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Consumer Financial Protection Bureau

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# 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



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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)



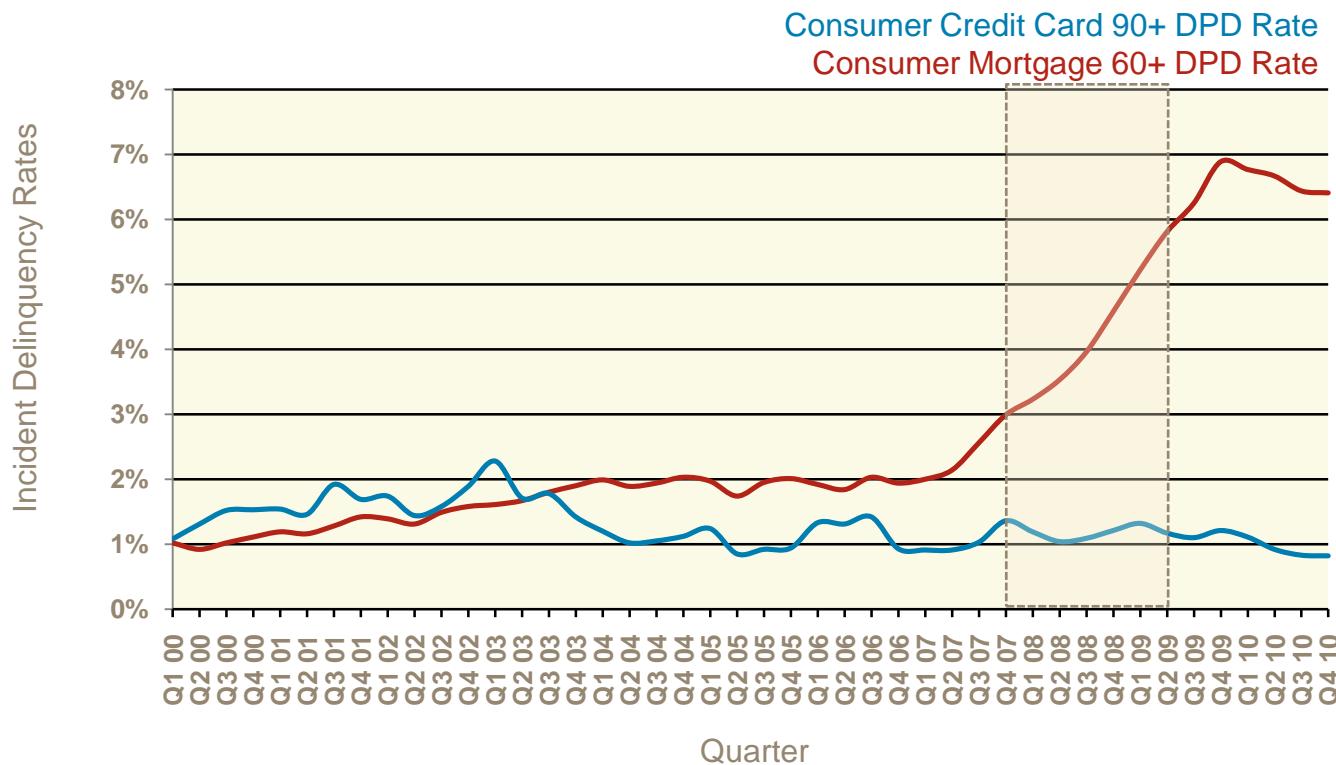
- Only in the most dire circumstances would one stop paying the mortgage



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

## A Comparison of Product Delinquency Rates

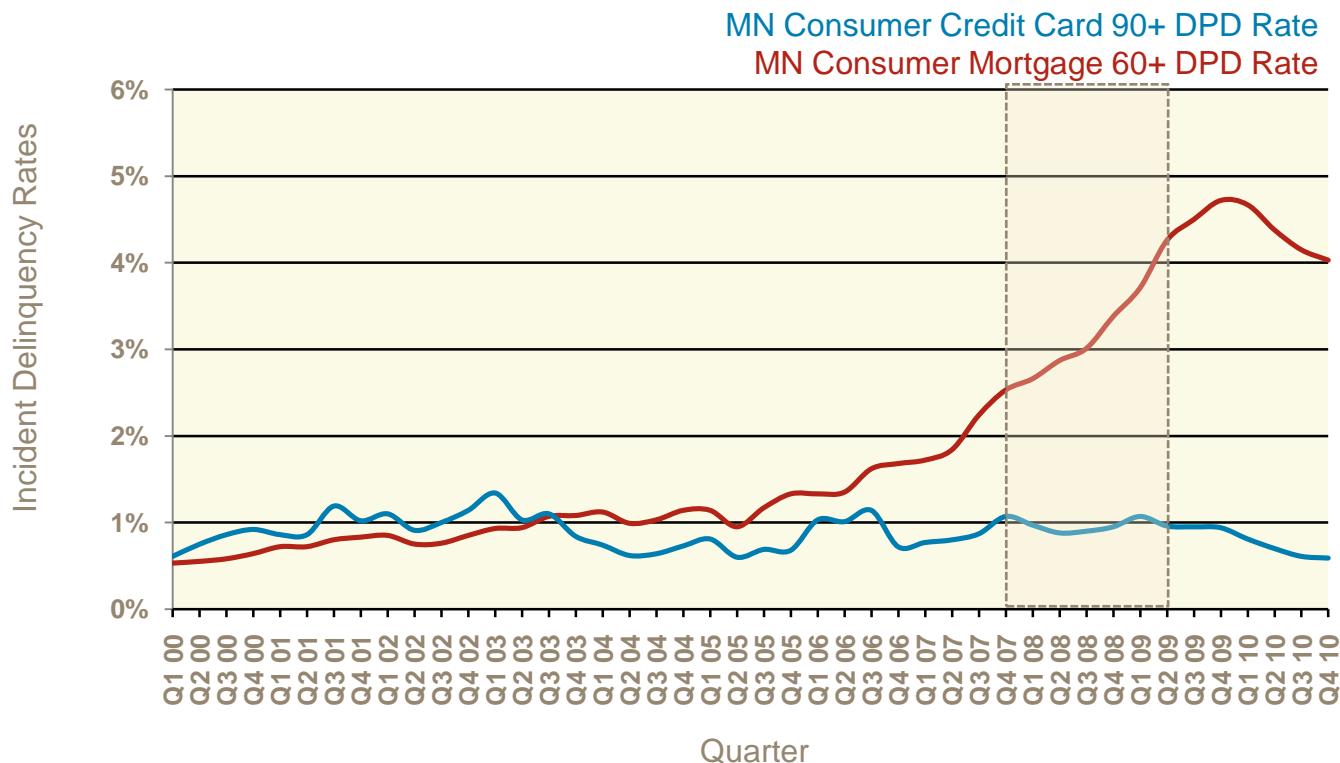
Source: TransUnion's Trend Data database



