



Unsecured personal loans

The past and the present



Introducing:

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Data gap

Marketplace lending



**“What's in a name?
That which we call
a rose by any other
name would smell
as sweet.”**



Filling the gap

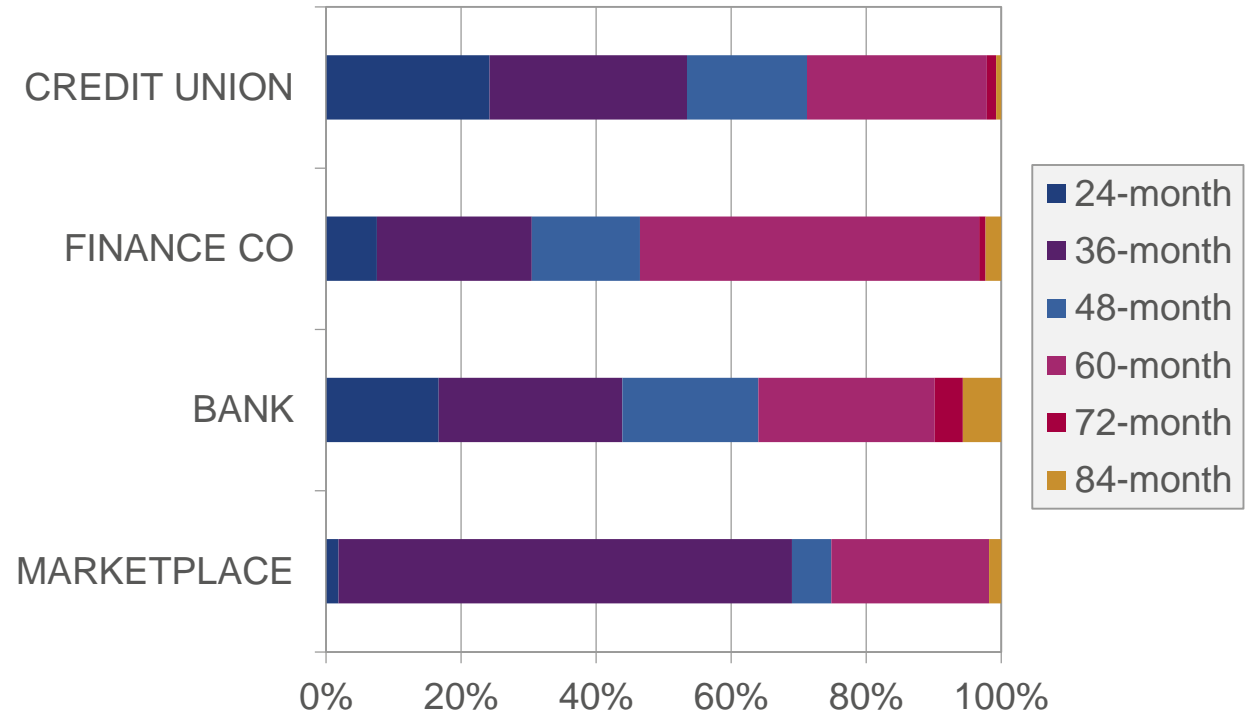
Person loan database

- Originations 2004-Q1 – 2016-Q4
- Total of 2.2 million loans and 17.5 million records
- Identified unsecured personal loans using:
 - Kind of business
 - Loan type
 - Term
 - Loan amount
- Quarterly data
 - Consumer level
 - Scores,
 - Premier attributes
 - Account level data
 - Loan characteristics
 - Performance

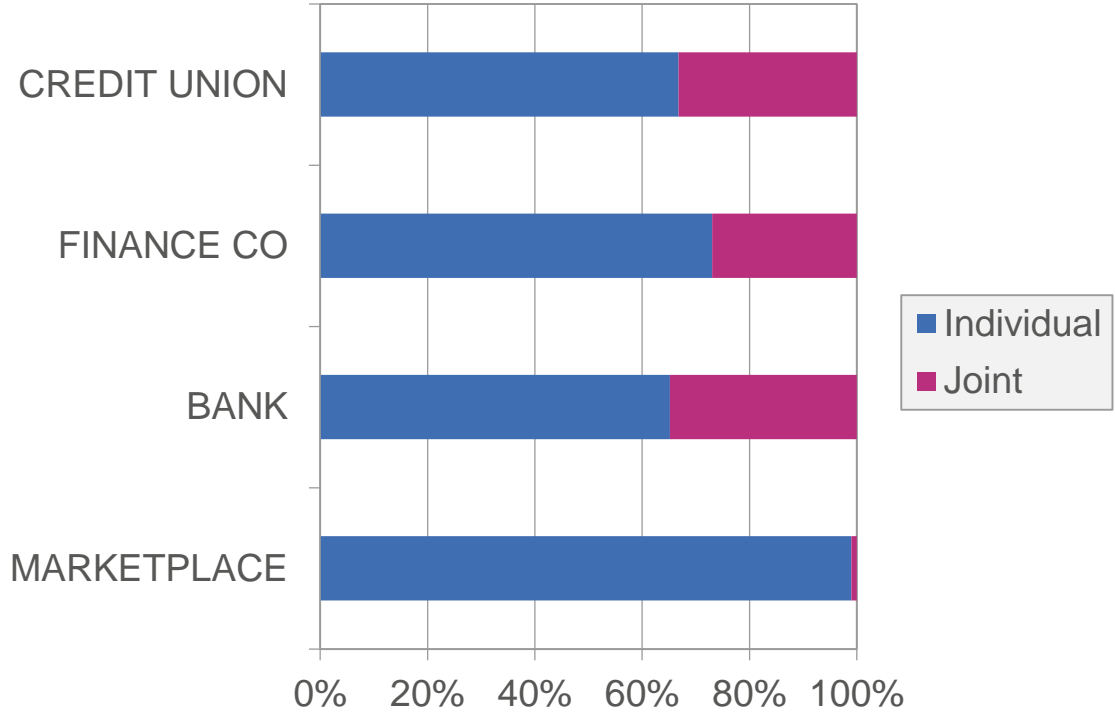
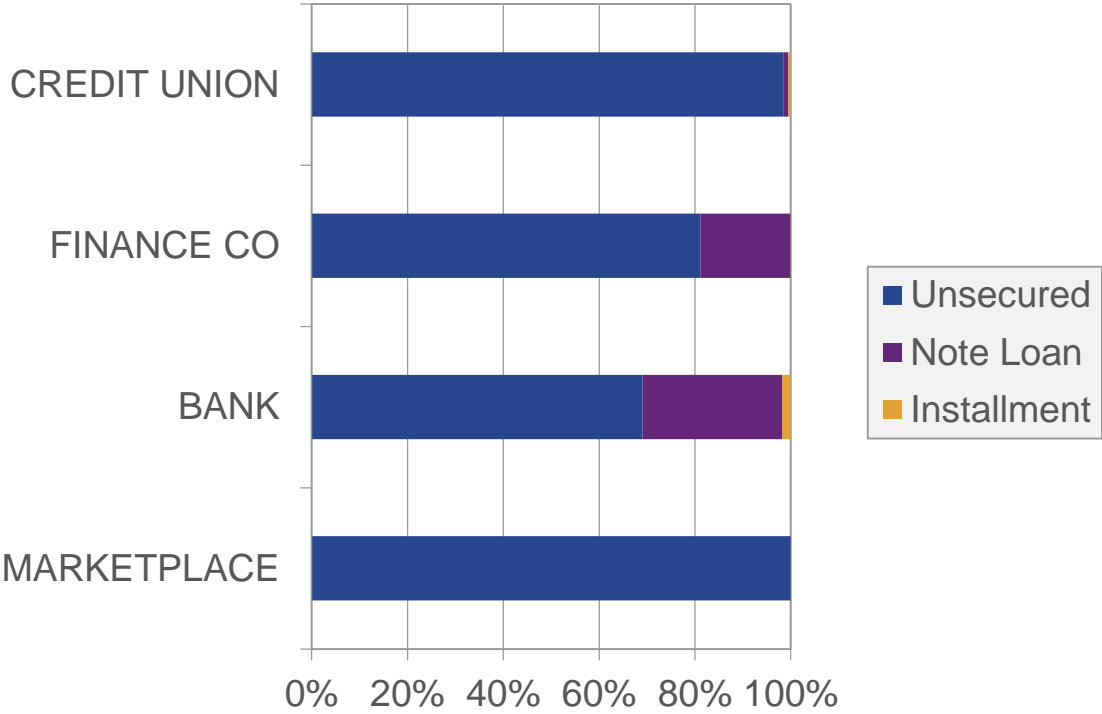


