Trends and Predictions in the Student Loan Market

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Agenda

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

Financial obligations (R)

Debt service (L)

Sources: Federal Reserve, Moody’s Analytics
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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.
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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: Moody's Analytics, Equifax
Term Effect has Disappeared

Default Rate, % of $ by Term

Sources: Moody'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