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

## A Comparison of Product Delinquency Rates in Minnesota

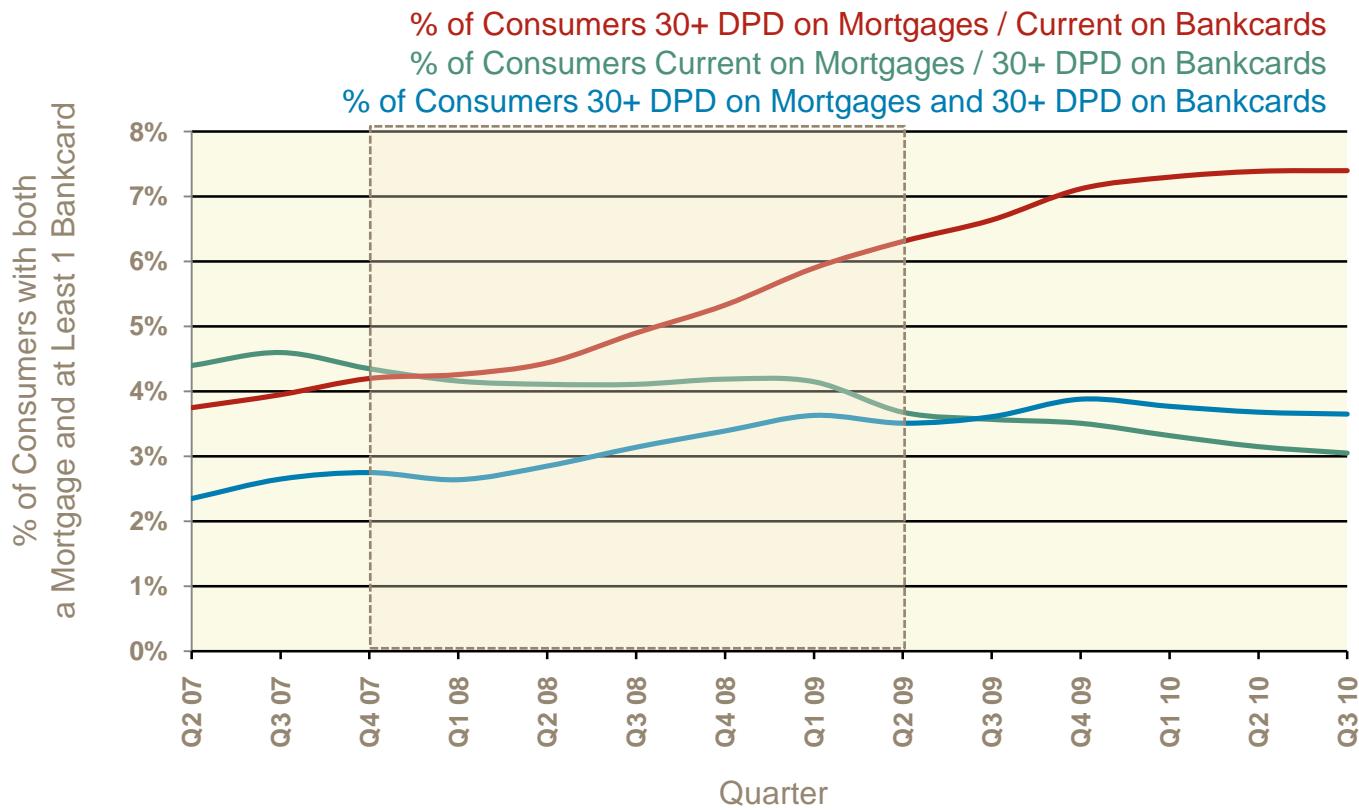
Source: TransUnion's Trend Data database



