



Score Updates & US Consumer Mortgage & HELOC Trends

Prepared for
Florida CUREN



July 9 2015

SCORING MODELS UPDATE



Scoring Models

FICO Alternative Score

- › It is estimated that 53M US consumers are un-scoreable using a traditional FICO score
- › FICO Alternative Score is expected to help score 15M consumers who current do not have a traditional credit score
- › New FICO score will leverages Equifax alternative data sets such as TELCO & Utility data as well as public record data from LexisNexis

Scoring Models (cont.)

FICO Classic v6 (previously known as Beacon 5.0)

- › Primary Score for Fannie/Freddie

FICO Classic v8 (previously known as Beacon 09)

Key Upgrades from previous version:

- › Reduced weight for Authorized User Accounts
- › Nuisance Collection Items under \$100

FICO Classic v9

Key Upgrades from previous version:

- › Revised Treatment of Medical Collections
- › Revised Treatment of Paid Collections

First Mortgage Origination Trends



First Mortgage Originations Observations

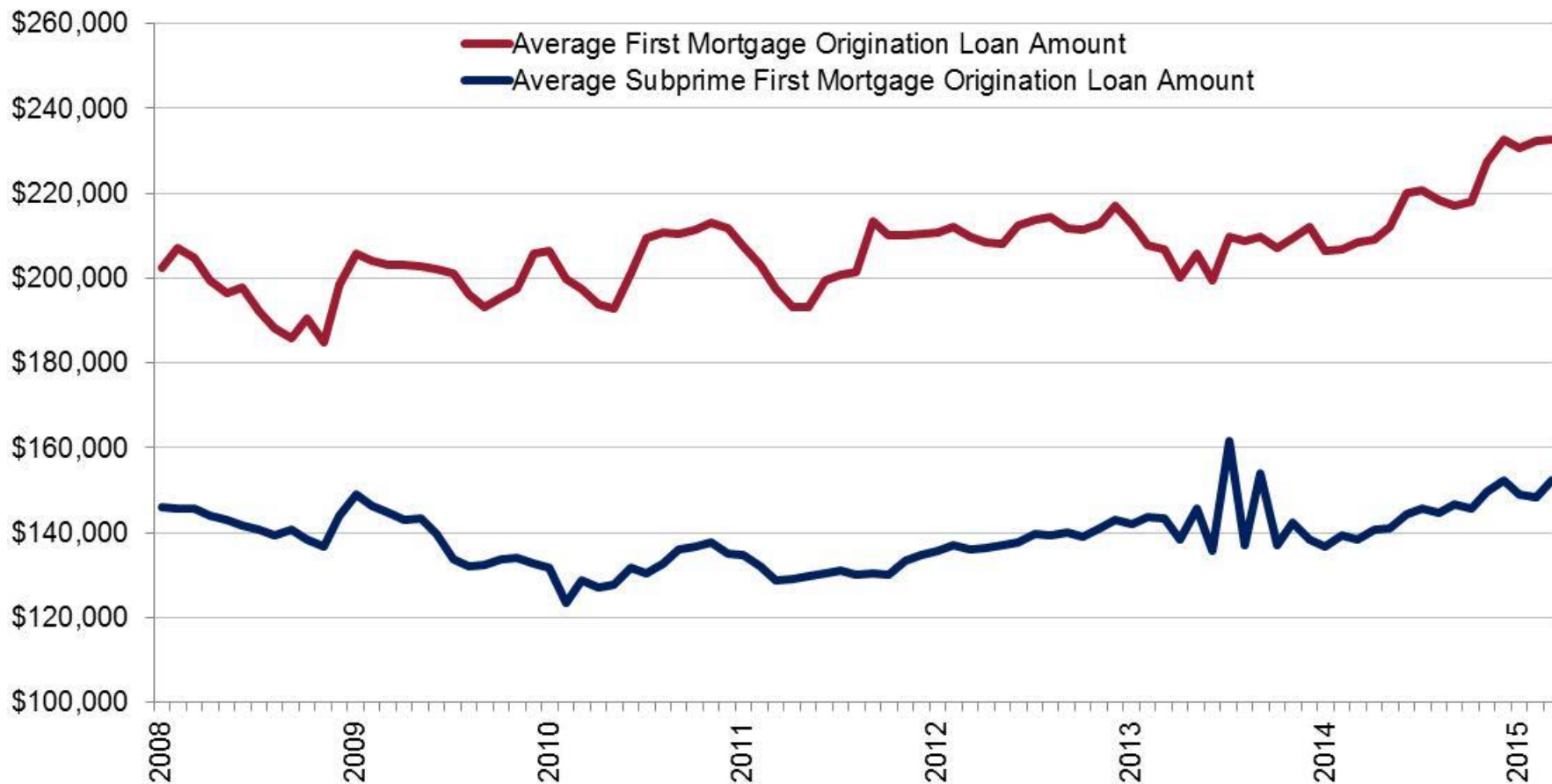
Originations through March 2015 reported as of May 2015:

- › 1.78 million first mortgages have been originated year-to-date through March. This is a 54.9% increase from 2014.
- › The total dollar amount of first mortgages originated year to date is \$430.0 billion, a 79.9% increase over the previous year.
- › 80,386 first mortgages have been issued year to date to consumers with an Equifax Risk Score™ below 620, generally considered subprime. This is a 32.3% increase over 2014. These newly issued mortgages have corresponding total balances of \$13.2 billion.
- › In 2015 through March, 4.5% of first mortgages were issued to consumers with a subprime credit score. In March of 2014 the share was 5.3%.
- › The average loan amount for all first mortgages originated in March 2015 was \$232,547. This is a 11.5% increase over March 2014. The average credit limit on subprime first mortgages was \$152,259. This a 9.5% increase compared to March 2014.

First Mortgage Origination Credit Limit

Average Origination Credit Limit Over Time; NSA

Subprime Accounts Defined as Those With Borrower's Origination Equifax Risk ScoreSM < 620

