CREDIT CARD MARKET MONITOR

July 2017

American Bankers Association

Credit Conditions Through the Eyes of Consumers

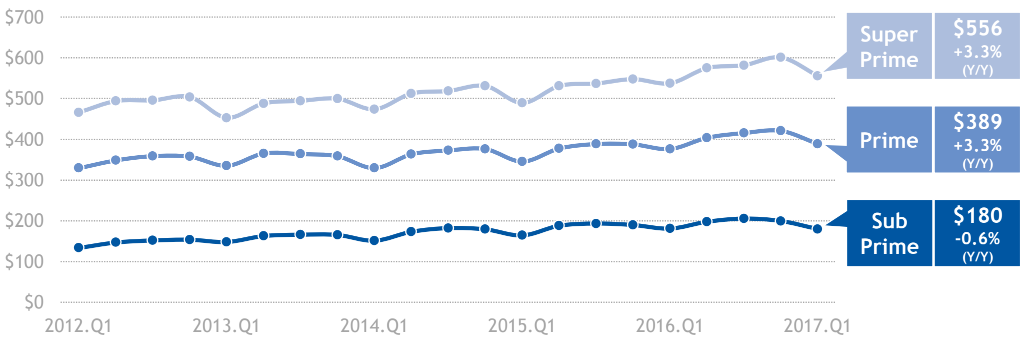
Overview

The credit card market continued to expand in the first quarter of 2017, despite disappointing GDP growth and sluggish consumer spending.

1) First quarter purchase volumes fell relative to Q4 as they normally do, but the decline was more pronounced this year than in 2016 — consistent with weaker Q1 consumption. On an annual basis, monthly purchase volumes rose 3.3 percent for prime and super-prime accounts.
2) The effective finance charge yield (a measure of interest payments relative to overall card usage) increased to 11.8 percent, in line with the Fed's decision to raise rates 25 basis points in December 2016. However, this metric still remains well below recession-era levels.
3) As a share of disposable income, credit card credit outstanding fell 13 basis points, which is consistent with typical seasonal movements.

Monthly Purchase Volume, by Risk Type

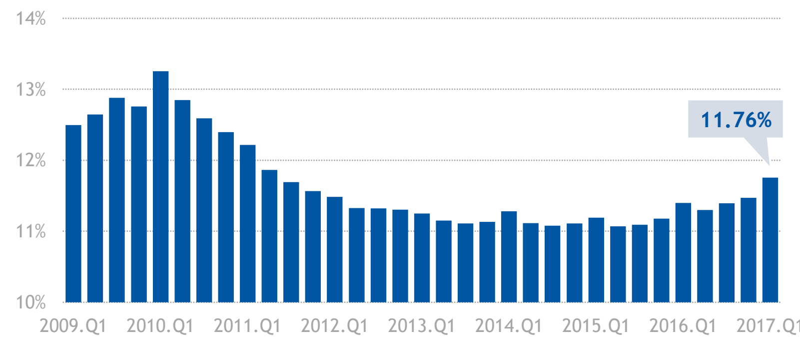
Compared to the prior quarter, monthly purchase volumes fell across risk tiers (consistent with seasonal trends). On an annual basis, purchase volumes increased 3.3 percent for prime and super-prime accounts, but fell slightly for subprime accounts.



Source: Argus Information & Advisory Services LLC.

Effective Finance Charge Yield

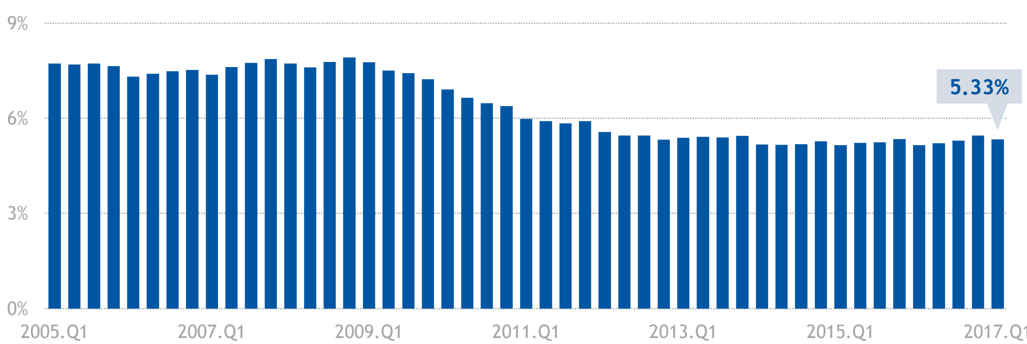
The effective finance charge yield jumped 28 basis points in Q1 2017, consistent with rising Federal Reserve interest rates. The effective finance charge yield may further increase if Fed monetary policy continues to tighten.



Source: Argus Information & Advisory Services LLC.

