



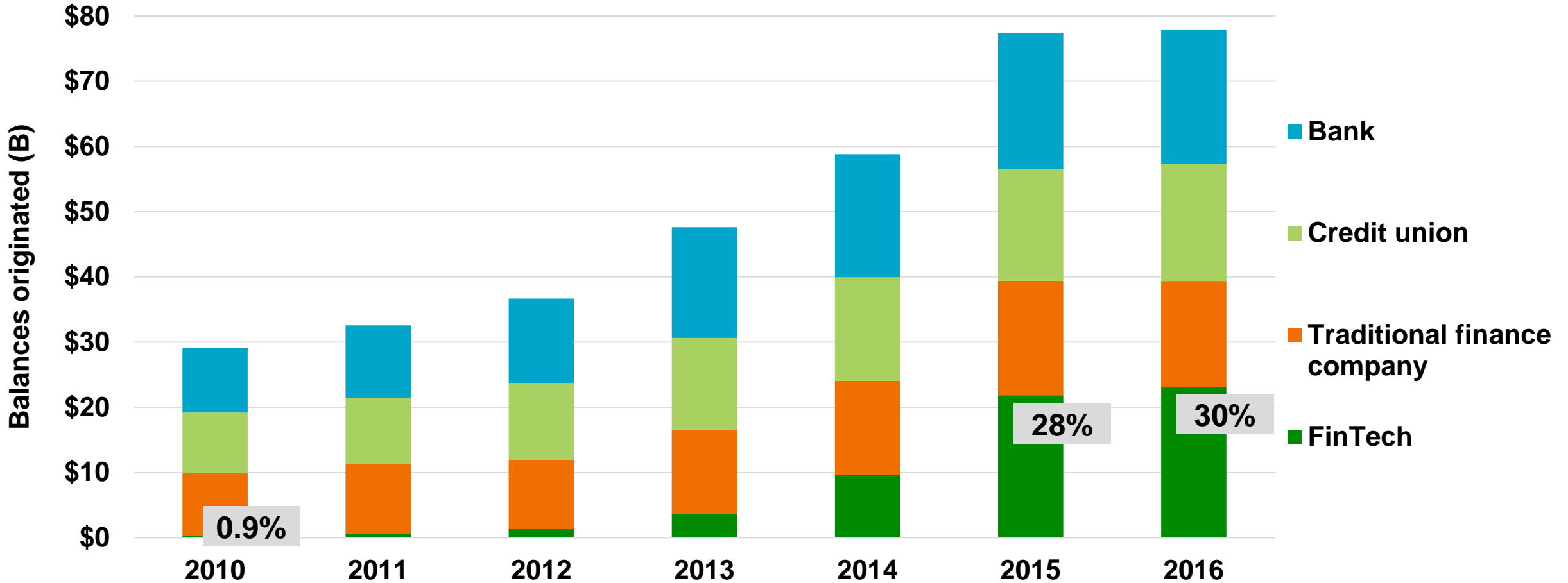
## **Fact or Fiction: Are FinTechs Different from Other Lenders?**