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

## A View of Payment Prioritization

Source: TransUnion's Trend Data database

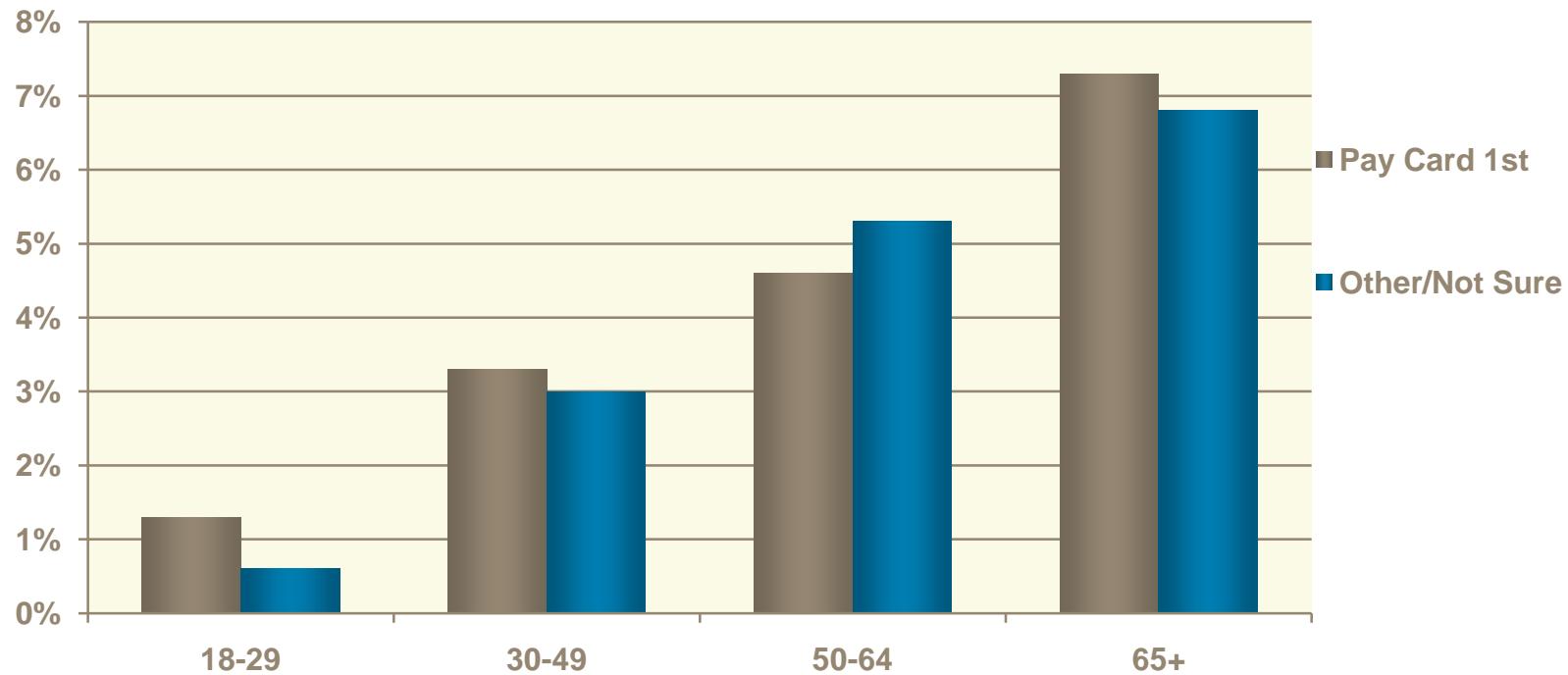


# Further analysis of how payment preferences vary by age group can yield interesting insights

## 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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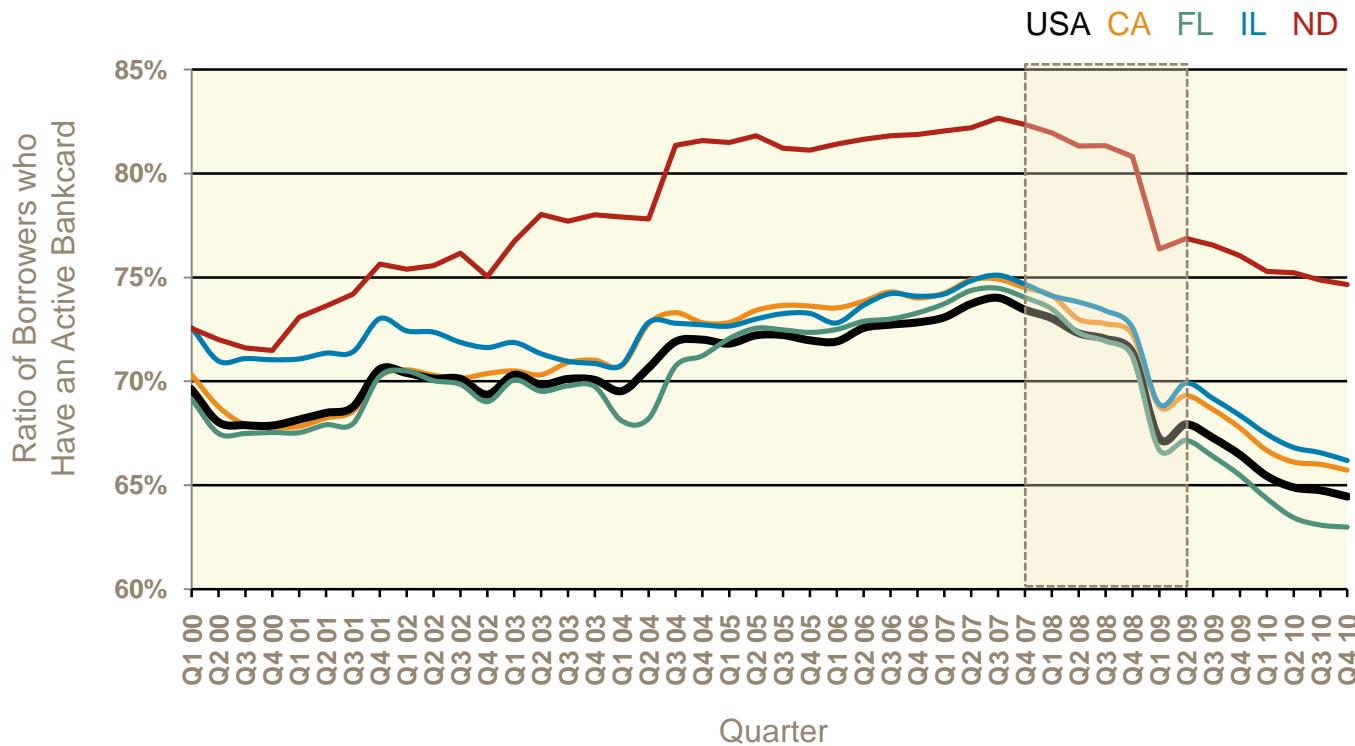
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# Some Perspectives on Credit Card Usage

