

Top of Wallet: How Consumers Are Using Their Credit Cards

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Agenda

1. Dataset Overview
2. Recent Trends in Dataset Due to Covid-19
3. How Consumers Manage Their Cards
4. Covid-19's Impact on Expected Losses

Consumer-Level Credit Dataset

Data Description

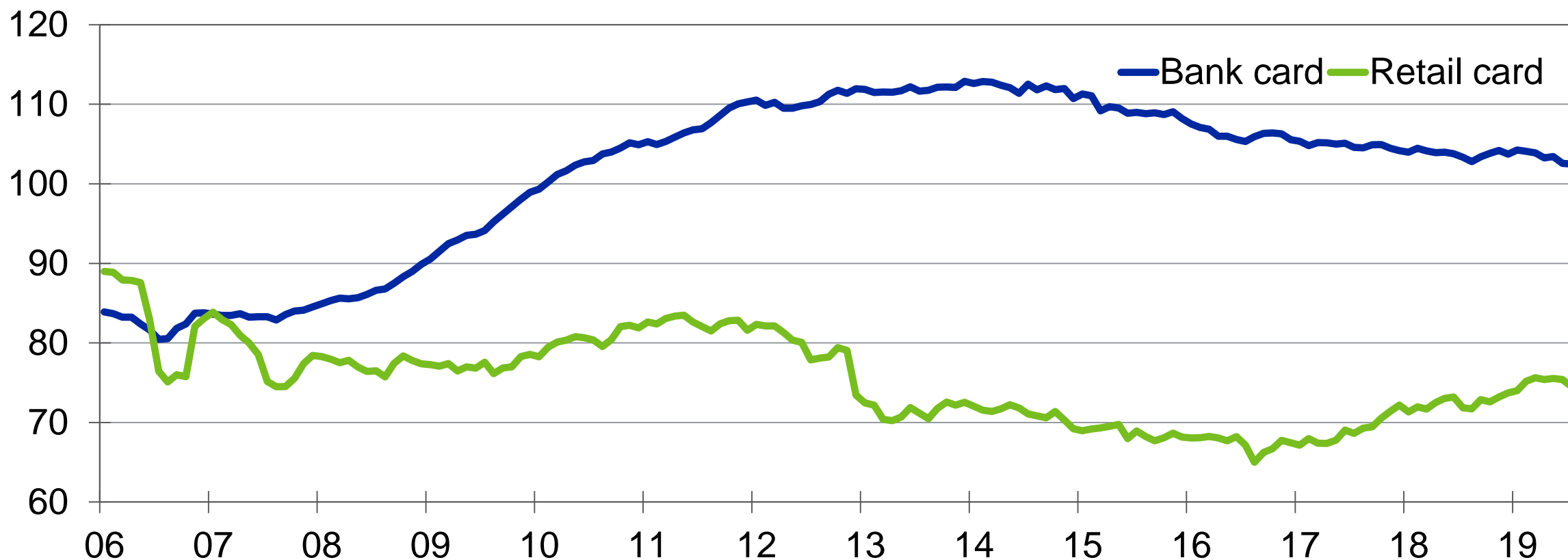
Source, unit of analysis and frequency

- » An anonymous random **10% sample of the U.S.** credit active population in the Equifax credit file
 - 19.8M unique customers and 102M unique accounts for 5.2 accounts per customer in 2019
- » **Monthly historical frequency** beginning July 2005 to present
 - Origination vintages: Late 1990s to current
- » Ability to link behavior of the same consumer over time
- » Ability to track performance of each loan/account to be linked over time
- » Updated on a monthly basis in a way that mirrors the active population
- » Delinquency, Default and Balance information for accounts
- » Allows for easy sampling to manage dataset size

Recent Trends in Consumer-Level Dataset

Bankcard Portfolio Aged Following the Recession

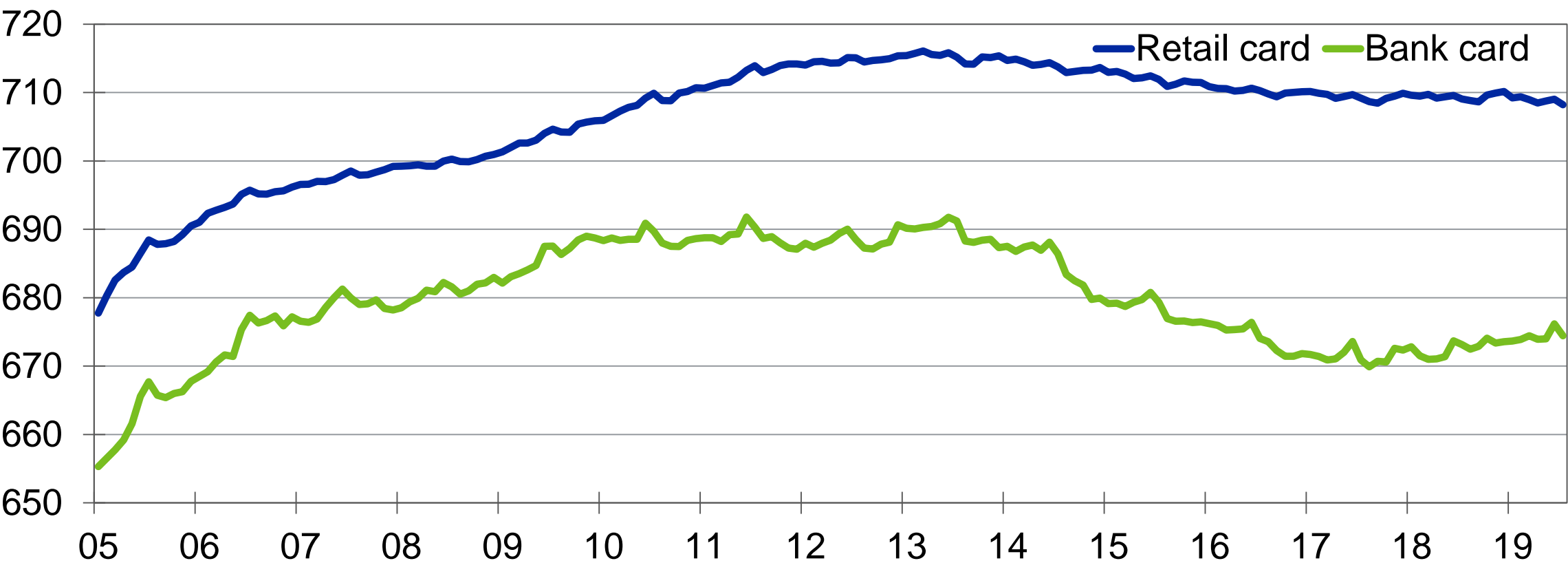
Portfolio average account months-on-book, balance weighted



