

# Portfolio Insights 3.0

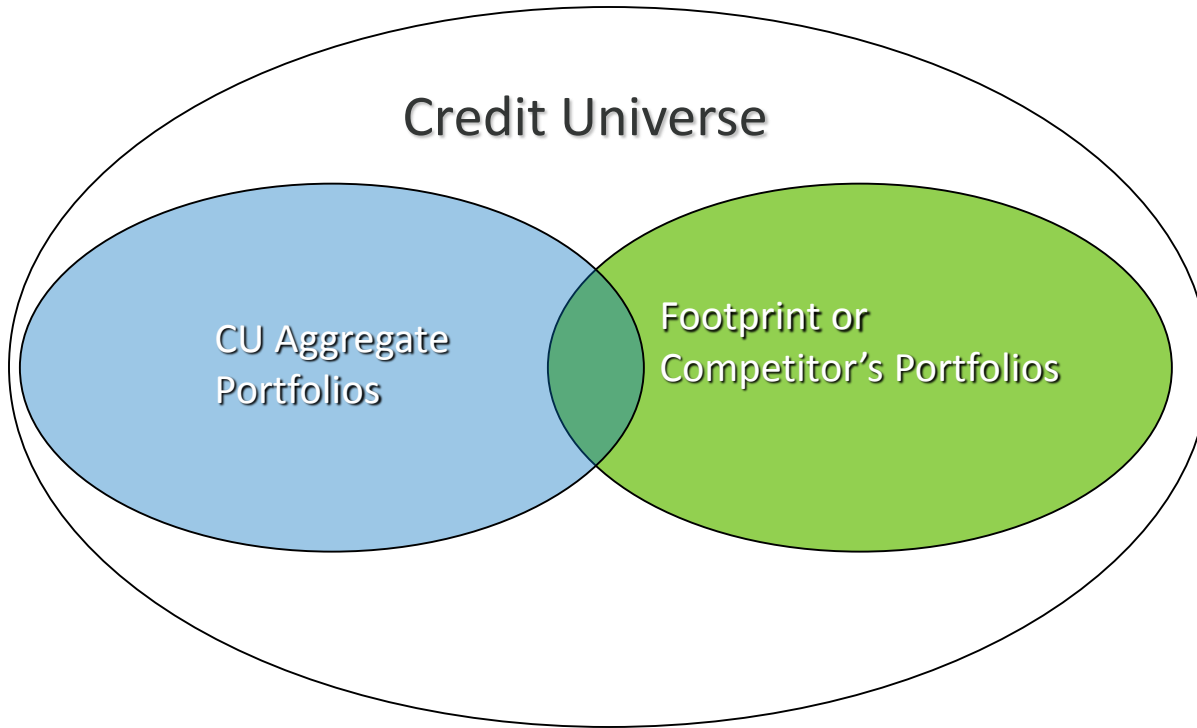
Presented to

**CUREN**



June 2014

# Analytical Framework

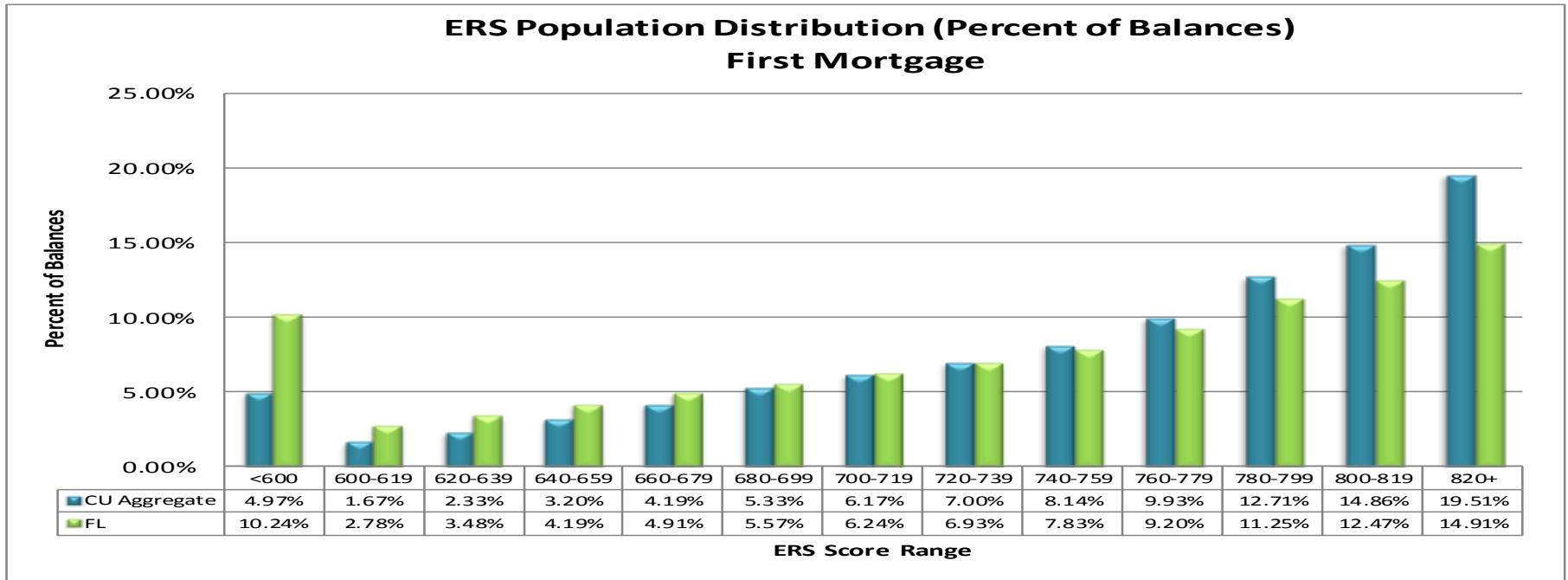


## Credit Unions Included in Analysis:

- 121 Financial Credit Union
- Achieva Credit Union
- Brightstar Credit Union
- Central FL Educators
- Coastline Federal Credit Union
- Community First Credit Union
- CU Members Mortgage
- Grow Financial FCU
- IBM Southeast EFCU
- Partners Federal Credit Union
- Pen Air Federal Credit Union
- PFCU
- Tropical Financial Credit Union
- USF Federal Credit Union
- Vystar

The focus of this analysis is to examine CU Aggregate customer base and also to compare it to its marketplace.

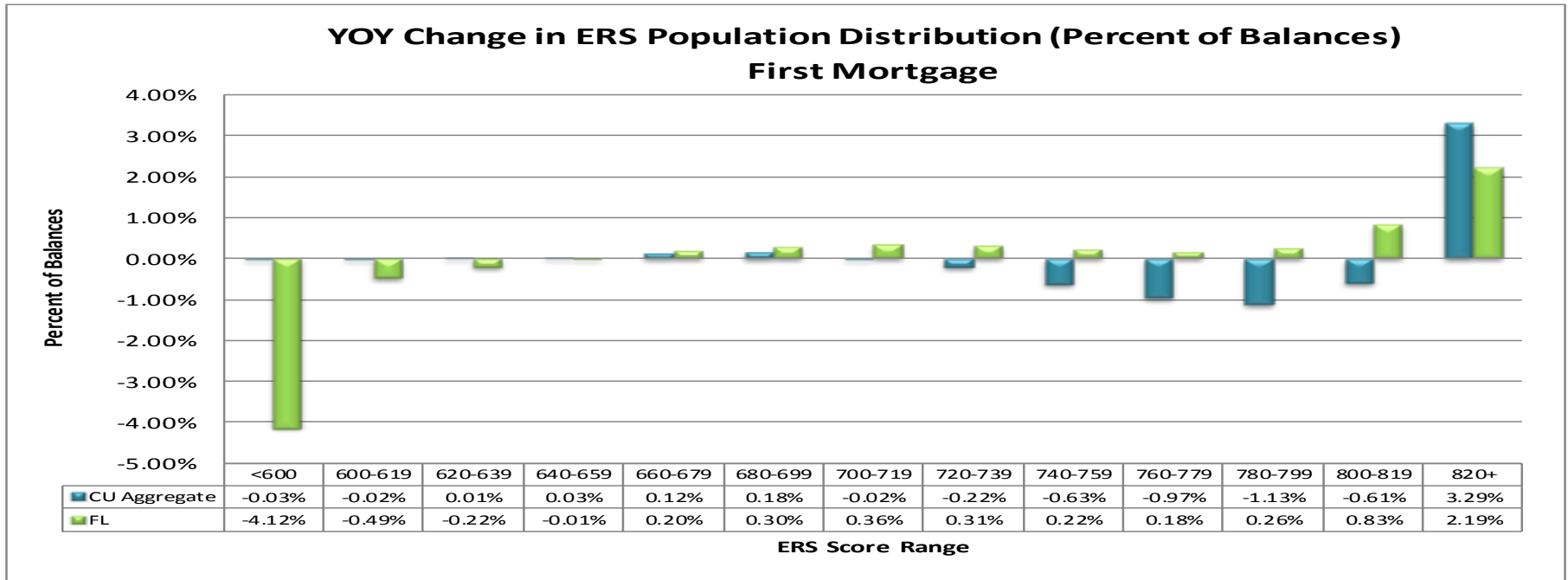
## CU Aggregate's Risk Distribution for First Mortgage Accounts Compared to Florida



Data Extracted: 06/14

- CU Aggregate has a lower percentage of its balances with customers who scored below 660 when compared to FL.
  - CU Aggregate: 12% of balances below 660
  - FL: 21% of balances below 660
- CU Aggregate has a higher percentage of its balances with customers who score above 760 when compared to FL.
  - CU Aggregate: 57% of balances above 760
  - FL: 48% of balances above 760

## CU Aggregate's YOY Risk Distribution for First Mortgage Accounts Compared to Florida

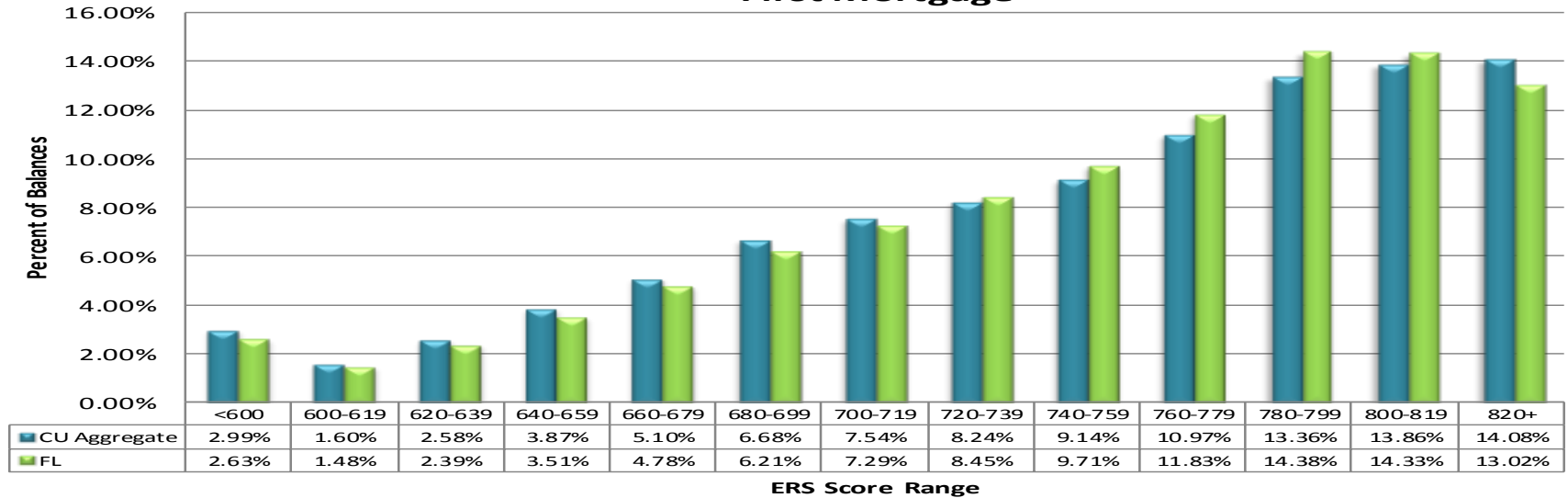


Data Extracted: 06/14

- CU Aggregate has a similar percentage of its balances with customers who scored below 660 when compared to prior year.
  - CU Aggregate: -0.01% change of balances below 660
  - FL: -4.84% change of balances below 660
- CU Aggregate has a higher percentage of its balances with customers who score above 760 when compared to prior year.
  - CU Aggregate: +0.58% change of balances above 760
  - FL: +3.45% change of balances above 760