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

## Ratio of Active Bankcard Users

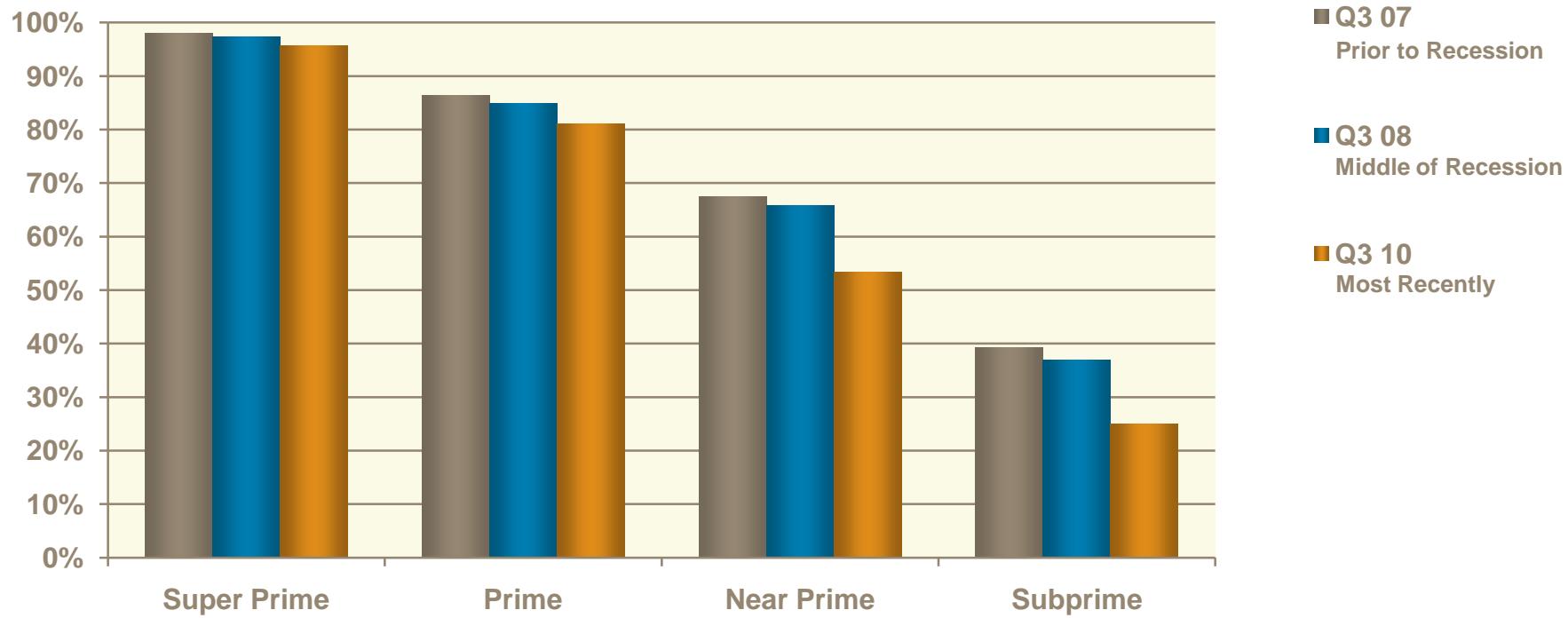
Source: TransUnion's Trend Data database