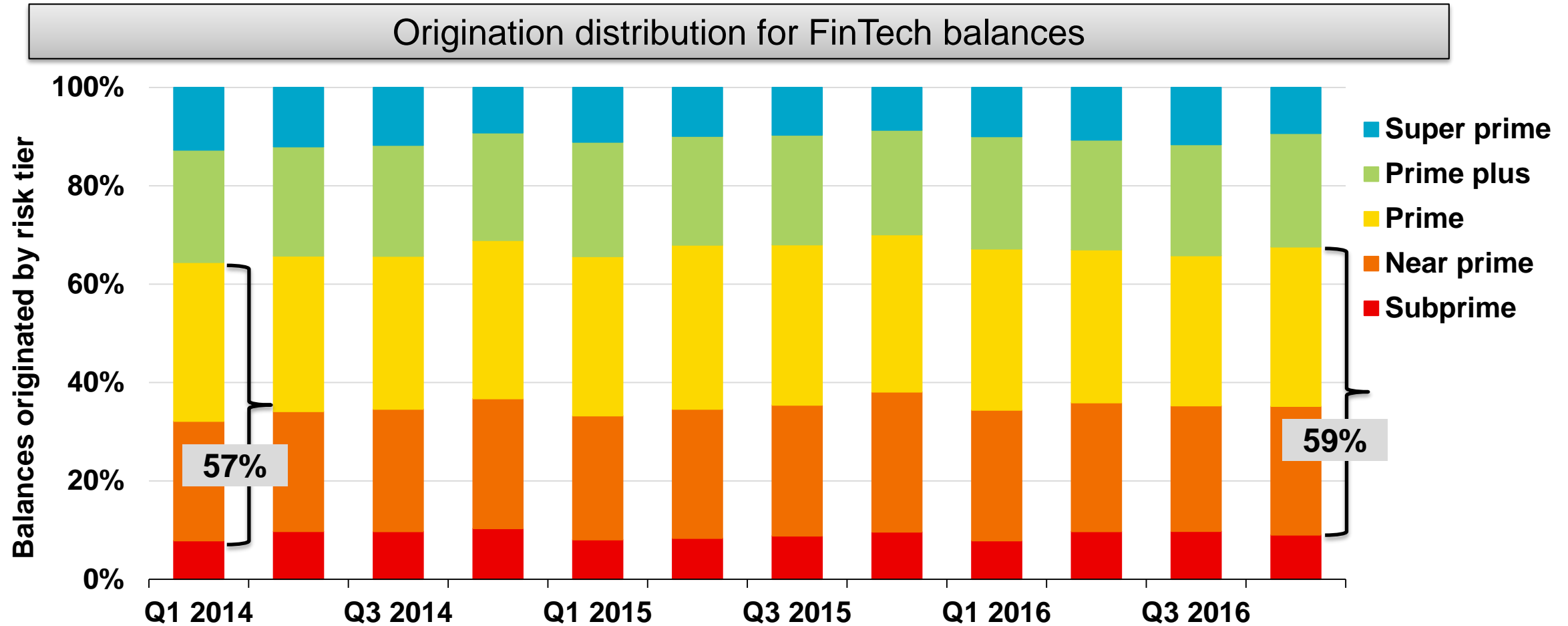
# Following the Recession, FinTechs have grown share rapidly in the personal loan industry

Personal loan balances (\$) originated by lender type





# FinTechs are often perceived as mostly subprime lenders, but they focus their originations in the near prime and prime risk tiers



VantageScore® 3.0 risk ranges  
Subprime = 300–600; Near prime = 601–660; Prime = 661–720; Prime plus = 721–780; Super prime = 781–850



Source: TransUnion consumer credit database

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# As FinTechs share of the personal loan market has grown, questions have arisen about how they compared to other lenders

We analyzed over 40 million personal loans originated from 2014 to 2016 to understand:

## Consumer demographics

- How are FinTech consumers different?  
*(Age, geography, wallet profile, and loan use)*

## Origination strategy

- How are FinTechs different in terms of origination strategy?  
*(Risk and pricing)*

## Credit performance

- Do FinTech loans perform differently?
- Is fraudulent loan stacking an issue for FinTechs?

