

Trends and Predictions in the Student Loan Market

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Agenda

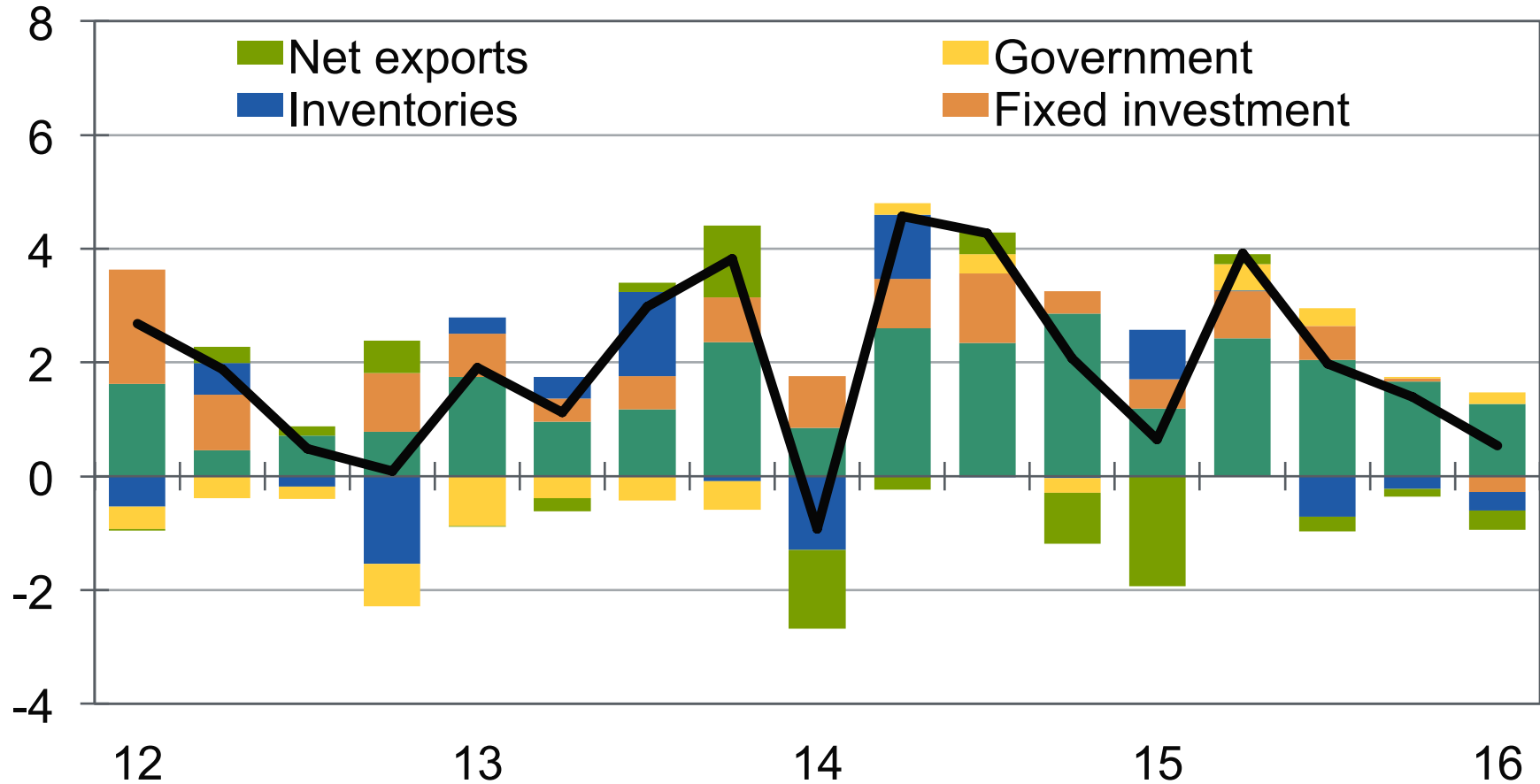
- » **Recent trends in the economy**
- » **Consumer credit**
- » **Student loan outlook**