Sources: Equifax, Moody's Analytics

Origination Scores Higher Than Before Great Recession

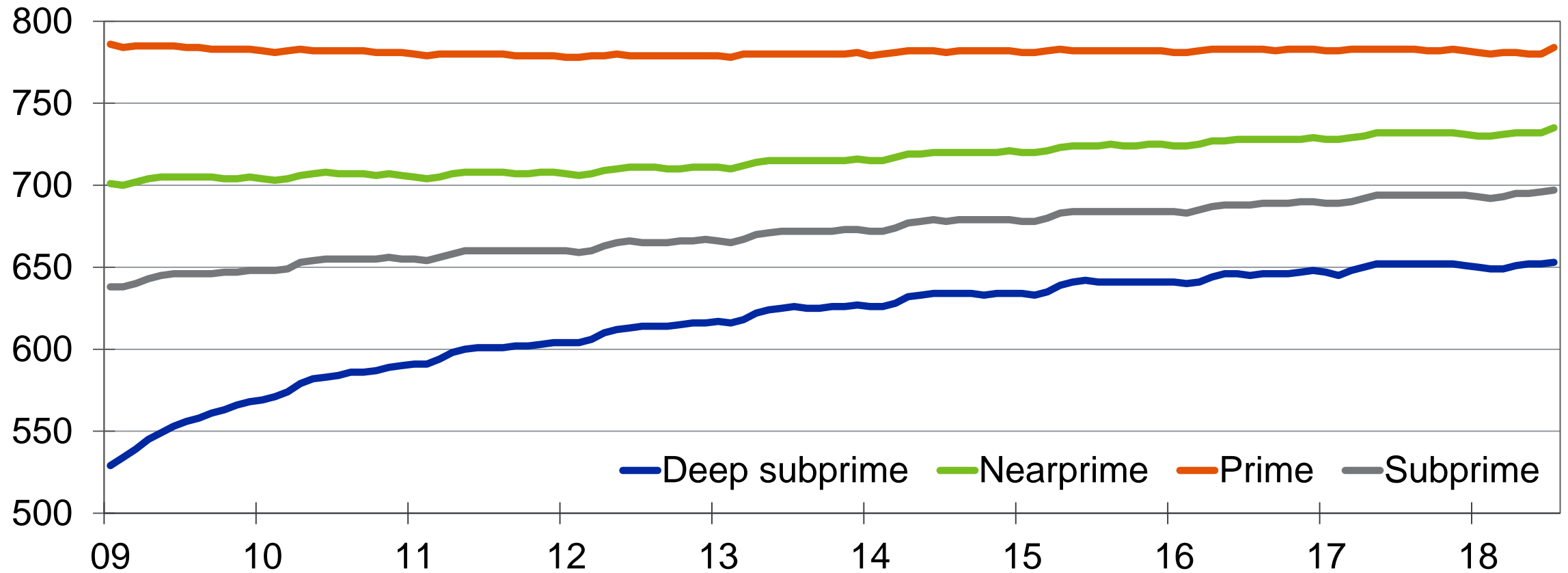
Portfolio average origination vantage score, balance weighted



Sources: Equifax, Moody's Analytics

Score Migration Is Greater for Low Score Bands

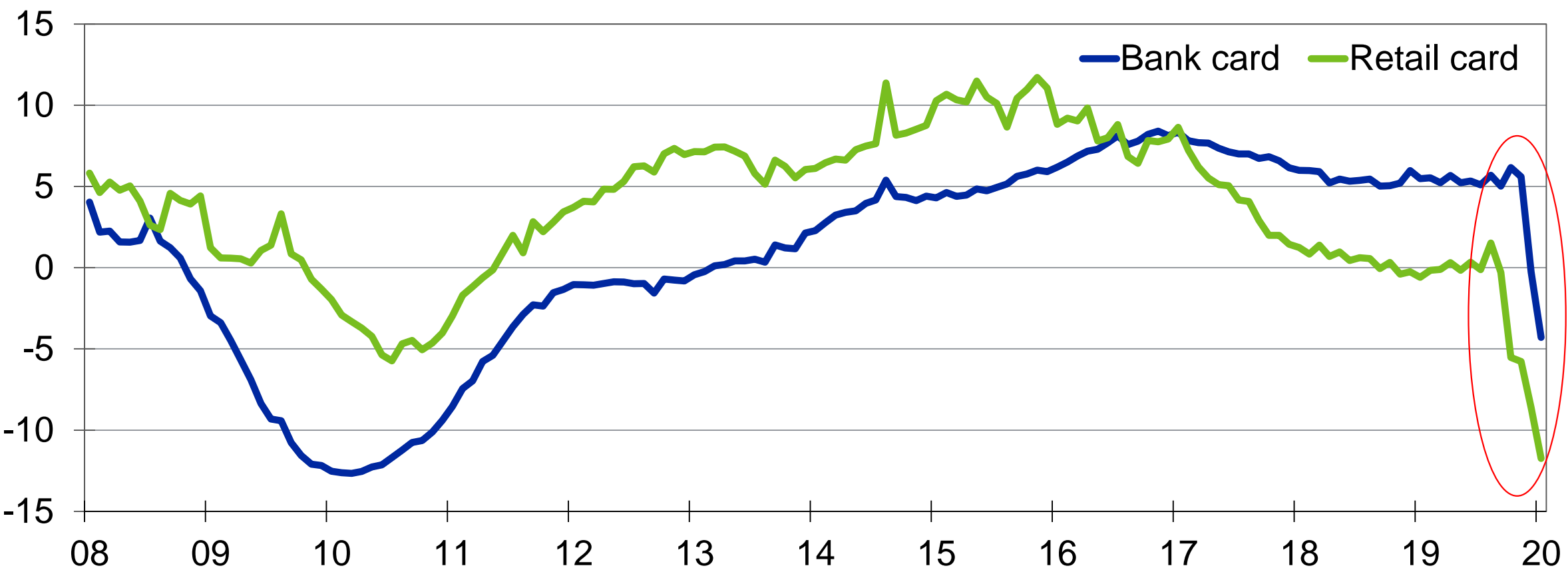
Average current credit score for accounts surviving from 2009