## Risk returns

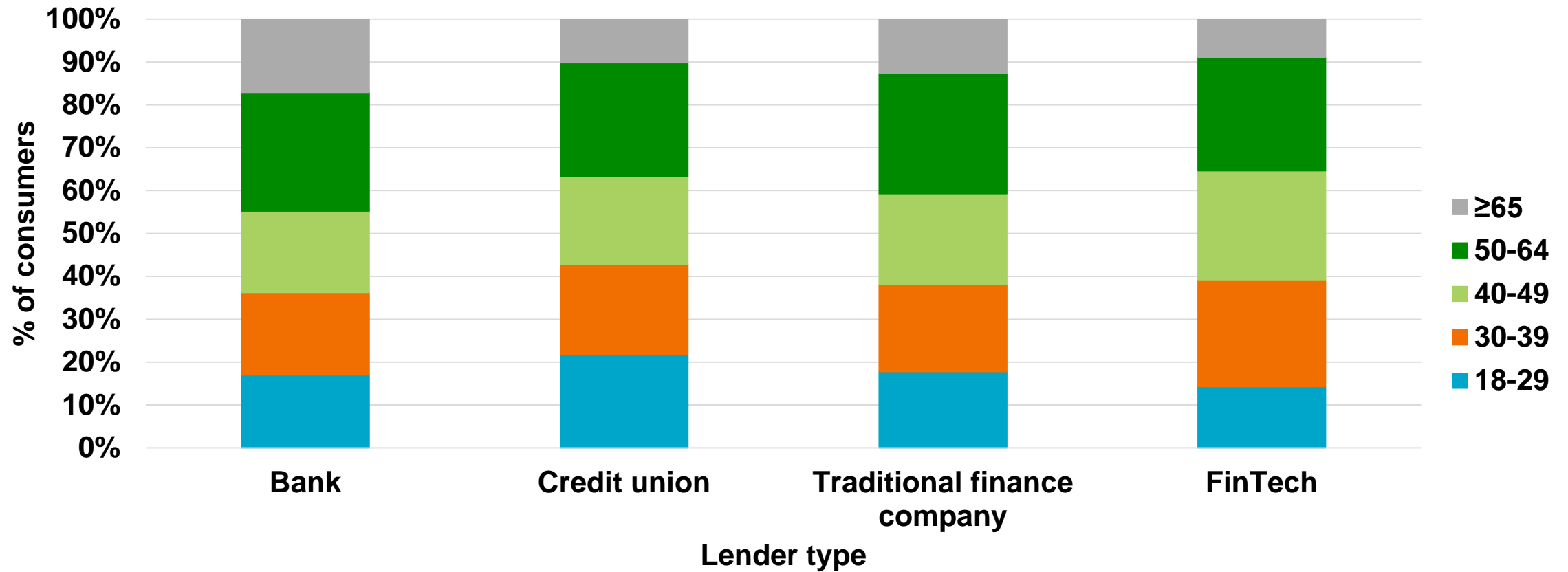
- How do FinTech loans measure in terms of risk-adjusted returns?

How are FinTech consumers different?



# FinTech consumers are similar to other lenders in their age groups

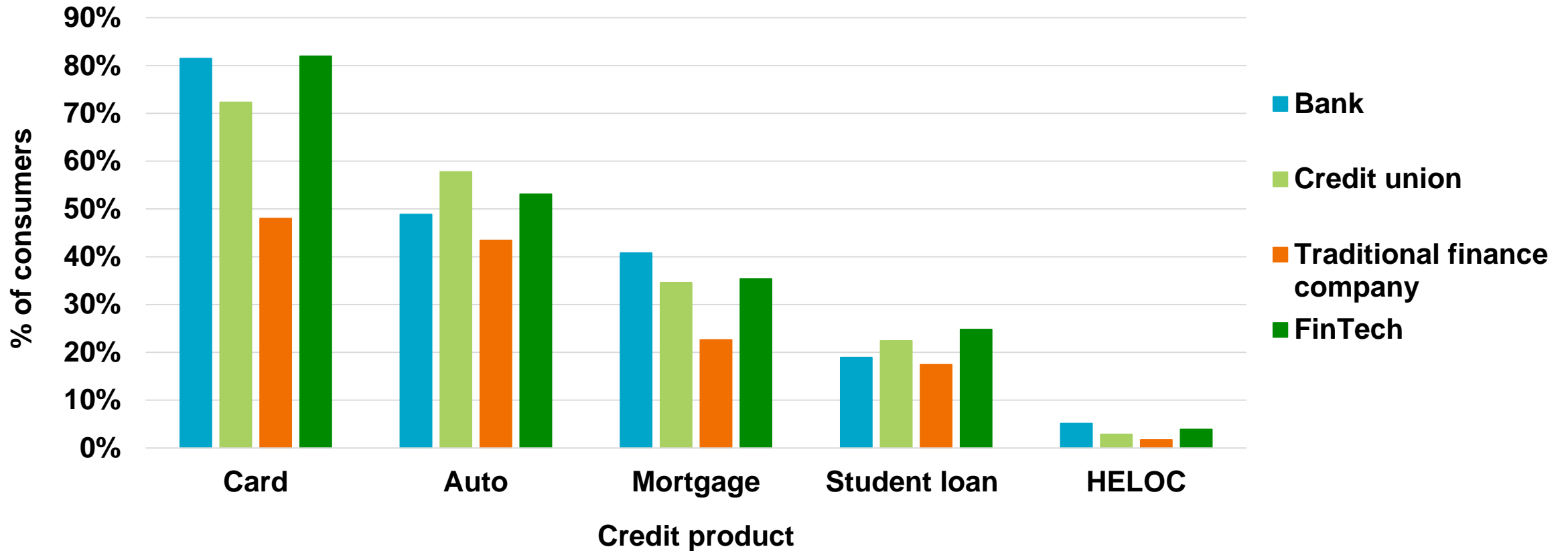
Age distribution of consumers by lender type