Sample composition

- Features of marketplace loans
 - Almost exclusively 36 and 60 month terms
 - All reported as unsecured loans
 - No joint accounts
- Plentiful representation in reported credit data



Sample composition



Hazard analysis

The test





Sample construction

- Loan record is copied for every quarter the loan is active
 - Default = 1
 - Non-default = 0
 - Paid is dropped
 - Competing risks
- Variables
 - Origination and loan attributes are static
 - Economic data values as of record date
- Example
 - Loan defaulted in 14th month of term would have 4 good records and one defaulted record

Analysis

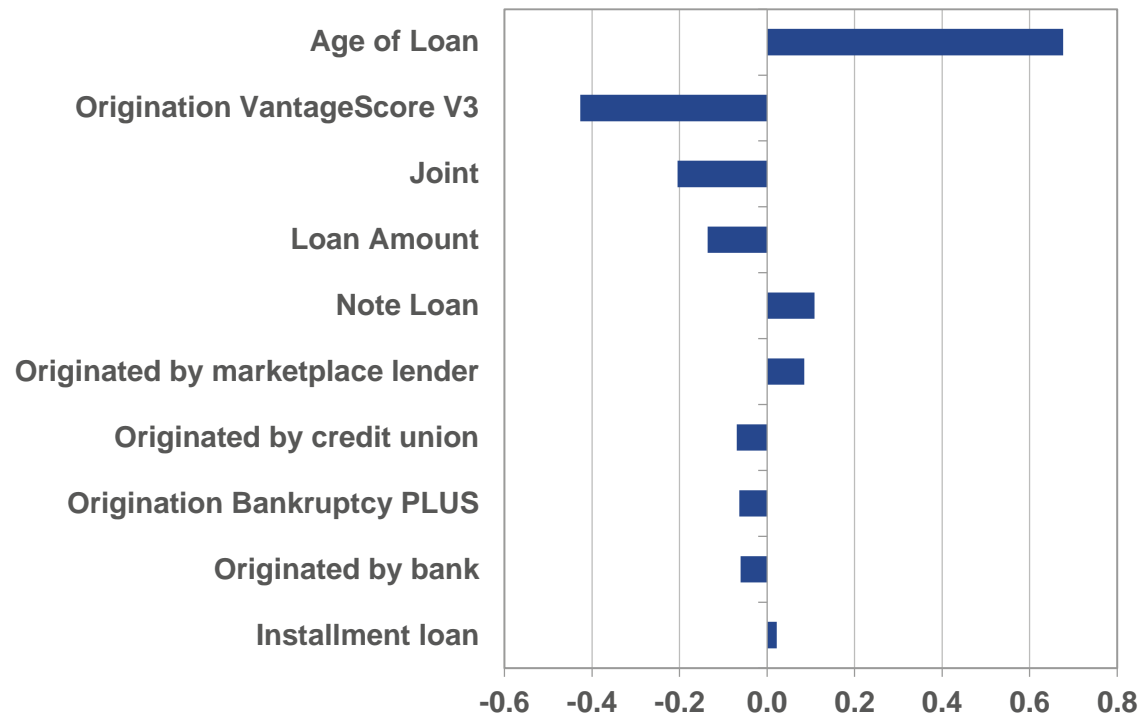
Variations in personal loan performance

- Hazard = default(t)/survivors(t)
 - Instantaneous conditional default rate
- Controls
 - Consumer level characteristics
 - VantageScore® V3
 - Bankruptcy PLUSSM
 - National economic conditions
- Factors
 - Originating institution
 - Repayment responsibility
 - Loan features

Factors	Consumer variables	Economic indicators	Time dimension
Kind of business	VantageScore® V3	Unemployment	Loan age
Joint account	Bankruptcy PLUS SM	Home price index	
Loan type	Premier Attributes SM	Disposable income	
Loan amount		Domestic product	
Loan Term		Treasury rates	
		Consumer price index	
		Dow Jones	
		Volatility Index	

