CREDIT CARD MARKET MONITOR

January 2018

Credit Conditions Through the Eyes of Consumers

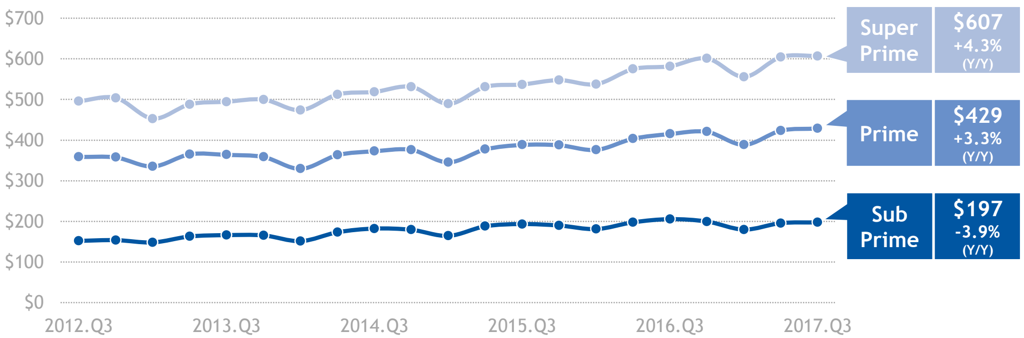
Overview

The credit card market expanded in Q3, spurred by steady consumer spending and solid job gains despite destruction from hurricanes in September.

1) Third quarter purchase volumes edged up across risk tiers in Q3. On a year-over-year basis, purchase volumes for prime and super-prime accounts rose moderately, while subprime accounts fell 3.9 percent — the third consecutive quarter of year-over-year decline.
2) The effective finance charge yield (a measure of interest payments relative to overall card usage) increased 26 basis points to 12.14 percent, echoing upticks in the federal funds rate with a slight lag. This metric remains below early post-recession levels.
3) Credit card credit outstanding as a share of disposable income rose 14 basis points in Q3, but remains low by historical standards.

Monthly Purchase Volume by Risk Type

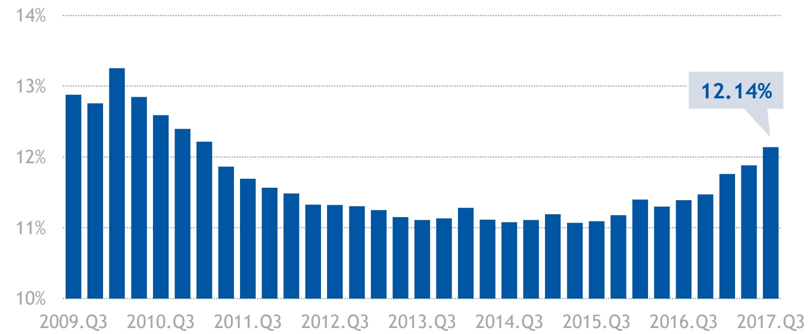
Monthly purchase volumes rose marginally in Q3 after strong growth in the previous quarter. On an annual basis, purchase volumes rose for prime and super-prime accounts, but fell for subprime accounts.



Source: Argus Information & Advisory Services LLC.

Effective Finance Charge Yield

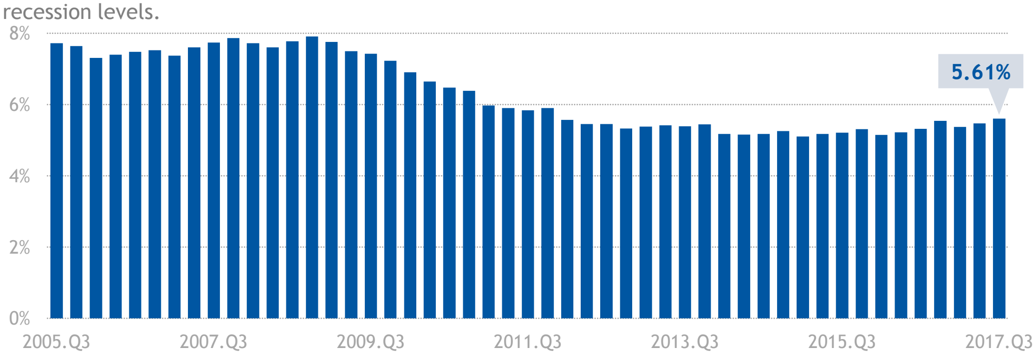
The effective finance charge yield rose 26 basis points in Q3 2017, echoing increases in federal interest rates, but at a slight lag. Additional interest rate hikes in 2018 may push the effective finance charge yield higher.



Source: Argus Information & Advisory Services LLC.