1

Trends in the Economy

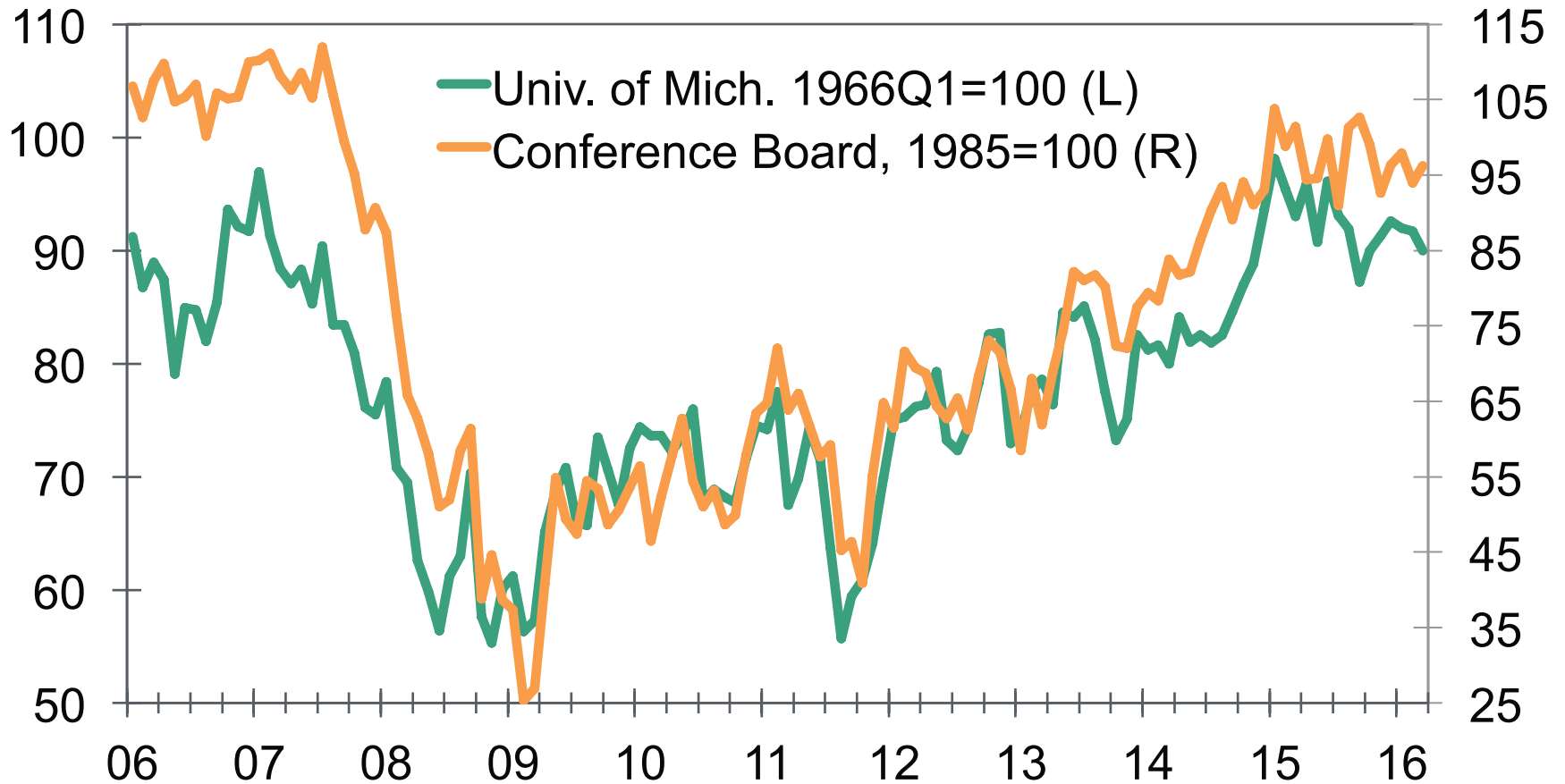
Consumers Lead the Way

Annualized % change



Sources: BEA, Moody's Analytics

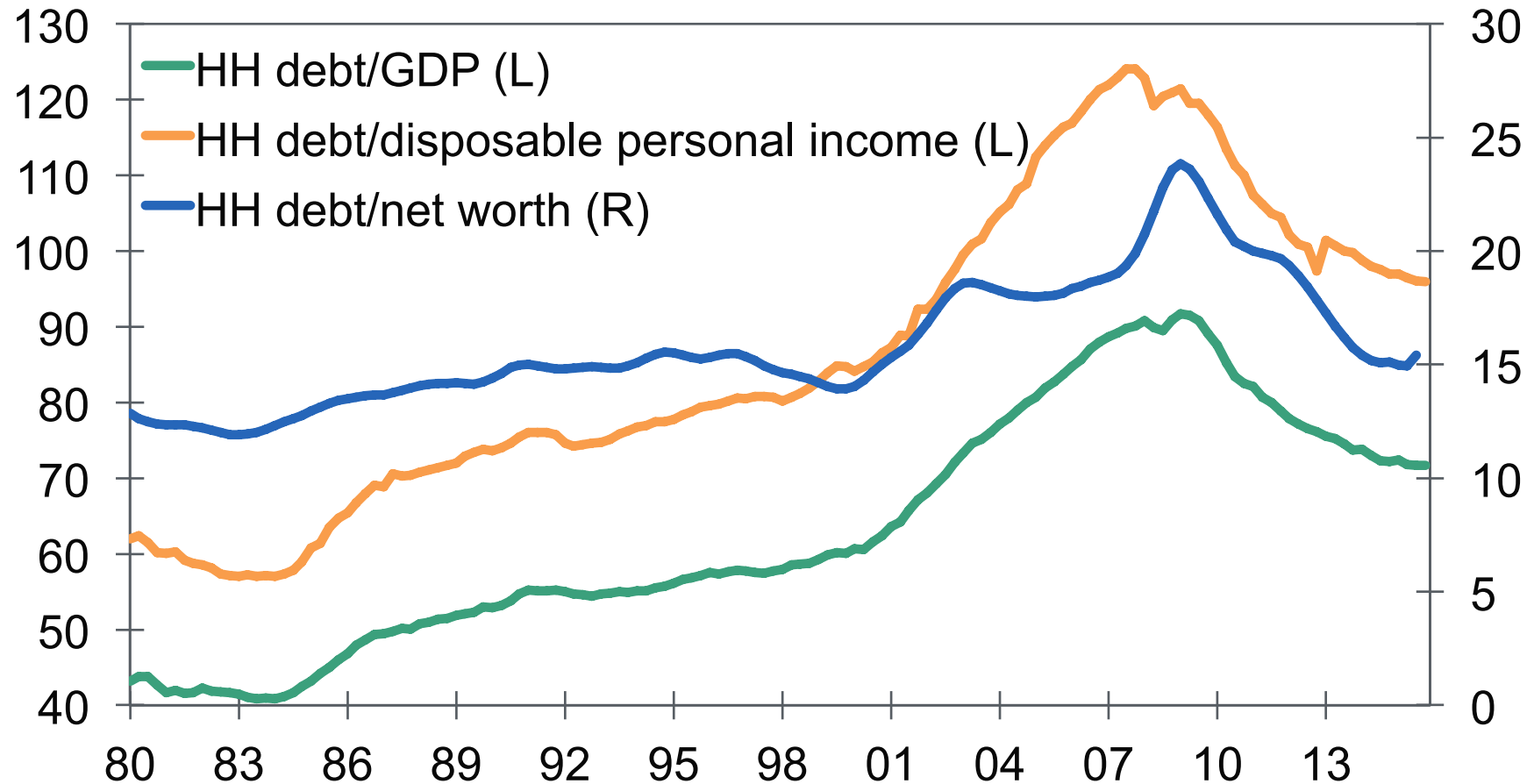
Confidence Key to Spending...and the Economy



Sources: Conference Board, University of Michigan

Relative Indebtedness Has Improved

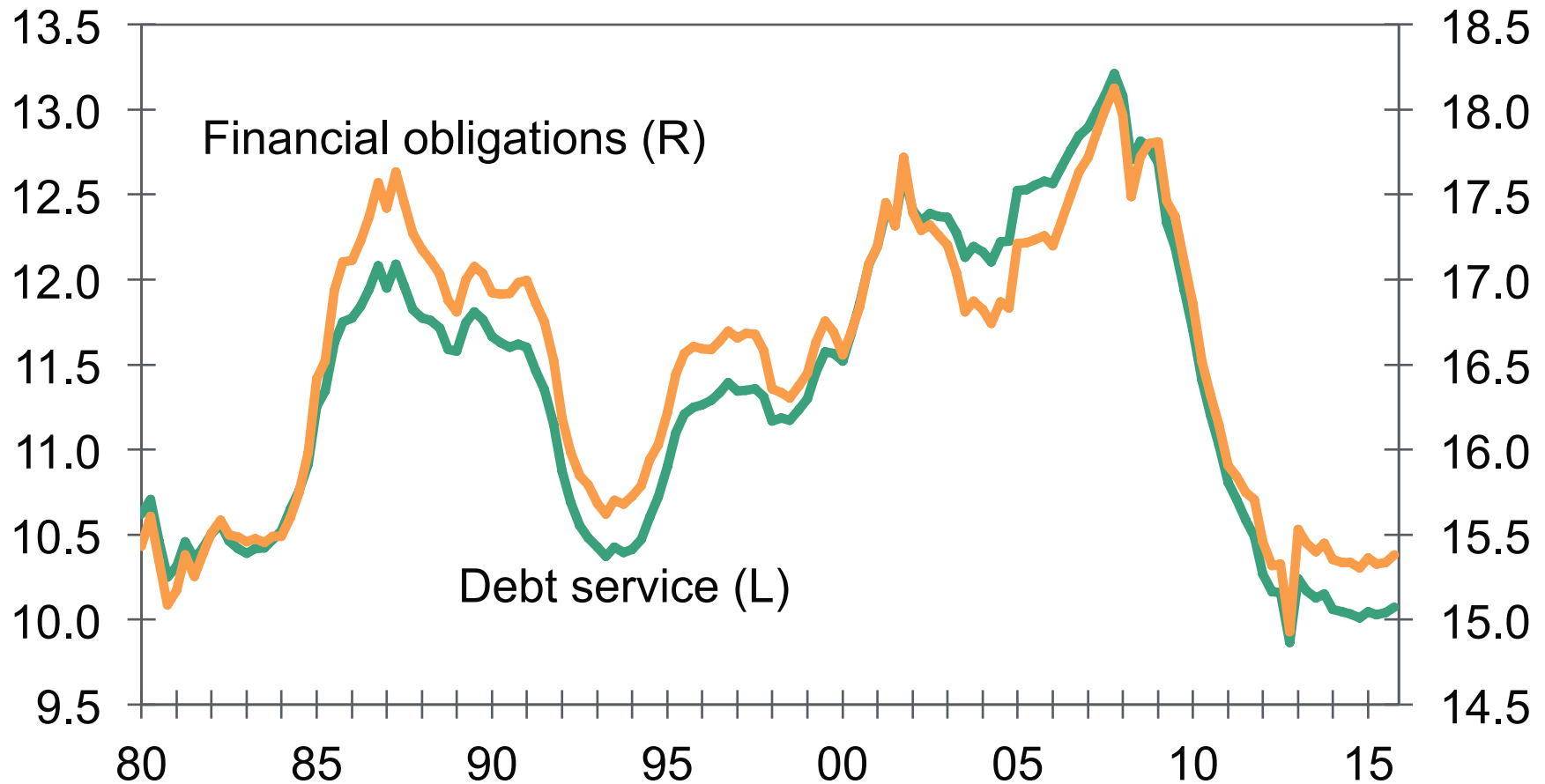
Ratios of household debt, %



Sources: Federal Reserve, Moody's Analytics

Household Balance Sheets Are Solid

% disposable income



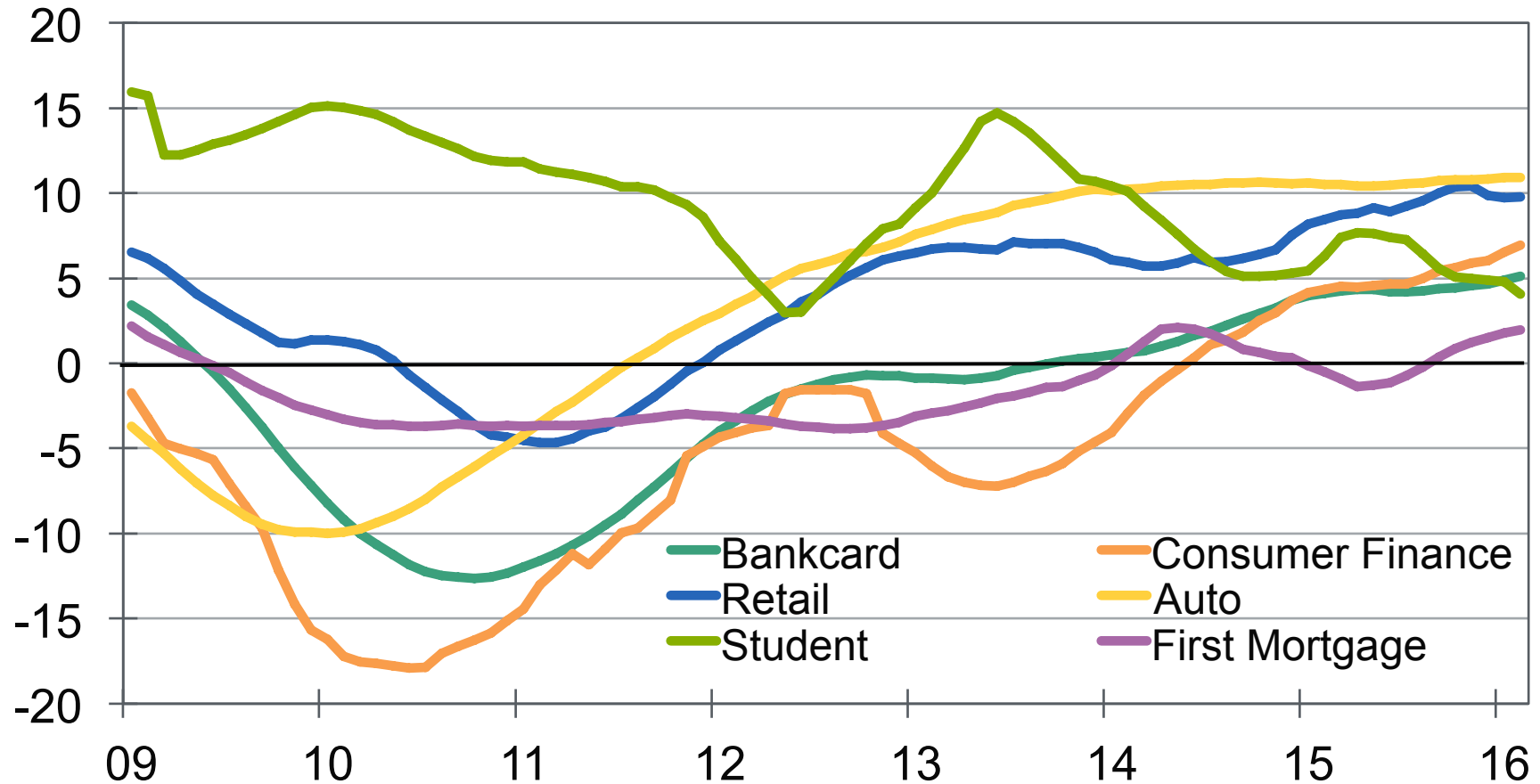
Sources: Federal Reserve, Moody's Analytics