Loan factors

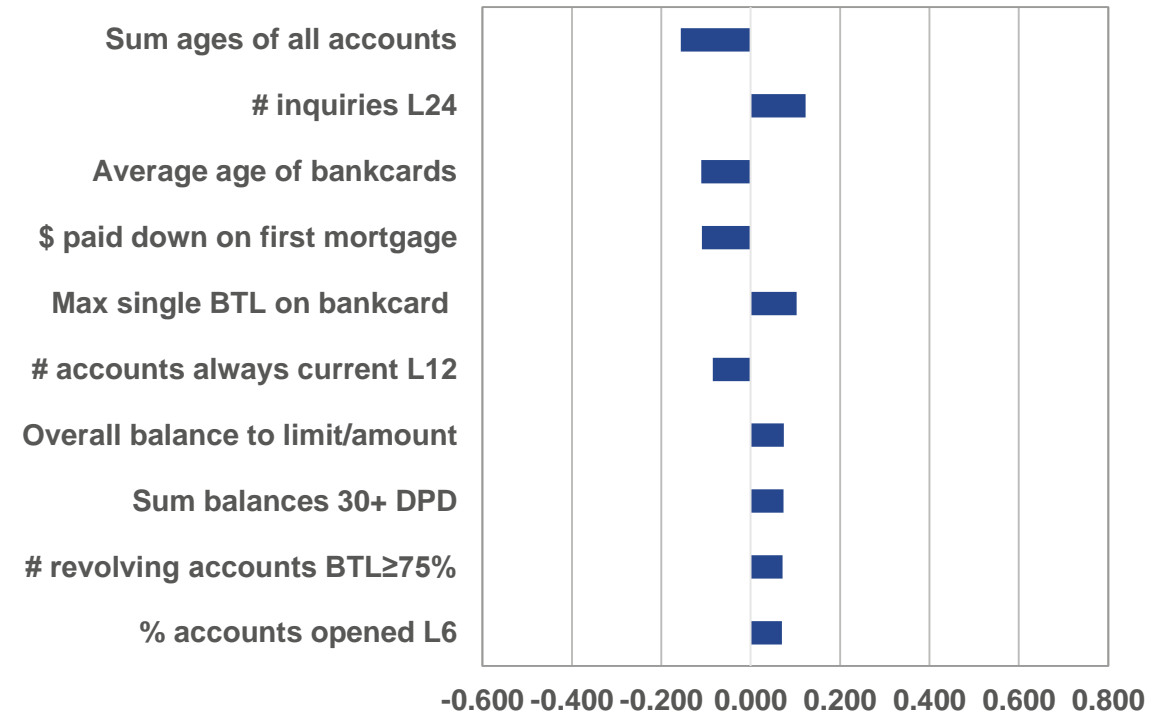
Standardized estimates

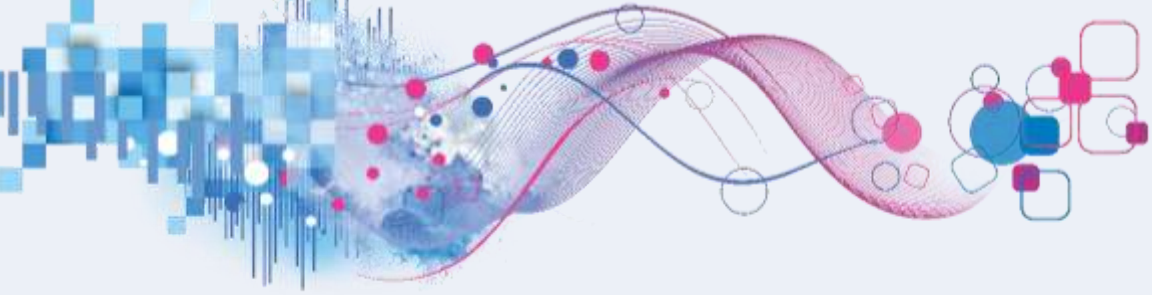




Individual credit factors

Standardized estimates