Credit Card Credit Outstanding as a Share of Disposable Income

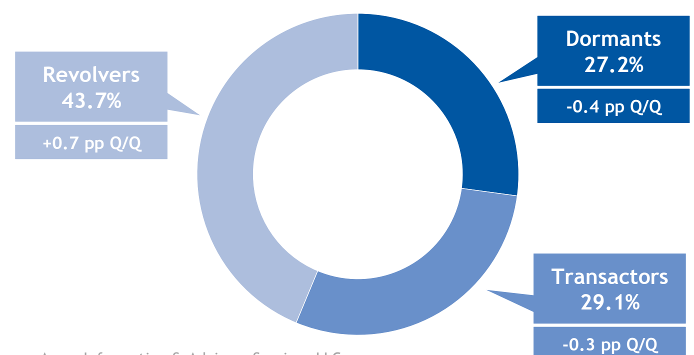
As a share of disposable income, credit card credit outstanding increased 14 basis points to 5.61 percent in Q3 2017. This metric has risen slowly since bottoming out in early 2015, but remains well below pre-recession levels.



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

Distribution of Accounts by Behavior Type

Revolvers rose 0.7 percentage point to 43.7 percent in Q3, while Dormant accounts and Transactors fell 0.4 and 0.3 percentage point, respectively.



Source: Argus Information & Advisory Services LLC.

CREDIT CARD MARKET MONITOR

January 2018

American Bankers Association®

Broader Credit Market Conditions

Overview

Credit lines experienced moderate growth in Q3, while the volume of credit card accounts continued to increase across risk tiers. Both of these trends are consistent with healthy consumer spending data and an expanding economy.

1) The number of new accounts (i.e., accounts opened in the previous 24 months) rose to 91.6 million in Q3, up nearly 5 percent from a year ago. However, among prime and subprime cardholders, new account openings slowed to their weakest annual rates in nearly four years.
2) Average credit lines among all accounts increased across risk tiers after declining for two consecutive quarters, consistent with improvements in the overall economy. Among new accounts, credit lines rose for prime and subprime accountholders, but were flat for super-prime accounts.

Average Credit Line (New Accounts*)

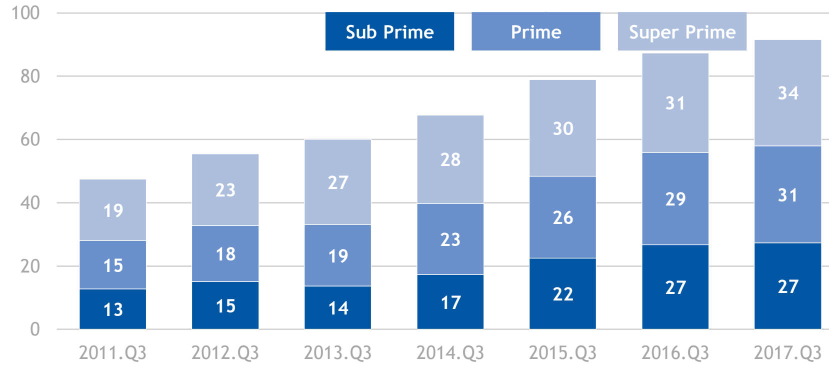
In Q3 2017, average credit lines for accounts opened in the previous 24 months increased for prime and subprime accountholders. However, super-prime credit lines were flat, marking the first quarter since early 2013 that this measure failed to rise on a quarterly basis.

		Q/Q Change
Super Prime	$10,396	▶0.0%
Prime	$5,692	▲1.2%
Sub Prime	$2,566	▲0.7%

Source: Argus Information & Advisory Services LLC.

Number of New Accounts* (Millions)

The volume of new accounts rose 4.9 percent year-over-year in Q3 2017, the slowest growth rate since Q2 2011. The growth slowdown occurred across risk tiers.



Source: Argus Information & Advisory Services LLC.

Average Credit Line (All Accounts)

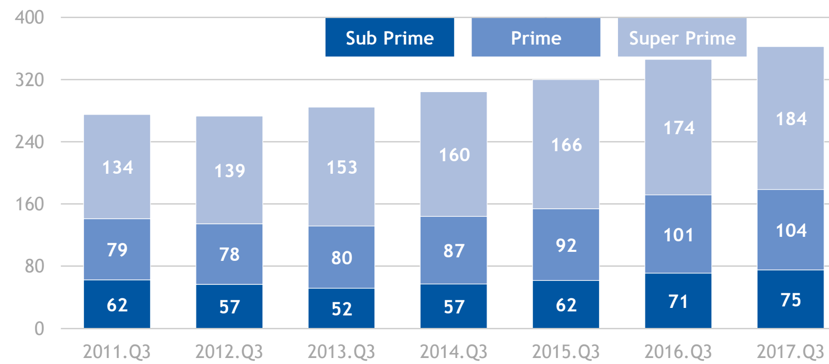
On a quarterly basis, average credit lines for all accounts rose across risk tiers in Q3, led by prime (+1.0 percent) and subprime (+0.9 percent) accounts. Credit lines remain 10-30 percent below post-recession highs, however.

		Q/Q Change
Super Prime	$11,511	▲0.4%
Prime	$7,373	▲1.0%
Sub Prime	$3,638	▲0.9%

Source: Argus Information & Advisory Services LLC.

Number of All Accounts (Millions)

The number of open accounts increased 4.7 percent annually to 362 million accounts. Though growth occurred across risk tiers, growth in credit card account volume is significantly slower in 2017 than it was in 2016.



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 January 30, 2018