2

Consumer Credit

Student Lending Slows As Cards Pick Up

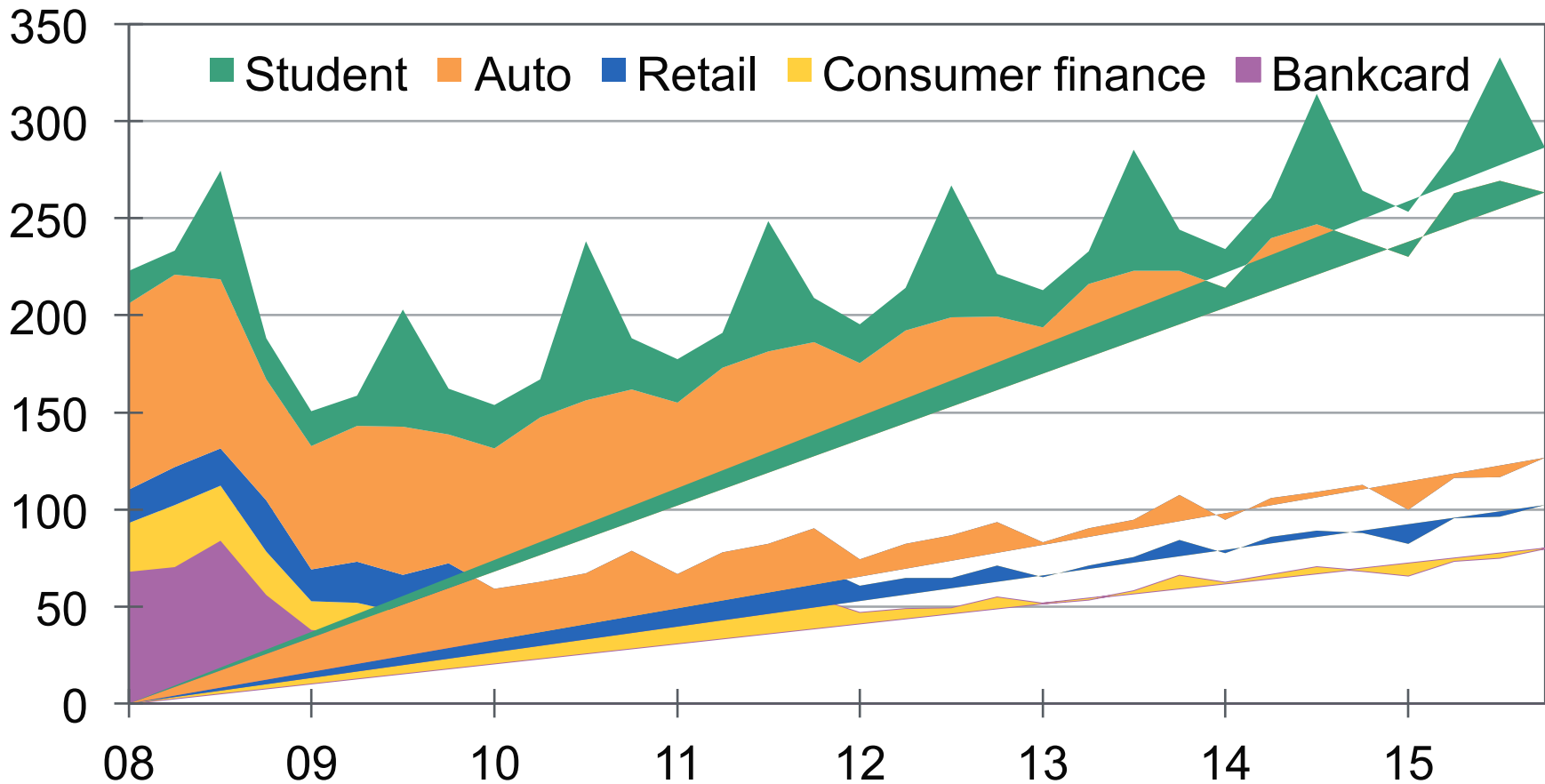
Balances of open accounts, yr/yr % change