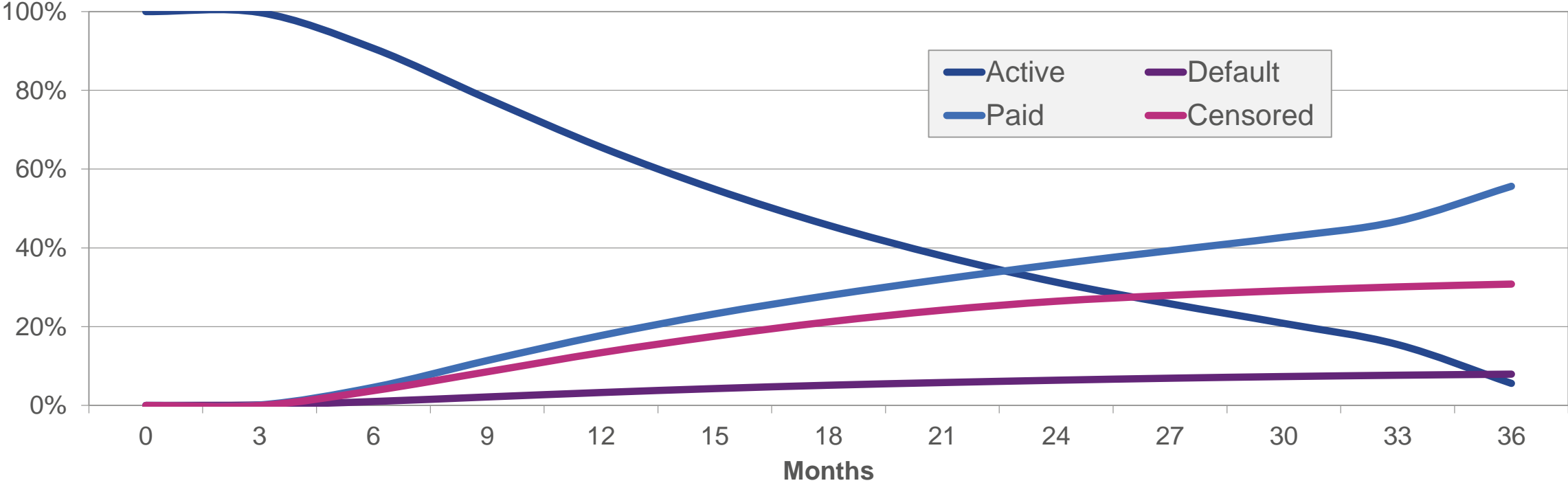




Hazard rates

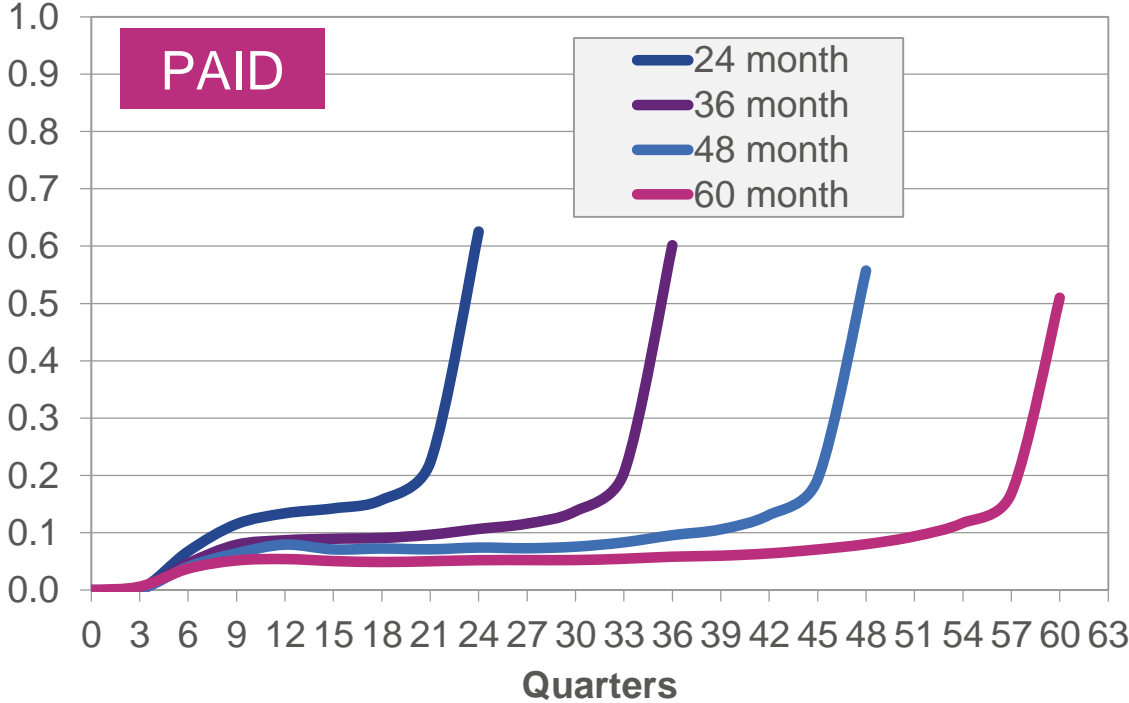
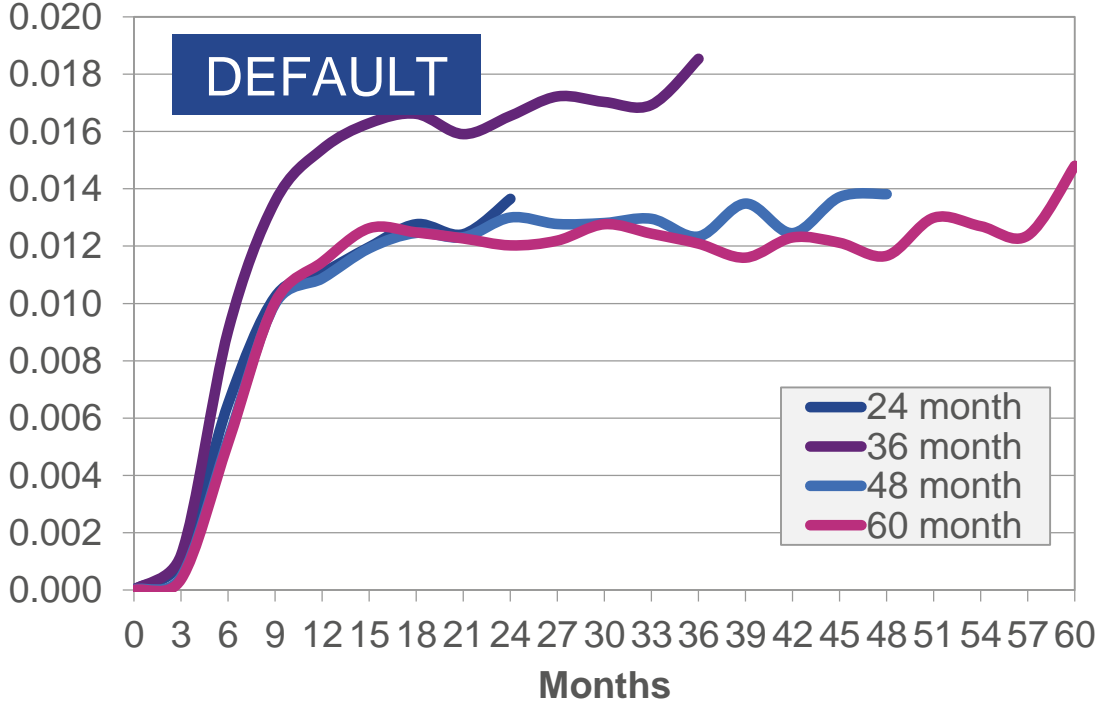
Status by age