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

## Ratio of Active Bankcard Users

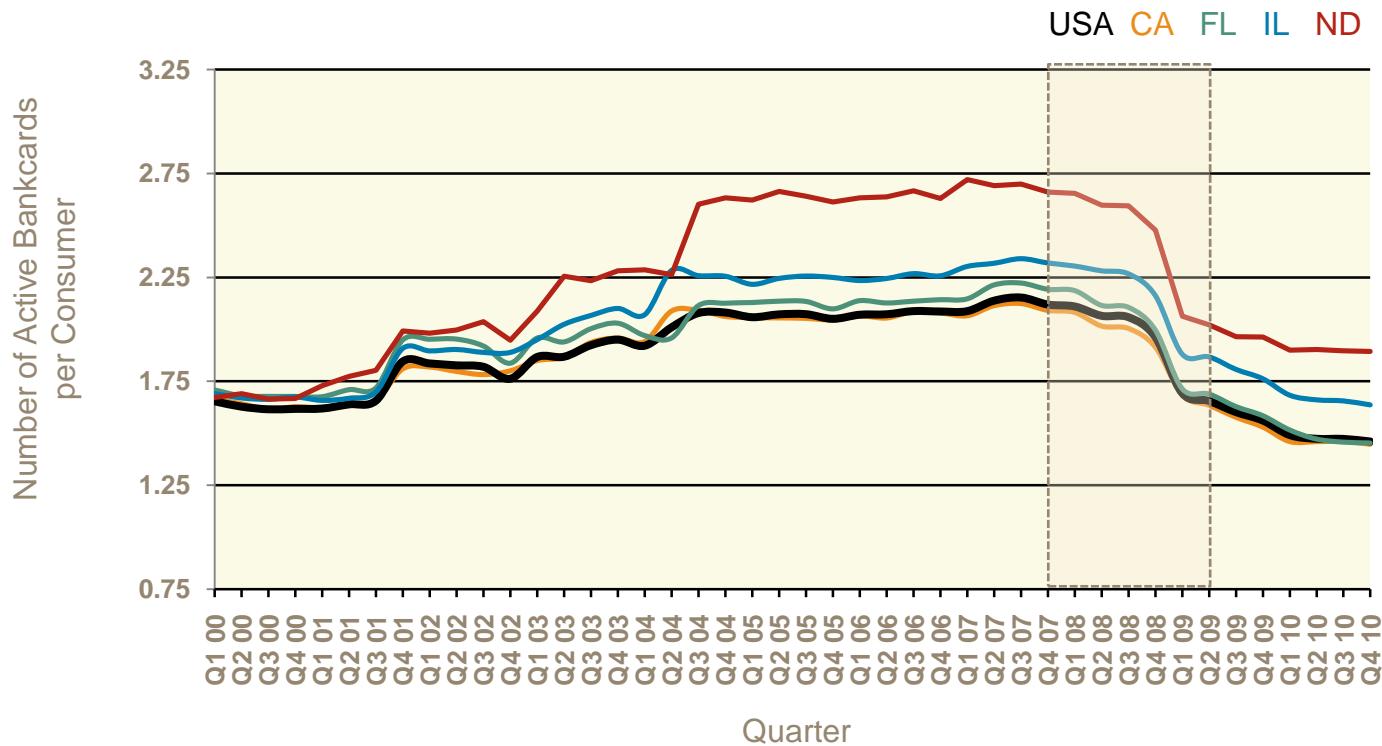
Source: TransUnion's Trend Data database



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

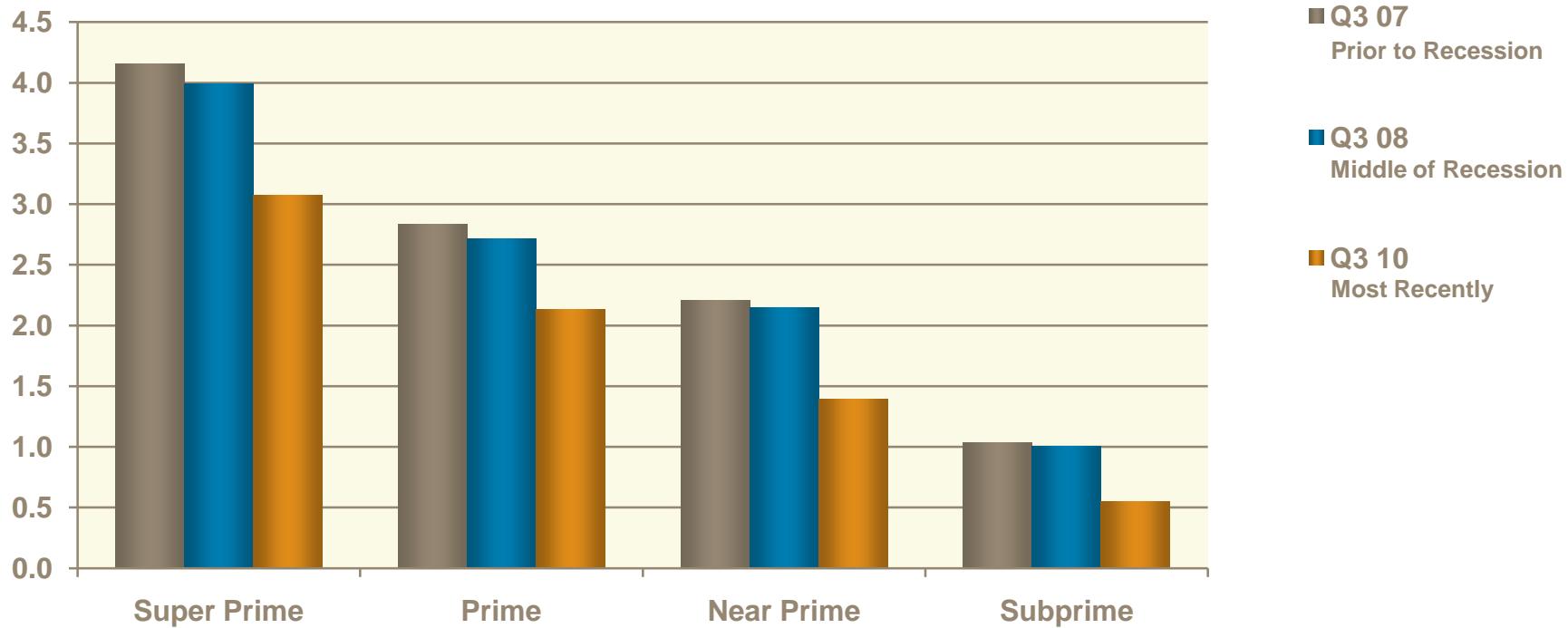
Source: TransUnion's Trend Data database