Sources: Equifax, Moody's Analytics

Nonmortgage Originations Rising

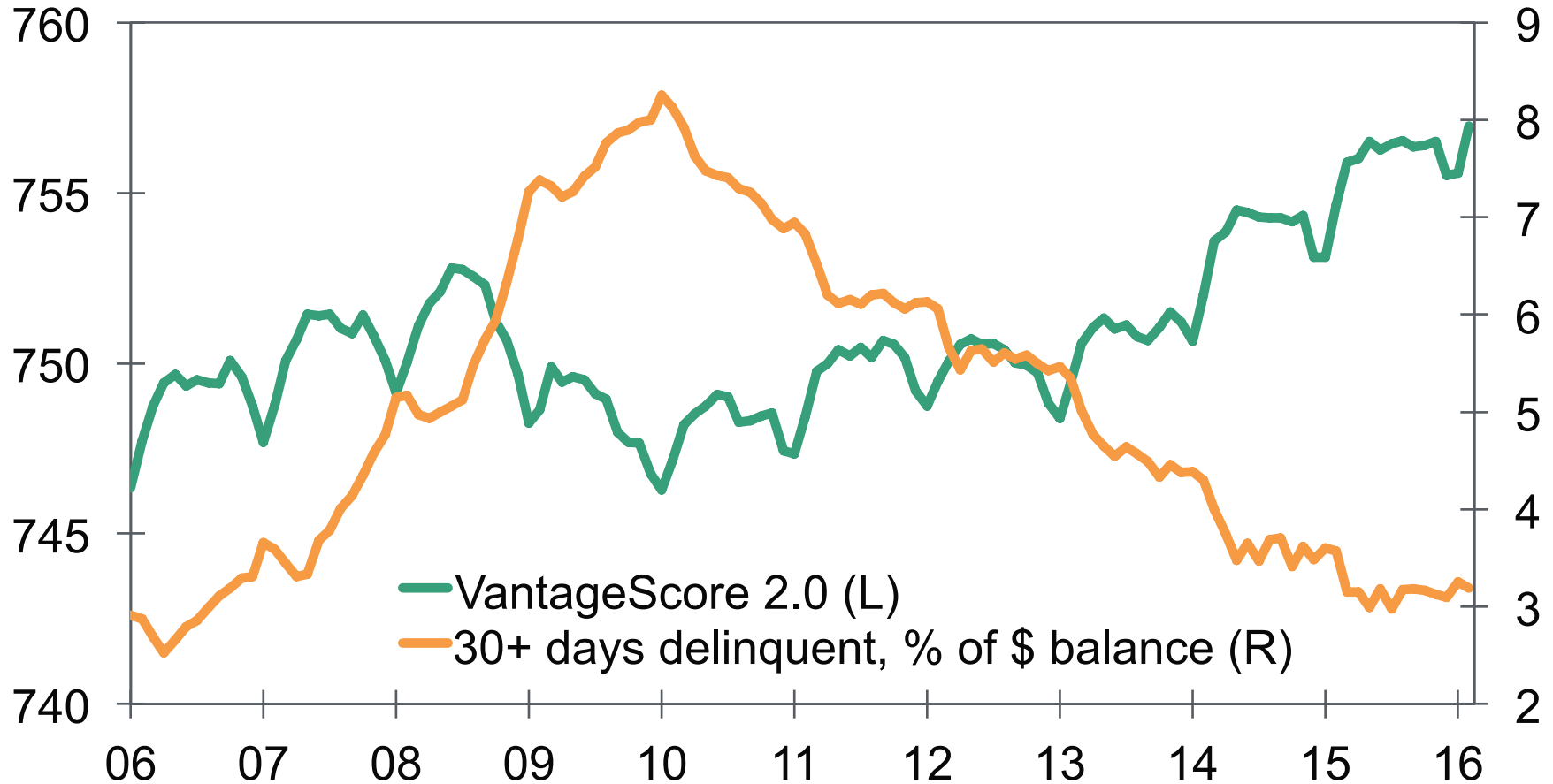
Origination balances by qtr, \$ bil



Sources: Equifax, Moody's Analytics

Credit Scores Rising as Delinquencies Fall

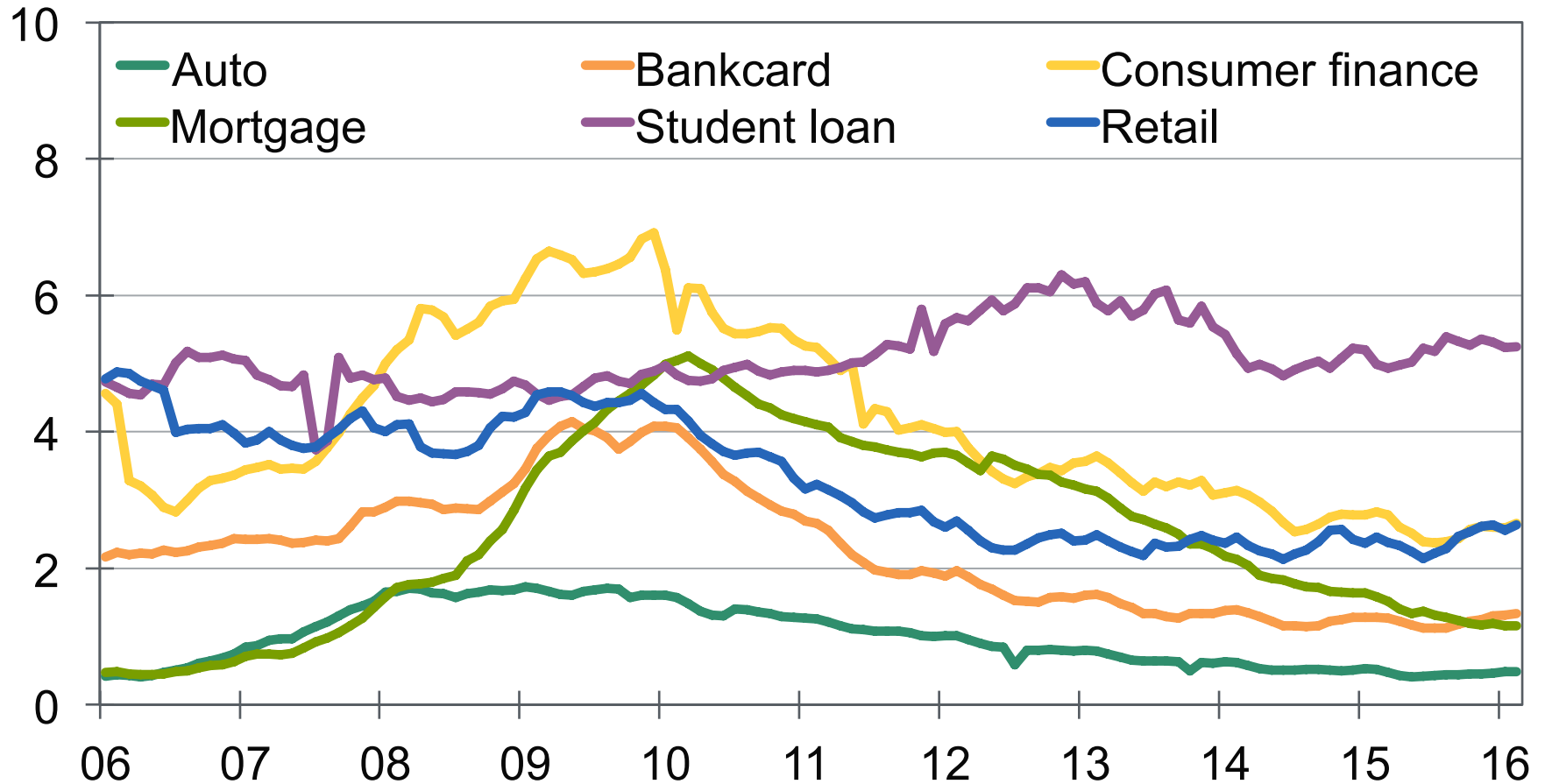
Aggregate



Sources: Equifax, Moody's Analytics

Serious Delinquency Rates Stabilizing

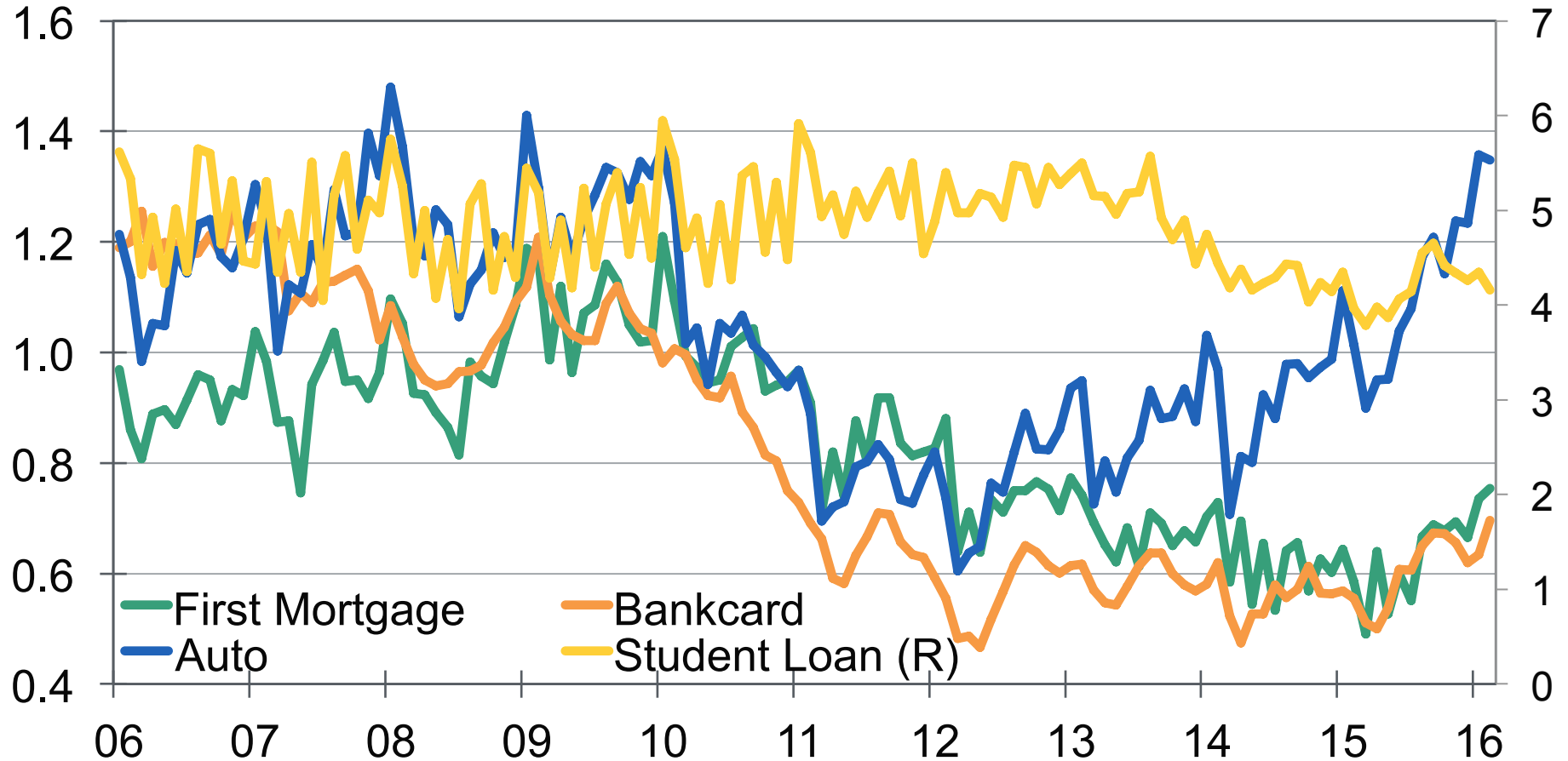
90+ days delinquent, % of outstanding balance