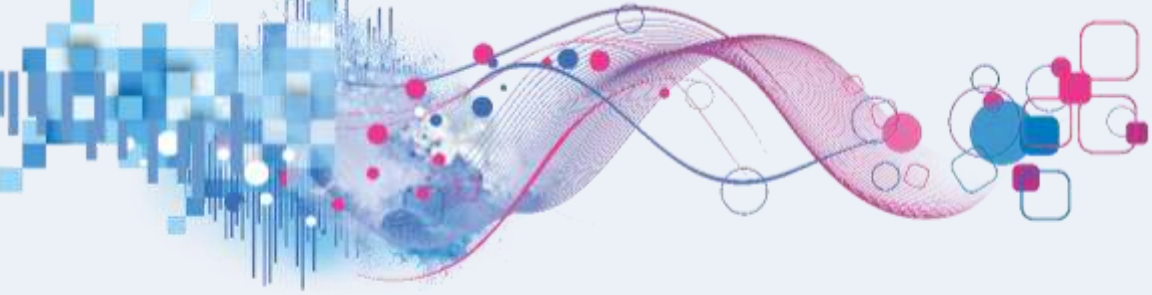
36-month term



Observed hazard rates

Competing risks

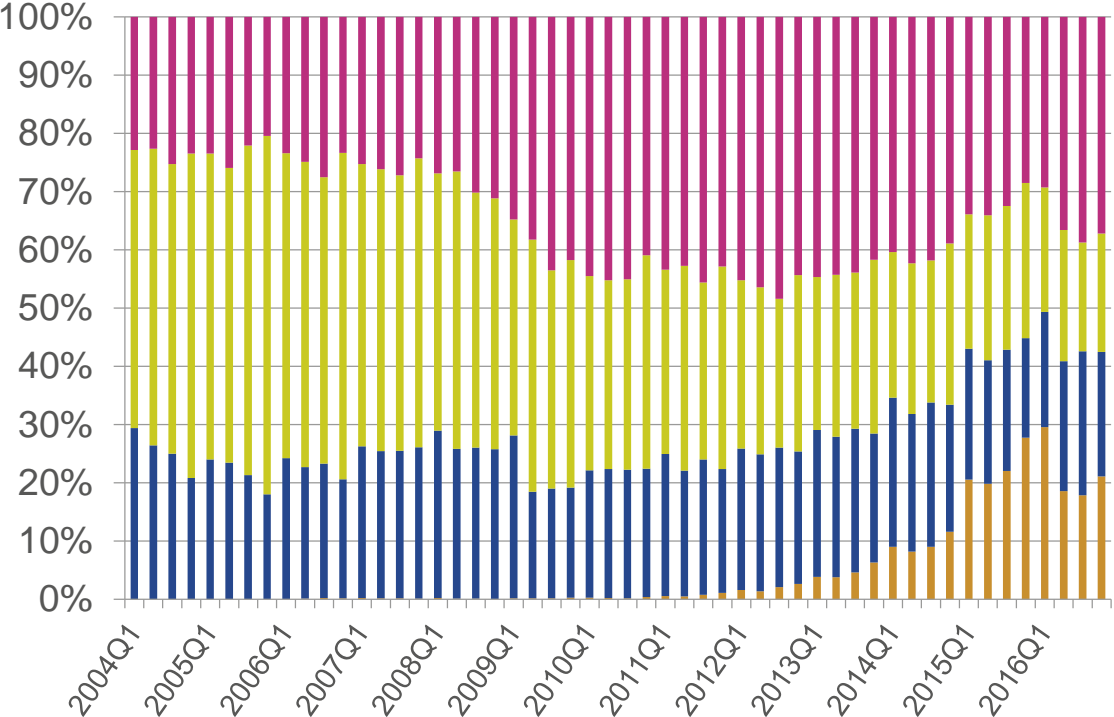
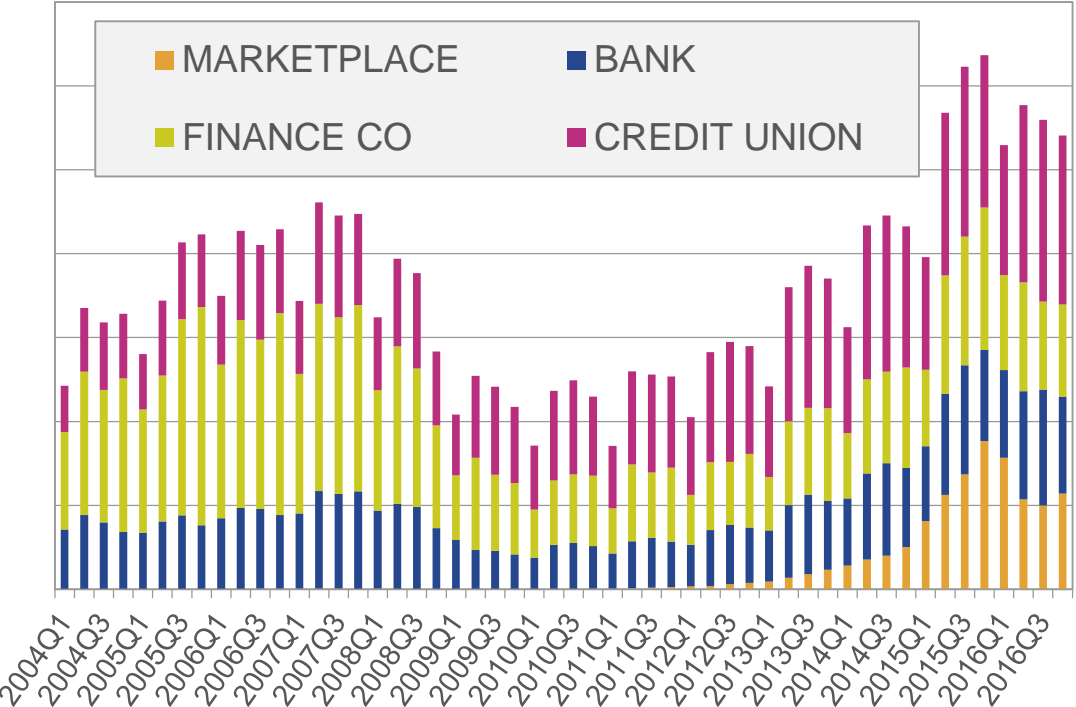




Origination trends

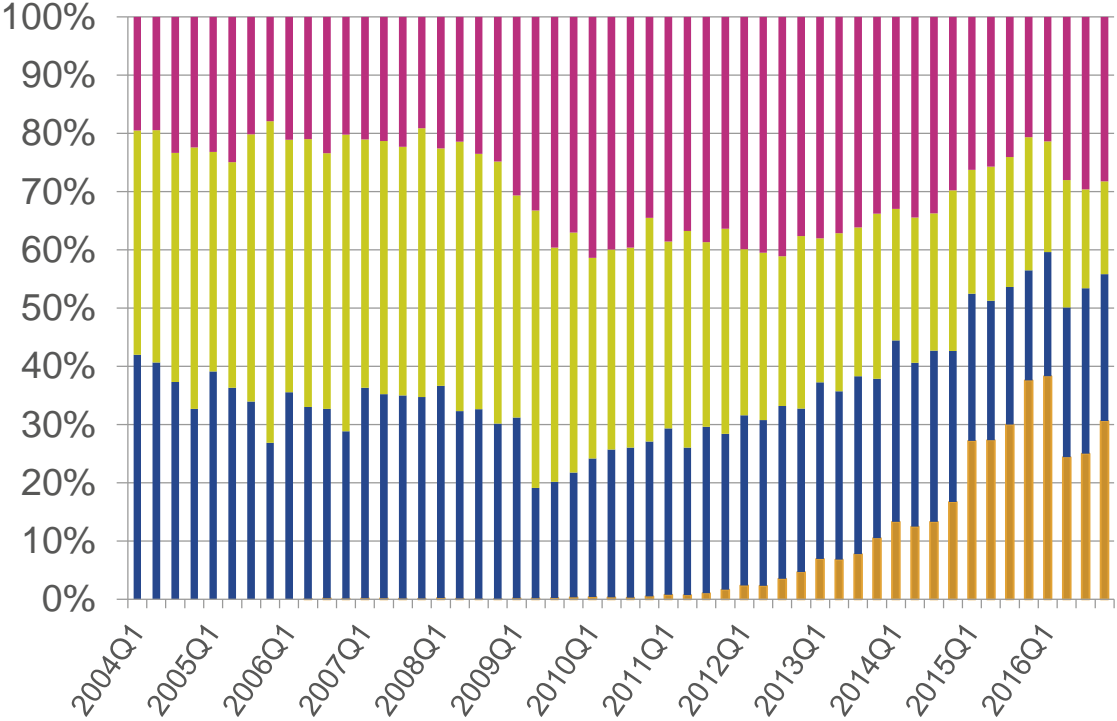
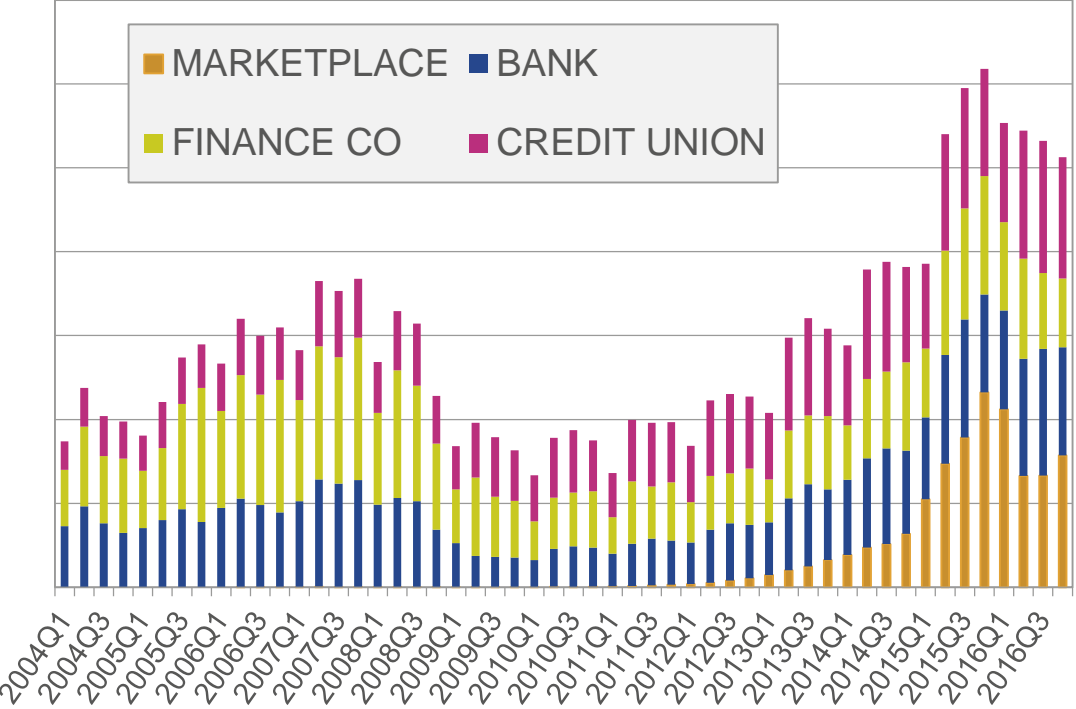
Originations