Sources: Equifax, Moody's Analytics

Outstanding Balances Have Fallen from a Year Ago

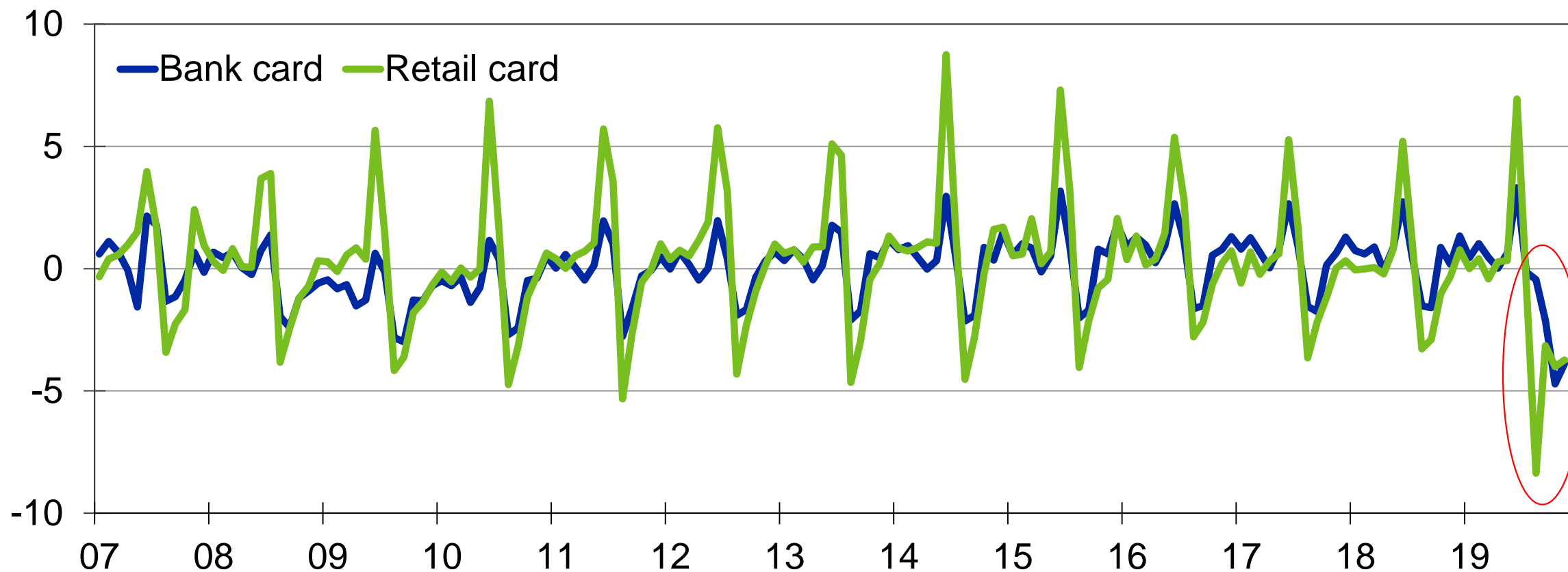
Balance growth, yr-over-yr, %



Sources: Equifax, Moody's Analytics

Month-to-Month Growth Rates Unprecedented

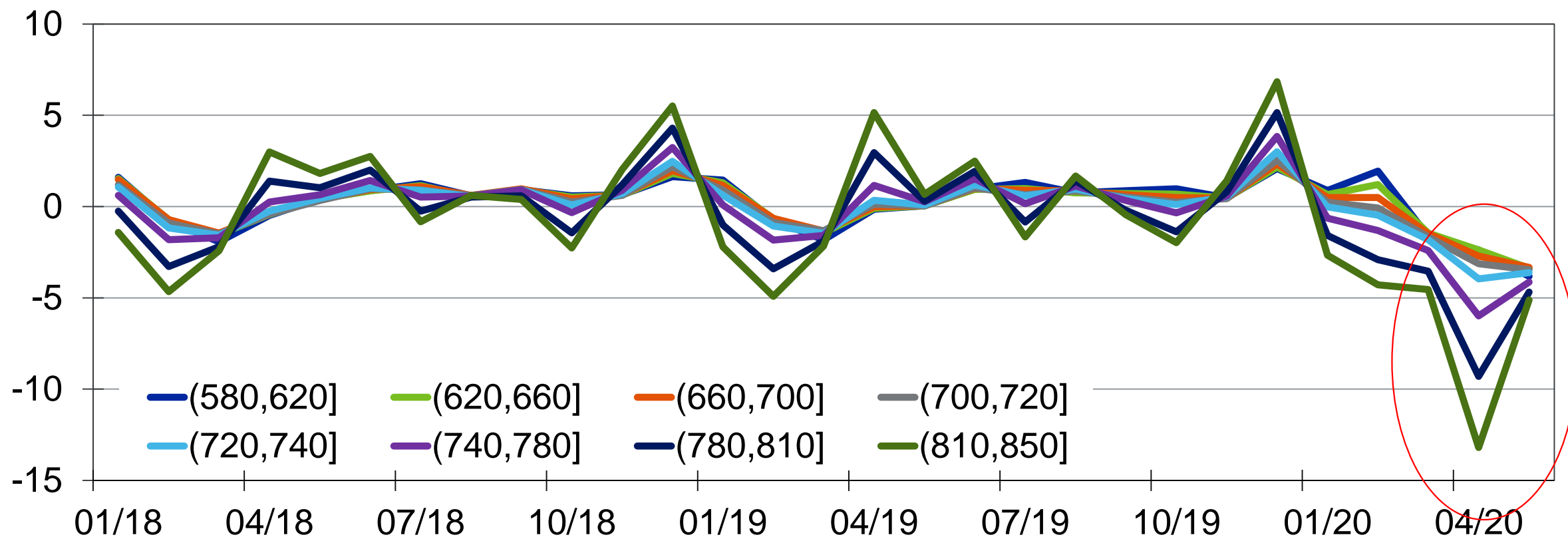
Balance growth, month-over-month, %



Sources: Equifax, Moody's Analytics

Bankcard Balance Decline More Severe for High Grades

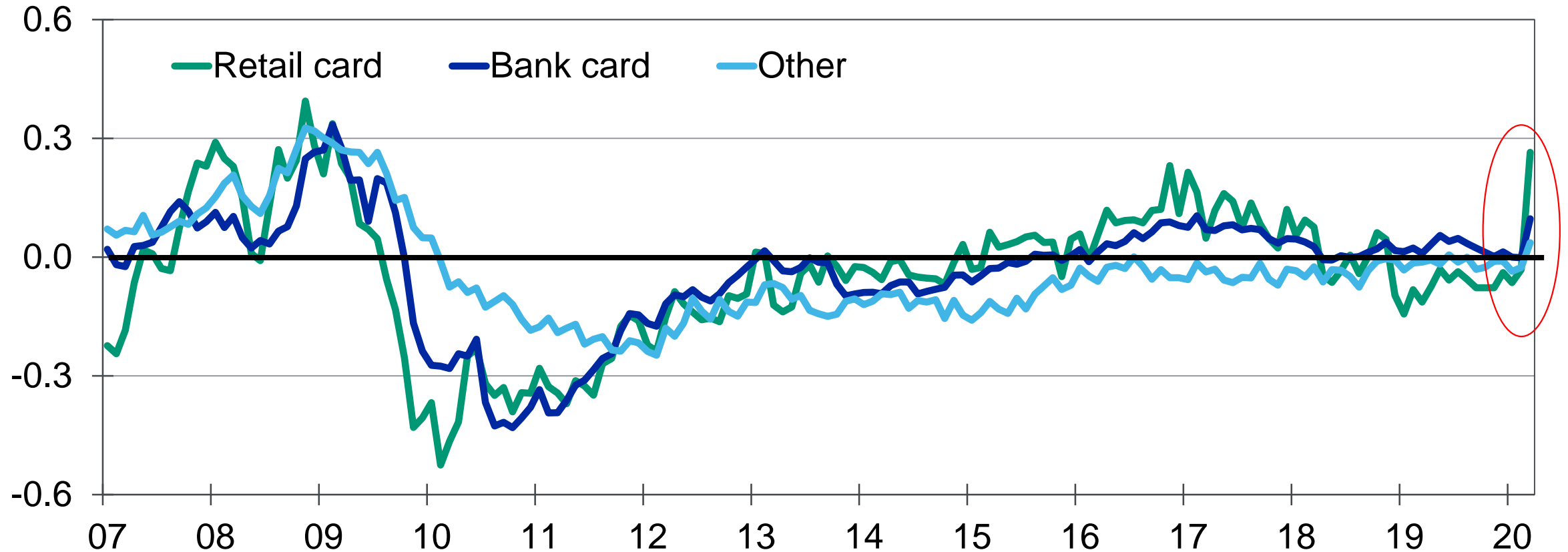
Balances, month-over-month growth rates, bankcard



Sources: Equifax, Moody's Analytics

Early Warnings Emerge for Some Assets

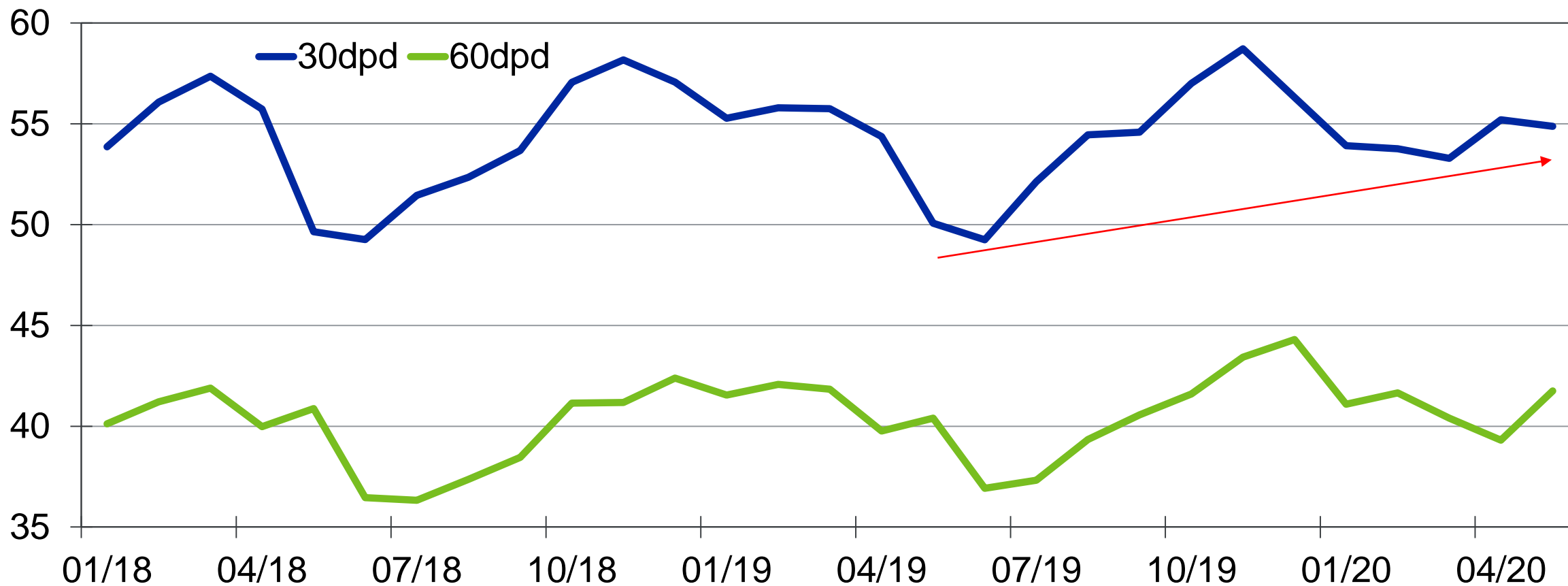
30 days delinquent, % of outstanding balance, y/y diff