Sources: Equifax, Moody's Analytics

Lending Deteriorating Fast in ND

North Dakota 30 DPD delinquency rate, % of outstanding balances

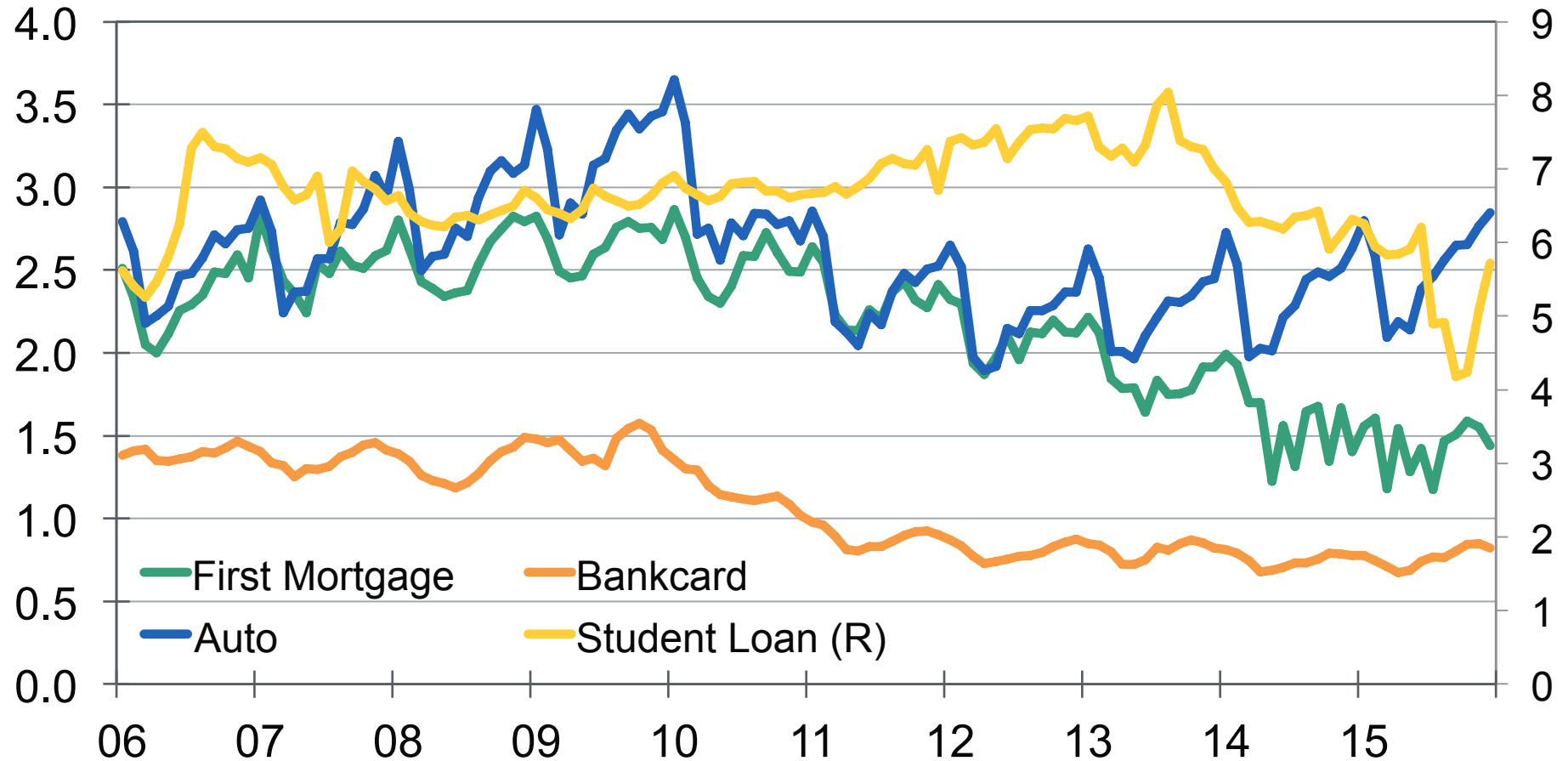


Sources: Equifax, Moody's Analytics

Note: Student Loan is total delinquency.

Texas Is Somewhat More Resilient

30 DPD delinquency rate, % of outstanding \$



Sources: Equifax, Moody's Analytics

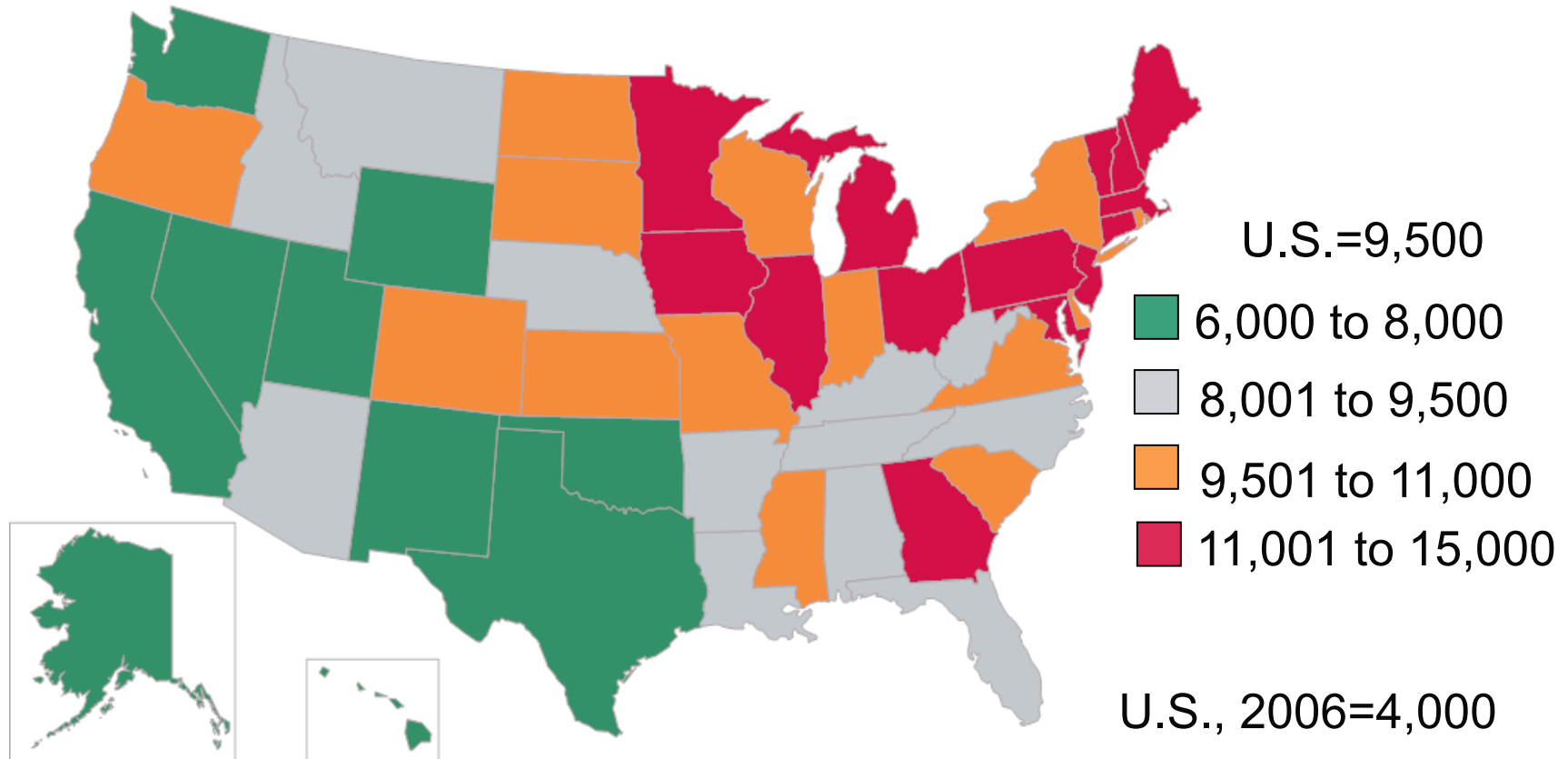
Note: Student Loan is total delinquency.

3

Student Loan Outlook

Student Loan Burden Is Large, Concentrated...

