CREDIT CARD MARKET MONITOR

April 2017

Credit Conditions Through the Eyes of Consumers

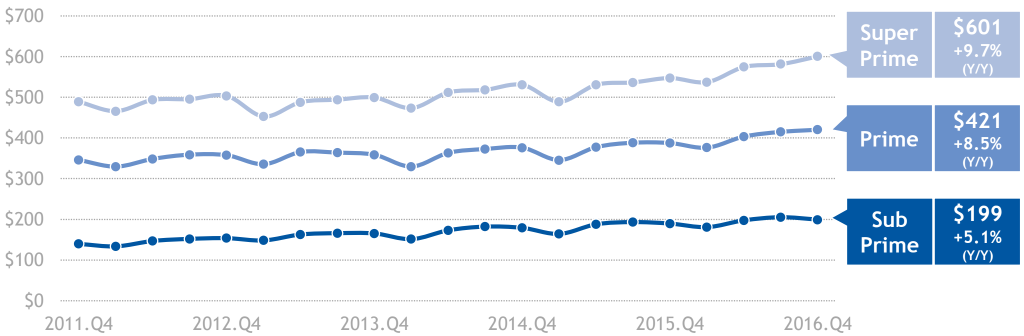
Overview

A solidifying labor market and healthy wage gains led to steady growth in the credit card market in Q4 2016.

1) Monthly purchase volumes rose for prime and super-prime accountholders by 8.5 percent and 9.7 percent relative to year-ago levels.
2) The effective finance charge yield (a measure of interest payments relative to overall card usage) rose to 11.5 percent, but remains well below recession-era levels (e.g., 13.3 percent in Q1 2010). The increase is consistent with rising federal interest rates and an uptick in revolvers.
3) As a share of disposable income, credit card credit outstanding increased 17 basis points to a 4.5 year high, but remains well below pre-recession-levels and is broadly in line with readings since 2011. It continues to suggest that consumers are able to meet credit card obligations.

Monthly Purchase Volume, by Risk Type

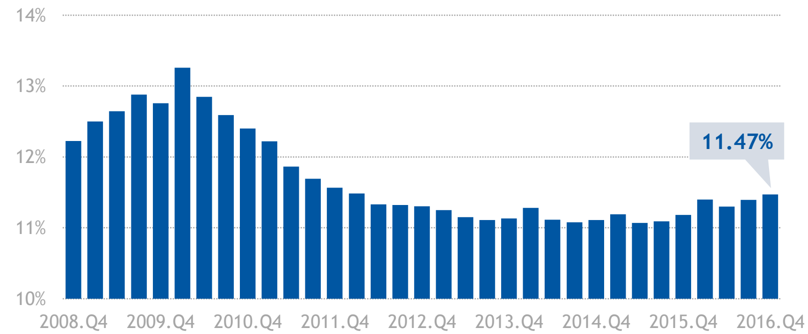
Monthly purchase volumes in Q4 rose for prime and super-prime accounts, but fell for subprime accounts relative to Q3. On an annual basis, purchase volumes are up 5-10 percent across risk tiers.



Source: Argus Information & Advisory Services LLC.

Effective Finance Charge Yield

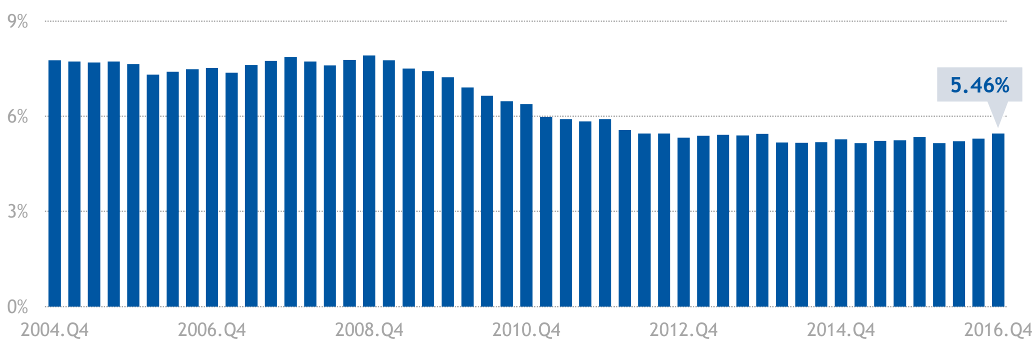
The effective finance charge yield increased 8 basis points in Q4 2016, due in part to rising interest rates and an increase in revolving accounts.