Credit Card Credit Outstanding as a Share of Disposable Income

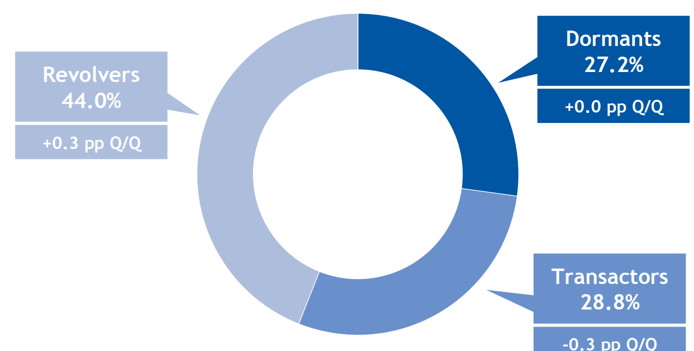
As a share of disposable income, credit card credit outstanding declined 13 basis points to 5.33 percent in Q1 2017, consistent with normal seasonal movement. It remains in line with post-recession lows.



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

Distribution of Accounts by Behavior Type

Revolvers edged up 0.3 percentage point to 44.0 percent in Q1, while Transactors declined by the same amount. Dormant accounts held steady.



Source: Argus Information & Advisory Services LLC.

CREDIT CARD MARKET MONITOR

July 2017

Broader Credit Market Conditions

Overview

Average credit lines growth cooled in Q1, while the number of accounts rose steadily across risk tiers.

1) Average credit lines for all accounts dipped relative to Q4 2016, but are above year-ago levels. Among new accounts, average credit lines rose 1.0 – 1.5 percent across risk tiers and are also up on a year-over-year basis.
2) The number of new credit card accounts climbed to 91 million in Q1, up 8.8 percent over the last year. New subprime accounts rose 11 percent year-over-year, down from 19 percent and 16 percent growth in Q3 and Q4.

Average Credit Line (New Accounts*)

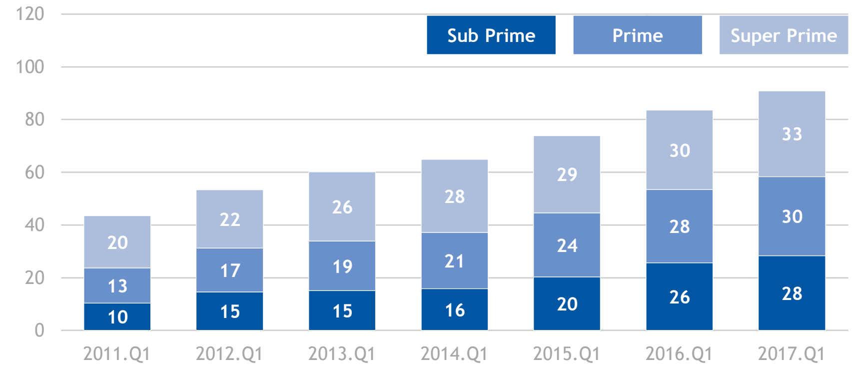
Average credit lines for accounts opened in the previous 24 months continued to rise across risk tiers These increases were not enough to offset the decline in average credit lines for all accounts, however (see below).

		Q/Q Change
Super Prime	$10,299	▲1.0%
Prime	$5,635	▲1.1%
Sub Prime	$2,574	▲1.5%

Source: Argus Information & Advisory Services LLC.

Number of New Accounts* (Millions)

The volume of new accounts rose 8.8 percent year-over-year in Q1 2017. Subprime account openings have mostly recovered since the recession, driven by employment and wage gains that have improved the creditworthiness of subprime borrowers.



Source: Argus Information & Advisory Services LLC.

Average Credit Line (All Accounts)

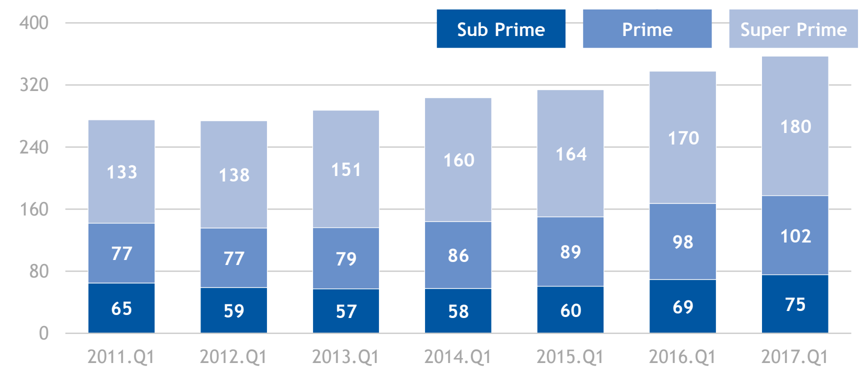
On a quarterly basis, average credit lines for all accounts dipped in Q1. Super-prime accountholders experienced the largest decline in extended credit (-1.1 percent).

		Q/Q Change
Super Prime	$11,434	▼1.1%
Prime	$7,321	▼0.2%
Sub Prime	$3,615	▼0.2%

Source: Argus Information & Advisory Services LLC.

Number of All Accounts (Millions)

The total number of open credit card accounts increased 5.7 percent year-over-year, reaching a new post-recession high of 357 million accounts.



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.

LAST UPDATED July 24, 2017