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

## Average # of Active Bankcards per Consumer

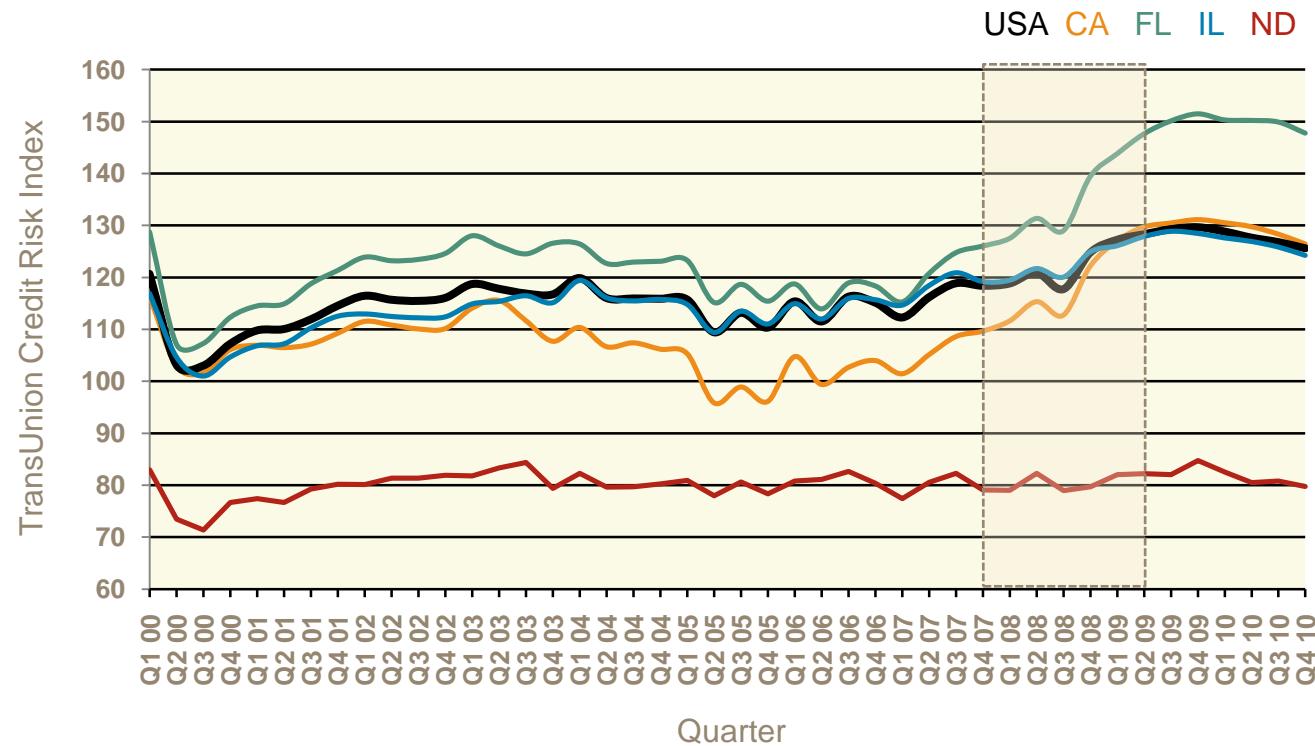
Source: TransUnion's Trend Data database



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

## TransUnion Credit Risk Index

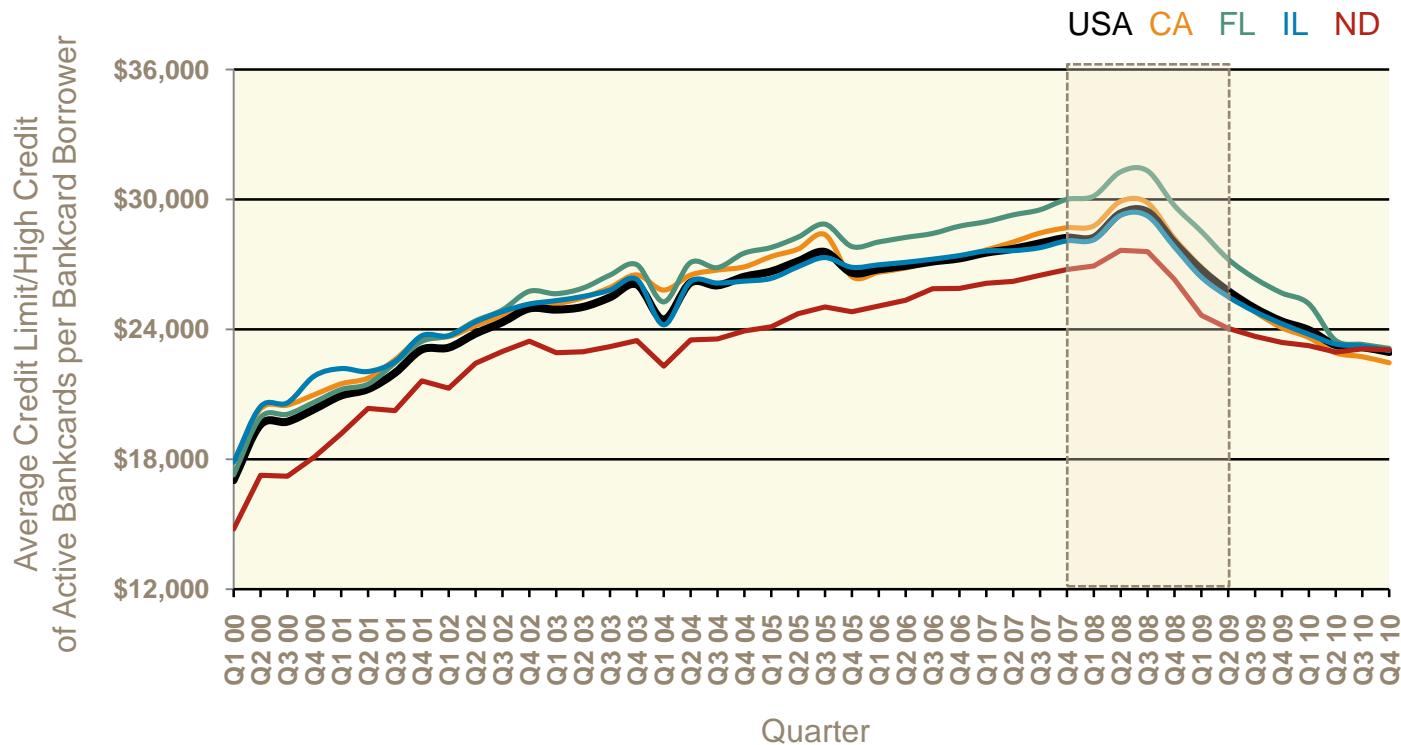
Source: TransUnion's Trend Data database