# FinTech consumers are as credit-active as bank and credit union consumers

Share of consumers with each credit product at personal loan origination



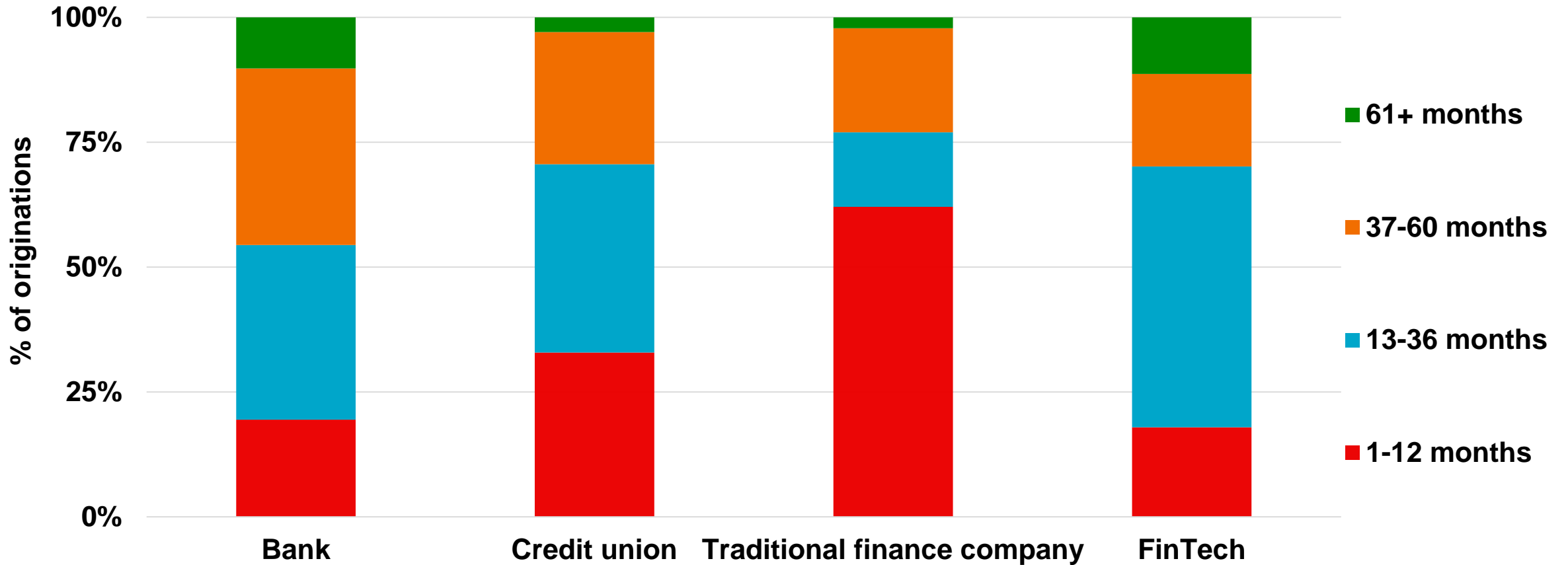
How are FinTechs different in terms of origination strategy?