## CU Aggregate's First Mortgage Accounts Opened in the Past 12 Month's Compared to Florida

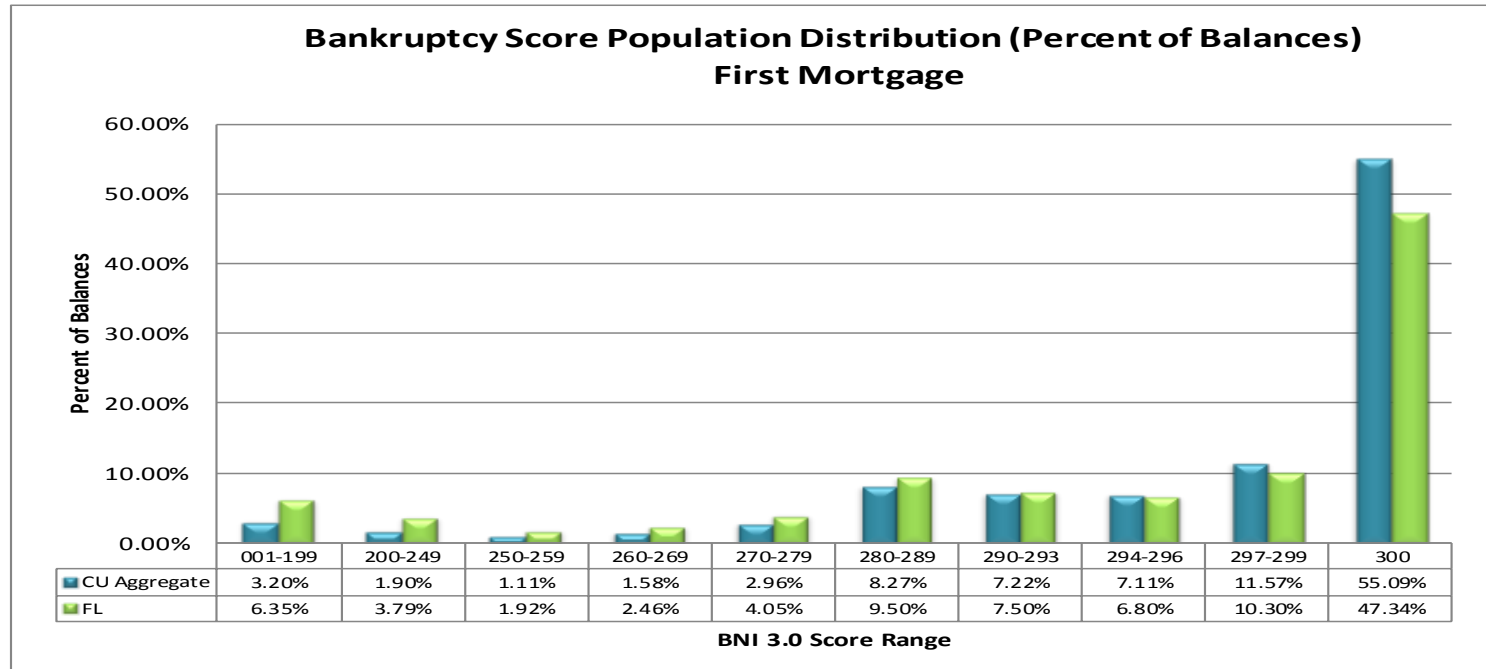
**ERS Population Distribution (Percent of Balances)  
Opened in the Past 12 Months  
First Mortgage**



Data Extracted: 06/14

- CU Aggregate has a similar percentage of its balances with customers who scored below 660 when compared to FL.
  - CU Aggregate: 11% of balances below 660
  - FL: 10% of balances below 660
- CU Aggregate has a similar percentage of its balances with customers who score above 760 when compared to FL.
  - CU Aggregate: 52% of balances above 760
  - FL: 54% of balances above 760

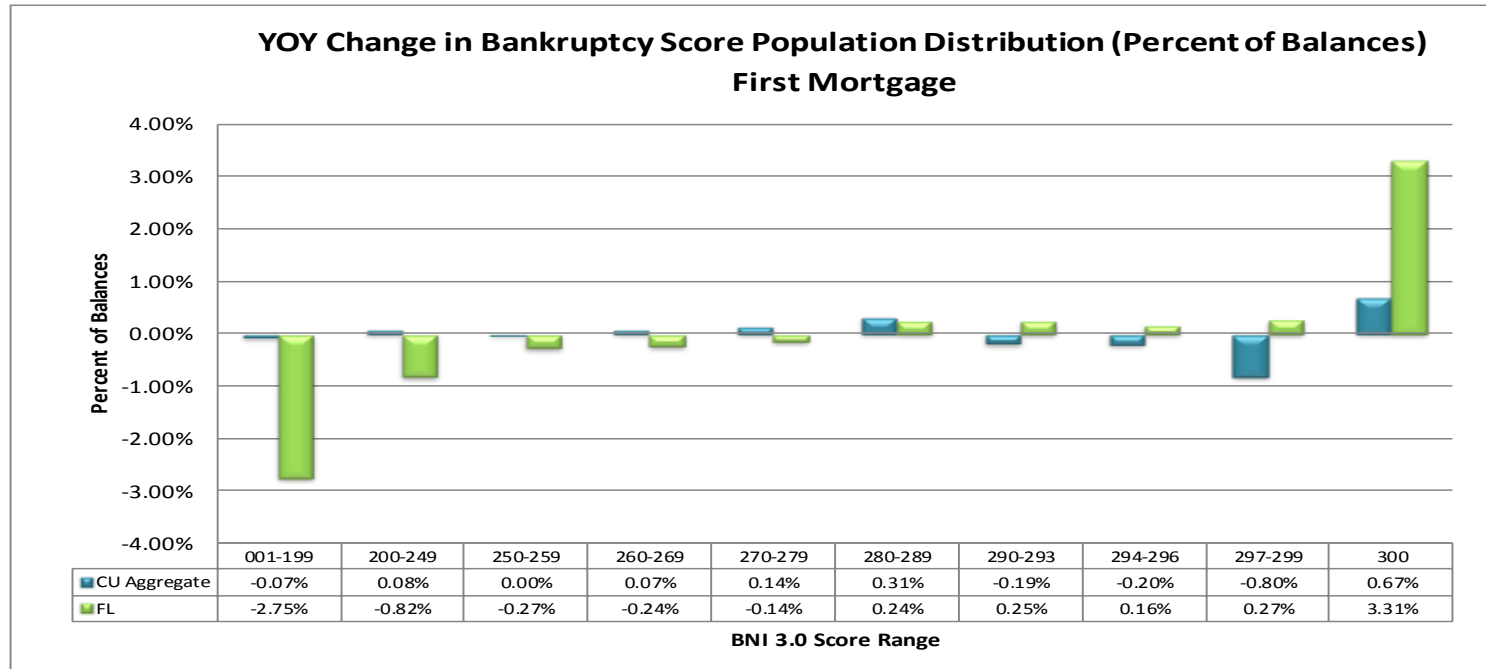
## CU Aggregate's First Mortgage Bankruptcy Risk Compared to Florida



Data Extracted: 06/14

- CU Aggregate has a lower percentage of its balances with customers who scored below 250 when compared to FL.
  - CU Aggregate: 5% of balances below 250
  - FL: 10% of balances below 250
- CU Aggregate has a higher percentage of its balances with customers who score above 290 when compared to FL.
  - CU Aggregate: 81% of balances above 290
  - FL: 72% of balances above 290

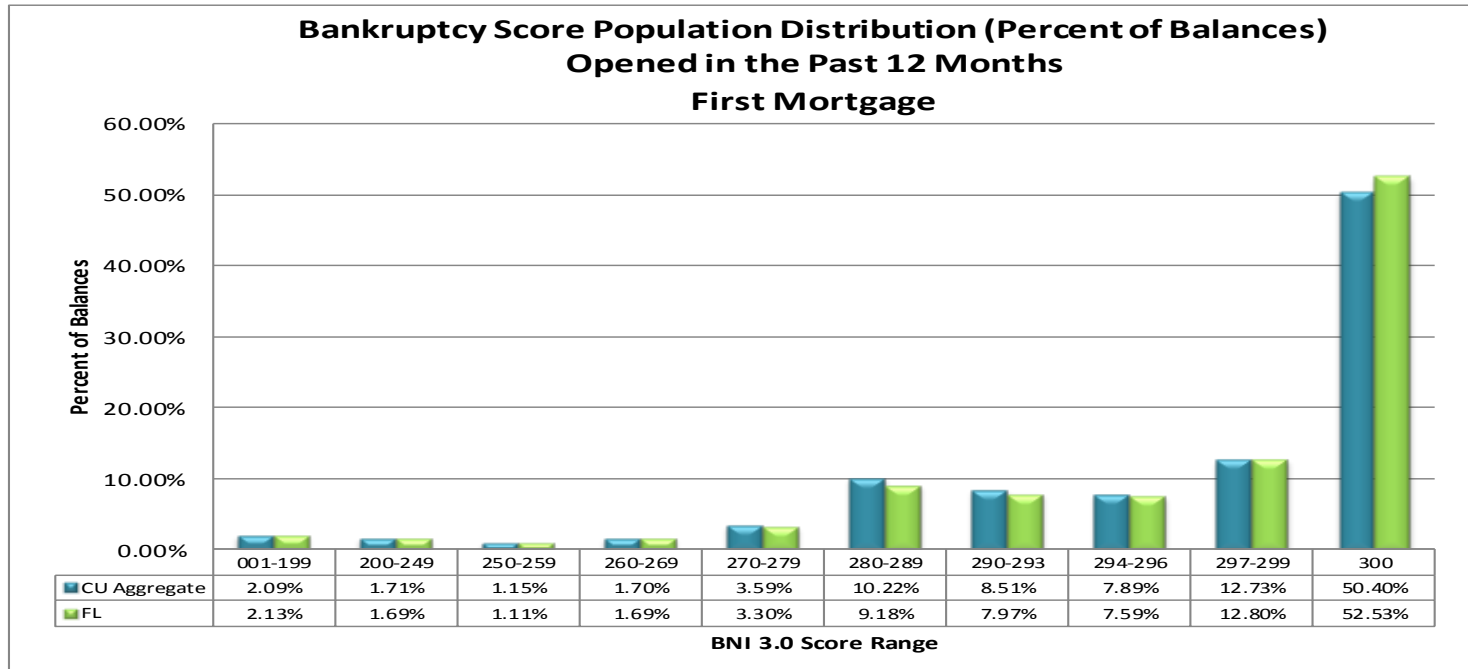
## CU Aggregate's YOY First Mortgage Bankruptcy Risk Compared to Florida



Data Extracted: 06/14

- CU Aggregate has a similar percentage of its balances with customers who scored below 250 when compared to prior year.
  - CU Aggregate: +0.01% change of balances below 250
  - FL: -3.57% change of balances below 250
- CU Aggregate has a lower percentage of its balances with customers who score above 290 when compared to prior year.
  - CU Aggregate: -0.52% change of balances above 290
  - FL: +3.99% change of balances above 290