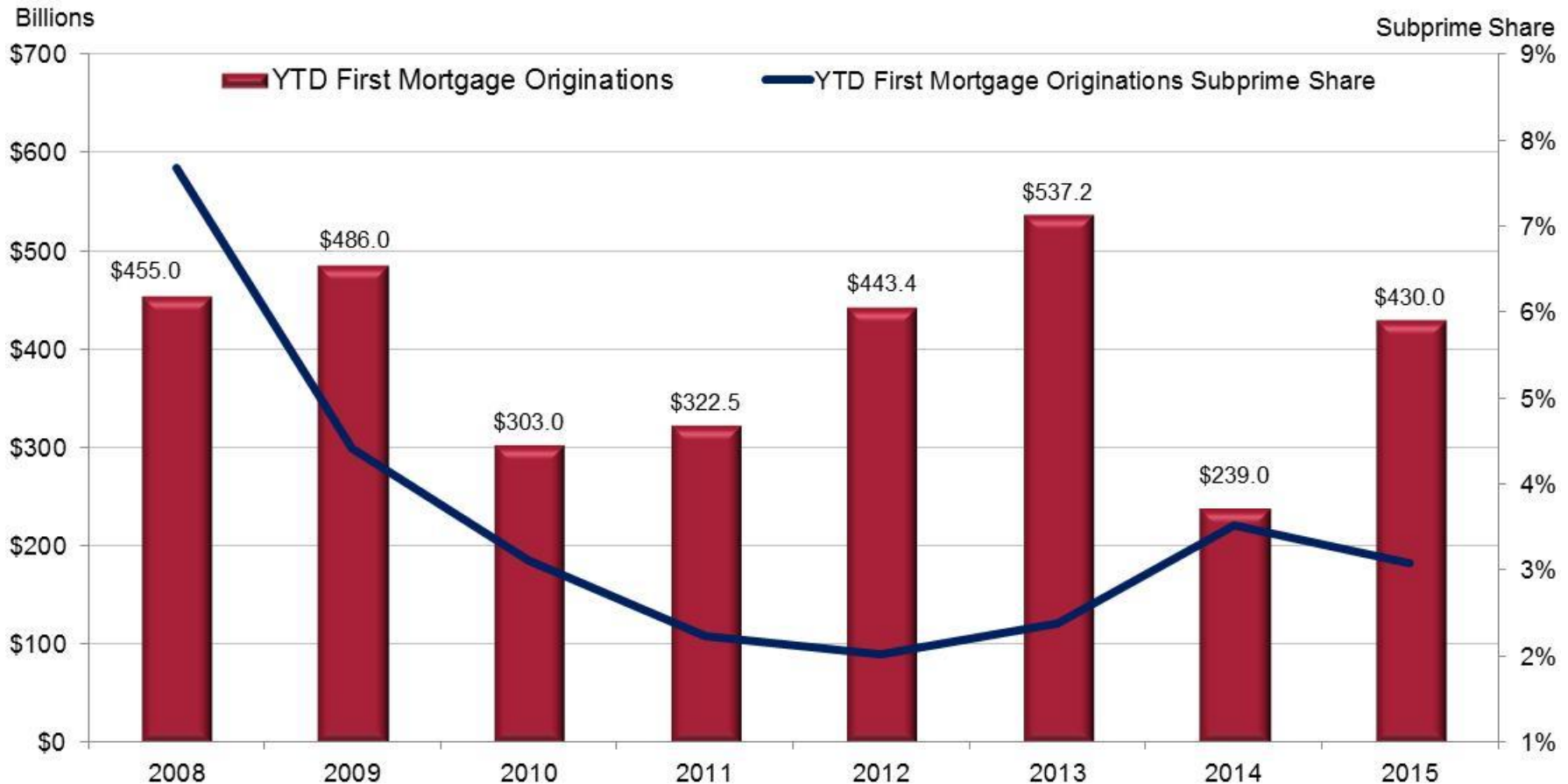


Source: Equifax Inc.

Originations through March 2015 reported as of May 2015

YTD First Mortgage Origination Balances

Year-to-Date Total Origination Balances in \$Billions; Subprime Share of Total Origination Balances (%); NSA; Subprime Accounts Defined as Those With Borrower's Origination Equifax Risk ScoreSM < 620;

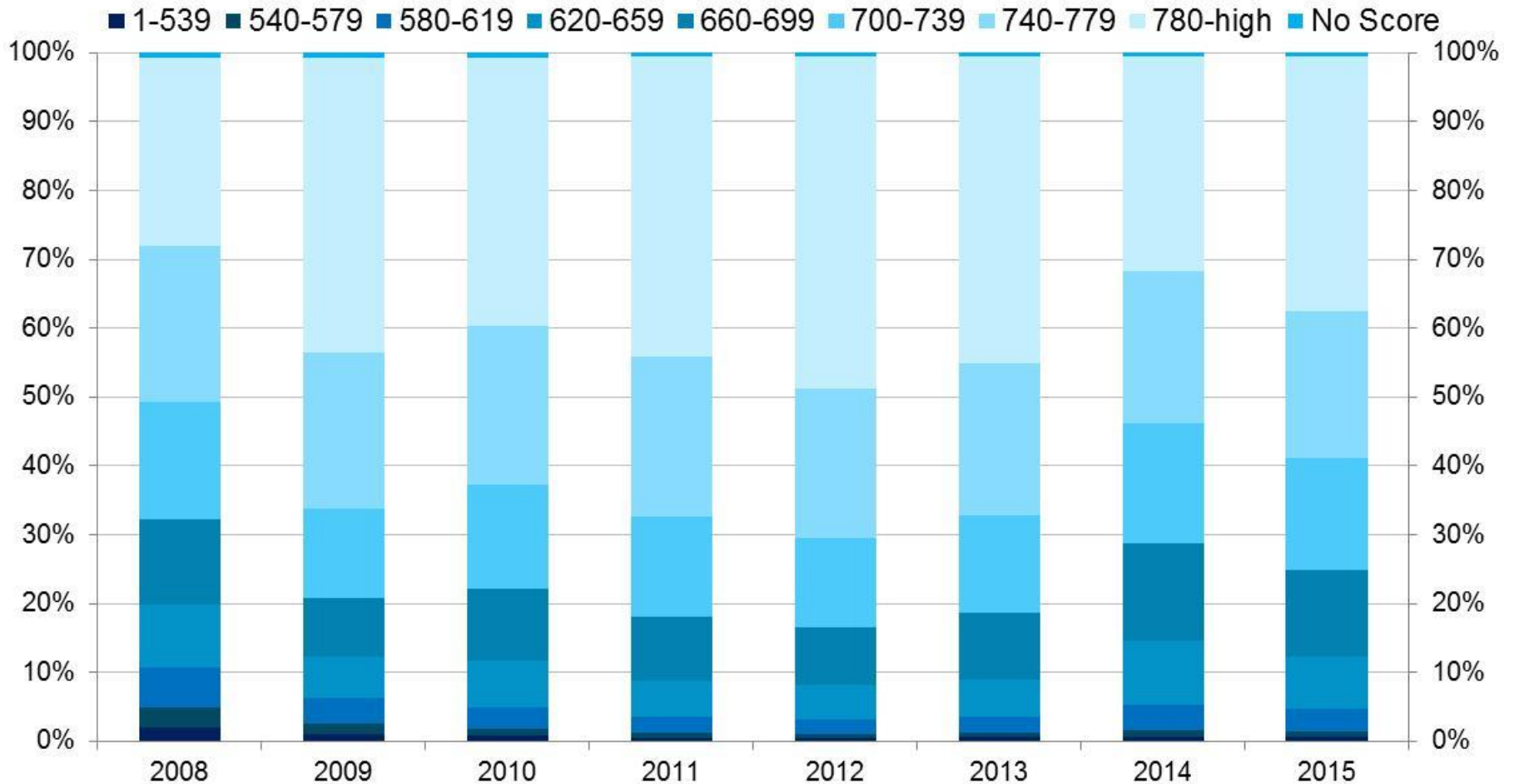


Source: Equifax Inc.

Originations through March 2015 reported as of May 2015

First Mortgage Origination Risk

YTD Equifax Risk ScoreSM Distribution for First Mortgage Loan Originations by Year (% of Accounts)



Source: Equifax Inc.

Originations through March 2015 reported as of May 2015

HELOC Origination Trends



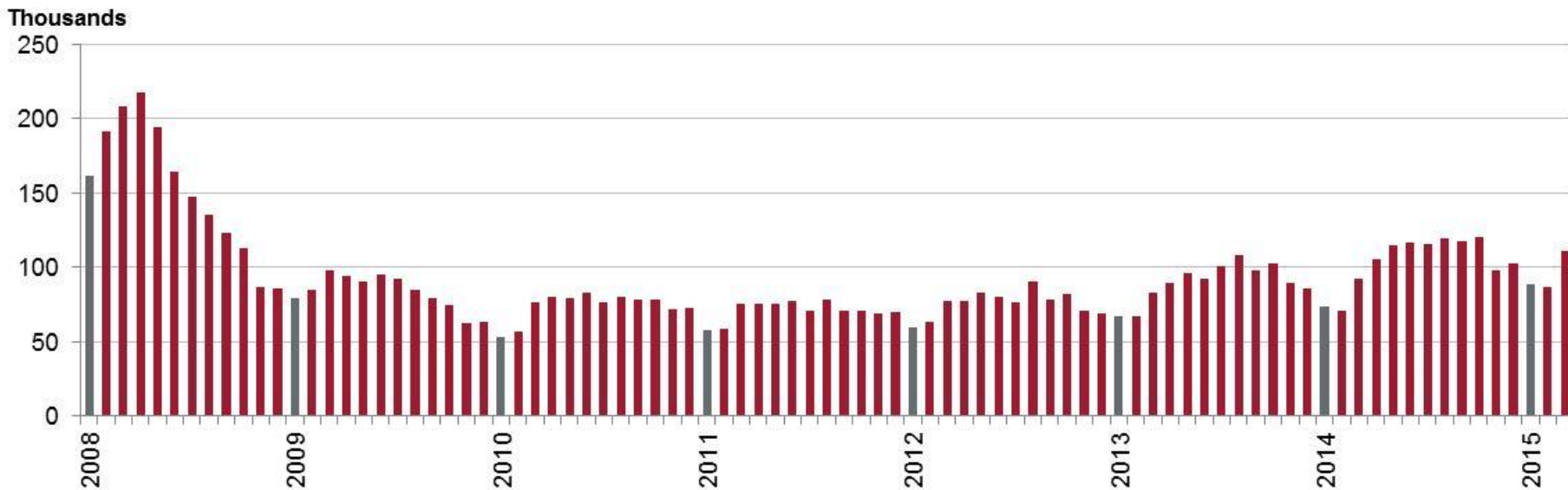
HELOC Originations Observations

Originations through March 2015 reported as of May 2015:

- › 285,760 HELOCs have been originated year-to-date. This is a 21.2% increase from 2014 and the highest since 2008.
- › The total credit limit on HELOCs originated year-to-date is \$30.95 billion, a 30.1% increase over the previous year and a 7-year high.
- › 4,460 HELOCs have been issued year-to-date to consumers with an Equifax Risk ScoreSM below 620, generally considered subprime. This is a 27.7% increase over 2014. These newly issued lines of credit have a corresponding total credit limit of \$154.1 million.
- › In 2015 through March, 1.6% of HELOCs were issued to consumers with a subprime credit score. In 2014 through February the share was 1.5%.
- › The average credit limit for all HELOCs originated in March 2015 was \$108,533. This is a 9.3% increase over March 2014. The average credit limit on subprime HELOCs was \$34,245. This a 6.8% decrease compared to March 2014.

HELOC Originations: Accounts

of Accounts in Thousands; NSA



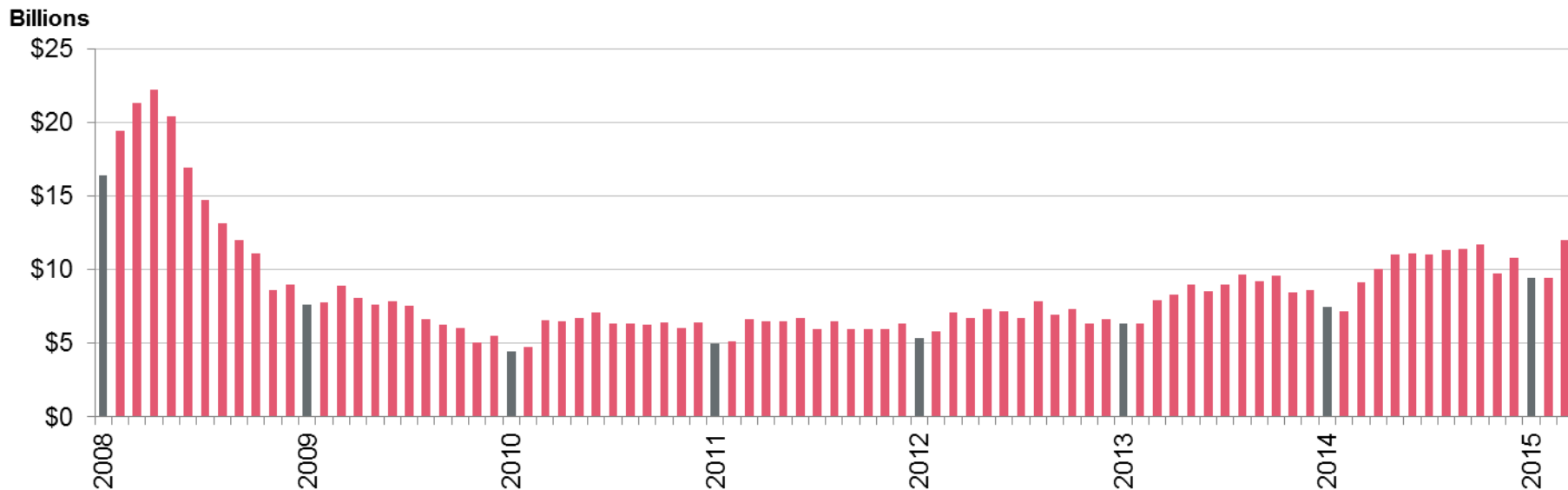
NUMBER OF HELOC ACCOUNTS ORIGINATED IN THOUSANDS						
YEAR	ANNUAL	%YOY	YTD	%YOY	CURRENT MO	%YOY
2008	1,827.34	---	561.5	---	208.5	---
2009	997.94	-45.4%	261.1	-53.5%	97.8	-53%
2010	885.41	-11.3%	186.7	-28.5%	76.6	-22%
2011	847.50	-4.3%	192.1	2.9%	75.2	-2%
2012	906.45	7.0%	199.6	3.9%	77.0	2%
2013	1,079.30	19.1%	216.9	8.6%	82.9	8%
2014	1,245.05	15.4%	235.9	8.8%	91.9	11%
2015	---	---	285.8	21.2%	110.6	20%

Source: Equifax Inc.

Originations through March 2015 reported as of May 2015

HELOC Originations: Total Credit Limits

Total Credit Limits in \$Billions; NSA



TOTAL HELOC CREDIT LIMITS ORIGINATED IN \$ BILLIONS						
YEAR	ANNUAL	%YOY	YTD	%YOY	CURRENT MO	%YOY
2008	\$185.3	---	\$57.09	---	\$21.30	---
2009	\$85.0	-54.1%	\$24.27	-57.5%	\$8.89	7.8%
2010	\$73.9	-13.1%	\$15.76	-35.0%	\$6.54	-20.1%
2011	\$73.2	-1.0%	\$16.78	6.5%	\$6.66	-20.4%
2012	\$81.5	11.4%	\$18.24	8.7%	\$7.07	15.8%
2013	\$101.0	24.0%	\$20.66	13.3%	\$7.94	24.7%
2014	\$122.2	21.0%	\$23.79	15.1%	\$9.12	23.6%
2015	---	---	\$30.95	30.1%	\$12.01	-17.7%