Avg student loan debt* across 25- to 44-yr-olds, \$, Feb 2016

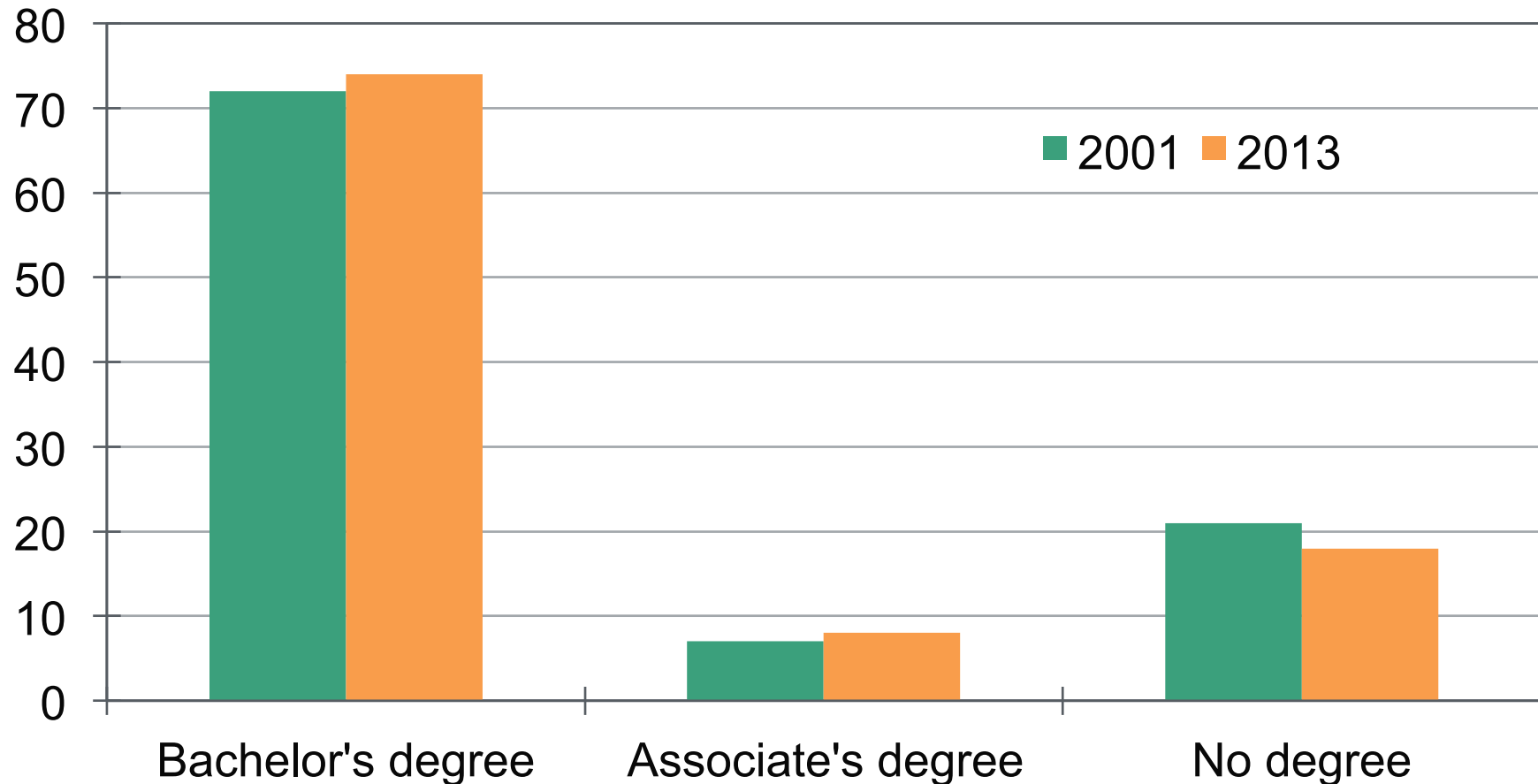


Sources: Equifax, Census Bureau, Moody's Analytics

*Assumes 80% debt in 25-44 HHs

...But Debt Mostly Held by More Educated

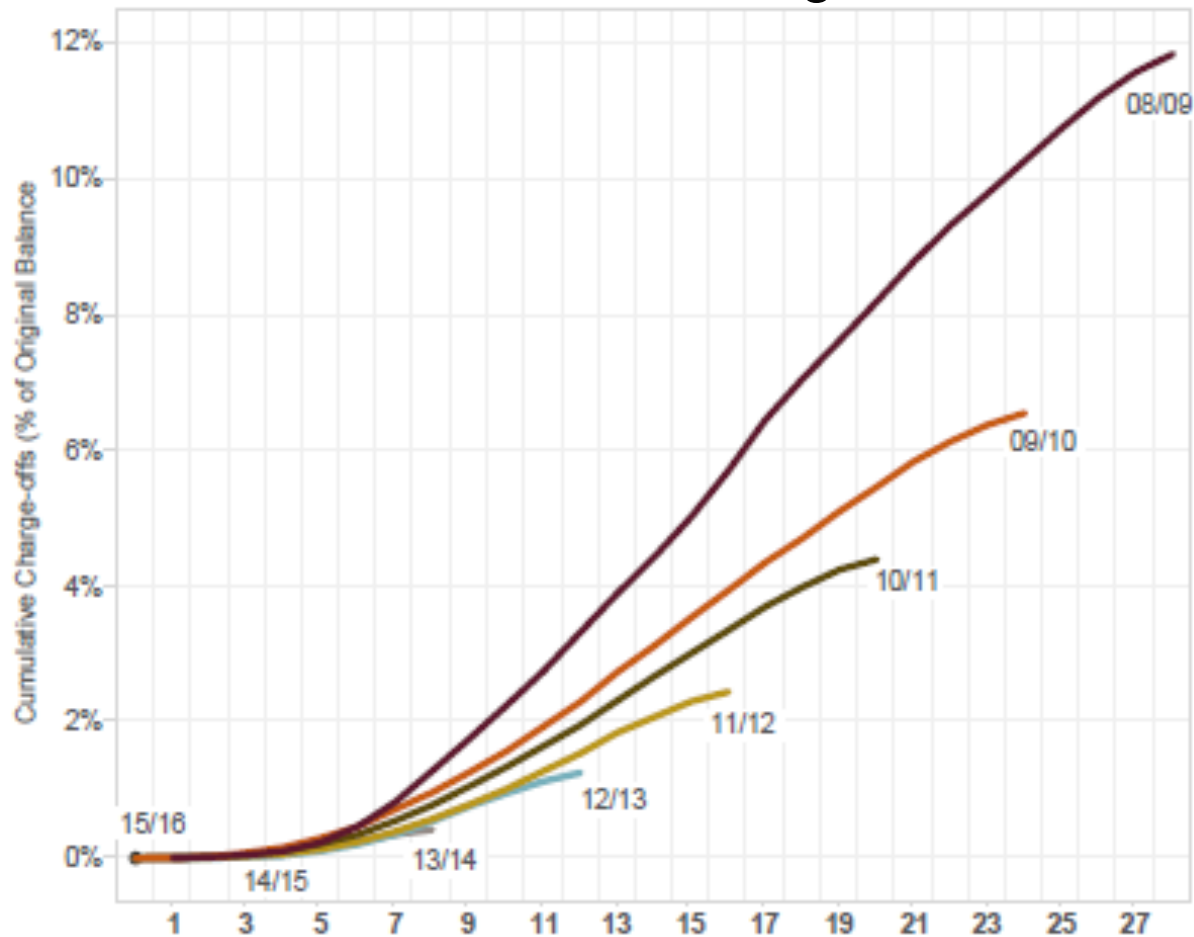
Distribution of student loan balances for young families, %



Sources: Federal Reserve, Moody's Analytics

Performance Improving in Private Market...

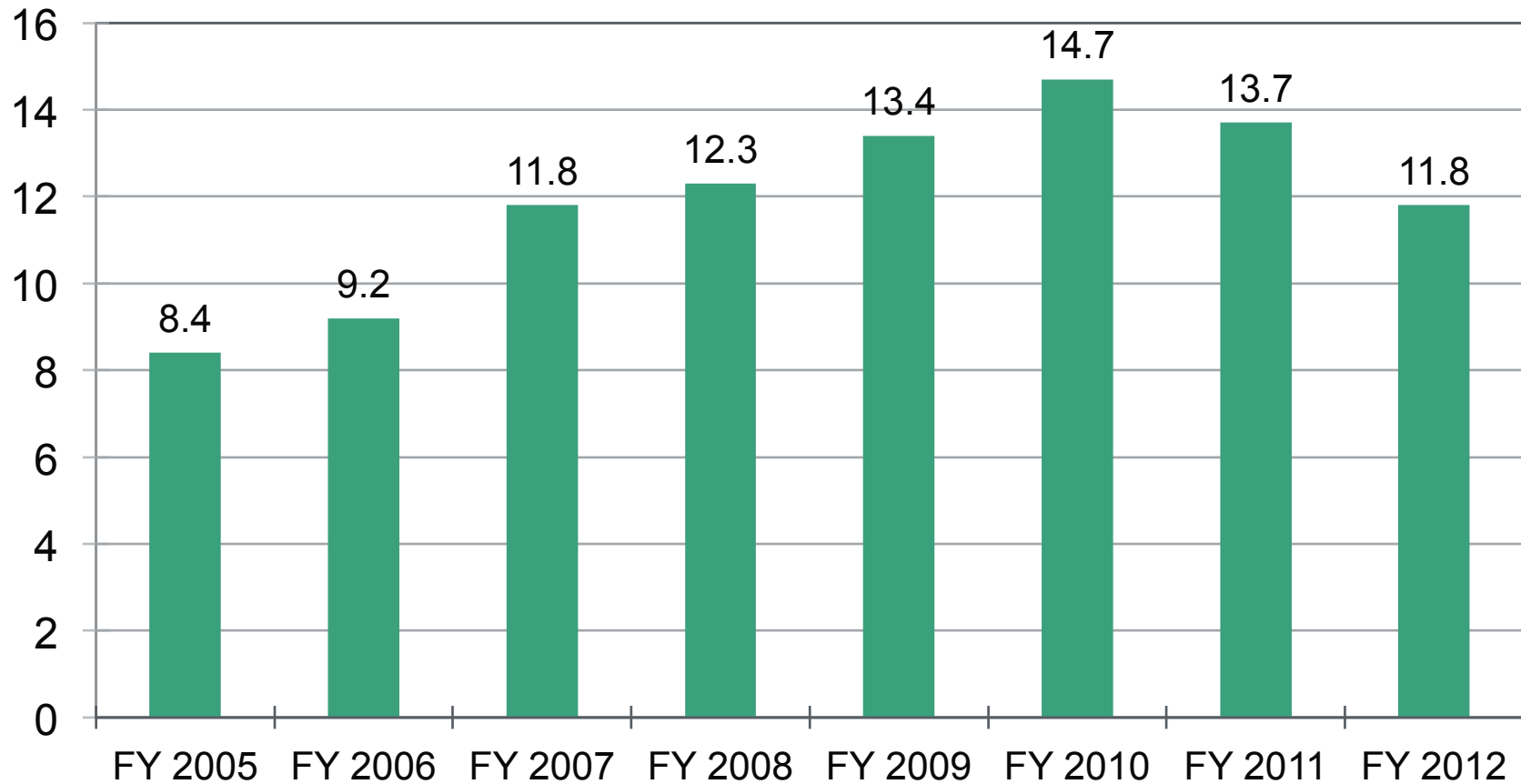
Cumulative Losses, Quarters Since Origination