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

## Average Credit Limit of Active Bankcards per Cardholder

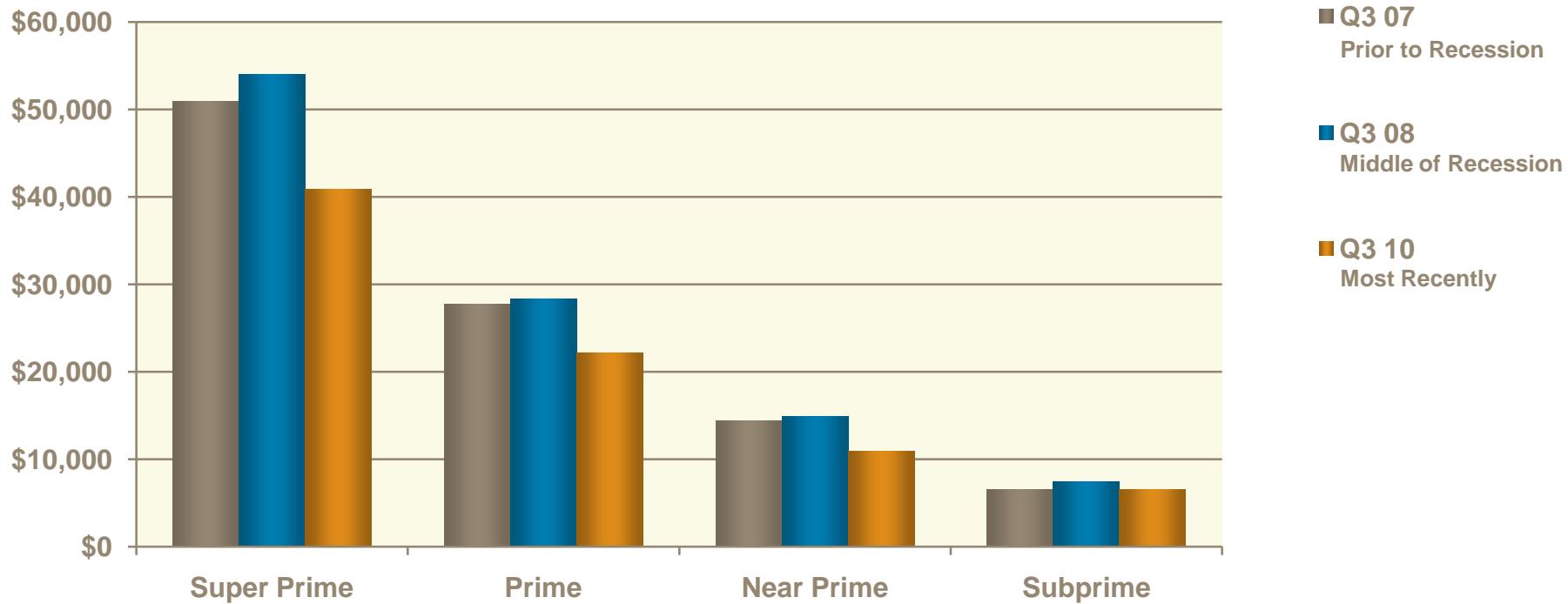
Source: TransUnion's Trend Data database