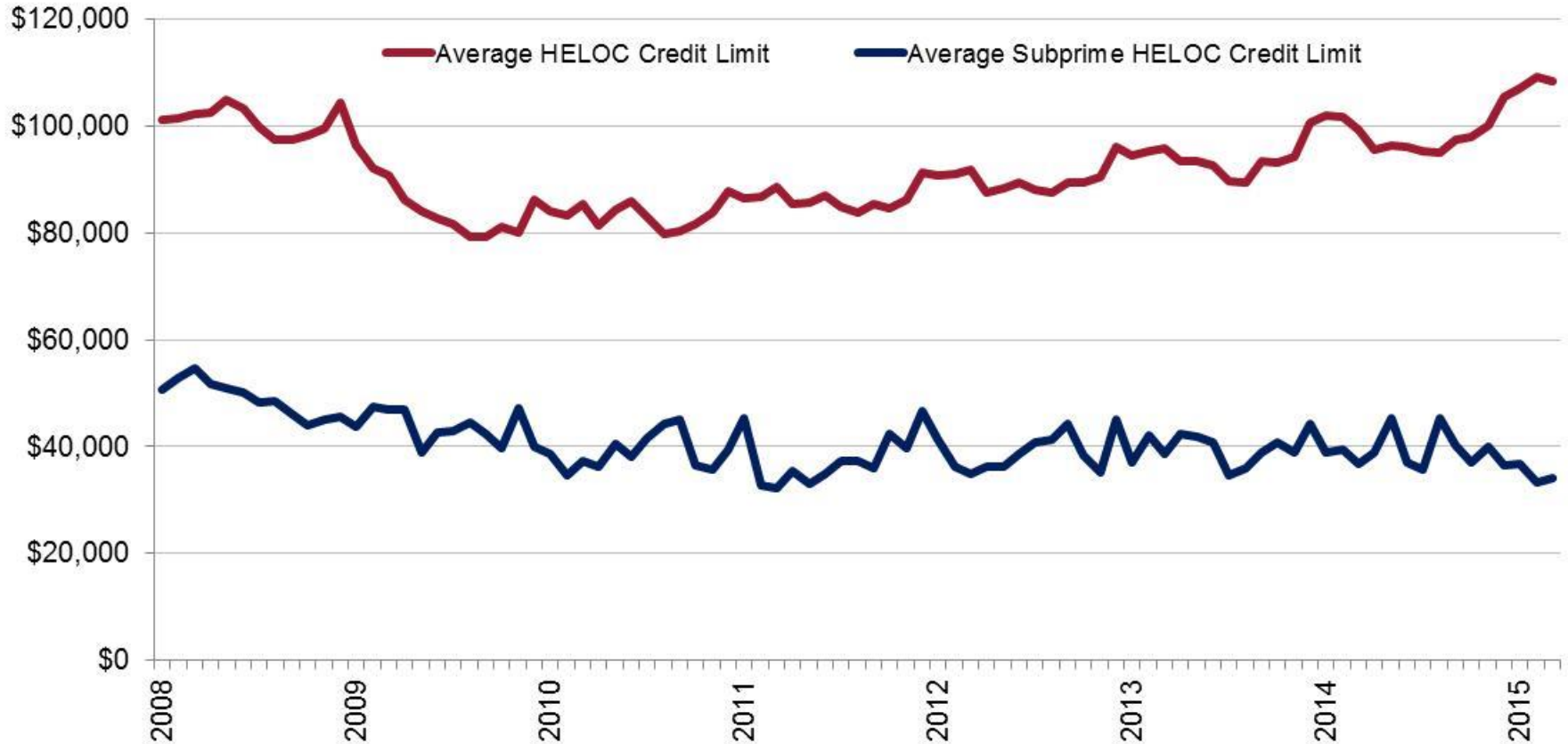
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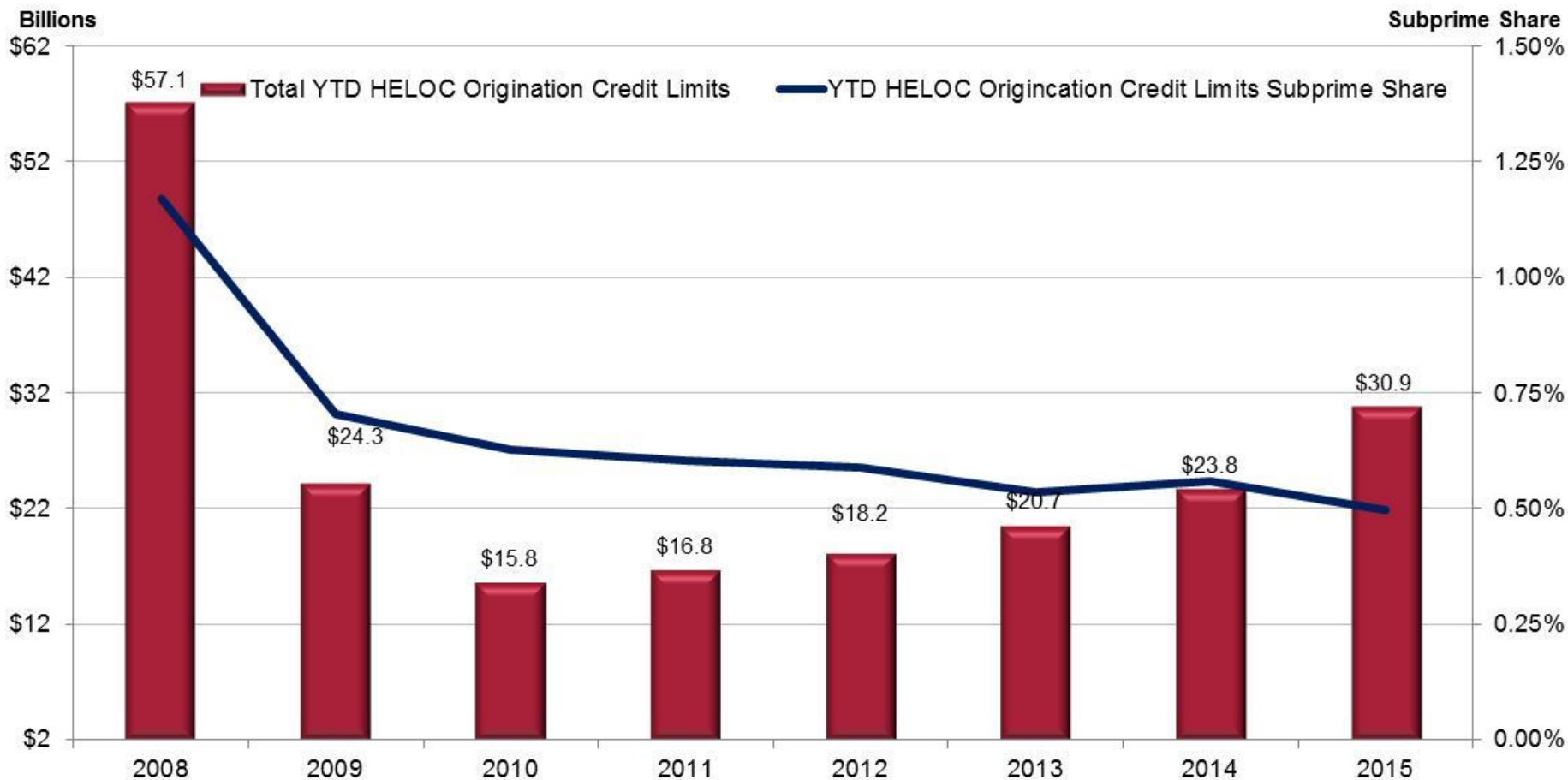


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Originations through March 2015 reported as of May 2015

YTD HELOC Origination Credit Limits

Year-to-Date Total Credit Limits in \$Billions; Subprime Share of Total Origination Credit Limits (%); NSA
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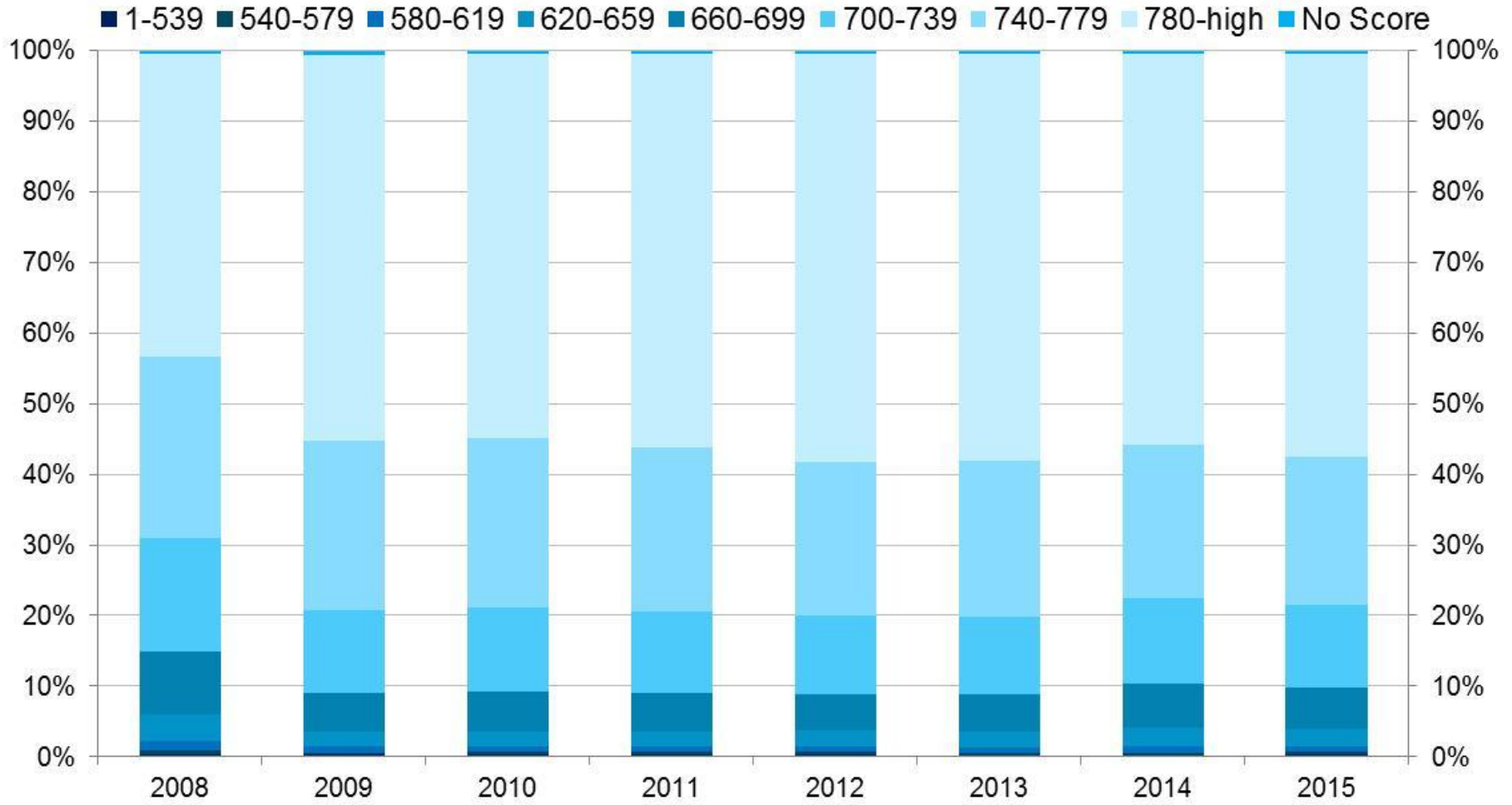