Source: Argus Information & Advisory Services LLC.

Credit Card Credit Outstanding as a Share of Disposable Income

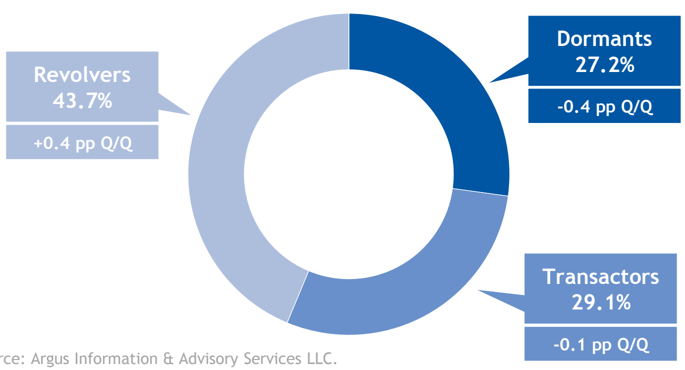
As a share of disposable income, credit card credit outstanding increased 17 basis points and is now slightly above its year-ago level. However, it remains well in line with post-recession lows.



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

Distribution of Accounts by Behavior Type

Revolvers rose 0.4 percentage point to 43.7 percent in Q4, while Dormant accounts and Transactors fell by 0.4 and 0.1 percentage points.



Source: Argus Information & Advisory Services LLC.

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April 2017

Broader Credit Market Conditions

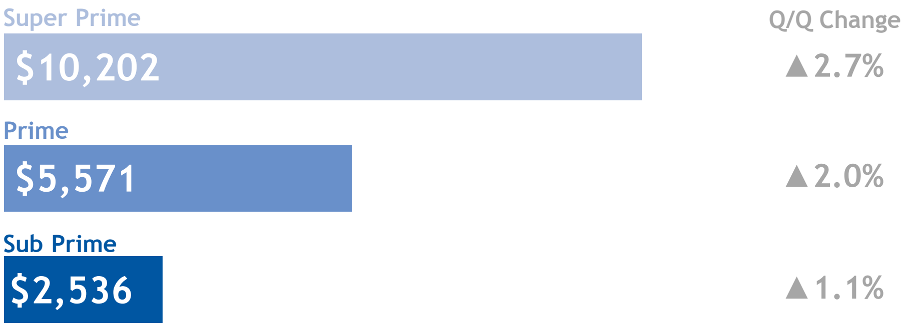
Overview

Credit lines and account volumes rose steadily in the fourth quarter, with gains occurring across all three risk tiers.

1) The number of new accounts rose to 88.1 million in Q4, driven by a 16 percent year-over-year increase in subprime accounts. Subprime accounts currently comprise nearly 21 percent of total open accounts – equivalent to 2012 levels and up from a low of 18 percent in Q4 2013.
2) Average credit lines increased across risk tiers. Among new accounts, super-prime cardholders saw the largest increase in extended credit relative to Q3 (+2.7 percent). Among all accounts, subprime cardholders experienced the largest quarterly gain (+1.0 percent).