Sources: CreditForecast.com, Moody's Analytics

Securitized Cards Showing Early Stress

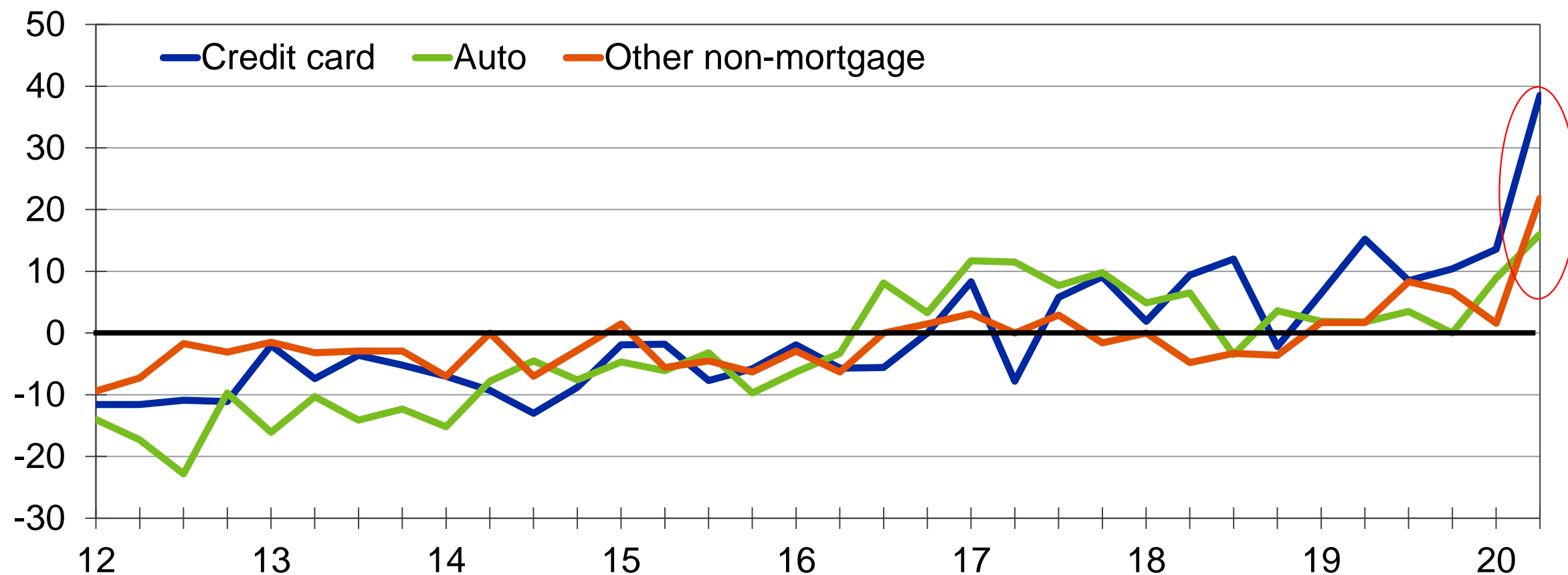
Delinquency rates, % of balances, bps



Source: Moody's Analytics

Lending Standards Meaningfully Tightened

Net % tightening

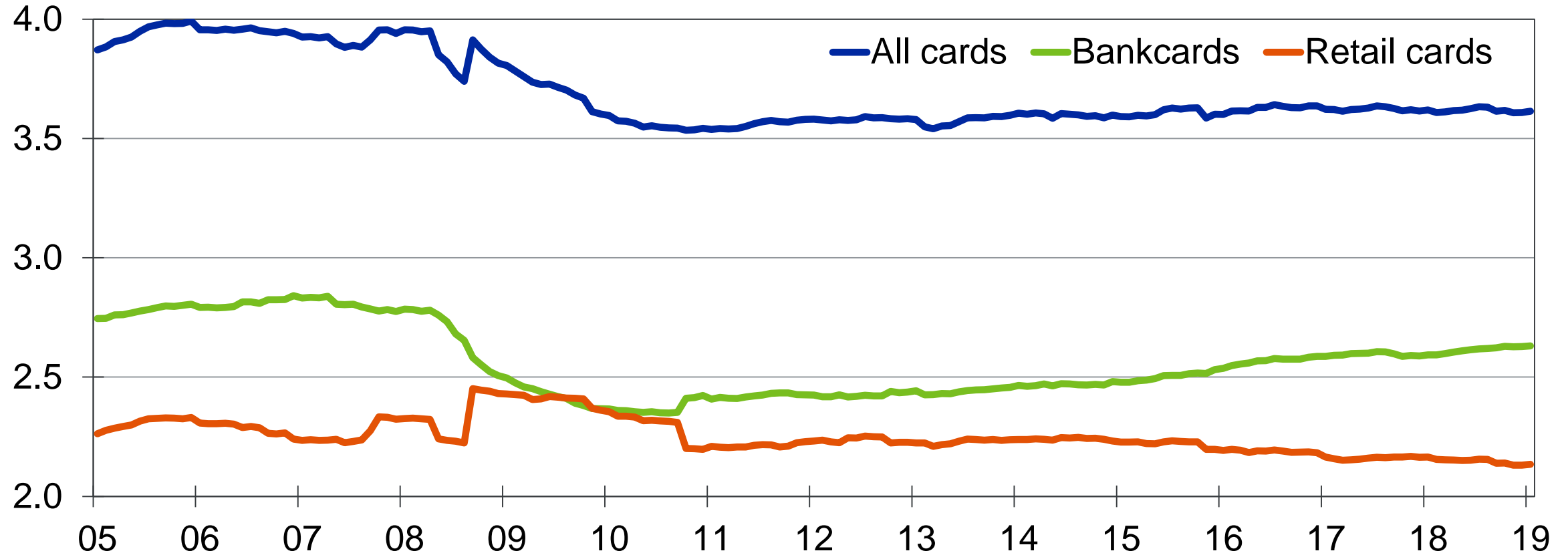


Sources: Federal Reserve, Moody's Analytics

Consumer Card Behavior

The Average Customer Has Several Cards

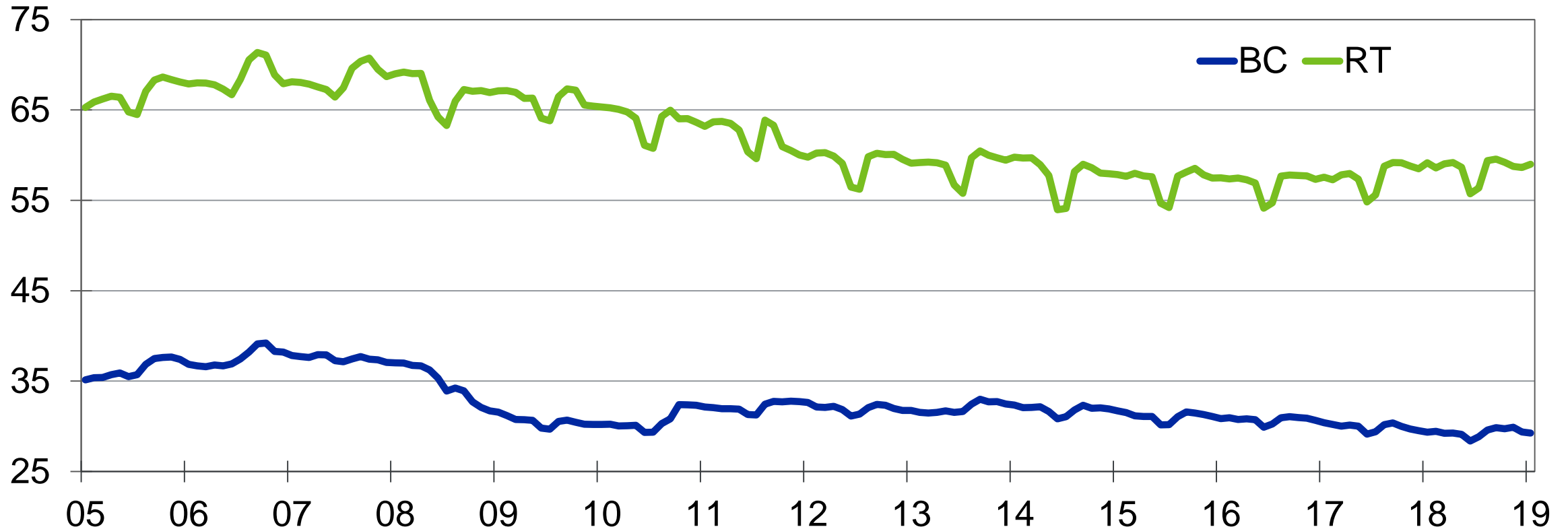