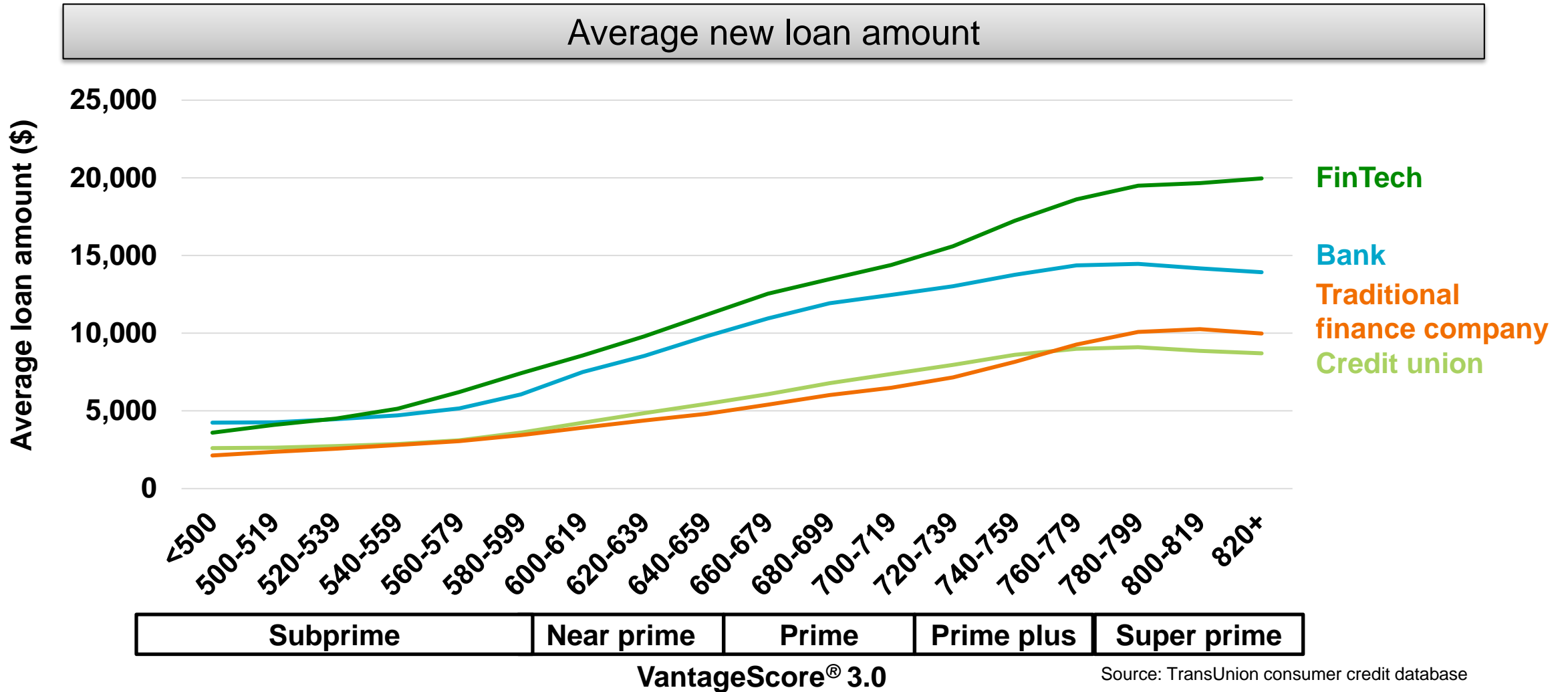
# FinTechs favor loans with terms between one and three years