## CU Aggregate's First Mortgage Accounts Opened in the Past 12 Month's Compared to Florida



Data Extracted: 06/14

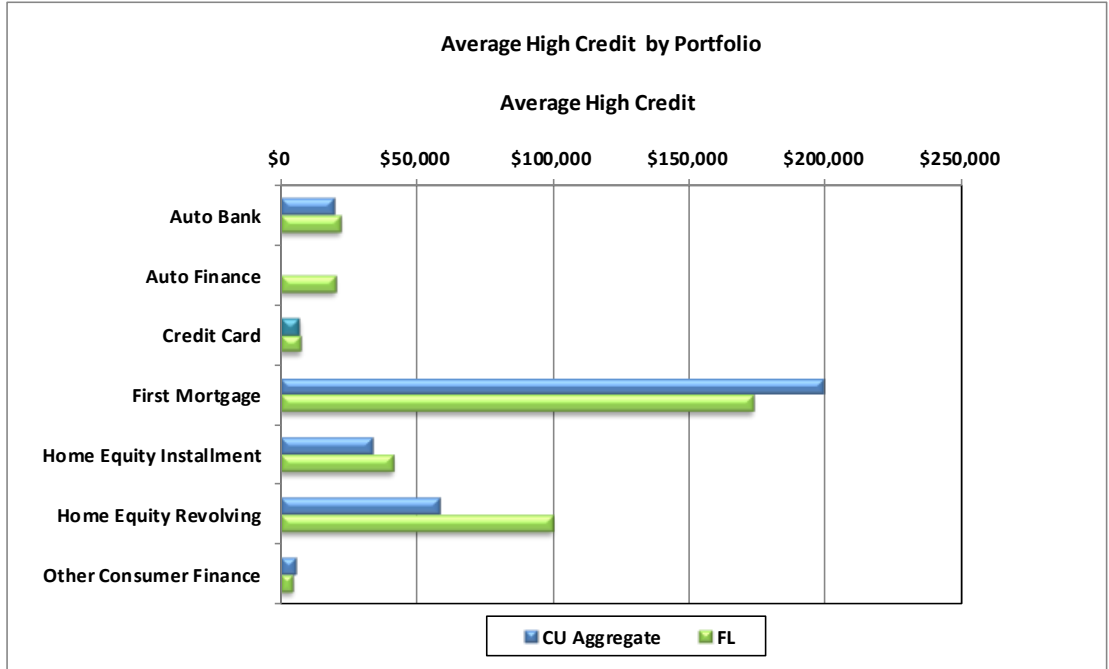
- CU Aggregate has a similar percentage of its balances with customers who scored below 250 when compared to FL.
  - CU Aggregate: 4% of balances below 250
  - FL: 4% of balances below 250
- CU Aggregate has a similar percentage of its balances with customers who score above 290 when compared to FL.
  - CU Aggregate: 80% of balances above 290
  - FL: 81% of balances above 290



## CU Aggregate's High Credit for Each Portfolio Compared to Florida

	Avg High Credit	Avg High Credit
Portfolio	CU Aggregate	FL
Auto Bank	\$19,854	\$22,139
Auto Finance	NA	\$20,410
Credit Card	\$6,670	\$7,638
First Mortgage	\$199,076	\$173,443
Home Equity Installment	\$34,206	\$41,437
Home Equity Revolving	\$58,776	\$99,923
Other Consumer Finance	\$5,828	\$4,695

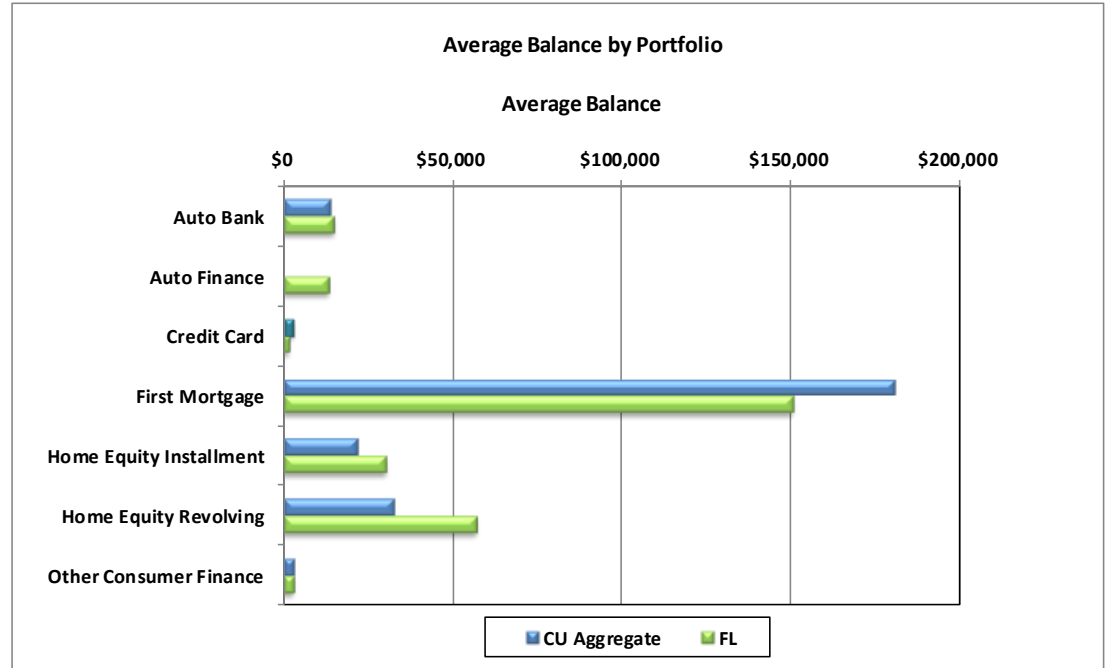
Data Extracted: 06/14



- For First Mortgage, CU Aggregate has higher average high credit when compared to FL.
  - CU Aggregate: \$199,076 average high credit
  - FL: \$173,443 average high credit
- For Auto Bank, CU Aggregate has lower average high credit when compared to FL.
  - CU Aggregate: \$19,854 average high credit
  - FL: \$22,139 average high credit

## CU Aggregate's Balance for Each Portfolio Compared to Florida

	Avg Balance	Avg Balance
Portfolio	CU Aggregate	FL
Auto Bank	\$13,997	\$15,119
Auto Finance	NA	\$13,534
Credit Card	\$2,684	\$1,661
First Mortgage	\$180,533	\$150,534
Home Equity Installment	\$22,087	\$30,533
Home Equity Revolving	\$32,850	\$57,232
Other Consumer Finance	\$3,371	\$3,080



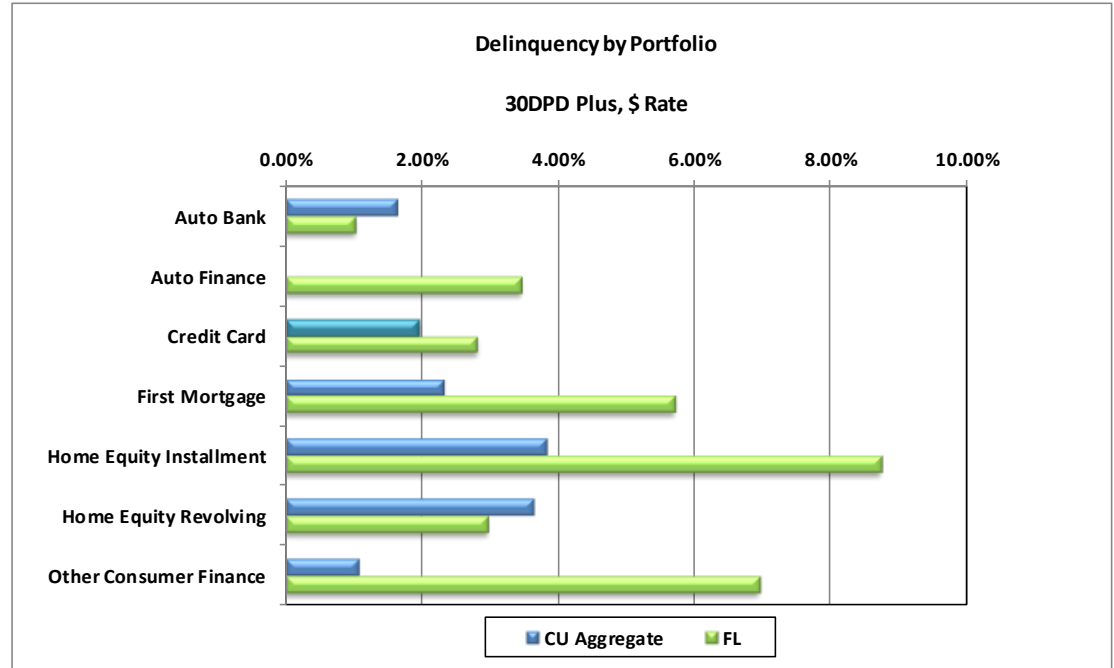
Data Extracted: 06/14

- For First Mortgage, CU Aggregate has higher average balance when compared to FL.
  - CU Aggregate: \$180,533 average balance
  - FL: \$150,534 average balance
- For Auto Bank, CU Aggregate has lower average balance when compared to FL.
  - CU Aggregate: \$13,997 average balance
  - FL: \$15,119 average balance

## CU Aggregate's 30 Plus \$ Delinquency for Each Portfolio Compared to Florida

	30Plus, \$ Rate	30Plus, \$ Rate
Portfolio	CU Aggregate	FL
Auto Bank	1.64%	1.03%
Auto Finance	NA	3.47%
Credit Card	1.95%	2.82%
First Mortgage	2.32%	5.71%
Home Equity Installment	3.83%	8.73%
Home Equity Revolving	3.64%	2.97%
Other Consumer Finance	1.09%	6.95%

Data Extracted: 06/14

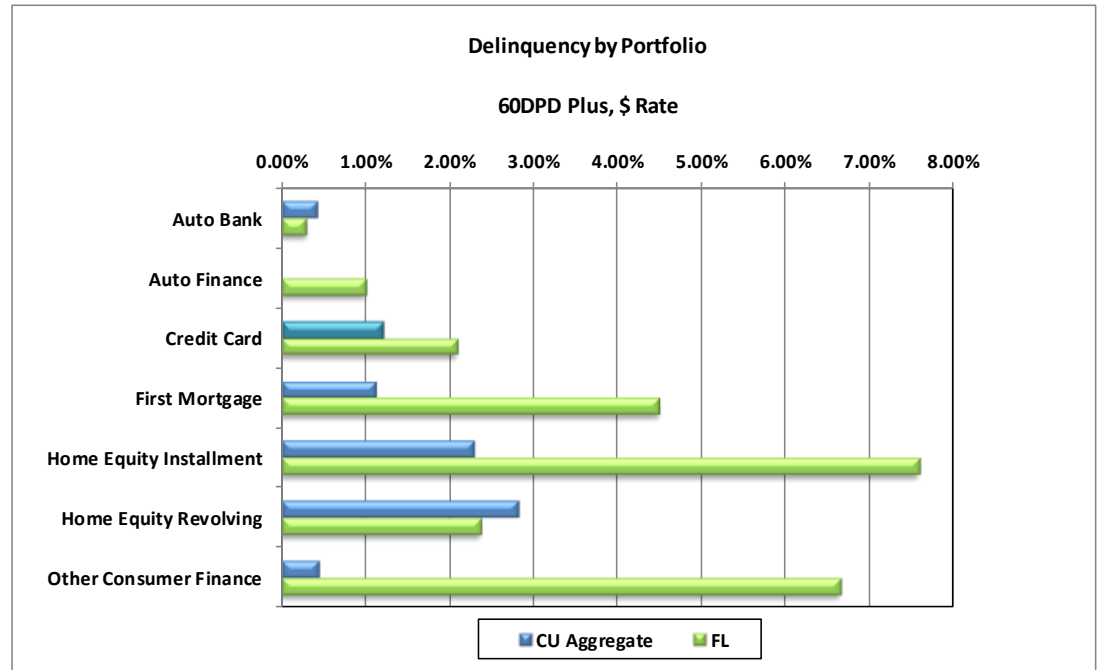


- For First Mortgage, CU Aggregate has lower 30 Plus \$ Delinquency rate when compared to FL.
  - CU Aggregate: 2.32% 30 Plus \$ Delinquency rate
  - FL: 5.71% 30 Plus \$ Delinquency rate
- For Auto Bank, CU Aggregate has higher 30 Plus \$ Delinquency rate when compared to FL.
  - CU Aggregate: 1.64% 30 Plus \$ Delinquency rate
  - FL: 1.03% 30 Plus \$ Delinquency rate