# Average credit limits have dropped across the risk spectrum

## Average Credit Limit of Active Bankcards per Cardholder

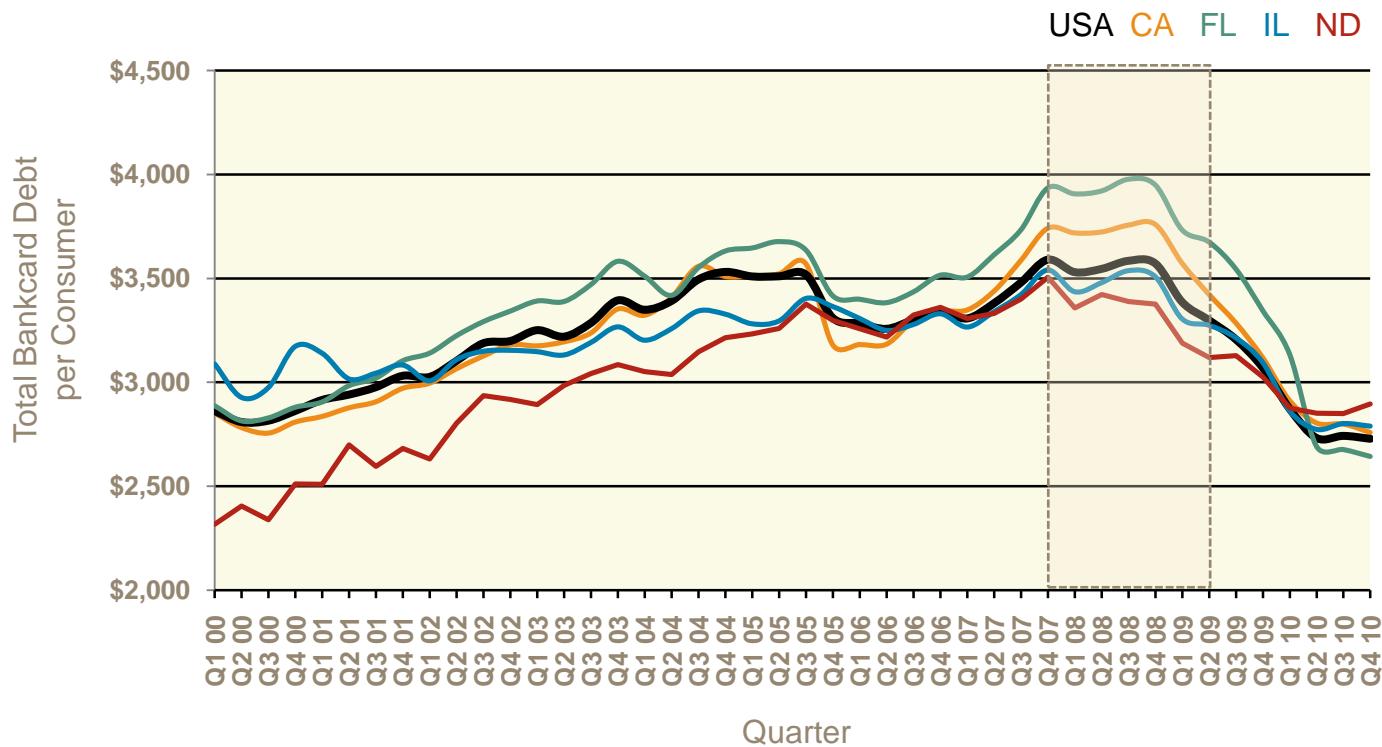
Source: TransUnion's Trend Data database



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

## Total Bankcard Debt per Consumer

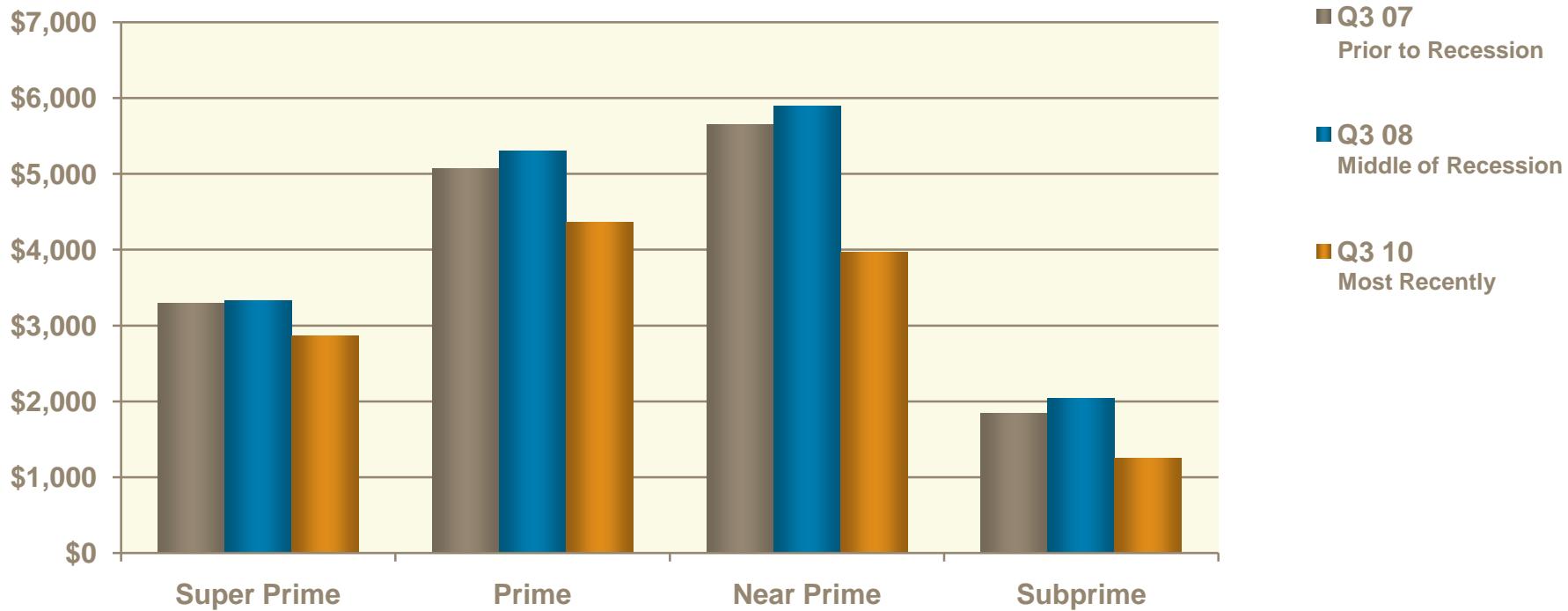
Source: TransUnion's Trend Data database



# 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

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