Source: Equifax Inc.

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HELOC Origination Risk

YTD Equifax Risk ScoreSM Distribution for HELOC Originations by Year (% of Accounts)



Source: Equifax Inc.

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HELOC Origination

Best Practices & Industry Trends

HELOCs Represent a Significant Opportunity For Loan Growth

Florida consumers are starting to see the equity in their homes return and grow. Equifax is helping credit unions identify prospective consumers and improve the origination process

Identifying Consumers

- Real-Time Prescreen for HELOCs during member interactions
- Membership Prescreen Campaigns bring together credit and property/LTV data to identify qualified candidates.

Origination Process

- Leading AVM Solutions
- Property Condition Reports
- Verified Income & Employment through the Work Number

First Mortgage Portfolio Trends



First Mortgage Portfolio Observations

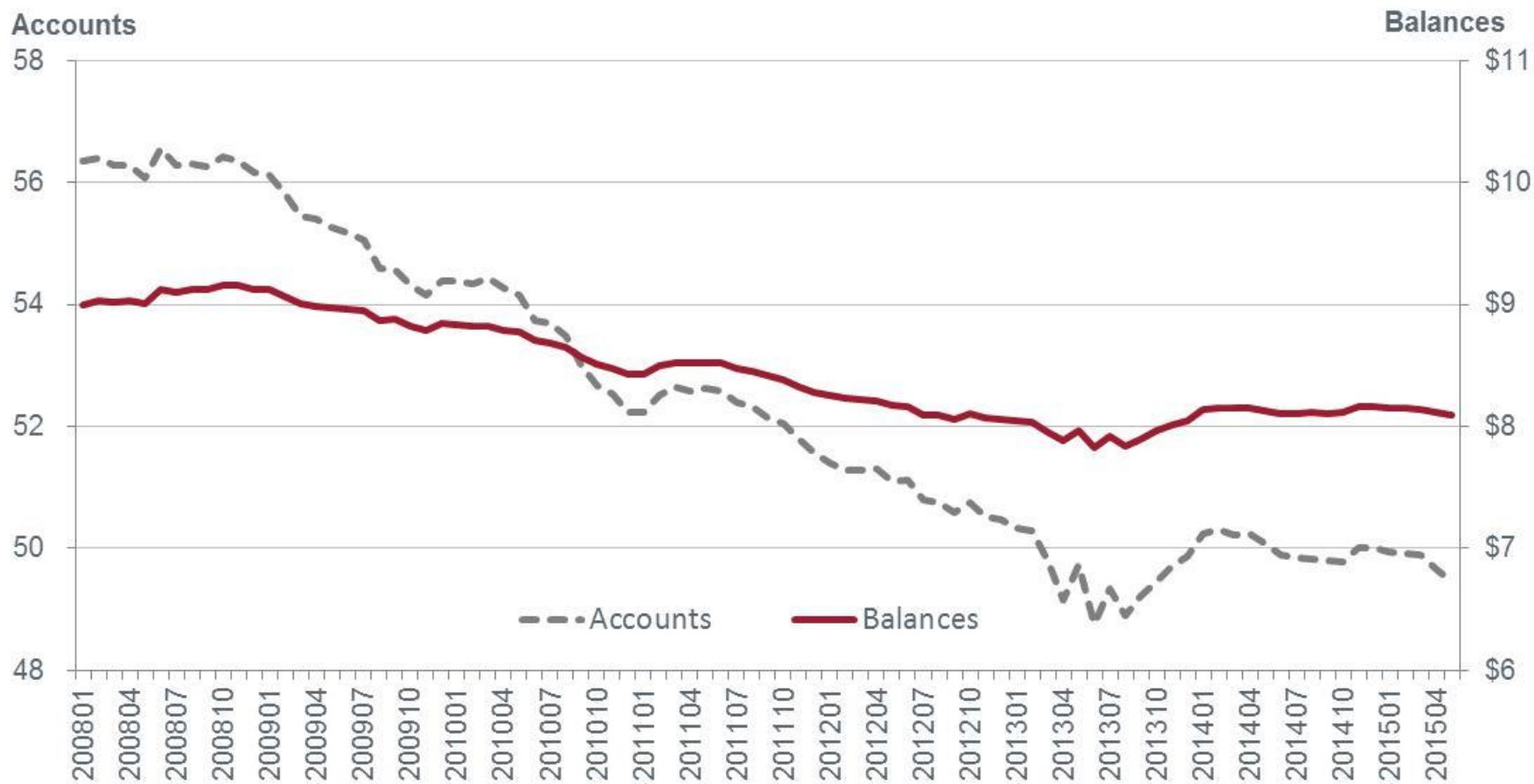
as of May 2015:

- › In January, there were 49.5 million outstanding first mortgage loans with total balances of \$8.09 trillion.
- › First mortgage balances outstanding peaked at \$9.16 trillion in October 2008, and fell to a low of \$7.82 trillion in June 2013. Balances have held relatively steady in the range of \$8.08 and \$8.16 trillion since the beginning of 2014.
- › The severe delinquency rate (share of balances 90+ DPD, in bankruptcy or foreclosure) is 2.10%. This is down 87 bps from a year ago when it stood at 2.97%. Severe delinquencies are now at their lowest level since September 2007 as a share of both outstanding loans and balances.
- › First mortgage write-offs, defined as loans terminated in severe derogatory status, are at 5.1 bps of outstanding balances. This is down 27.8% compared to a year ago when the write-off rate was 7.0 Bps.