Number of loans and market share



Originations

Loan amount and market share

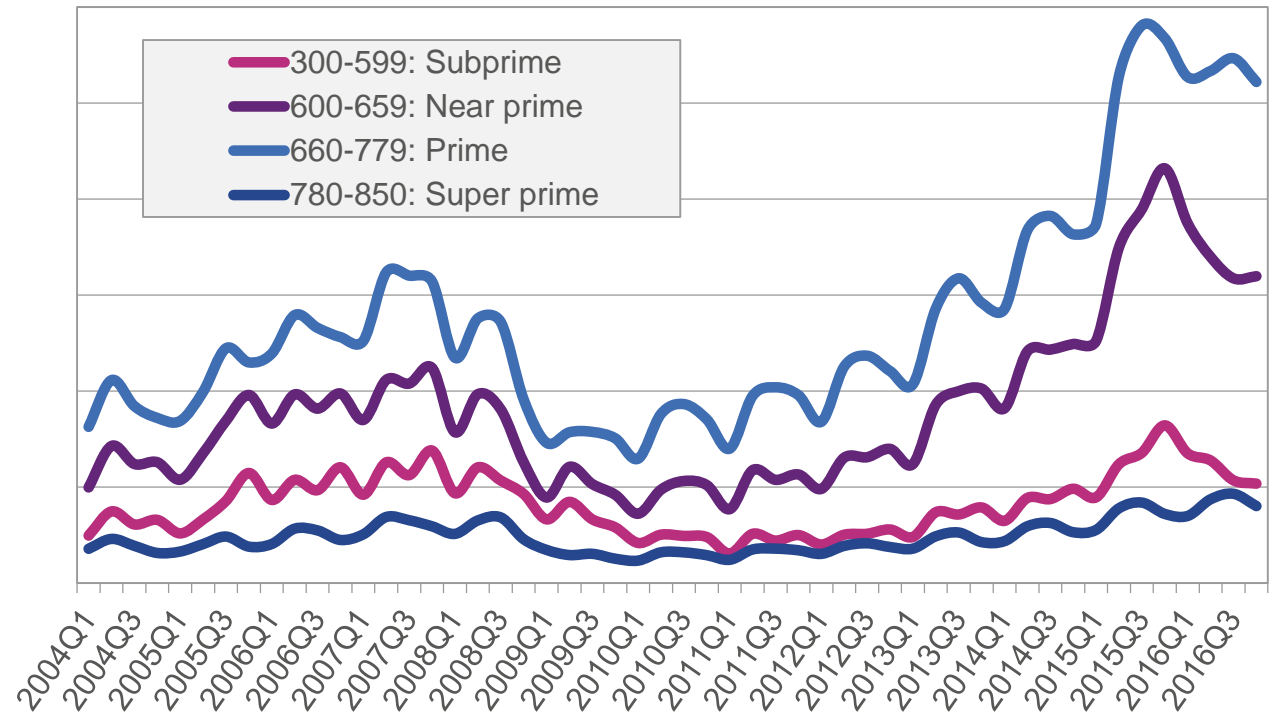


Originations

Aggregate loan amounts by risk grade

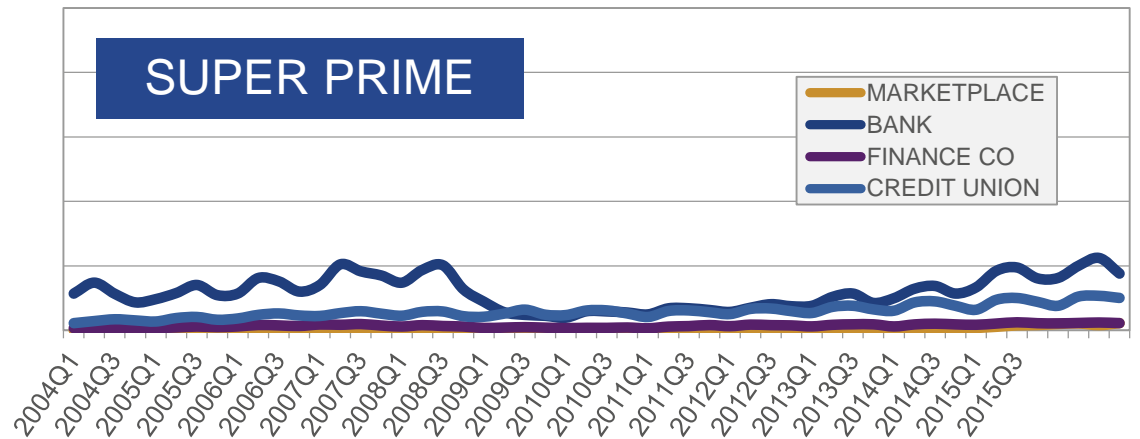
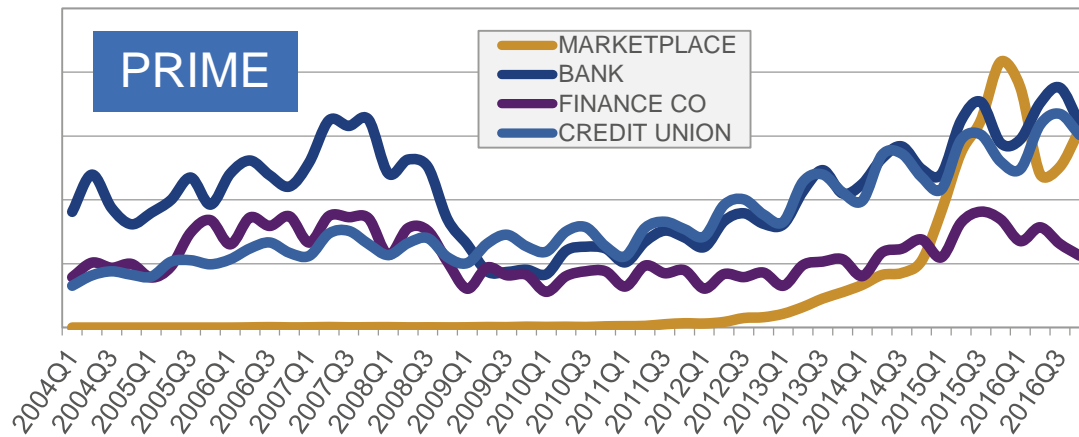
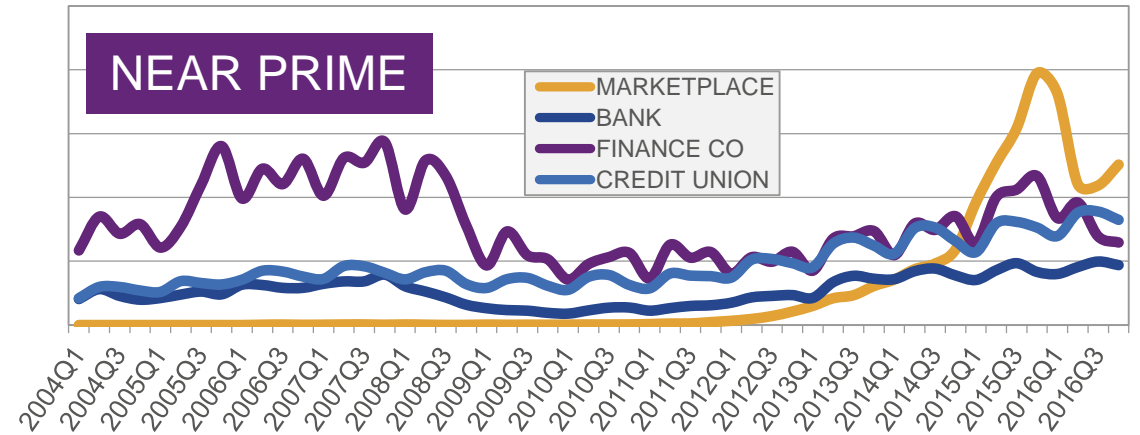
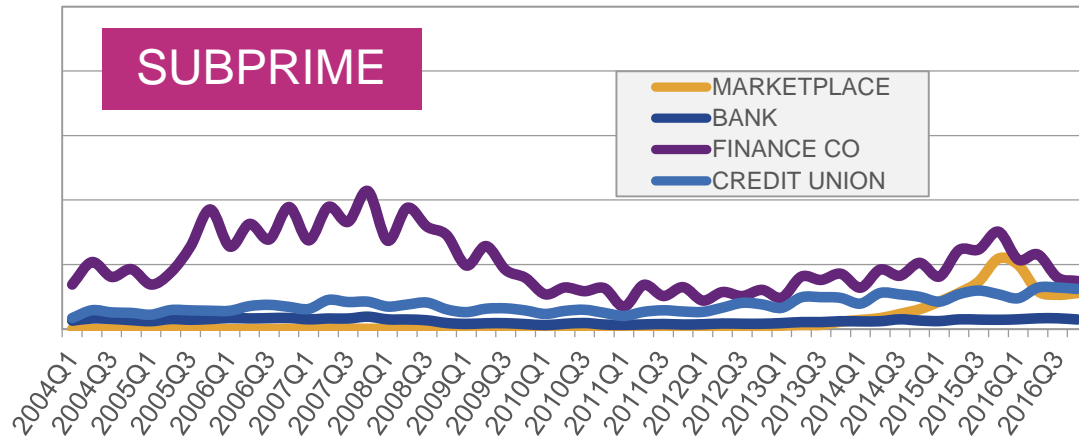
Growth