Sources: Measure One, Moody's Analytics

...And Federal Student Loans

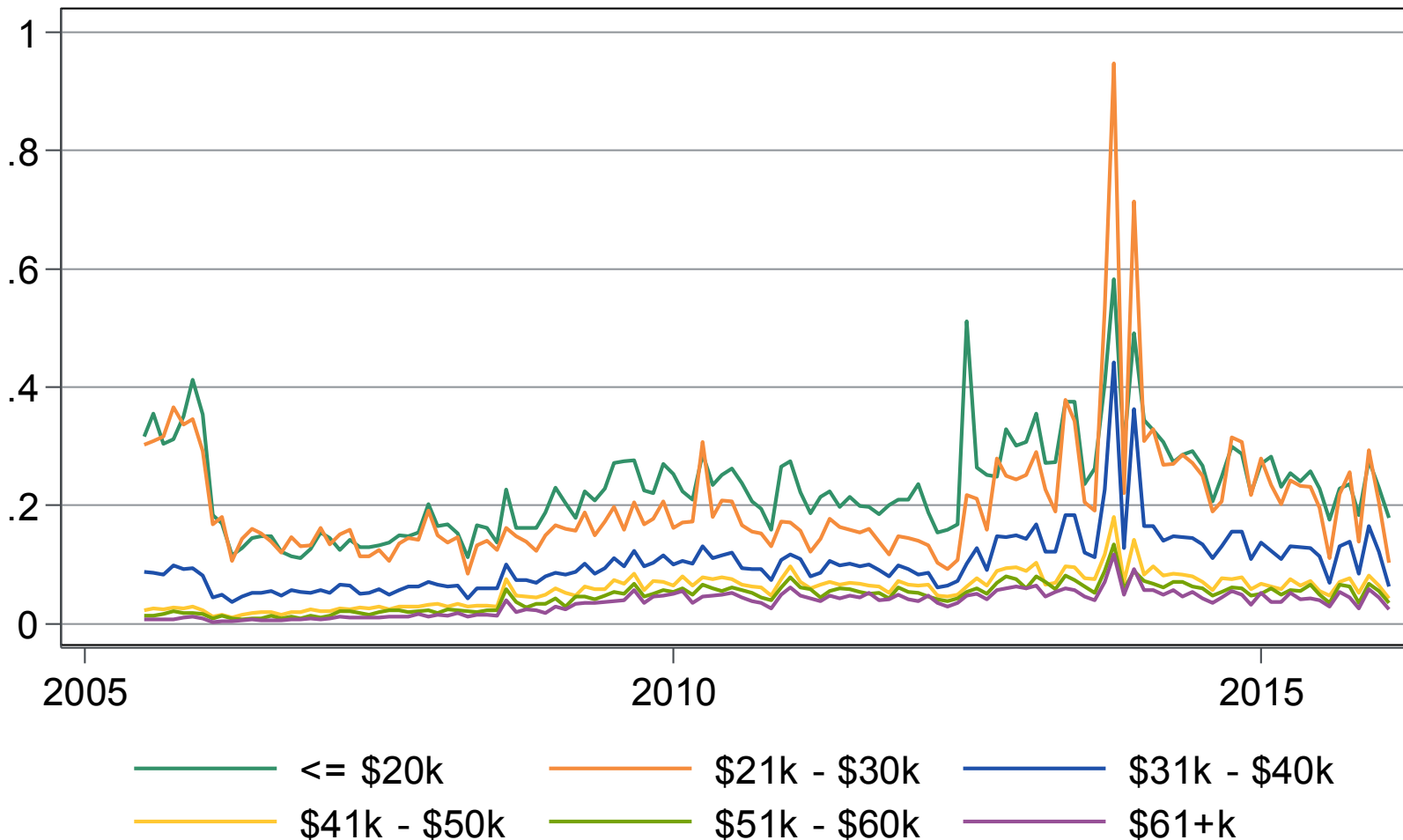
Three-year cumulative default rate, %



Sources: Department of Education, Moody's Analytics

Income Matters for Loan Performance

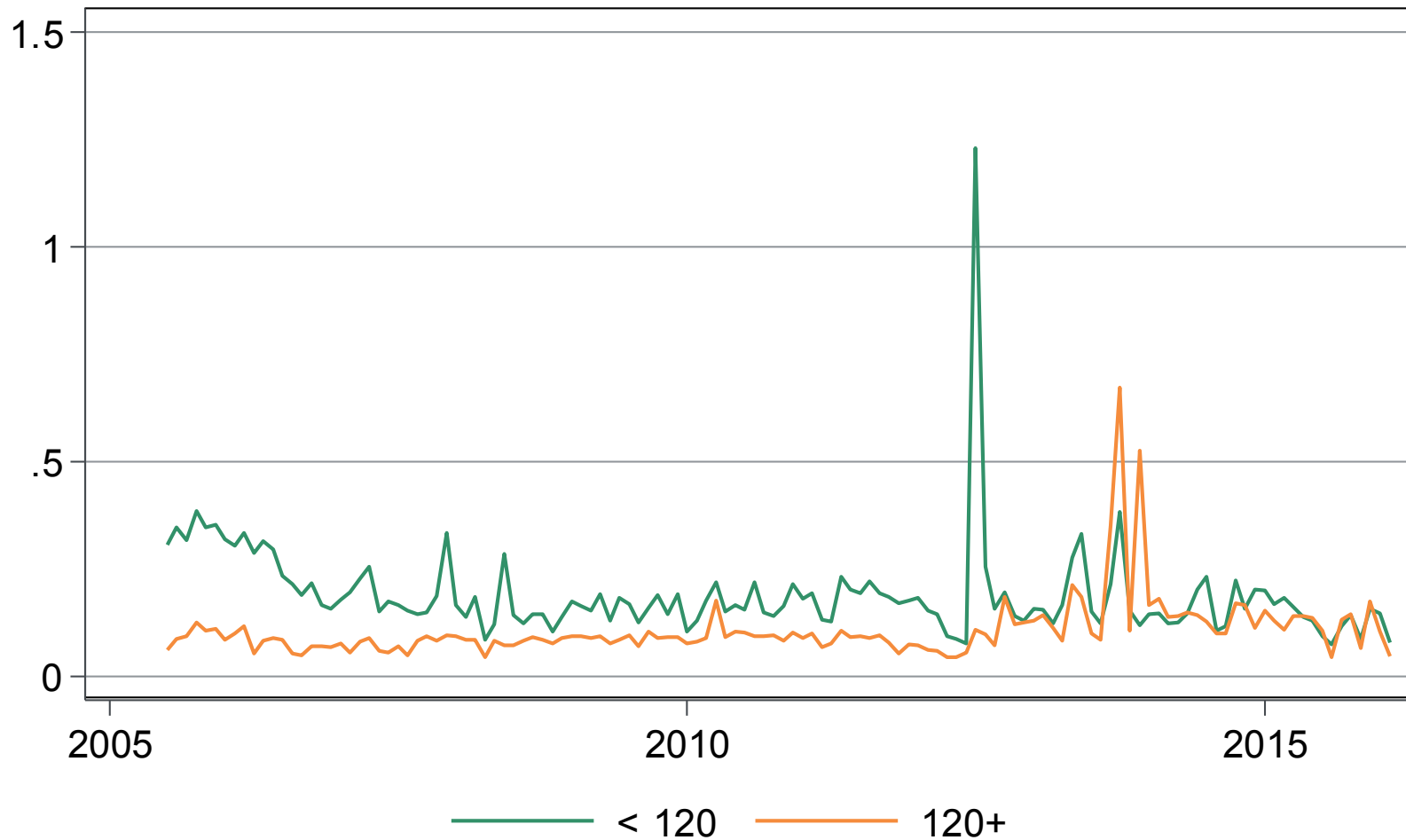
Default Rate, % of \$ by Income at Origination



