

Credit Conditions Through the Eyes of Consumers

Overview

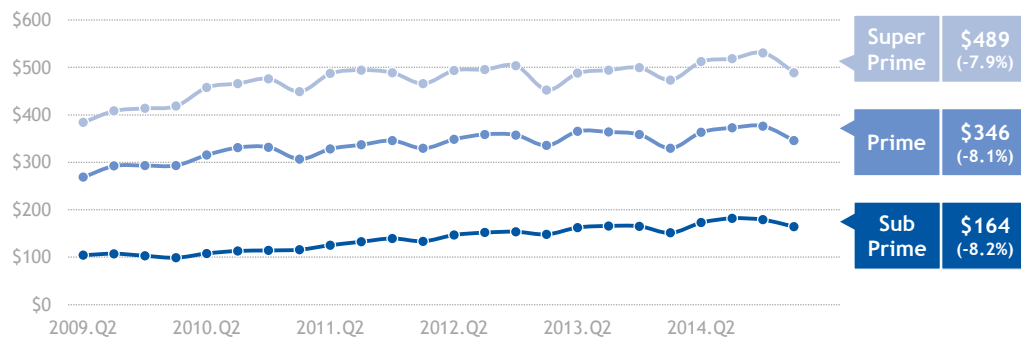


The credit card market had a mixed performance in Q1 2015. Consumers remain well-positioned to pay off credit card debt, but spent less money using their cards – likely due to a combination of seasonal spending patterns and a temporary economic slowdown during the first quarter.

- 1) Monthly purchase volume declined by roughly 8 percent for all risk types. This decrease is similar to Q1 trends in recent years, and on a year-on-year basis, purchase volumes are up 8.5 percent (sub-prime), 4.9 percent (prime), and 3.3 percent (super-prime).
- 2) Credit card credit outstanding as a share of disposable income ticked up, but remains near its all-time low – suggesting that consumers continued to use credit cards to borrow within their means in Q1.

Monthly Purchase Volume, by Risk Type

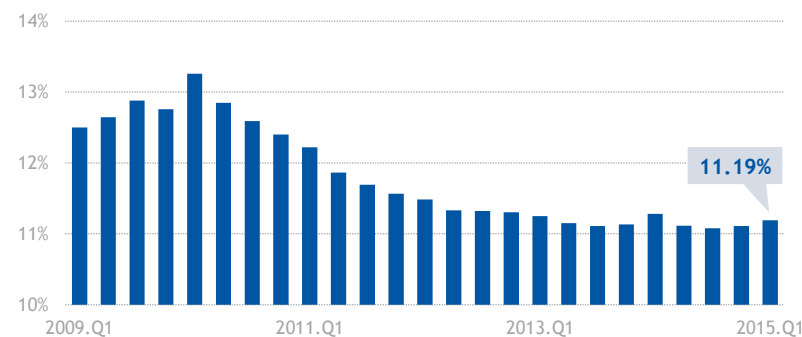
Monthly purchase volumes fell for all three risk categories in Q1 2015, following steady increases during the three previous quarters. Similar Q1 drop-offs have occurred in each of the previous four years.



Source: Argus Information & Advisory Services LLC.

Effective Finance Charge Yield

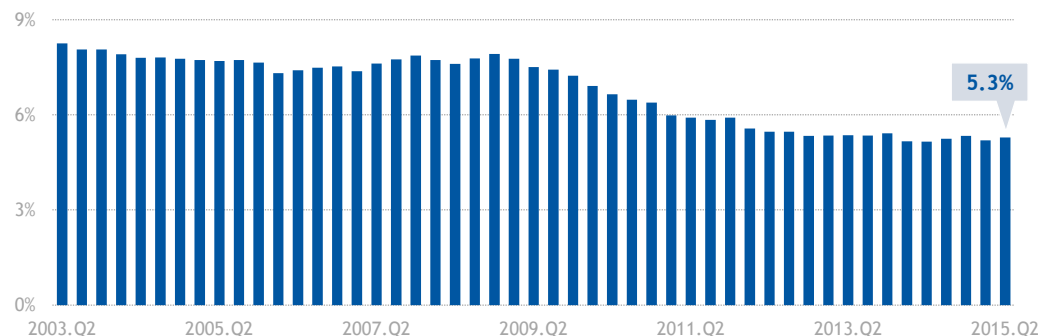
The effective finance charge yield for all accounts increased marginally (8 basis points) in Q1 2015, but remains below levels from one year ago.



Source: Argus Information & Advisory Services LLC.