## CU Aggregate's 60 Plus \$ Delinquency for Each Portfolio Compared to Florida

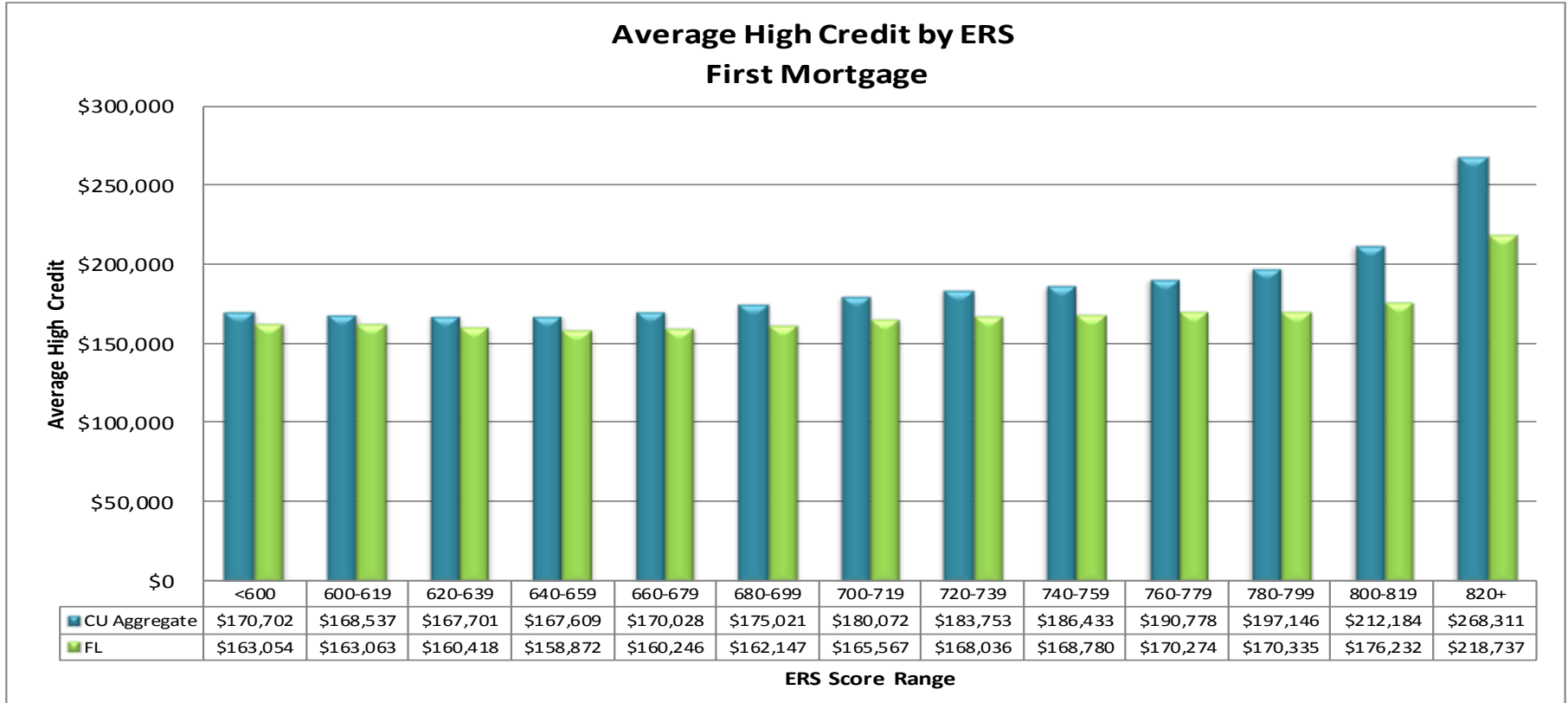
	60Plus, \$ Rate	60Plus, \$ Rate
Portfolio	CU Aggregate	FL
Auto Bank	0.42%	0.31%
Auto Finance	NA	1.00%
Credit Card	1.20%	2.09%
First Mortgage	1.13%	4.50%
Home Equity Installment	2.28%	7.58%
Home Equity Revolving	2.81%	2.37%
Other Consumer Finance	0.45%	6.65%

Data Extracted: 06/14



- For First Mortgage, CU Aggregate has lower 60 Plus \$ Delinquency rate when compared to FL.
  - CU Aggregate: 1.13% 60 Plus \$ Delinquency rate
  - FL: 4.50% 60 Plus \$ Delinquency rate
- For Auto Bank, CU Aggregate has similar 60 Plus \$ Delinquency rate when compared to FL.
  - CU Aggregate: 0.42% 60 Plus \$ Delinquency rate
  - FL: 0.31% 60 Plus \$ Delinquency rate

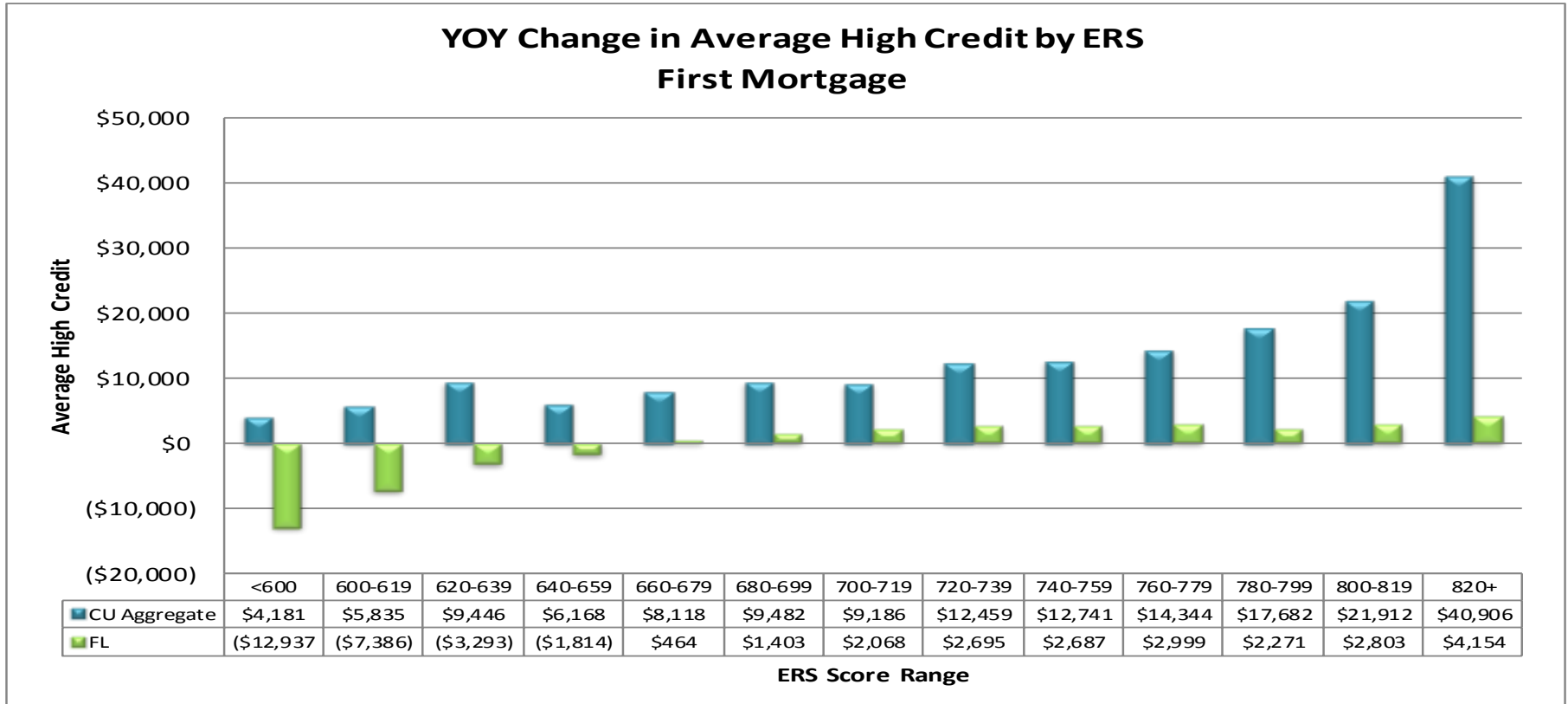
## CU Aggregate's First Mortgage High Credit Amounts by Risk Distribution Compared to Florida



Data Extracted: 06/14

- CU Aggregate has higher average high credit for its First Mortgage portfolio by risk level when compared to FL.
- CU Aggregate sets lower credit limits for their lowest scoring customers and they differentiate well for their highest scoring customers.

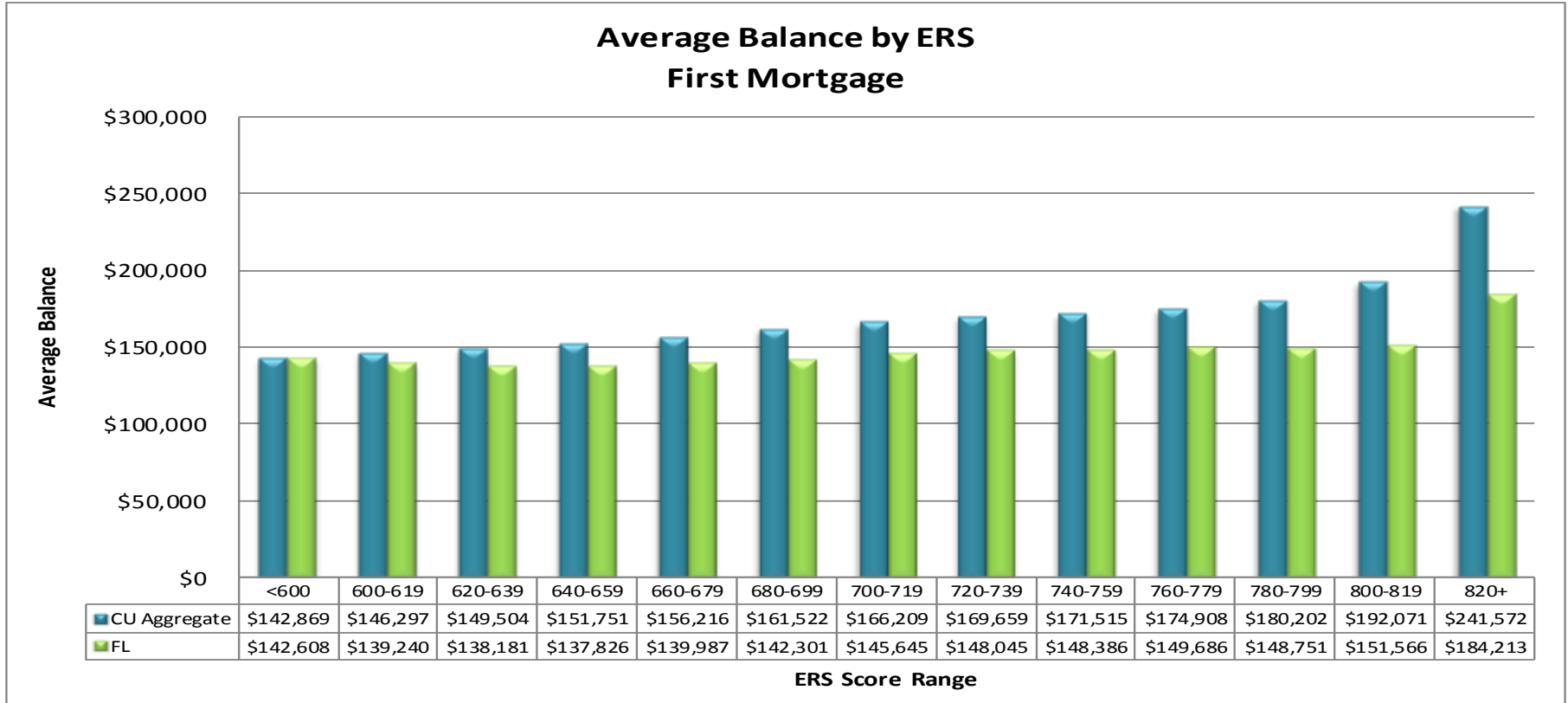
## CU Aggregate's YOY First Mortgage High Credit Amounts by Risk Distribution Compared to Florida



Data Extracted: 06/14

- YOY Average High Credit shows that CU Aggregate is assigning higher credit limits when compared to FL.