Average number of cards per consumer over time, #



Sources: Equifax, Moody's Analytics

Consumers Now Carry Fewer Zero-Balance Cards

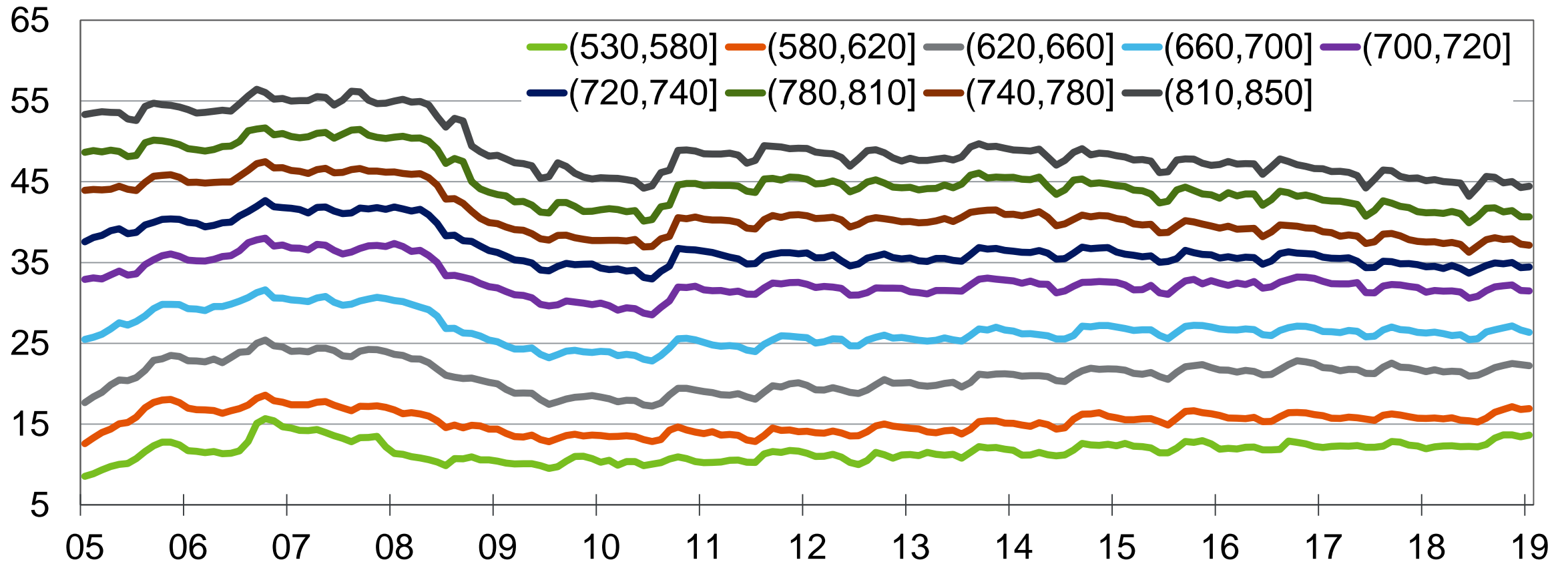
Share of cards in wallet that are zero-balance over time, %



Sources: Equifax, Moody's Analytics

High Score Groups Carry more Zero-Balance Cards

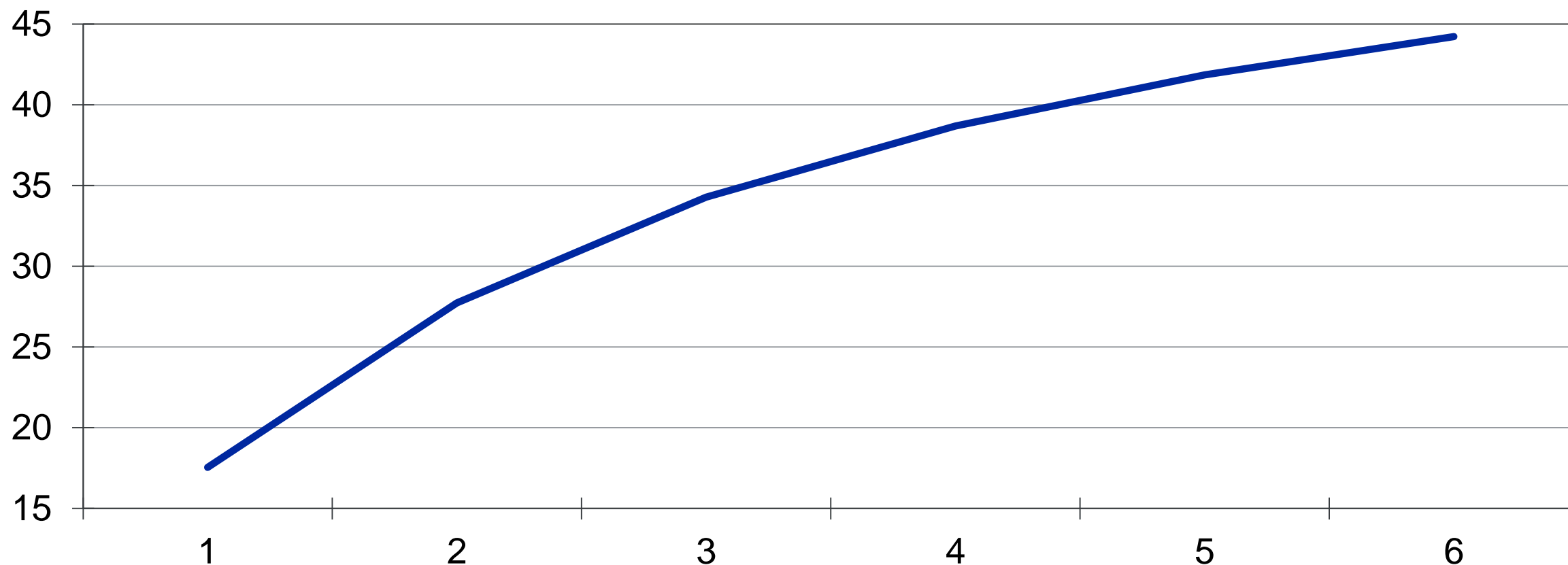
Share of cards in wallet that are zero-balance by score over time, %