Sources: Moodys's Analytics, Equifax

Term Effect has Disappeared

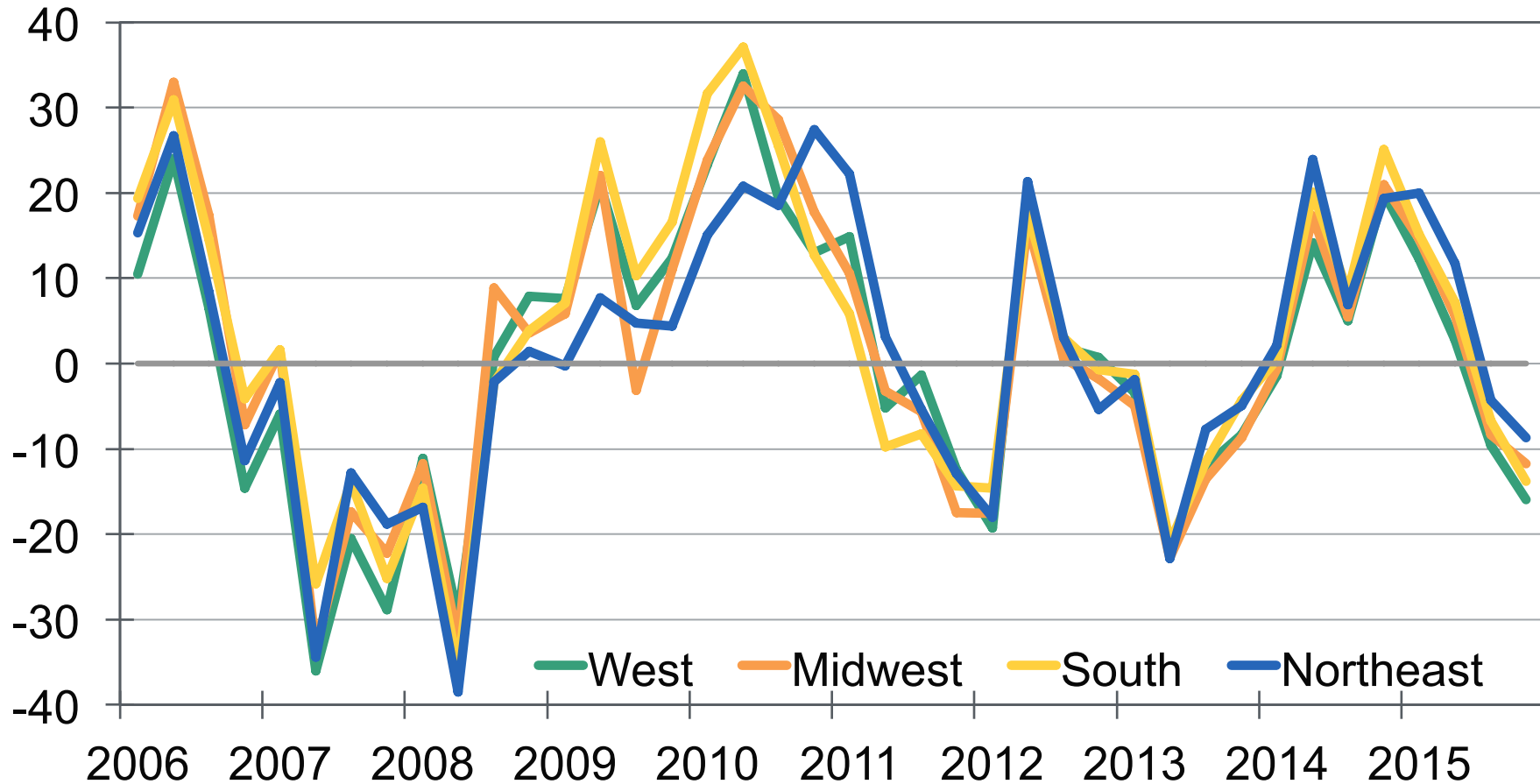
Default Rate, % of \$ by Term



Sources: Moodys's Analytics, Equifax

Growth Similar Across Regions

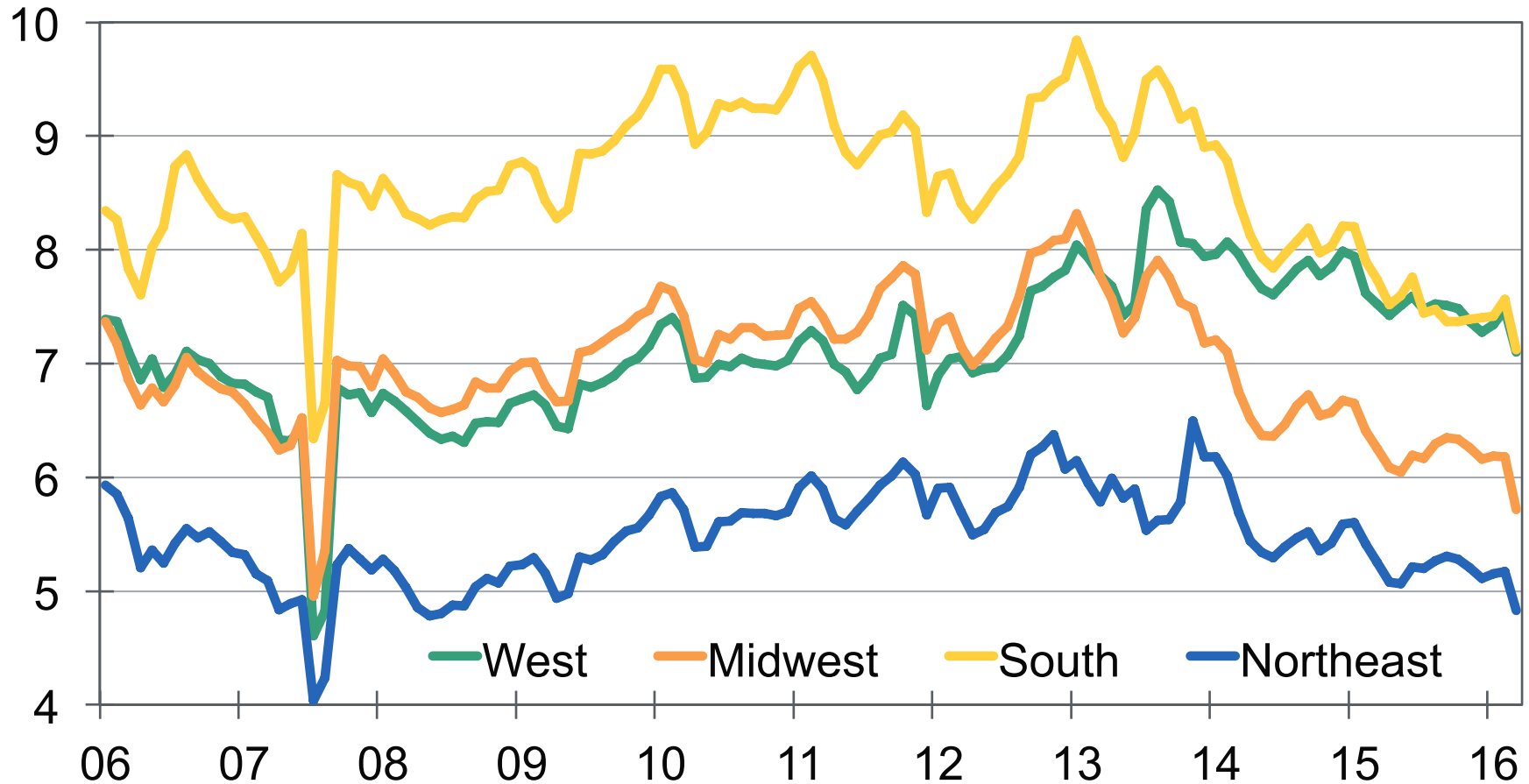
Origination Balance, y/y % growth



Sources: Equifax, Moody's Analytics

South Beginning to Join the Pack

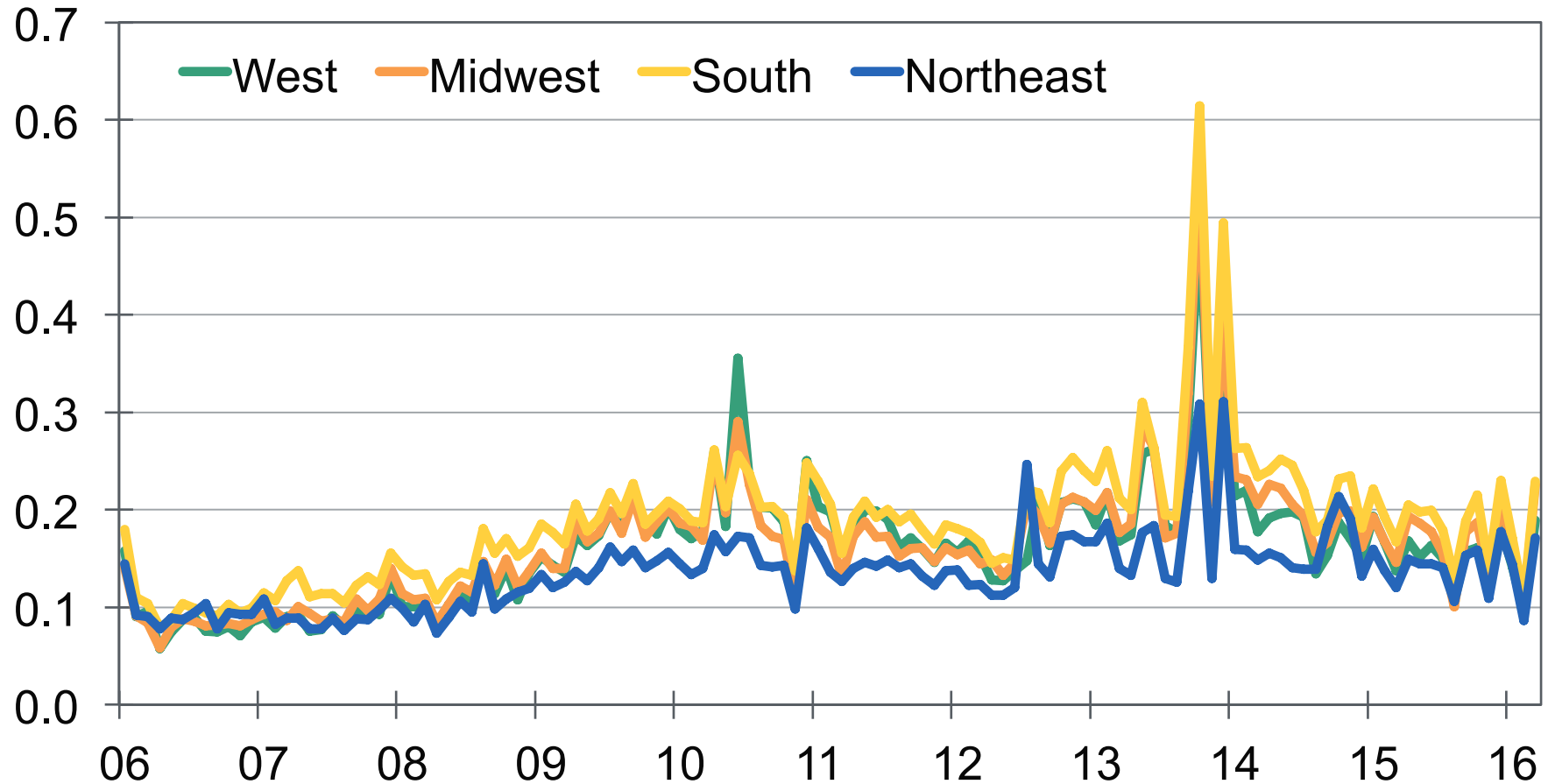
Total delinquency, % of balance



Sources: Equifax, Moody's Analytics

Northeast Still Shows Fewest Losses

Default, % of balance



Sources: Equifax, Moody's Analytics

CreditForecast.com Upcoming Improvements

New Loan Products Breakouts:

- » Student loan split into “Deferment” and “Non-Deferment” categories
- » Consumer finance split into “Installment” and “Revolving” categories

Credit Score Segmentation Enhancements: VantageScore 3.0 Bands:

No score	620-659	740-779
300-529	660-699	780-809
530-579	700-719	810-850
580-619	720-739	

4-7 Term Categories for Installment Loans:

- » 7 for auto
- » 6 for consumer finance
- » 5 for HELOANs
- » 4 for student loans
- » 4 for first mortgage

Adding borrower age, income and presence of mortgage segments

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