Outstanding Loans by Month

of Accounts in Millions; NSA

\$ Balances in Billions; NSA

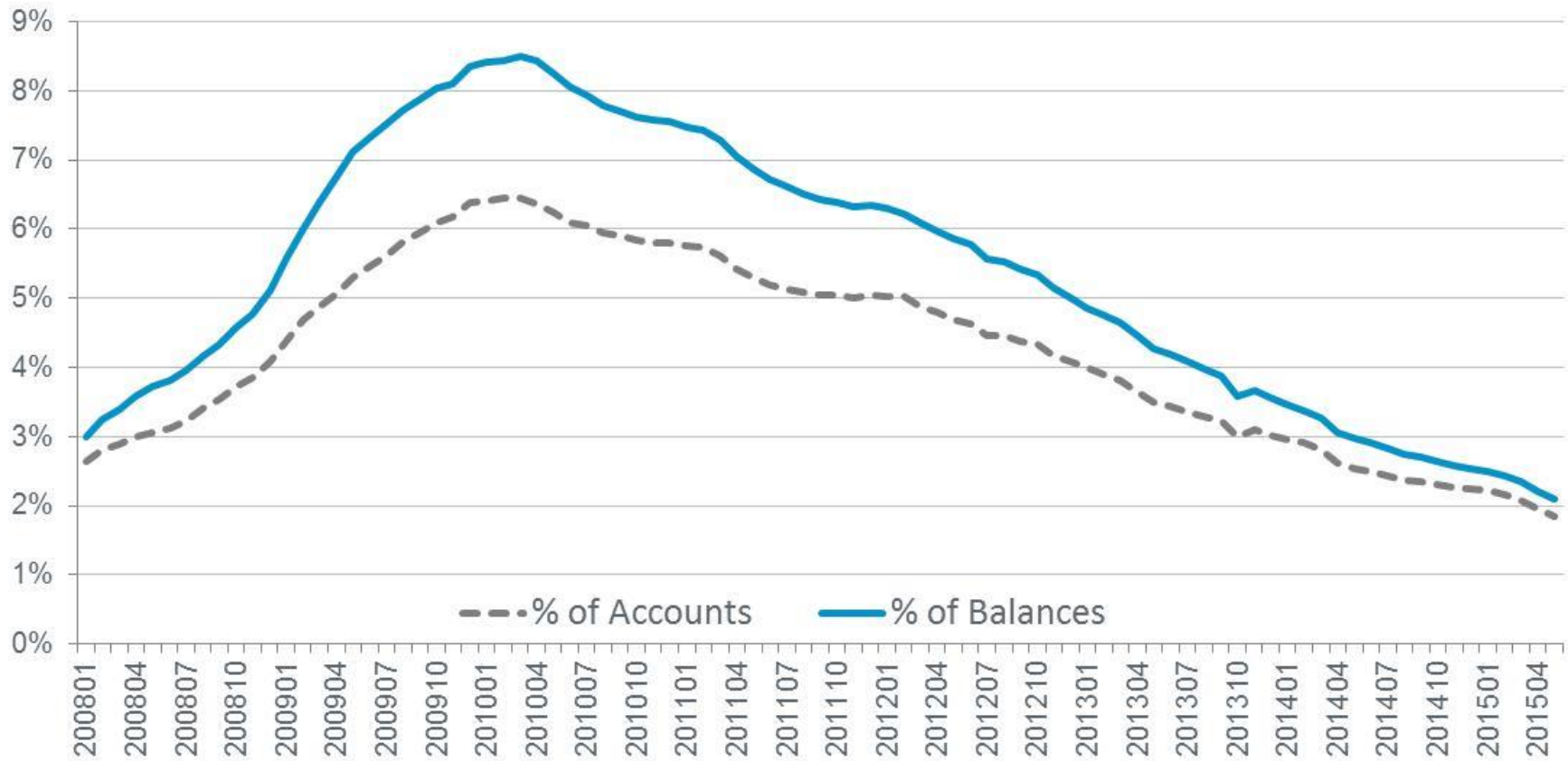


Source: Equifax Inc.

Data as of May 2015

Severe Delinquency Rate

90+ Days Past Due, in Bankruptcy and In Foreclosure
 Percent of Accounts and Balances; NSA
 Excludes Severe Derogatory



Source: Equifax Inc.

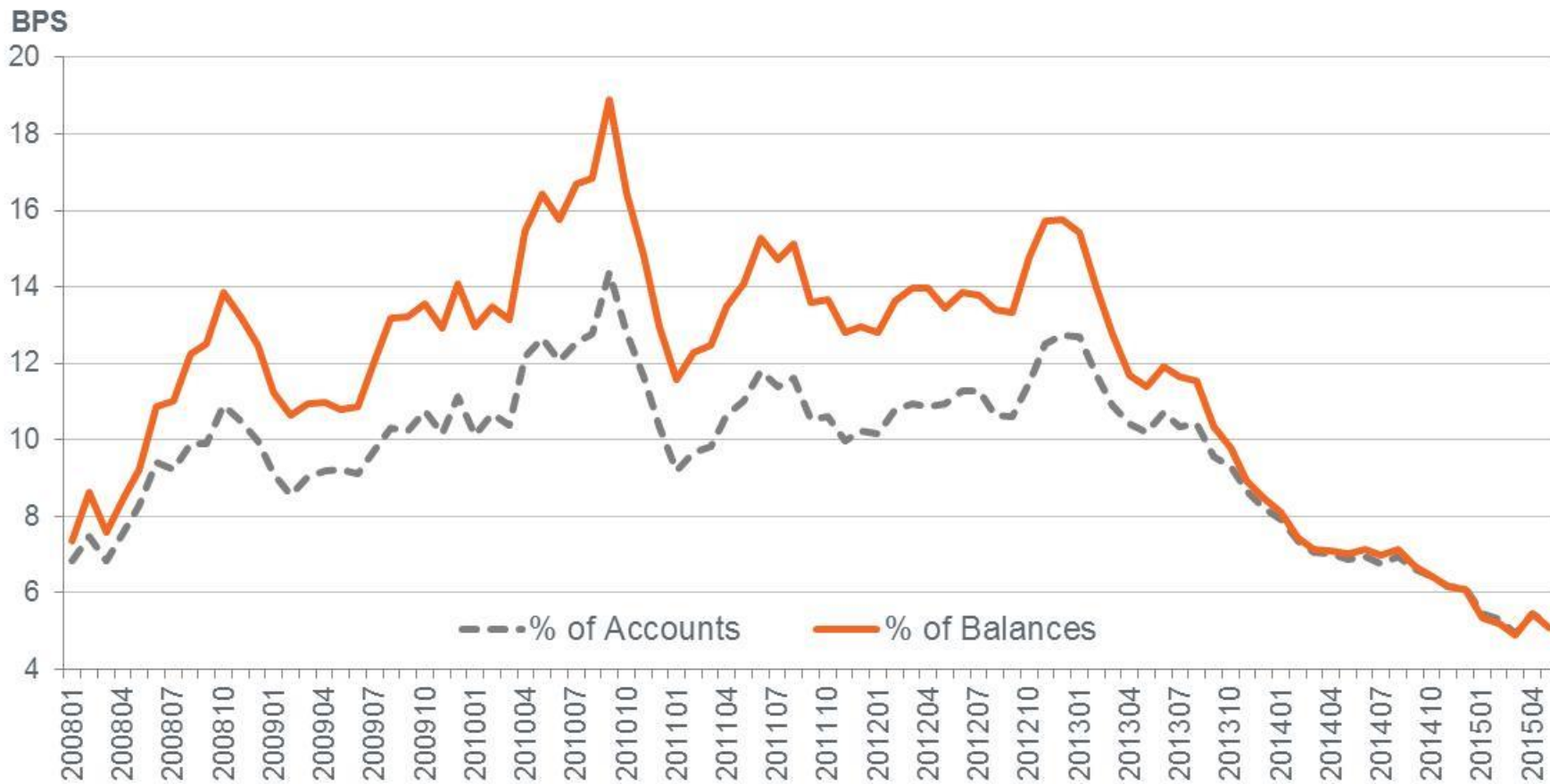
Data as of May 2015

Write-Off Rates

Accounts terminated in Severe Derogatory status

Share of Accounts and Balances in Basis Points; 3-Month Moving Average, NSA, Not Annualized

Excludes Bankruptcy



Source: Equifax Inc.