Average Credit Line (New Accounts*)

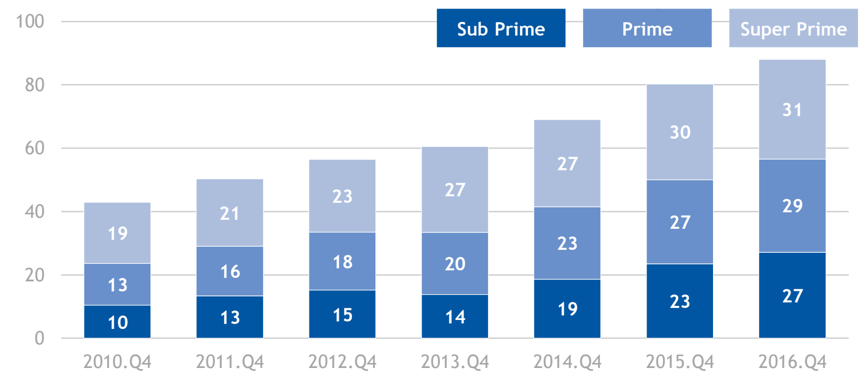
In Q4 2016, average credit lines for accounts opened in the previous 24 months continued to rise across all three risk tiers.



Source: Argus Information & Advisory Services LLC.

Number of New Accounts* (Millions)

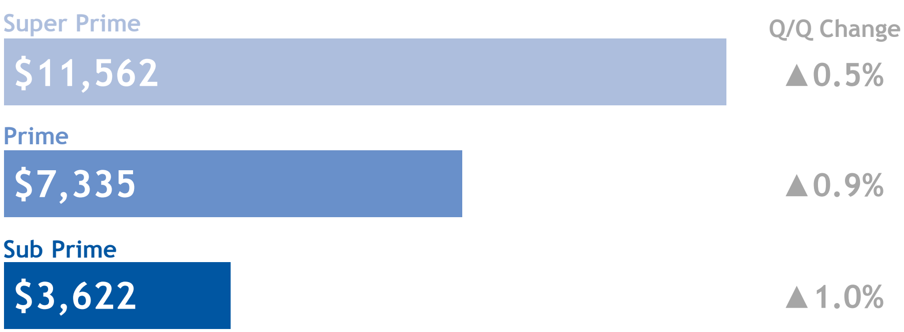
The volume of new accounts rose 9.7 percent year-over-year in Q4 2016. As in Q3, subprime account openings grew the fastest on both a quarterly and annual basis.



Source: Argus Information & Advisory Services LLC.

Average Credit Line (All Accounts)

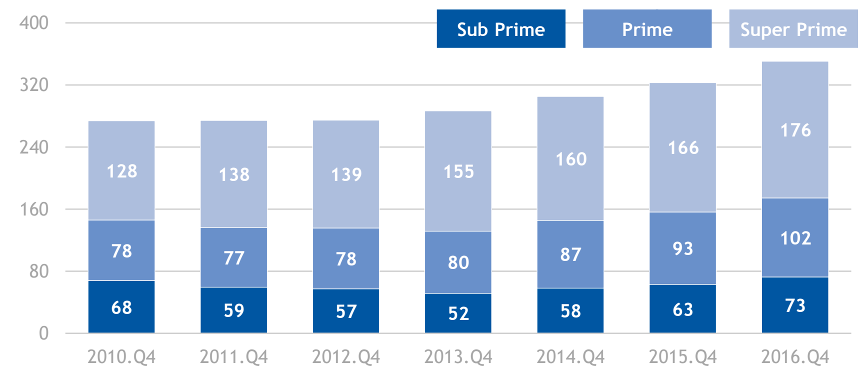
On a quarterly basis, average credit lines for all accounts rose moderately in Q4, led by increases in the subprime (+1.0 percent) and prime (+0.9 percent) risk tiers.



Source: Argus Information & Advisory Services LLC.

Number of All Accounts (Millions)

The total number of open accounts increased 8.5 percent from a year ago to 350 million accounts, driven by subprime (+15 percent) and prime accounts (+9 percent).



Source: Argus Information & Advisory Services LLC.

*New Accounts include accounts vintage less than 24 months.

Frequently Asked Questions: ABA Credit Card Industry Monitor

Q: What is the Credit Card 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 weeks 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, data typically lag by 1–2 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.

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