Sources: Equifax, Moody's Analytics

Defaulters Don't Immediately Default on All of Their Cards

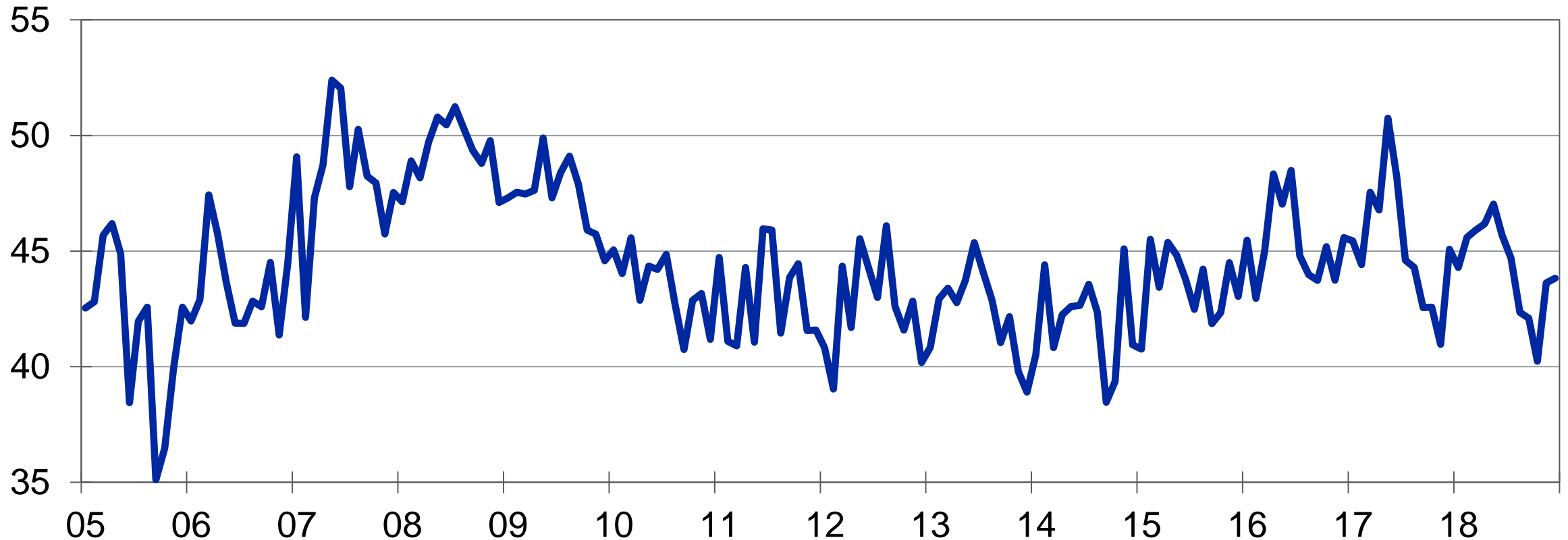
Share of other BC accounts defaulting in months after default, %



Sources: Equifax, Moody's Analytics

Bankcard Cross-Defaults Are Cyclical

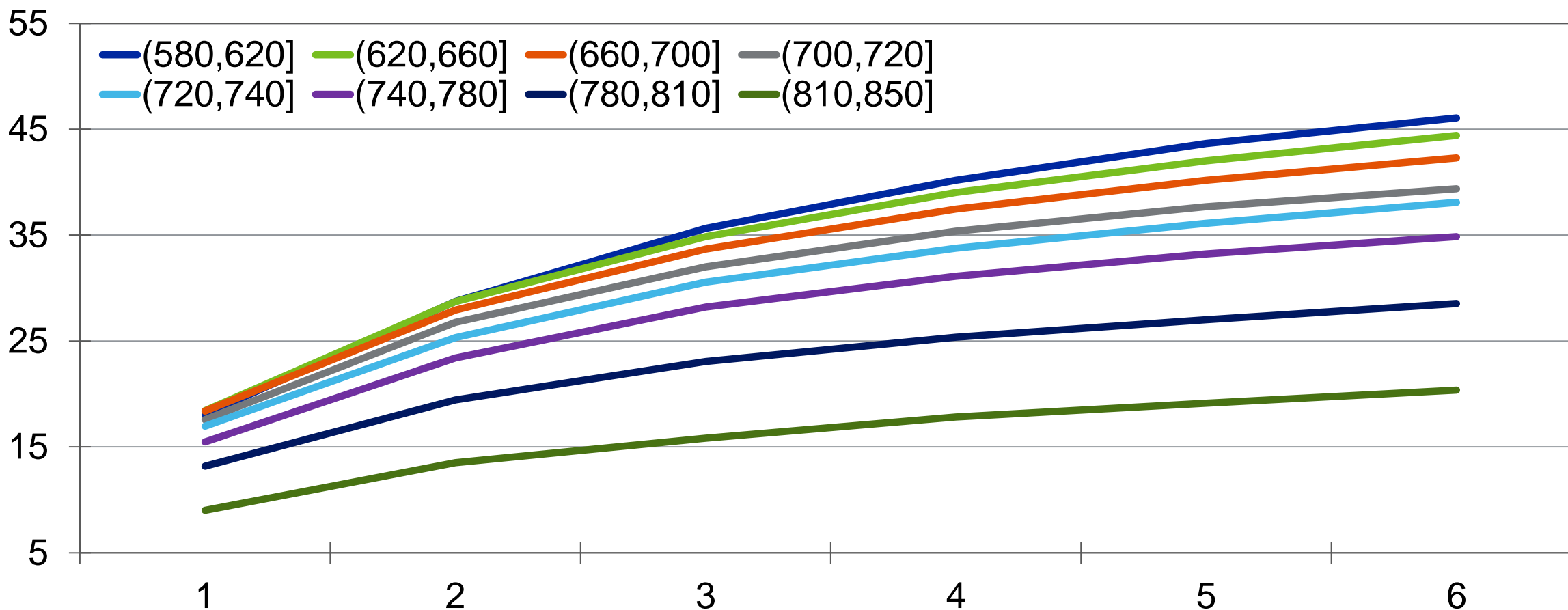
Share of other BC Accounts defaulting in 6 months by default date, %



Sources: Equifax, Moody's Analytics

Bankcard Cross-Defaults Fall with Origination Score

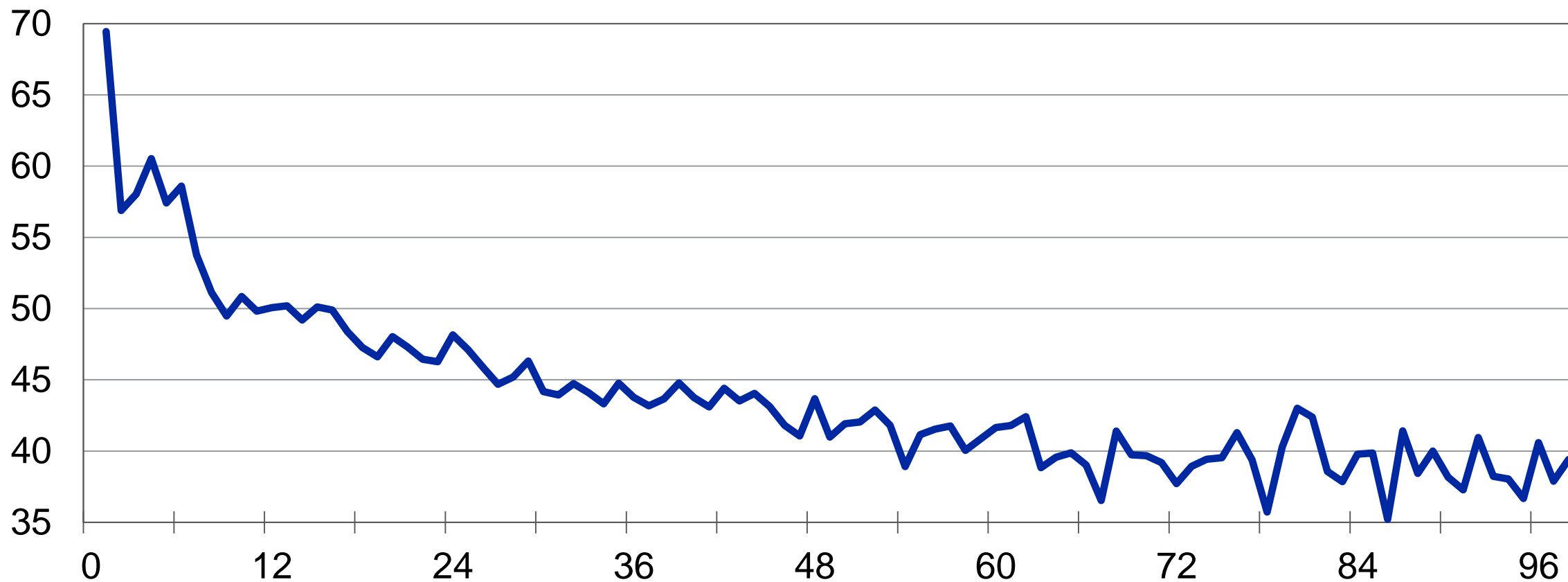
Share of other BC accounts defaulting in months after default, %