## CU Aggregate's First Mortgage Customer Balance Compared to Florida

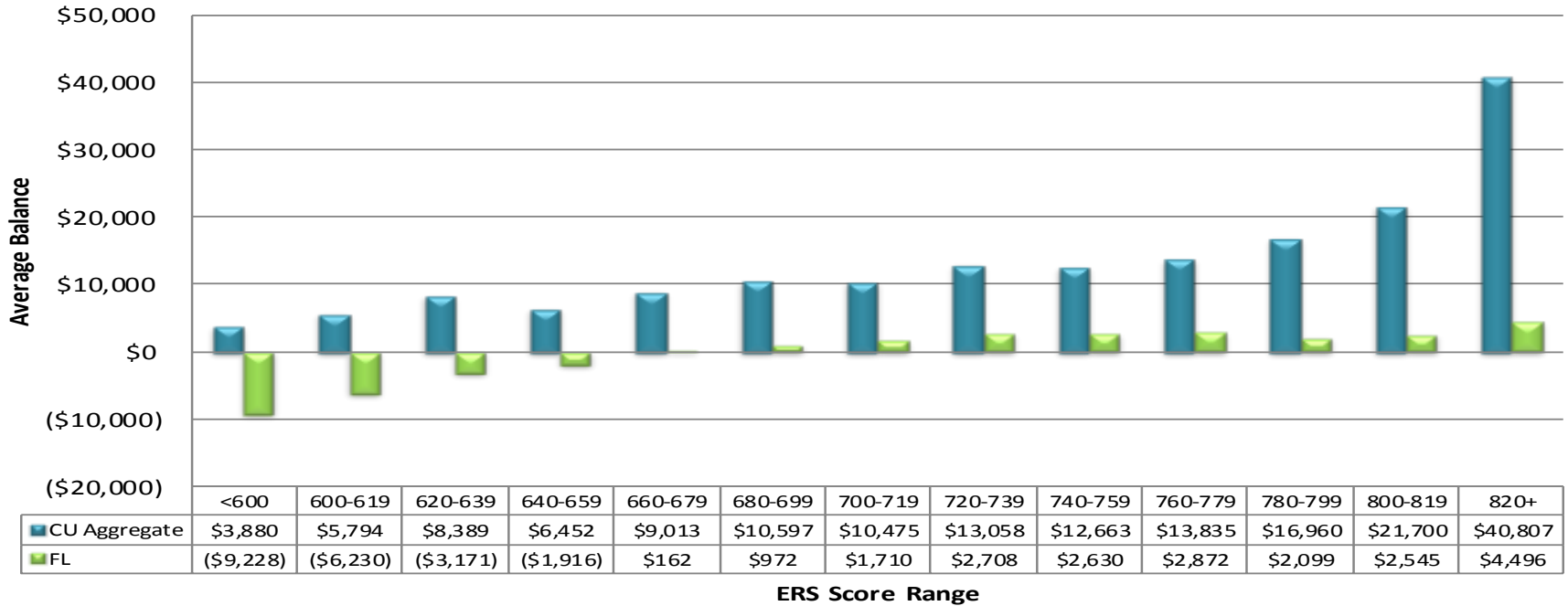


Data Extracted: 06/14

- CU Aggregate has higher average balance for its First Mortgage portfolio by risk level when compared to FL.

## CU Aggregate's YOY First Mortgage Customer Balance Compared to Florida

### YOY Change in Average Balance by ERS First Mortgage

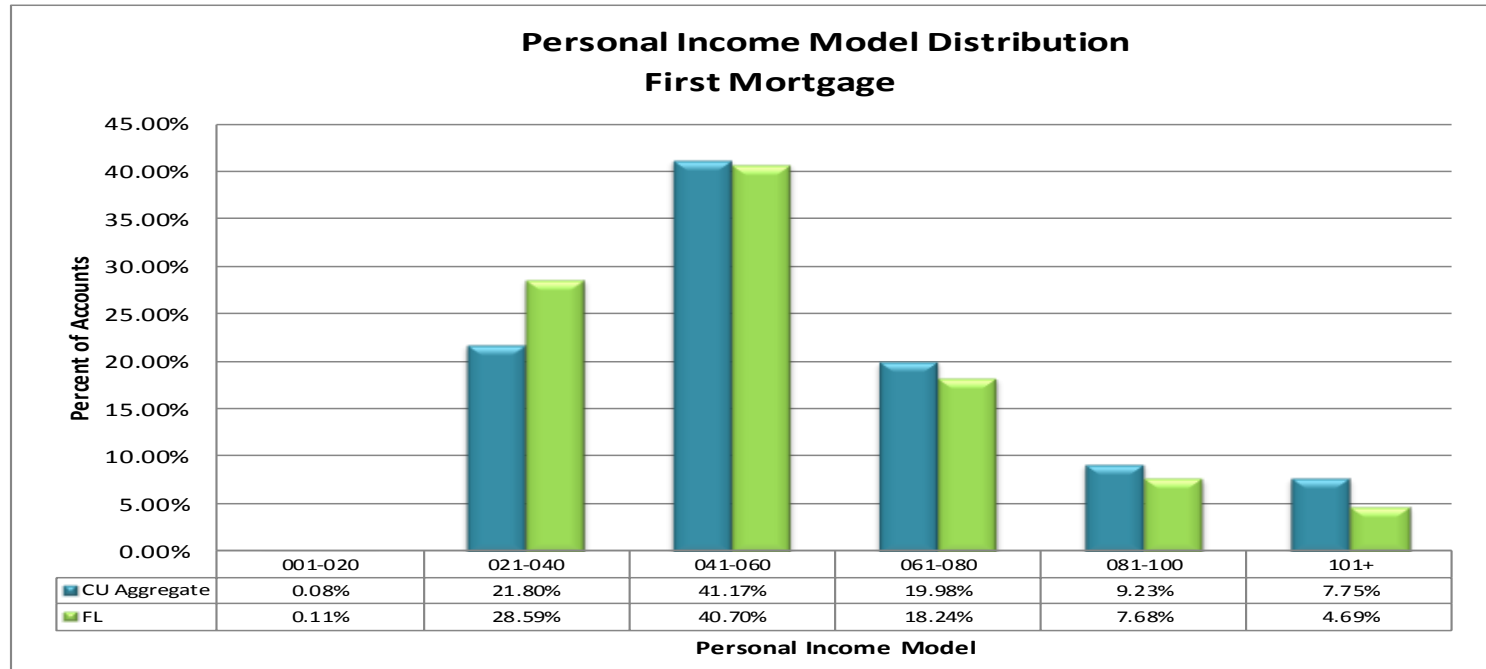


Data Extracted: 06/14

- YOY Average Balance shows that CU Aggregate has higher average balance when compared to FL.



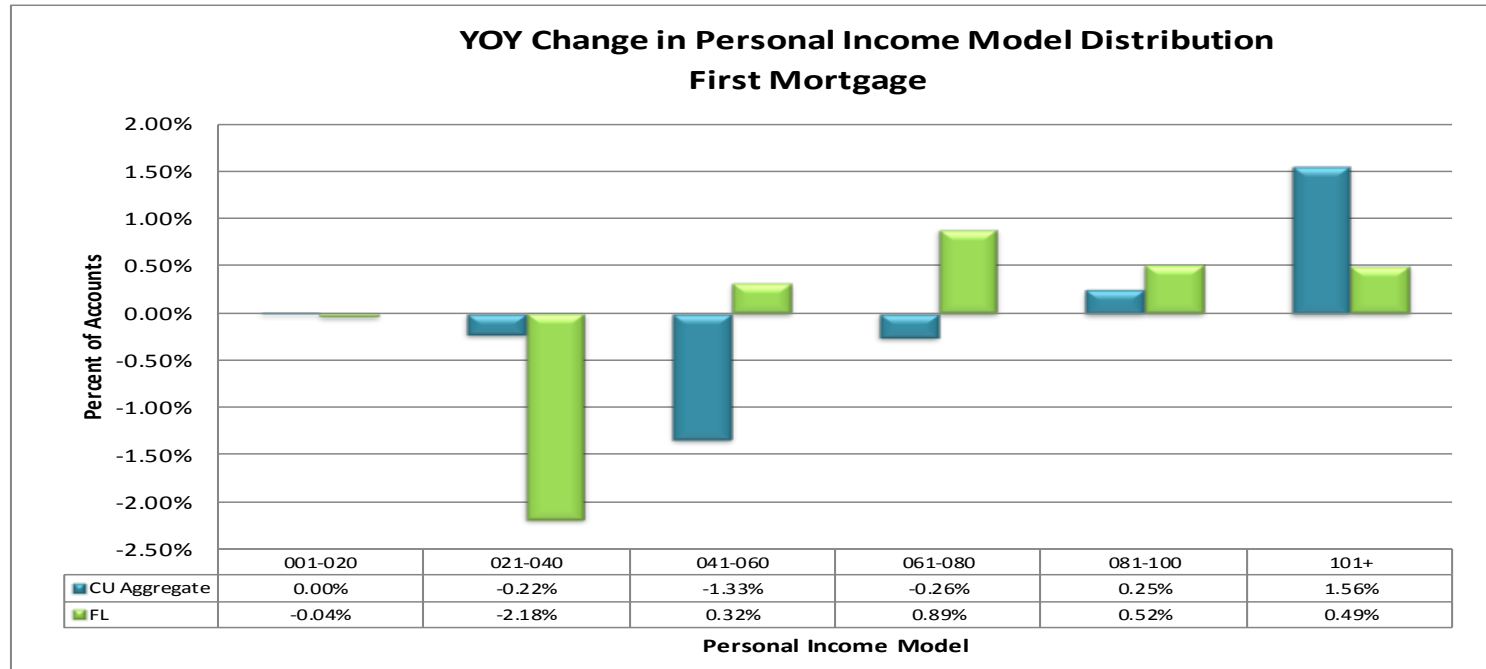
## CU Aggregate's First Mortgage Personal Income Model Distribution Compared to Florida



Data Extracted: 06/14

- CU Aggregate has a similar percentage of its population in the lowest band 1-20K when compared to FL.
  - CU Aggregate: 0.08% of population below \$20K
  - FL: 0.11% of population below \$20K
- CU Aggregate has a higher percentage of its population in the highest income band 101+K when compared to FL.
  - CU Aggregate: 7.75% of population above \$101K
  - FL: 4.69% of population above \$101K