Credit Card Credit Outstanding as a Share of Disposable Income

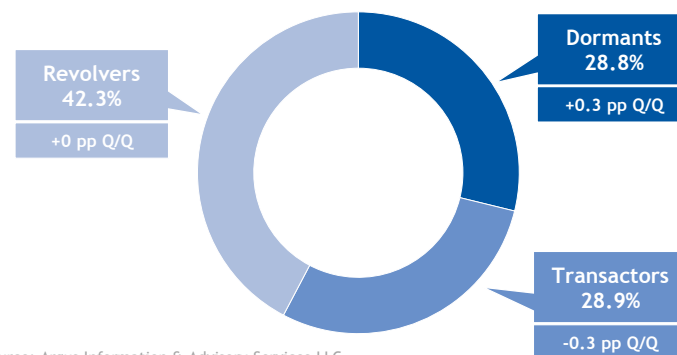
As a share of disposable income, credit card credit outstanding ticked up to 5.3 percent in Q2 2015. However, it remains near historic lows.



Source: Federal Reserve Bank of New York, Bureau of Economic Analysis.

Distribution of Accounts by Behavior Type

The distribution of accounts was relatively unchanged from last quarter for all three behavior types.



Source: Argus Information & Advisory Services LLC.

Broader Credit Market Conditions

Overview



Lender and borrower confidence is gradually increasing, in part due to an improving economy (which reduces risk for both lenders and borrowers).

- 1) The number of new accounts increased to 73 million (up 14 percent from a year ago), with increases occurring across risk categories. Combined with declining credit lines for new sub-prime accounts (down 0.9 percent in Q1), card issuers appear to be increasingly willing to extend credit to borrowers with lower credit scores and limited credit history, but in smaller amounts.
- 2) Among all accounts, credit lines fell across the board while the total number of open accounts (314 million) reached levels last seen in 2008.

Average Credit Line (New Accounts*)

In Q1 2015, average credit lines increased 0.5 percent to a five-year high for new super-prime accounts, but decreased for new sub-prime accounts and were mostly flat for prime accounts.

Super Prime

\$8,910

Q/Q Change

▲ 0.5%

Prime

\$4,926

▲ 0.1%

Sub Prime

\$2,332

▼ 0.9%

Source: Argus Information & Advisory Services LLC.

Average Credit Line (All Accounts)

In Q1 2015, average credit lines fell across all risk groups, following line increases in prime and super-prime accounts last quarter.

Super Prime

\$11,006

Q/Q Change

▼ 0.8%

Prime

\$7,076

▼ 1.1%

Sub Prime

\$3,536

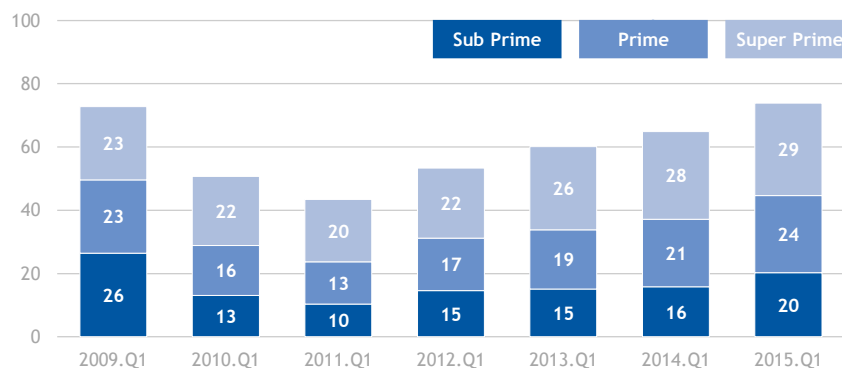
▼ 2.1%

Source: Argus Information & Advisory Services LLC.

*New Accounts include accounts vintage less than 24 months.

Number of New Accounts* (Millions)

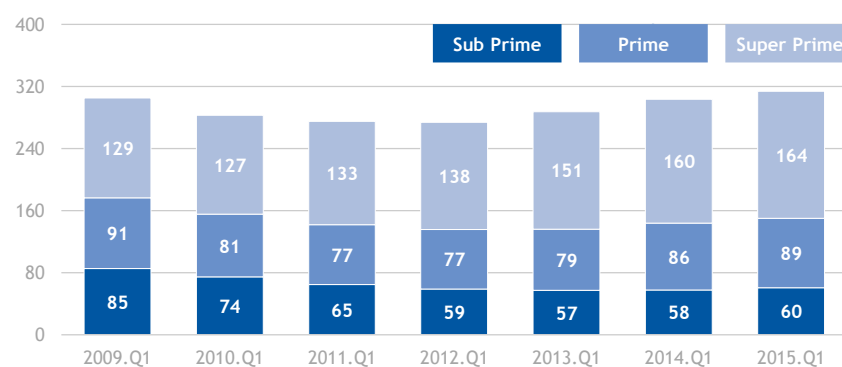
In Q1 2015, new account volume was up 14 percent from a year prior, driven by a 28 percent jump in new sub-prime accounts.