Data as of May 2015

HELOC Portfolio Trends



Home Equity Lines of Credit Observations

as of May 2015:

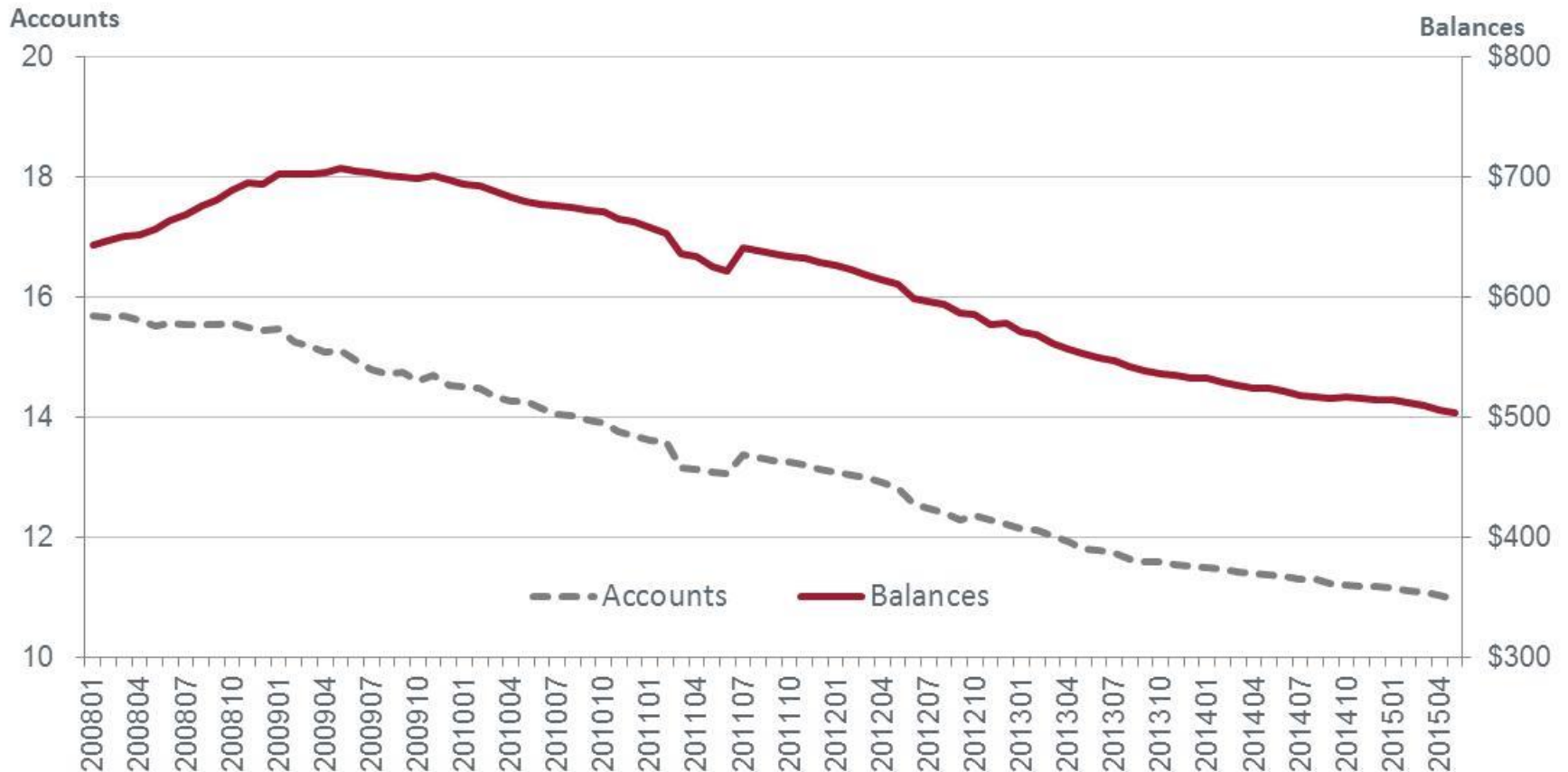
- › Outstanding HELOC balances are \$503.9 billion. That is a decrease of 3.8% from balances a year ago and a 28.8% decline from the May 2009 peak.
- › Outstanding HELOC accounts have similarly fallen over the past year, from 11.4 million HELOCs in May 2014 to 11.0 million in May 2015.
- › Utilization rates continue to trend down, sitting at 50.9% in May 2015, the lowest level since December 2008.
- › The severe delinquency rate (share of balances 90+ DPD, in bankruptcy or foreclosure) is 1.41% which is a decrease from the same month last year of 23 bps.
- › Total aggregate HELOC credit limits have changed little since July 2014, settling in at around \$1 trillion.

Source: Equifax Inc.

Outstanding Loans by Month

of Accounts in Millions; NSA

\$ Balances in Billions; NSA



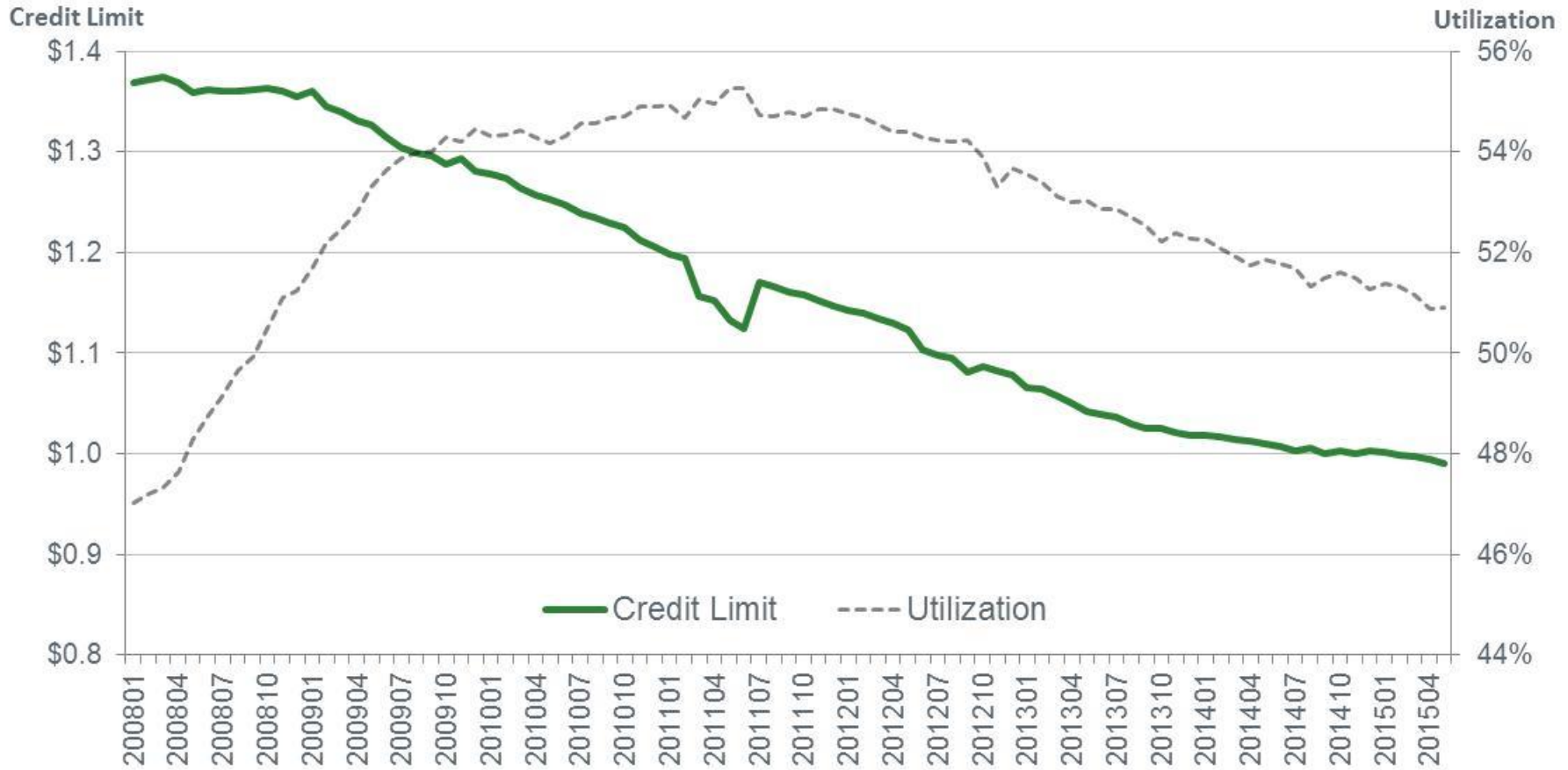
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Utilization and Credit Limit by Month