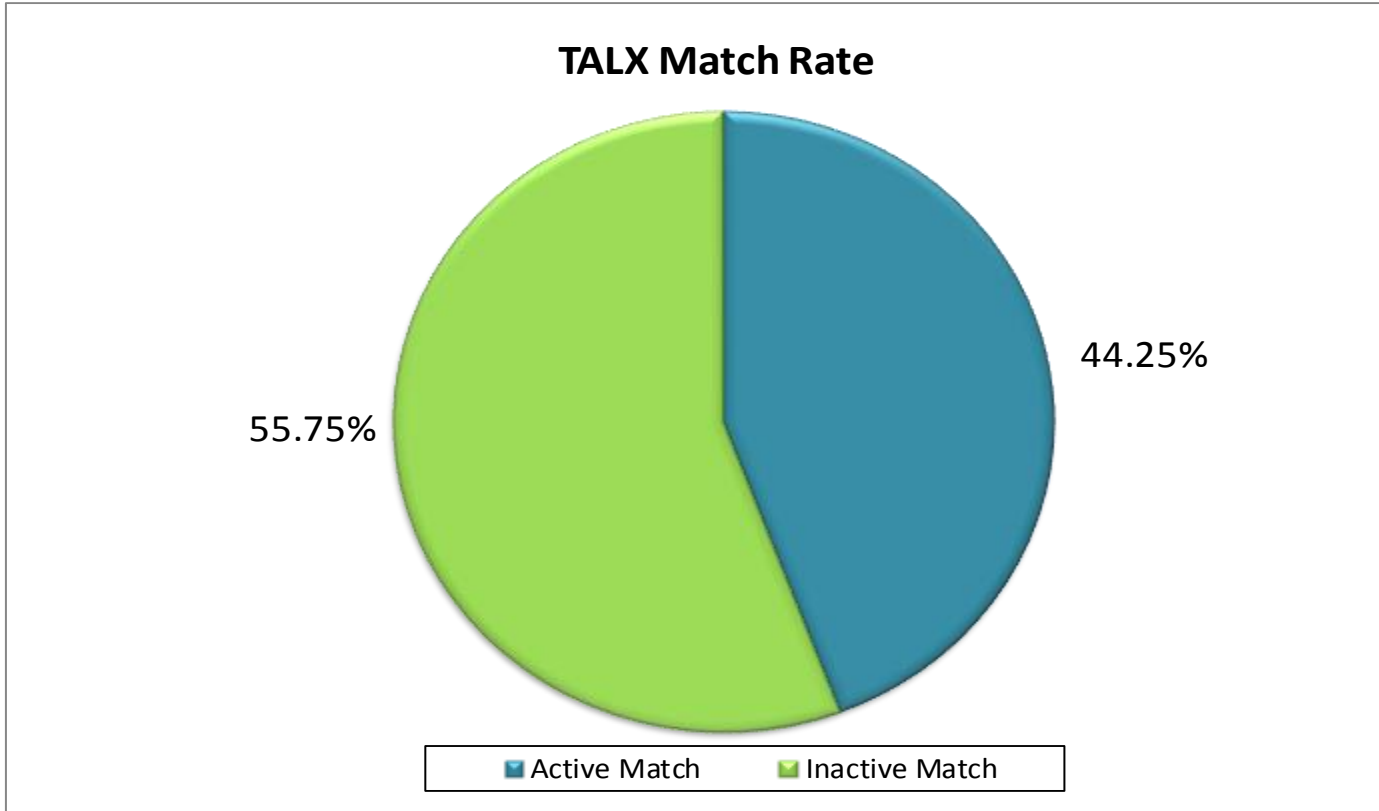
## CU Aggregate's YOY First Mortgage Personal Income Distribution Compared to Florida



Data Extracted: 06/14

- CU Aggregate has a similar percentage of its population in the lowest band 1-20K when compared to prior year.
  - CU Aggregate: +0.00% change of population below \$20K
  - FL: -0.04% change of population below \$20K
- CU Aggregate has a higher percentage of its population in the highest income band 101+K when compared to prior year.
  - CU Aggregate: +1.56% change of population above \$101K
  - FL: +0.49% change of population above \$101K

## CU Aggregate's Equifax Workforce Information Solutions Employment Data Match Rate



Data Extracted: 06/14

- CU Aggregate has a 53.84% Match Rate when cross-referenced with TALX Employment Data.
- Out of the 53.84% that matched the TALX Employment Database, 44.25% are considered Active matches and 55.75% are considered Inactive matches.

## CU Aggregate's members : Change of Employment Status from Active to Inactive

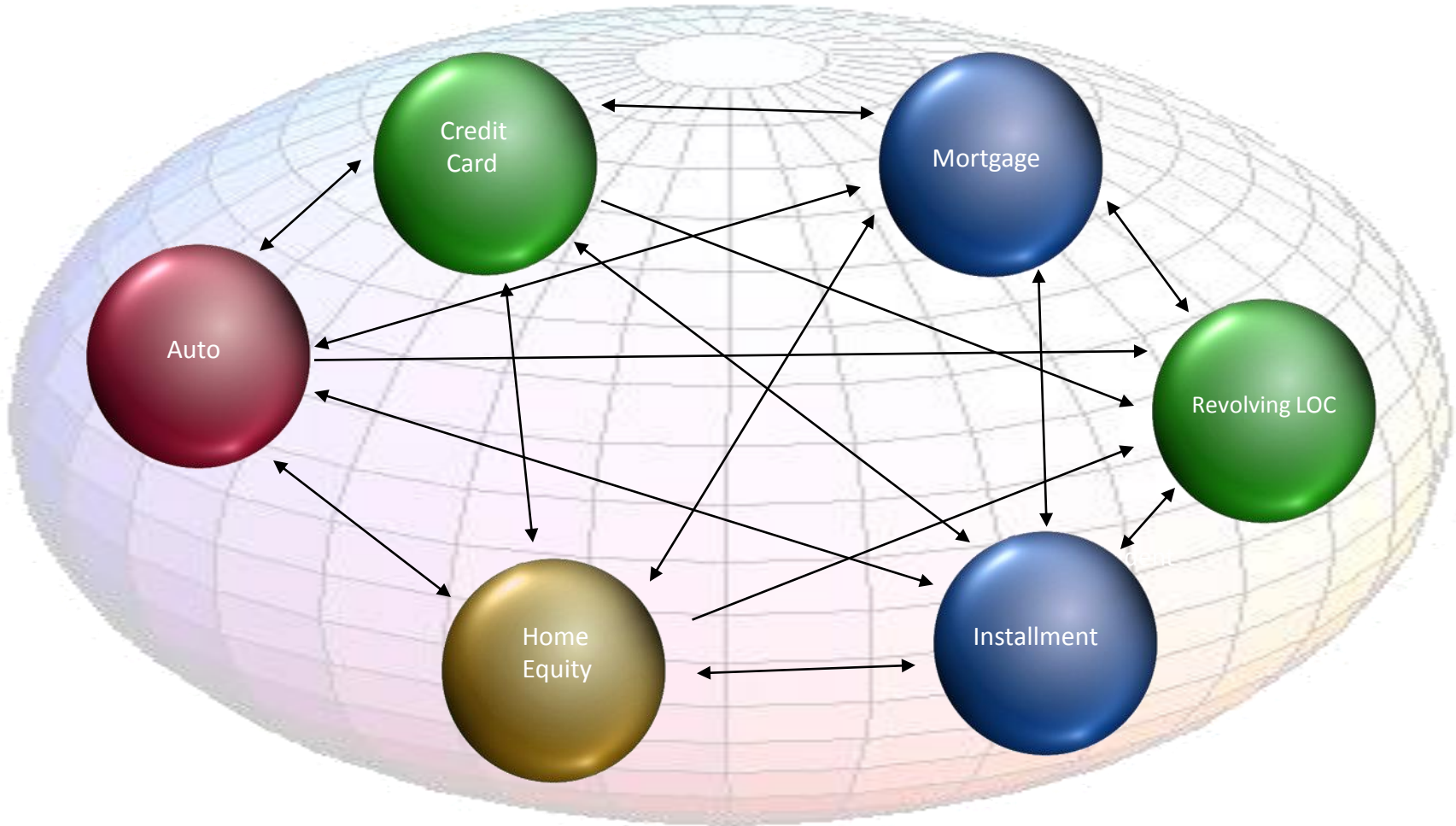
Inactive Employment Status in Last 12 Months		
Product	Dollars At Risk	Accounts At Risk
Auto Bank	\$94,210,676	6,996
Auto Finance	\$0	0
Credit Card	\$9,807,462	4,081
First Mortgage	\$1,632,754,376	9,084
Home Equity Installment	\$4,944,515	200
Home Equity Revolving	\$14,512,873	432
Other Consumer Finance	\$12,525,441	4,120
<b>Total</b>	<b>\$1,768,755,343</b>	<b>24,912</b>

Data Extracted: 06/14

- In the last 12 months, 10.08% have gone Inactive based on the TALX Employment database, which is a total of \$1.8 Billion.
- First Mortgage is the largest contributor with \$1.6 Billion.

## CU Aggregate's Penetration of its Customer's Wallets

There are many combinations of credit products that CU Aggregate members can have



Study based on product types - does not count multiples of the same product and does not include products that are not reported to the credit database

## CU Aggregate's Share of its members Wallet

### Additional CU Aggregate Product Relationships

CU Aggregate Business Line	AB	AF	CC	FM	HE-I	HE-R	OC	
	AB	-	NA	13.6%	4.2%	0.2%	1.8%	17.3%
	AF	NA	-	NA	NA	NA	NA	NA
	CC	24.8%	NA	-	2.5%	0.4%	3.8%	13.9%
	FM	1.8%	NA	0.6%	-	0.1%	0.8%	1.8%
	HE-I	3.9%	NA	4.1%	5.7%	-	0.4%	2.6%
	HE-R	16.8%	NA	19.1%	15.9%	0.2%	-	15.1%
	OC	29.1%	NA	12.8%	7.0%	0.2%	2.8%	-

Data Extracted: 06/14

- First Mortgage customers have least CU Aggregate additional credit relationships
- 2% of First Mortgage customers have Auto Bank; 2% have Other Consumer Finance
- Home Equity Revolving customers have largest overlap with other CU Aggregate products
- By 'Additional CU Aggregate Product Relationship', Other Consumer Finance & Auto Bank have highest penetration
- Conversely, First Mortgage & Home Equity Installment have lowest penetration

**What is the size of the opportunity that exists to cross sell to members?**



## What Other Accounts Have CU Aggregate members Opened in the Past Year?

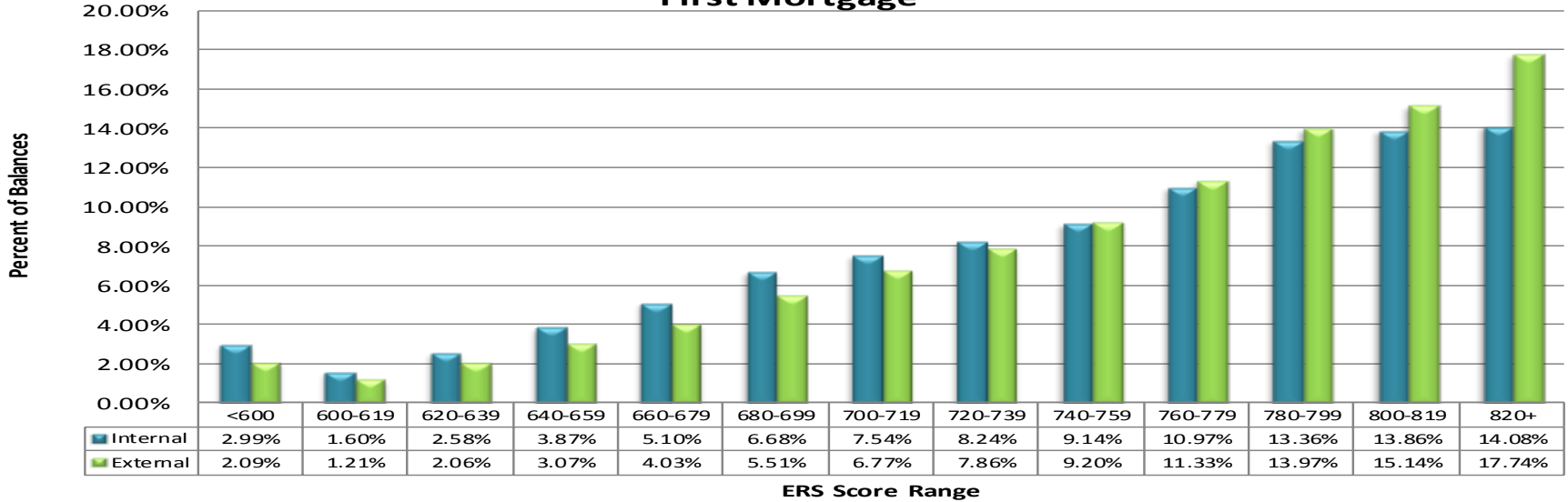
Product	Total Balance for Accounts CU Aggregate customers opened externally with FL in Past Year
Auto Bank	\$1,396,143,627
Auto Finance	\$1,280,615,095
Credit Card	\$390,050,470
First Mortgage	\$5,206,564,925
Home Equity Installment	\$113,268,836
Home Equity Revolving	\$348,159,646
Other Consumer Finance	\$1,178,343,732
<b>Total</b>	<b>\$9,913,146,329</b>

Data Extracted: 06/14

- CU Aggregate existing customers opened \$19.1 Billion in new balances in the past year at CU Aggregate and \$9.9 Billion outside of CU Aggregate.
- CU Aggregate is losing 34% of its potential cross-sell business.