Source: Argus Information & Advisory Services LLC.

Number of All Accounts (Millions)

In Q1 2015, the number of open credit card accounts increased 3.3 percent from a year prior, with gains across all risk groups.



Source: Argus Information & Advisory Services LLC.

Frequently Asked Questions: ABA Credit Card Industry Monitor

Q: What is the Credit Car Market Monitor?

The [American Bankers Association](#) (“ABA”) Credit Card Market Monitor (“Monitor”) provides key statistics on industry trends and relevant economic factors affecting the industry. The purpose of the report is for ABA to provide a clear, concise, and fact-driven assessment of credit card market conditions and to place current trends in both a historical and macroeconomic context. Additionally, the Monitor will occasionally be accompanied by a supplemental “Special Report” on a specific key issue in the credit card industry.

Q: How often and when is it released?

The Monitor is published quarterly, with the first report released in September 2013.

Q: Who publishes the report?

The report is published by the American Bankers Association. Data is provided by [Argus Information and Advisory Services](#), which serves as the leading provider of information services for U.S. financial institutions. Analytical support is provided by [Keybridge LLC](#), a boutique economic and public policy consulting firm with a diverse clientele of companies, associations, and other institutions that operate at the intersection of economics and public policy.

Q: Where do the data come from?

The data used in the report originate from proprietary industry databases and publicly available government sources. Specifically, the credit card data are taken from a nationally representative sample provided by Argus. Credit card data are presented as national averages for all accounts based on actual credit card account information. No individual account holder’s information or specific financial institution’s data can be identified from the data set. Other data used in the report are taken from various public and private sources, including the Department of Commerce’s Bureau of Economic Analysis and the Federal Reserve.

Q: How current are the data?

In all cases, the Monitor uses the latest available quarterly data, which are typically published several months after the end of each quarter. As a result, there is a time lag between the period of the latest available data and the Monitor’s publication date. Among the figures used in the Monitor, publicly available data (e.g., Federal Reserve data) lag by 1 quarter, while Argus data lag by 2 quarters.

Q: What are the data elements included in the Monitor, and how are they defined?

Page 1 of the Monitor shows credit conditions through the eyes of consumers, while Page 2 depicts broader credit market conditions. Each page consists of four charts and includes an overview section followed by brief textual descriptions that accompany each chart. In some

cases, charts are broken down by risk category (sub-prime, prime, and super-prime). These risk categories are defined by Argus according to the following risk scores: (1) sub-prime <680, (2) prime 680-759, and (3) super-prime >759.

Page 1 Charts

- *Monthly Purchase Volume, by Risk Type*: The average amount of purchases paid for with credit cards per cardholder per month, for each risk category.
- *Credit Card Debt Outstanding as a Share of Disposable Income*: Credit Card Debt-to-Income is a commonly used ratio to indicate cardholders' ability to repay their credit card balances. Outstanding Credit Card Debt measures the aggregate amount of outstanding credit card loans held by U.S. households as reported by the Federal Reserve. Disposable Income is the aggregate amount of money available to individuals after saving and income taxes as reported by the Federal Reserve.
- *Effective Finance Charge Yield*: This credit card rate, sourced from Argus, represents the average effective finance charge yield on all accounts. The effective finance charge yield is the annualized interest income generated by a portfolio expressed as a percentage of a portfolio's assets.
- *Distribution of Accounts by Behavior Type*: The share of credit card accounts by three behavior categories: (1) "Transactors," or accounts that have purchases, fees, and/or a balance during the quarter but have no finance charges (net of reversals) in any month of a quarter; (2) "Revolvers," or accounts for which some percentage of the monthly balance is rolled over to the next month at least once during a quarter; and (3) "Dormants," or accounts that show no activity over the course of the quarter.

Page 2 Charts

- *Average Credit Line (New Accounts)*: The average line of credit on accounts opened in the last 24 months, by risk category.
- *Average Credit Line (All Accounts)*: The average line of credit on open accounts, by risk category.
- *Number of New Accounts*: The number of accounts opened within the past 24 months of a given quarter, by risk category.
- *Number of All Accounts*: The total number of open accounts in a given quarter, by risk category.

Q: Where can I find past editions of the report, and who is the point of contact?

Past editions of the Monitor are available at ABA's website (www.aba.com). For inquiries related to the Monitor, please contact Jeff Sigmund, ABA VP for Public Relations, at 202-663-5439.

LAST UPDATED March 25, 2015