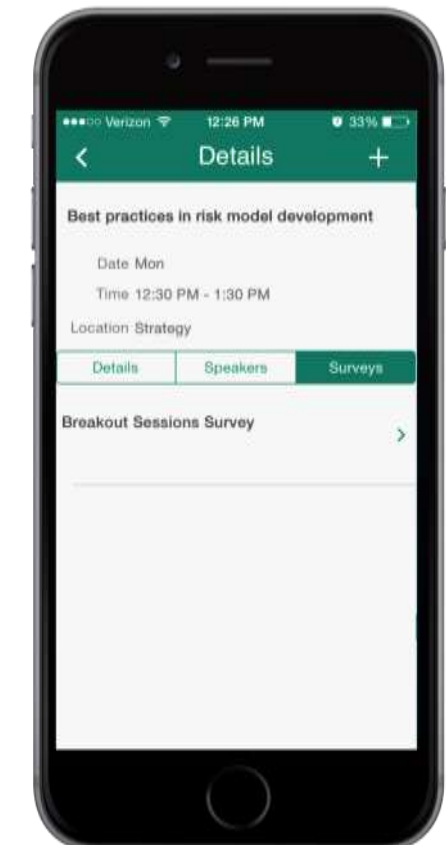
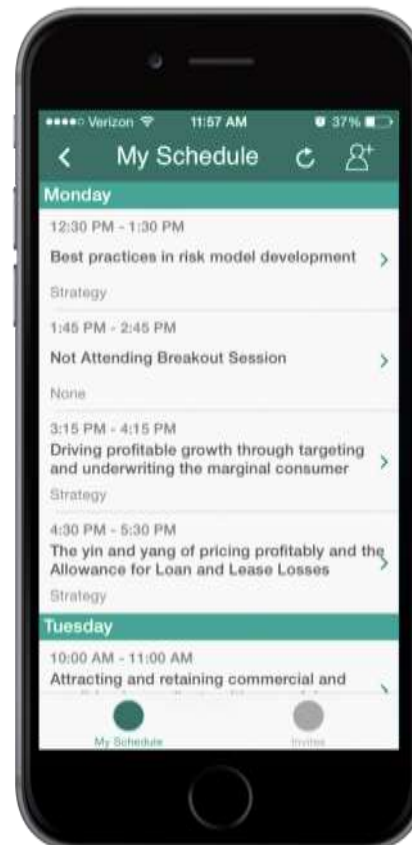
5. How would you rate the session on being current?
 Very current Somewhat current Neutral
 Somewhat not current Not current

6. How relevant was the session content to the title and description?
 Very relevant Somewhat relevant Neutral
 Somewhat not relevant Not relevant

7. How would you rate the level of content?
 Too advanced Just right Too basic

8. Why did you attend this session? (Check all that apply)
 Relates to my business The presenter(s) Interest in new product
 Compelling session description Increase product knowledge

9. Do you have any additional comments?





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