Sources: Equifax, Moody's Analytics

Bankcard Cross-Defaults Fall with Defaulting Account Age

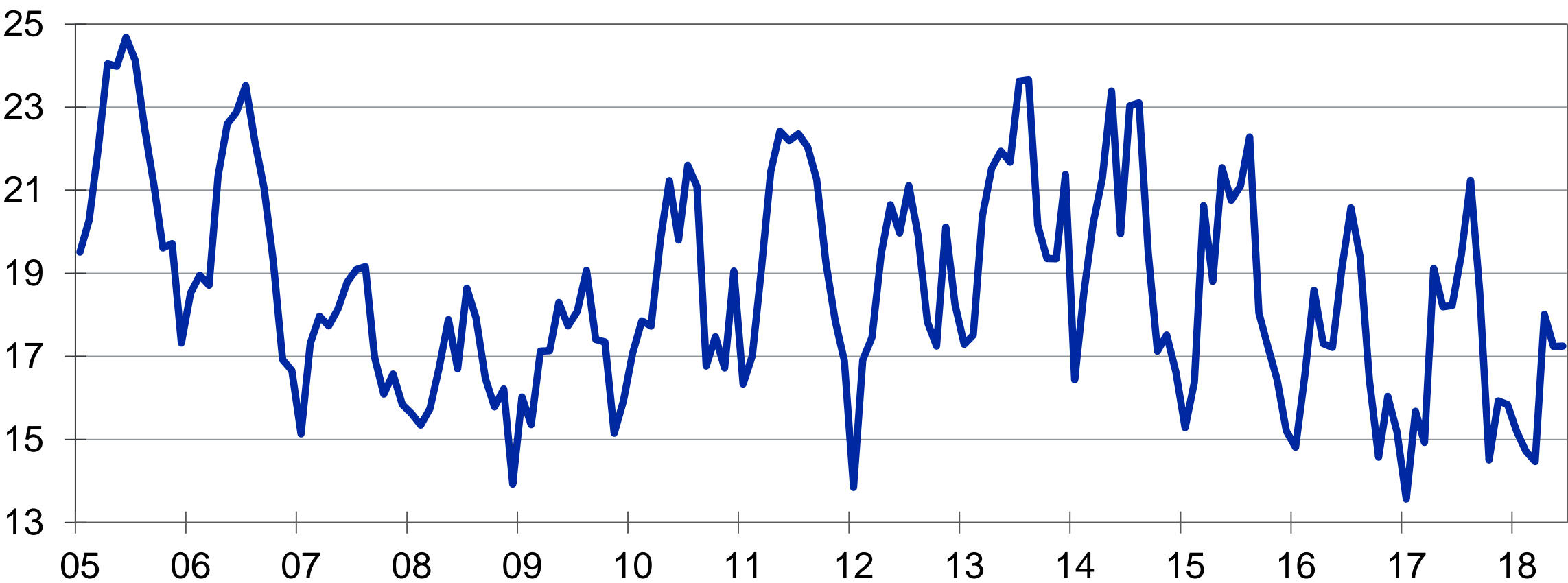
Share of other BC accounts charging-off by defaulting account's months-on-book, %



Sources: Equifax, Moody's Analytics

Six-Month Bankcard Cure Rate Is Cyclical and Seasonal

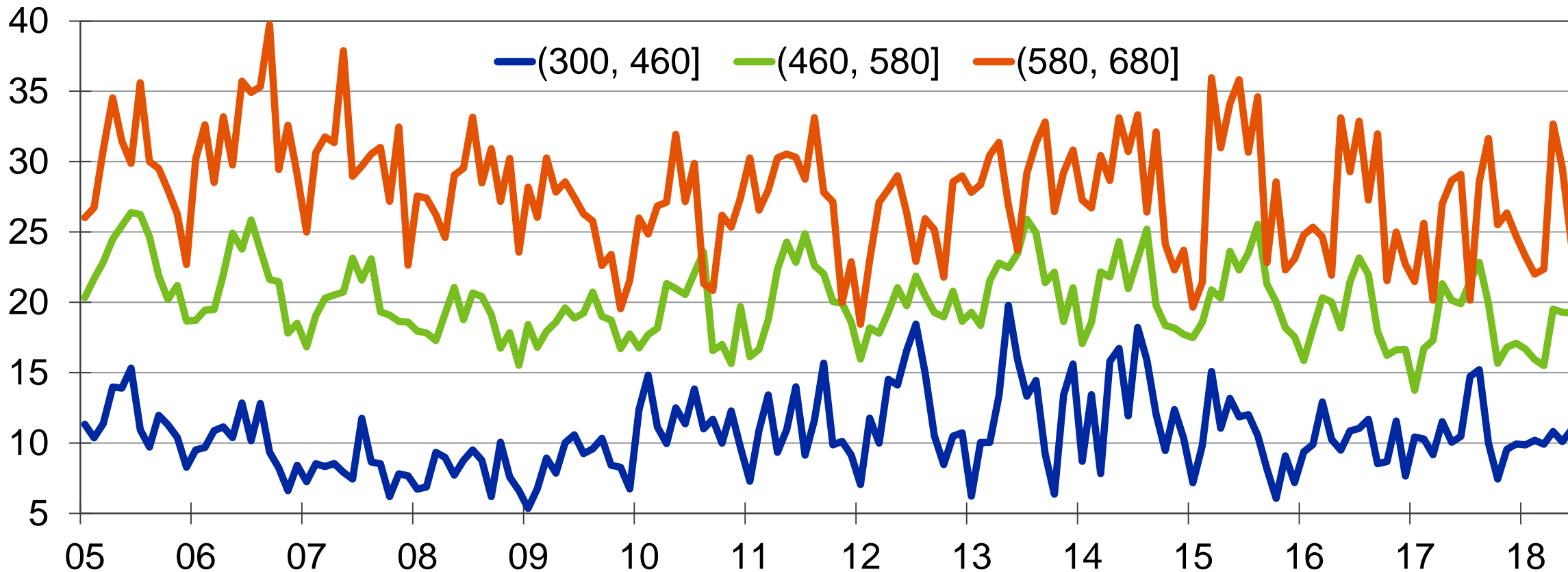
Average six-month cure rate, %



Sources: Equifax, Moody's Analytics

Cure Rate Varies Significantly by Current Score

Bankcard cure rate from 60 DPD within 6 months, %



Sources: Equifax, Moody's Analytics

Covid-19's Impact on Expected Losses

Card PA: Model Overview

Models estimated and applied at the loan level

#	Name	Description	Notes
1	PD	Probability of Default	Panel Logit. Based on loan age, oscore, retail sales, unemployment rate, seasonality, state, current status, current utilization rate
2	CLP	Closed Positive	Panel Logit. Based on loan age, oscore, retail sales, unemployment rate, seasonality
3	EAD	Exposure at Default	Based on origination score and loan age
4	CECL Paydown	CECL Paydown Curve	Based on current utilization rate
5	LGD	Loss Given Default	Based on credit card or retail card designation