- All grades show growth relative to post recession lows
- Near prime and prime show significant growth over pre-recession highs
- Subprime and super prime show little growth over pre-recession highs



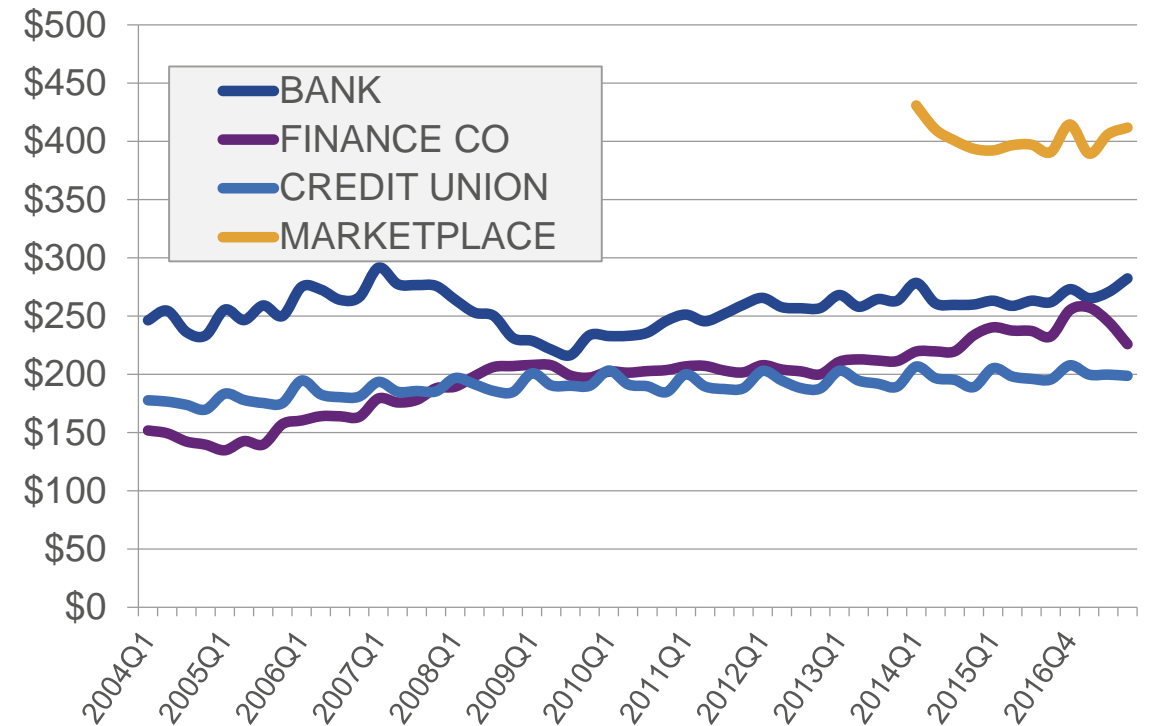
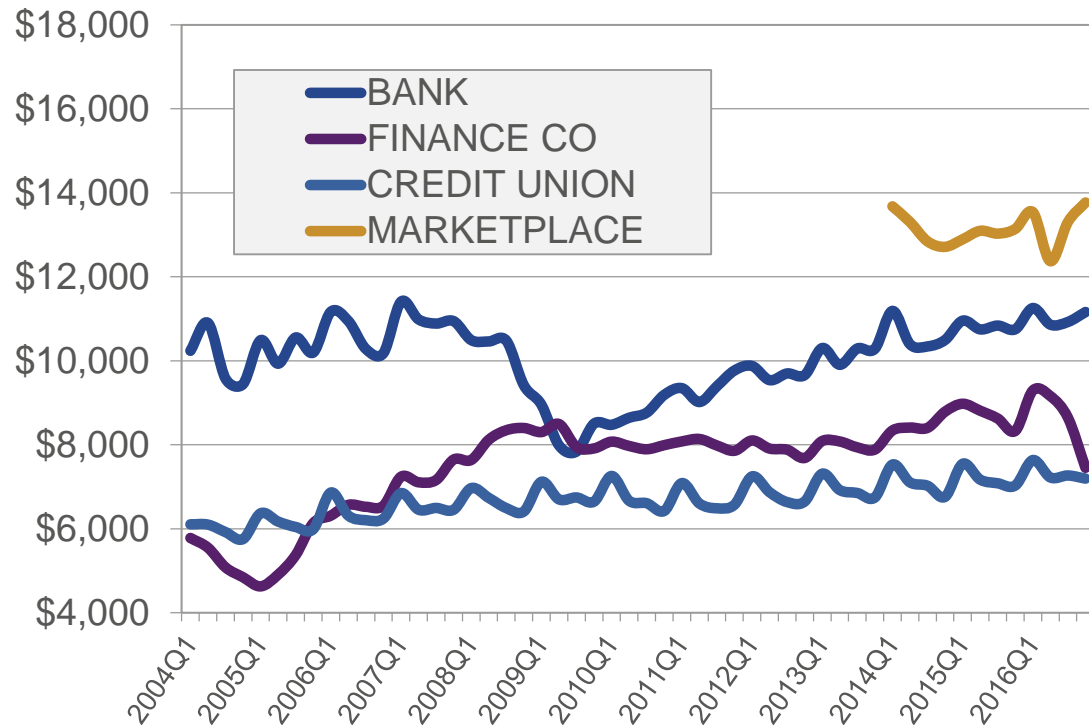
Originations