## CU Aggregate's Customer Loyalty for First Mortgage Accounts Opened in the Past 12 Months

**Customer Loyalty (Percent of Balances)  
Opened in the Past 12 Months  
First Mortgage**



Data Extracted: 06/14

- CU Aggregate customers scoring below 660 opened a lower percentage of its balances with FL in the past 12 months.
  - Internal: 11% of balances below 660
  - External: 8% of balances below 660
- CU Aggregate customers scoring above 760 opened a higher percentage of its balances with FL in the past 12 months.
  - Internal: 52% of balances above 760
  - External: 58% of balances above 760

## How well does CU Aggregate Cross-Sell to Existing members?

### Accounts opened by CU Members Outside of the Credit Union

	FL
<b>Number of Auto Bank Accounts</b>	63,742
<b>Avg Auto Bank Balance \$</b>	\$21,903
<b>Number of Auto Finance Accounts</b>	64,690
<b>Avg Auto Finance Balance \$</b>	\$19,796
<b>Number of Credit Card Accounts</b>	269,176
<b>Avg Credit Card Balance \$</b>	\$1,449
<b>Number of First Mortgage Accounts</b>	26,672
<b>Avg First Mortgage Balance \$</b>	\$195,211
<b>Number of Home Equity Installment Accounts</b>	3,516
<b>Avg Home Equity Installment Balance \$</b>	\$32,220
<b>Number of Home Equity Revolving Accounts</b>	7,235
<b>Avg Home Equity Revolving Balance \$</b>	\$48,125
<b>Number of Other Consumer Finance Accounts</b>	432,122
<b>Avg Other Consumer Finance Balance \$</b>	\$2,727

Data Extracted: 06/14

- CU Aggregate customers opened more accounts externally in the past 12 months for Auto Finance, Credit Card, Home Equity Installment, Home Equity Revolving, and Other Consumer Finance.
- CU Aggregate customers are carrying higher balances externally for Auto Bank, Auto Finance, and Home Equity Revolving.

## What Is The Financial Value Of This Lost Opportunity?

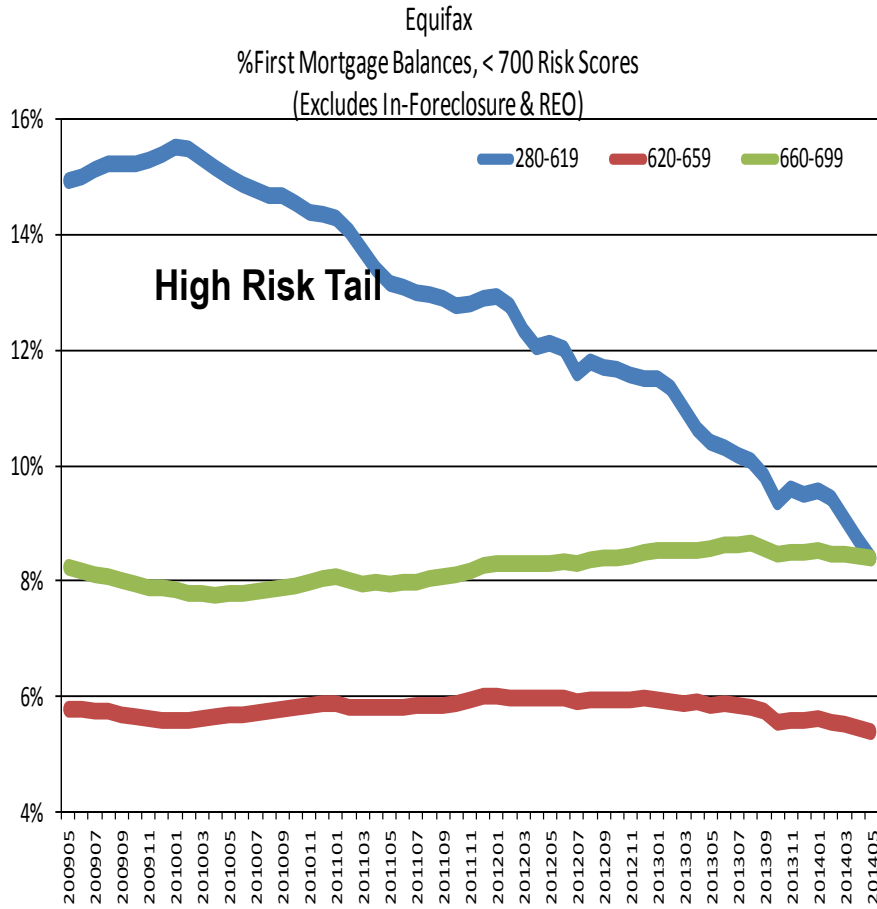
CU Aggregate Potential Cross Sell Opportunity Financial Analysis										
Product	External Loans Opened	Potential Capture Rate	Potential Outstandings	Net Interest Yield	Net Present Value	Balance Lifecycle	Assumptions			
							Gross Losses over Period	Gross Interest Yield	Cost of Funds	Required Rate of Return
Credit Card	\$390,050,470	5.00%	\$19,502,524	\$2,559,706	\$1,092,315	36	3.00%	9.00%	3.00%	18.00%
First Mortgage	\$5,206,564,925	5.00%	\$260,328,246	\$39,634,975	\$19,270,375	120	0.35%	6.00%	3.00%	18.00%
Home Equity Revolving	\$348,159,646	5.00%	\$17,407,982	\$2,650,365	\$1,283,560	120	0.40%	6.00%	3.00%	18.00%
Home Equity Installment	\$113,268,836	5.00%	\$5,663,442	\$862,259	\$417,588	120	0.40%	6.00%	3.00%	18.00%
Auto	\$2,676,758,722	5.00%	\$133,837,936	\$19,741,096	\$8,752,623	48	0.75%	8.00%	3.00%	18.00%
Other Consumer Finance	\$1,178,343,732	5.00%	\$58,917,187	\$6,873,672	\$2,339,222	36	4.00%	8.00%	3.00%	18.00%
<b>Total</b>	<b>\$9,913,146,329</b>		<b>\$495,657,316</b>	<b>\$72,322,073</b>	<b>\$33,155,683</b>					

Data Extracted: 06/14

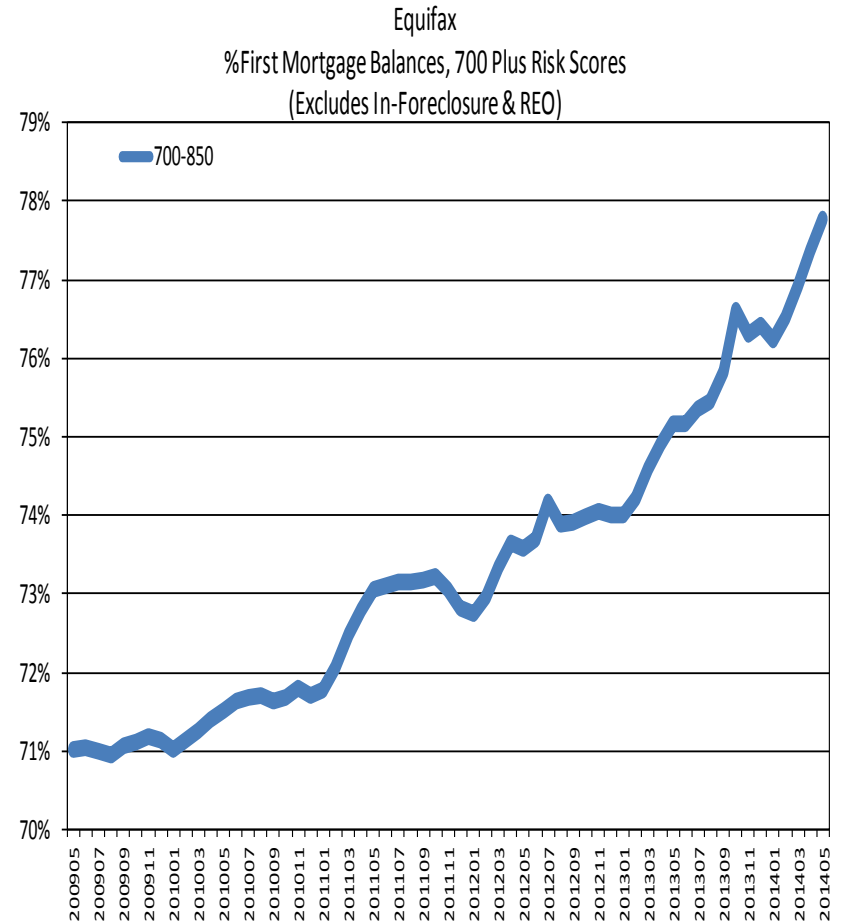
- Across 6 general product categories, Equifax identified \$9.9 Billion in loans that CU Aggregate customers have opened with other lenders.
- If 5% of these loans could have been cross sold by CU Aggregate, the financial value over 3 years is \$495.7 Million in new outstandings, \$72.3 Million in gross interest yield and a net present value of \$33.2 Million dollars.
- Leveraging Equifax’s data, analytics and enabling technologies can help CU Aggregate unlock this financial potential.

# US First Mortgage & Home Equity Performance

### Higher Risk



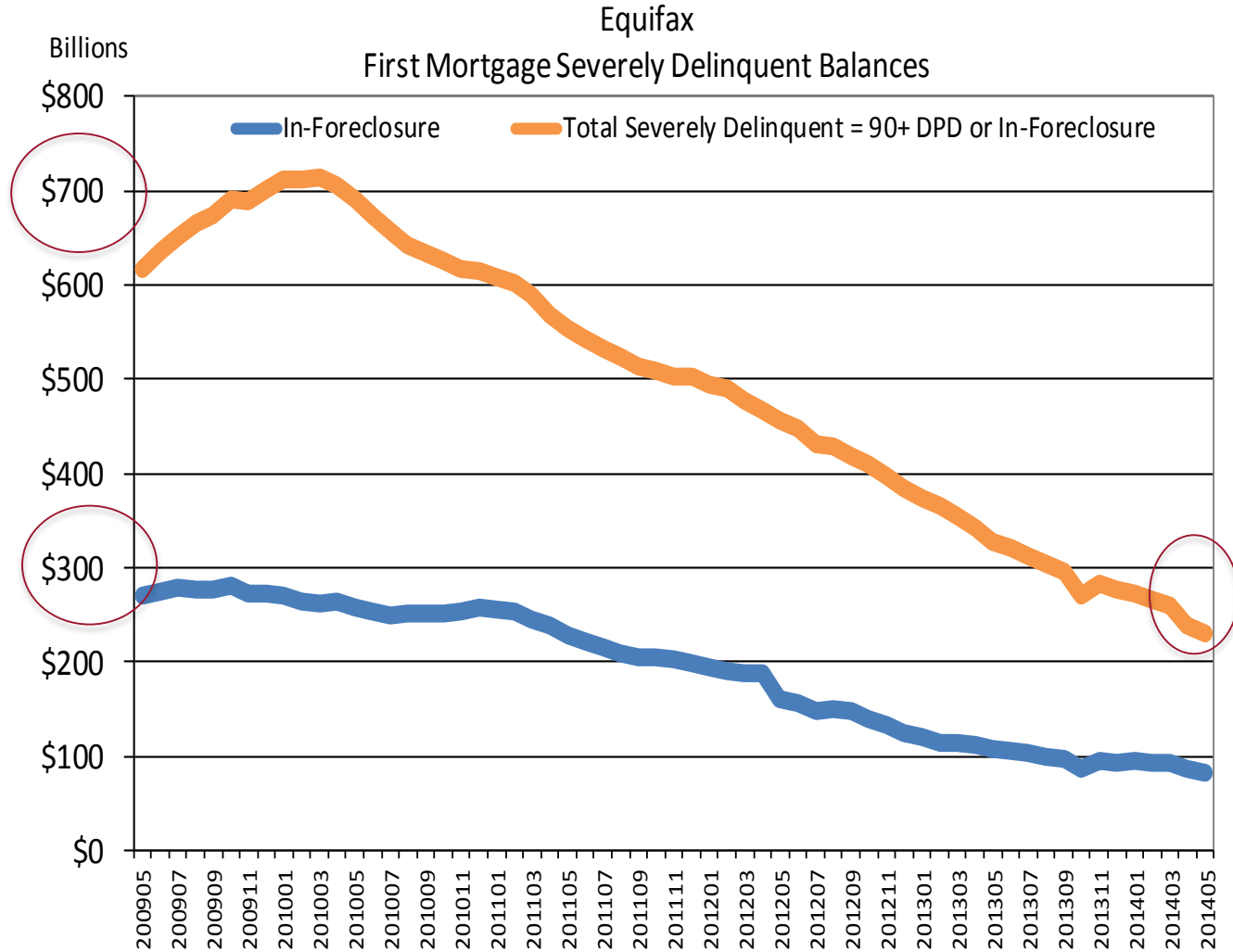
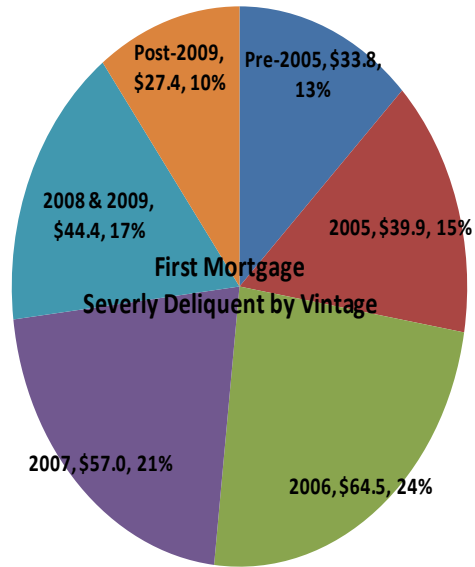
### Lower Risk