Account-Level Model Production

Portfolio Analyzer

Highlights

- » Account-Level
- » Current Information (dlq, utilization)
- » MSA-level analysis

Exercise: Macro Scenarios

- » Feb 2020 (BL, S1, S3)
- » April 2020 (BL, S1, S3)

Moody's Analytics - Portfolio Analyzer (PA) v0.19.2.1

Portfolio Analyzer

Credit Cards Economy Download Options

Analyses CECL Analysis Scenarios Instruments Documents Settings

Instrument Data

Filepath: W:\non_client_projects\equifax_loanlevel\MPA_Soft Browse... As of date: 12/31/2019 mm/dd/yyyy

Advanced Options

Analysis Settings

Horizon: 1 year 0 months

☐ Simulation

Simulations: 10000 economies

☒ Standard Loss Simulation 0 - Baseline Scenario (October 2019)

☐ Custom Loss Simulation

☐ Fixed Economic Scenario Simulation

☐ Fixed Custom Scenario Simulation

☐ CECL Analysis

☒ Economic Scenario

☒ 0 - Baseline Scenario (October 2019)

☐ 1 - Stronger Near-Term Growth (October 2019)

☐ 2 - Slower Near-Term Growth (October 2019)

☐ 3 - Moderate Recession (October 2019)

☒ 4 - Protracted Slump (October 2019)

☐ 5 - Below-Trend Long-Term Growth (October 2019)

☐ 6 - Stagflation (October 2019)

☐ 7 - Fed Baseline Scenario (CCAR 2019 - MidCycle Update)

☐ Custom Scenario

Guide

Please select a file containing the data you would like to analyze and indicate the date of the most recent update of that data. The data file should be a tabular layout such that the columns represent specific instrument attributes and the rows are the instruments themselves. Please refer to Description of Instrument Fields in "Documents" tab for descriptions of the supported instrument attributes.

Tools

The following tools are available to perform additional analysis tasks. Please click the links below to launch individual applications.

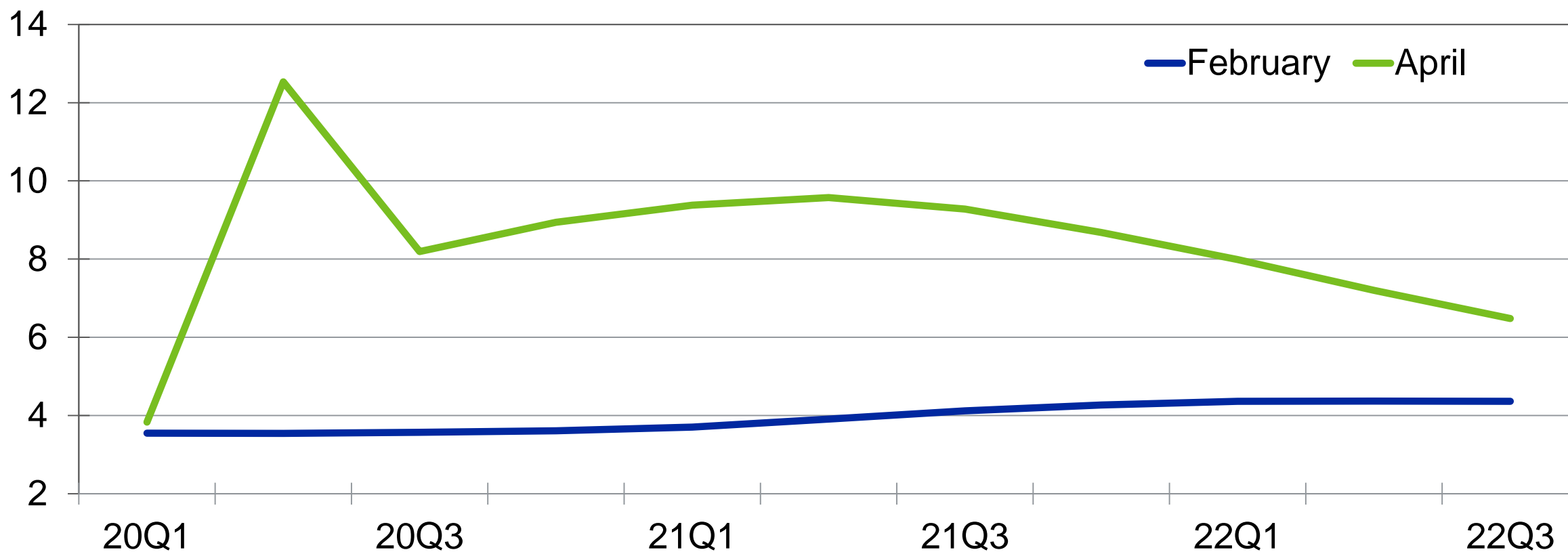
[Portfolio Concatenation](#)

Additional Information

This version of software will expire on

Revisions to Unemployment Rate Outlook

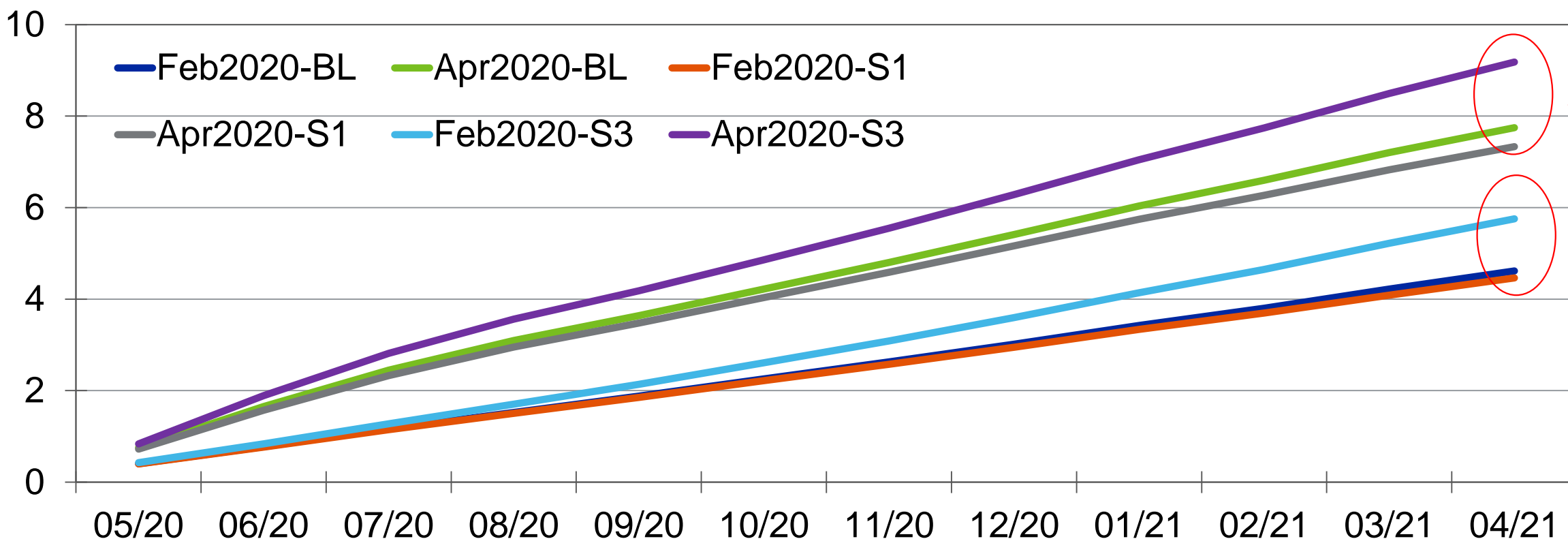
Household Survey: unemployment rate, (% , SA)



Source: Moody's Analytics

Expected Credit Losses Have Increased

Cumulative net expected credit loss outlook (BC), % of balance



Sources: Equifax, Moody's Analytics

Q&A

Questions? Contact us at help@economy.com

Contact Us: Economics & Business Analytics Offices

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