By risk grade



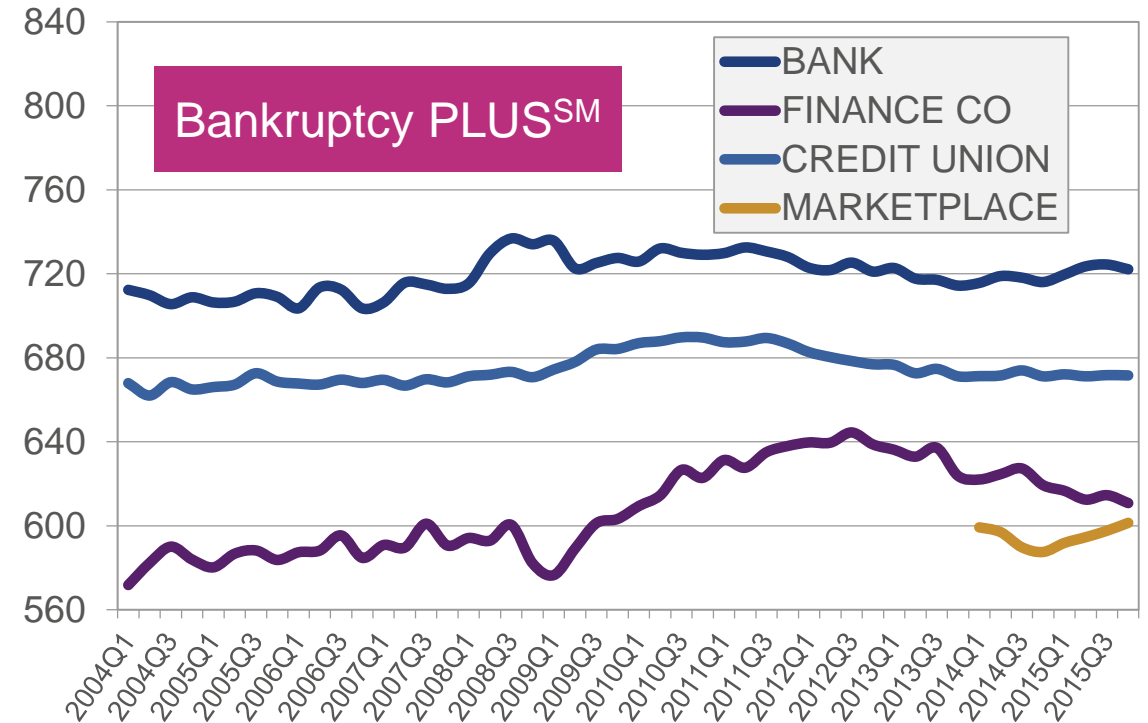
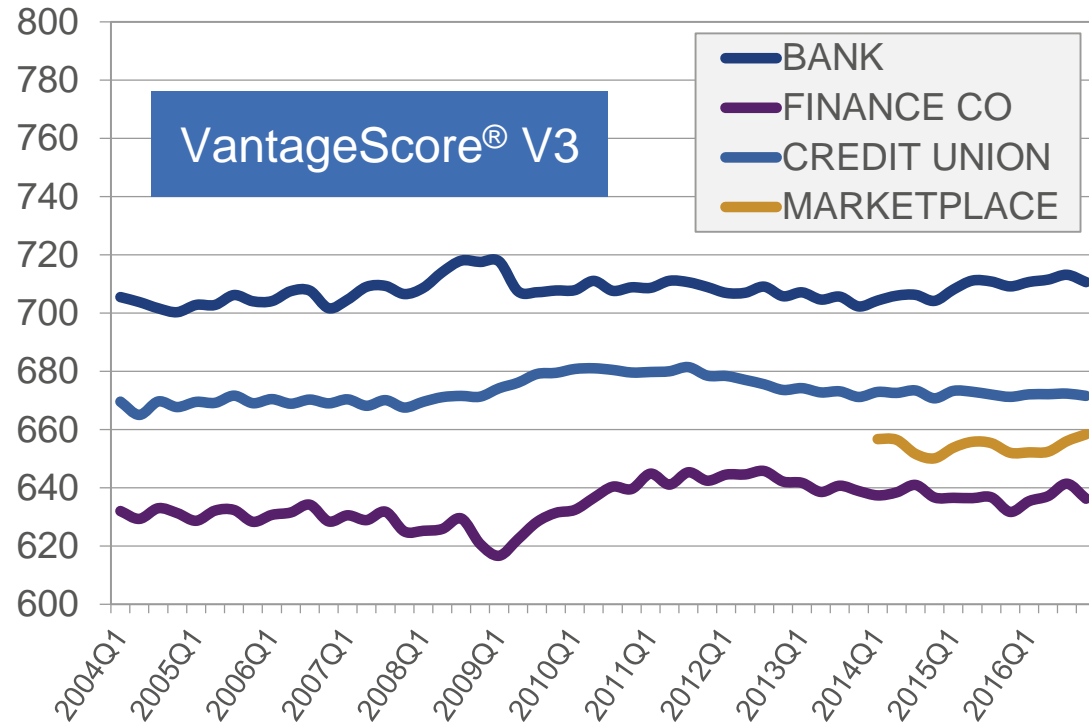
Originations

Loan amount and monthly payment



Originations

VantageScore® V3 and Bankruptcy PLUSSM



Conclusions

- Fill the gap
- Control for differences
- Improve decision making
- Meet regulatory and investor requirements



Questions and answers

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