Lower Risk Mortgage Portfolio  
Vertical Axis Scales Not Aligned

# US First Mortgage Severely Delinquent

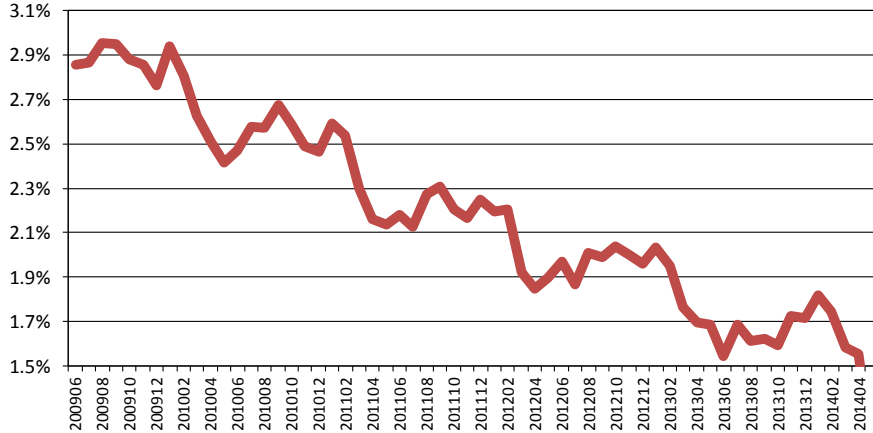
First Mortgage “Shadow Inventory” levels are declining, but still elevated. Mortgages opened 2005-2007 comprise 60% of these balances.



Proxy Roll Rates based upon aggregate loan level payment status

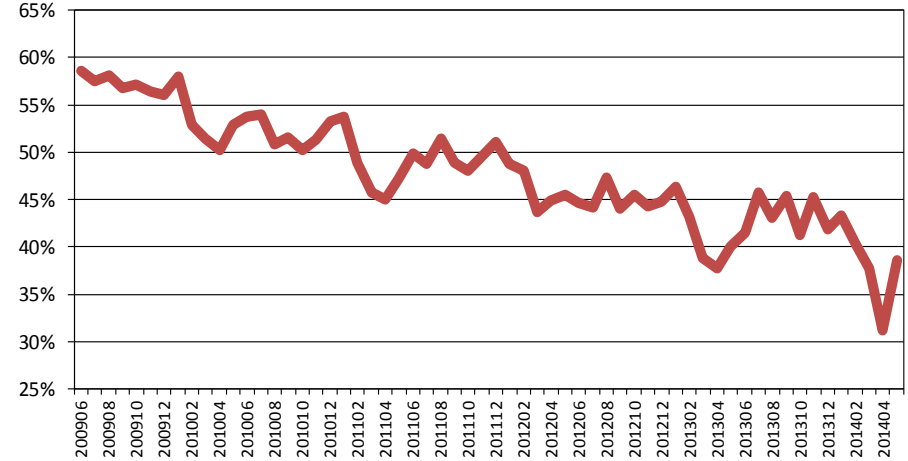
Equifax

First Mortgage Roll Rates: Current to 30 DPD Balances



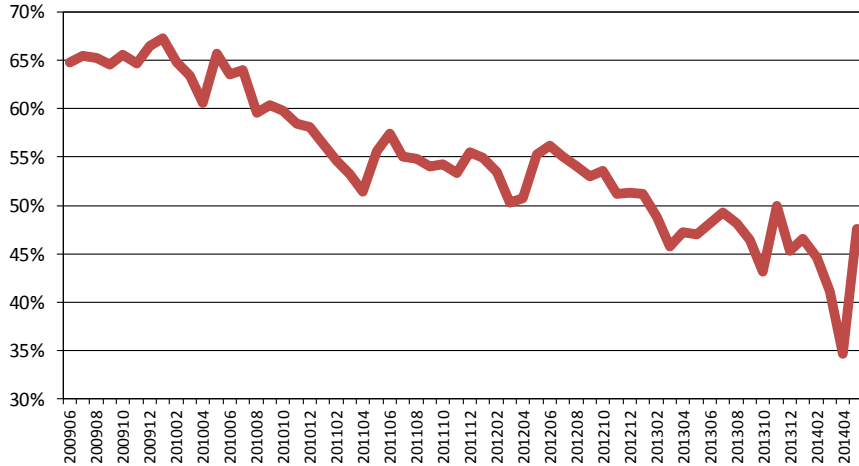
Equifax

First Mortgage Roll Rates: 30 DPD to 60 DPD Balances



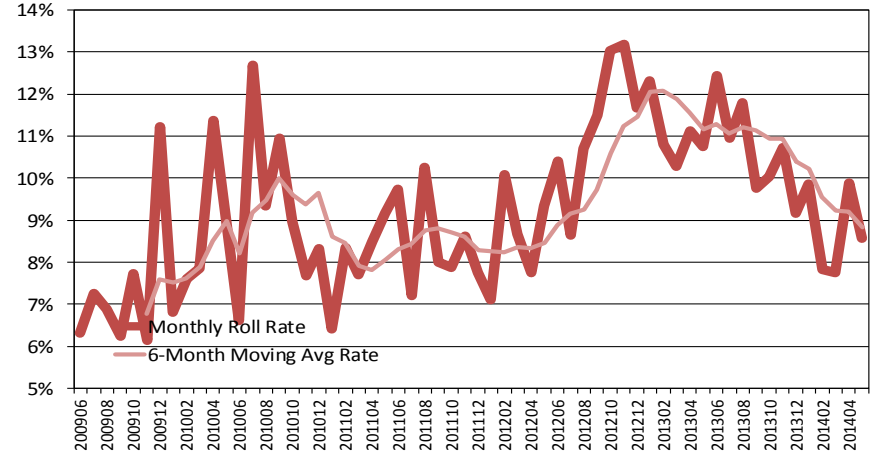
Equifax

First Mortgage Roll Rates: 60 DPD to 90 DPD Balances



Equifax

First Mortgage Roll Rates: In-Foreclosure to REO Balances



Roll Rates off peaks with solid Early- to Mid- Stage improvements

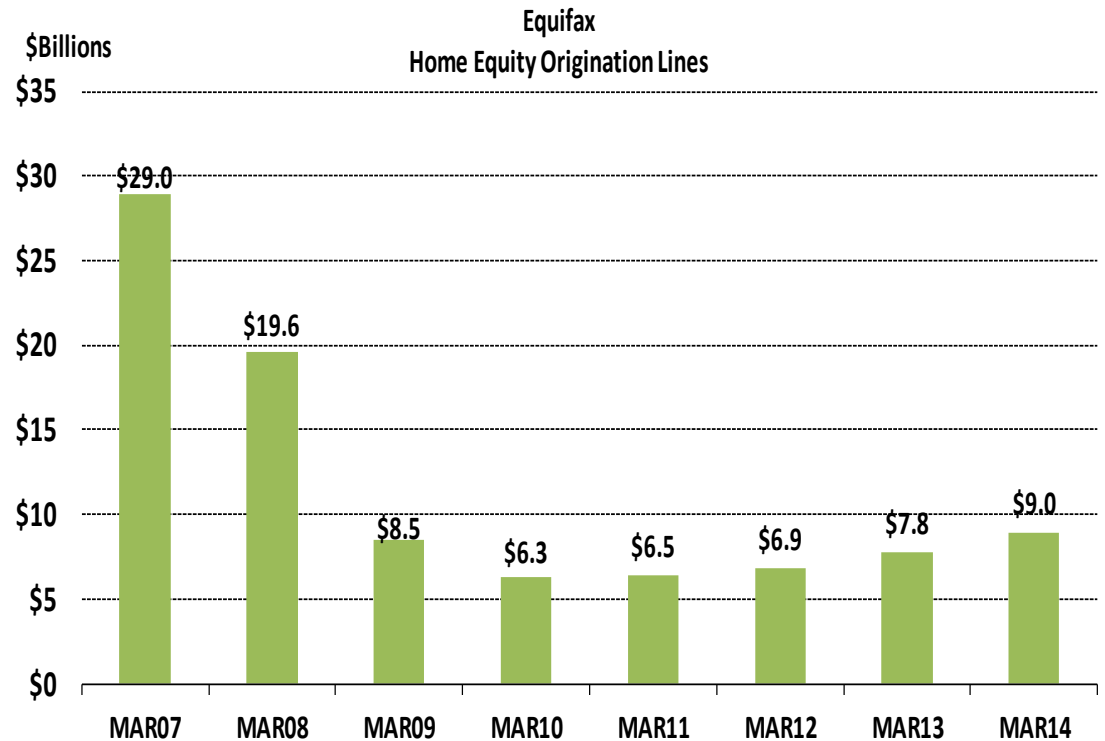
Vertical Axis Scales Not Aligned



## US Home Equity Revolving Origination Credit Line

Total Home Equity Origination Lines in 2006 and 2007 exceeded Total Bankcard Origination Lines. This is no longer the case.

Recent increases in the number and dollar of lines originated parallel the 2012 increases in housing sales and home price increases.



YEAR	HOME EQUITY REVOLVING CREDIT LINE (\$BILLIONS)					
	ANNUAL	%YOY	YEAR TO DATE	%YOY	CURRENT MO	%YOY
2007	\$300.9	-----	\$75.0	-----	\$29.0	-----
2008	\$172.0	-42.8%	\$52.7	-29.7%	\$19.6	-32.4%
2009	\$81.1	-52.9%	\$23.1	-56.1%	\$8.5	-56.6%
2010	\$70.8	-12.6%	\$15.2	-34.3%	\$6.3	-25.8%
2011	\$70.4	-0.6%	\$16.2	6.8%	\$6.5	2.3%
2012	\$78.2	11.2%	\$17.6	8.2%	\$6.9	6.2%
2013	\$98.8	26.3%	\$20.2	15.3%	\$7.8	13.7%
2014	-----	-----	\$23.4	15.5%	\$9.0	15.0%

## US Home Equity Revolving Origination Credit Line

Lower Home Equity Origination Lines mirror lower home prices compared to pre-recession. However, recent lines show increases and coincide with the housing recovery..

MMYY	AVG LINES
MAR07	\$104,691
MAR08	\$101,282
MAR09	\$90,254
MAR10	\$85,683
MAR11	\$88,917
MAR12	\$92,214
MAR13	\$96,685
MAR14	\$100,207

Equifax  
Home Equity Revolving Origination Line Distributions