Utilization Rate in %; NSA

Credit Limit in \$Trillions; NSA

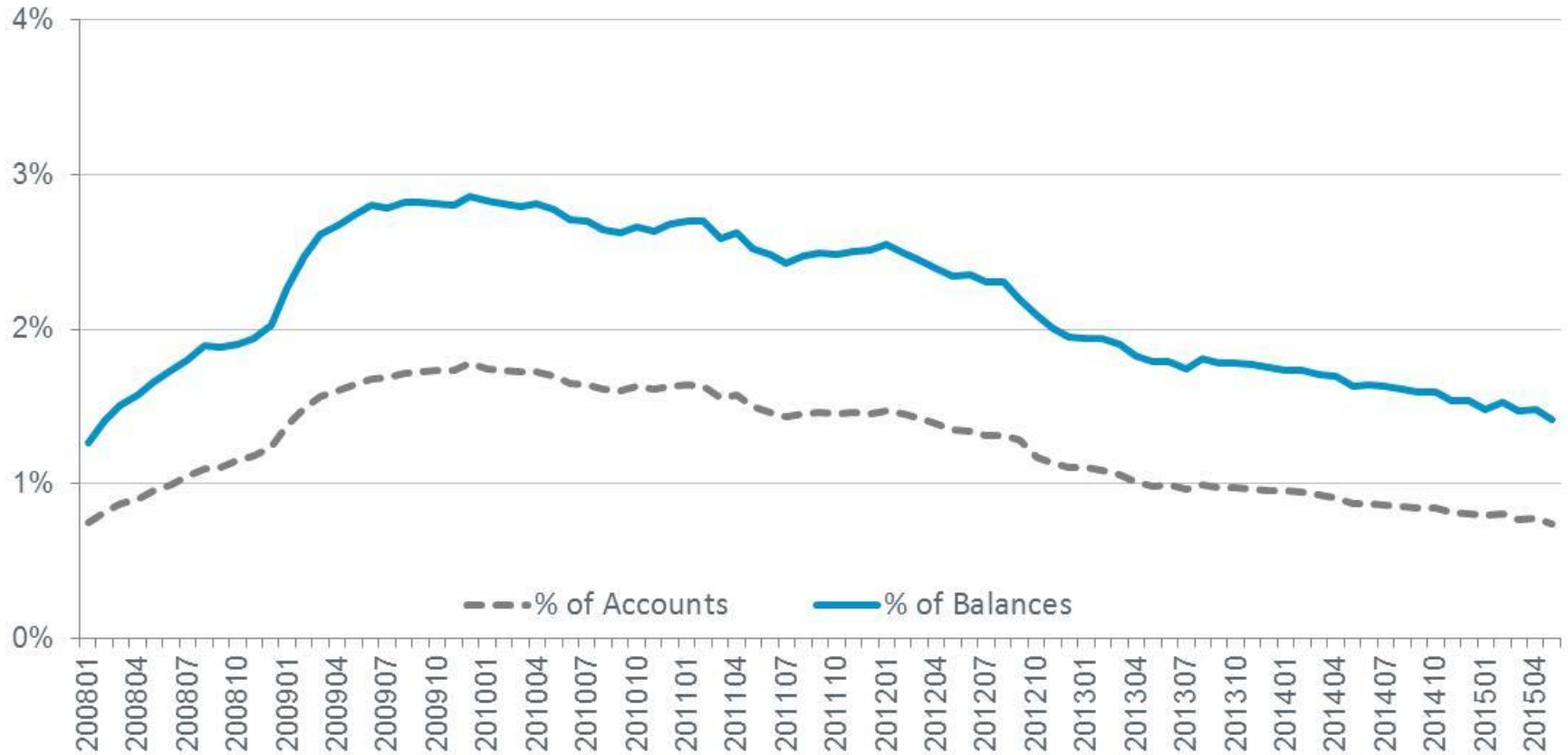


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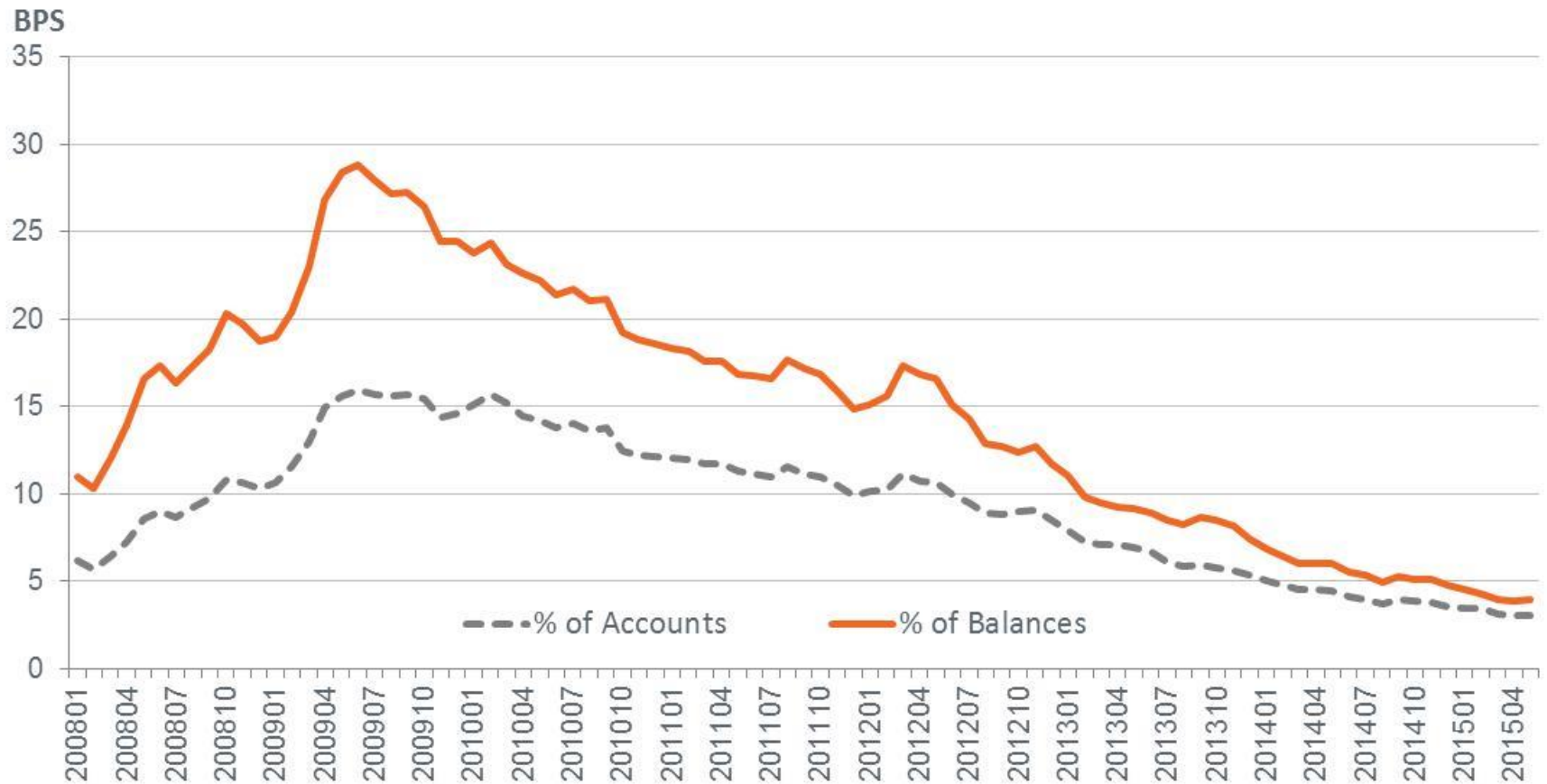
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HELOC Portfolio Management

Best Practices & Industry Trends

HELOC Draw Periods Are Starting To End

- › Equifax is helping Credit Unions determine how to handle HELOCs that are transitioning out of the draw period:
 - What is value of the property?
 - What is the current lien status?
 - Would the member qualify for a new HELOC or Refinance?

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