Terms of personal loans by lender type

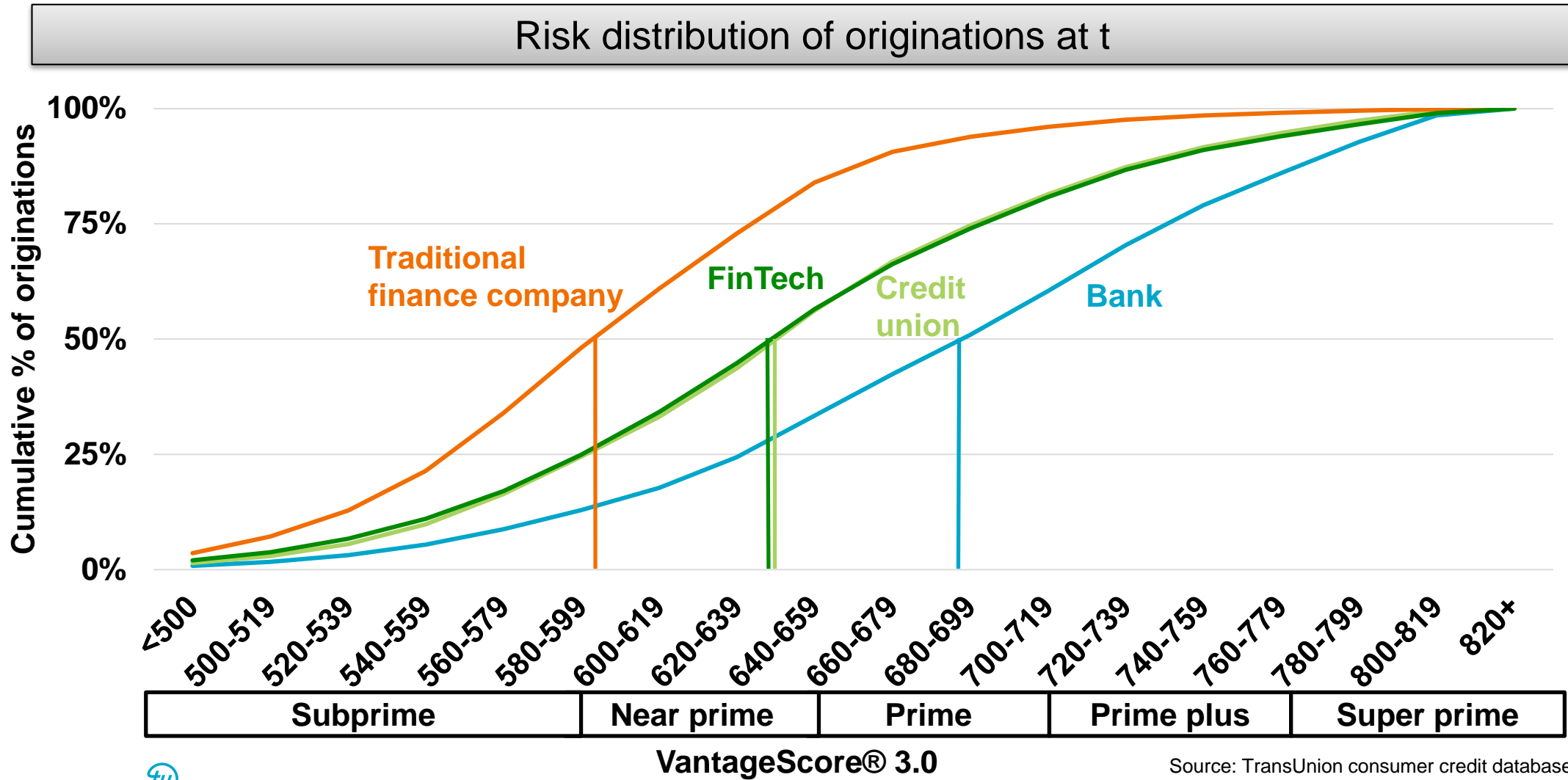




# FinTechs issue the largest loans across the risk spectrum

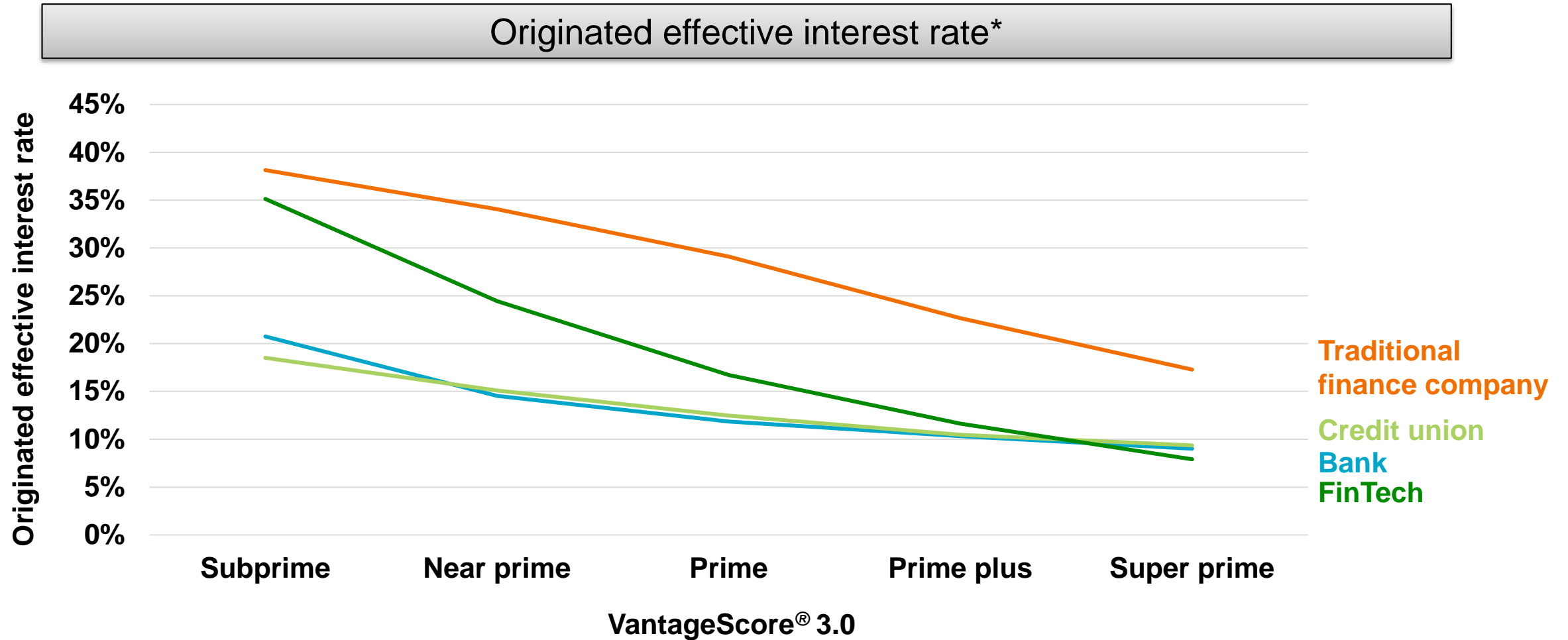


# FinTechs have more risk appetite than banks, but are more conservative than traditional finance companies





# FinTechs have the most robust, risk-based pricing



VantageScore® 3.0 risk ranges

Subprime = 300–600; Near prime = 601–660; Prime = 661–720; Prime plus = 721–780; Super prime = 781–850



\*Interest rate is calculated using originating balance, term, and payment due at origination

Source: TransUnion consumer credit database

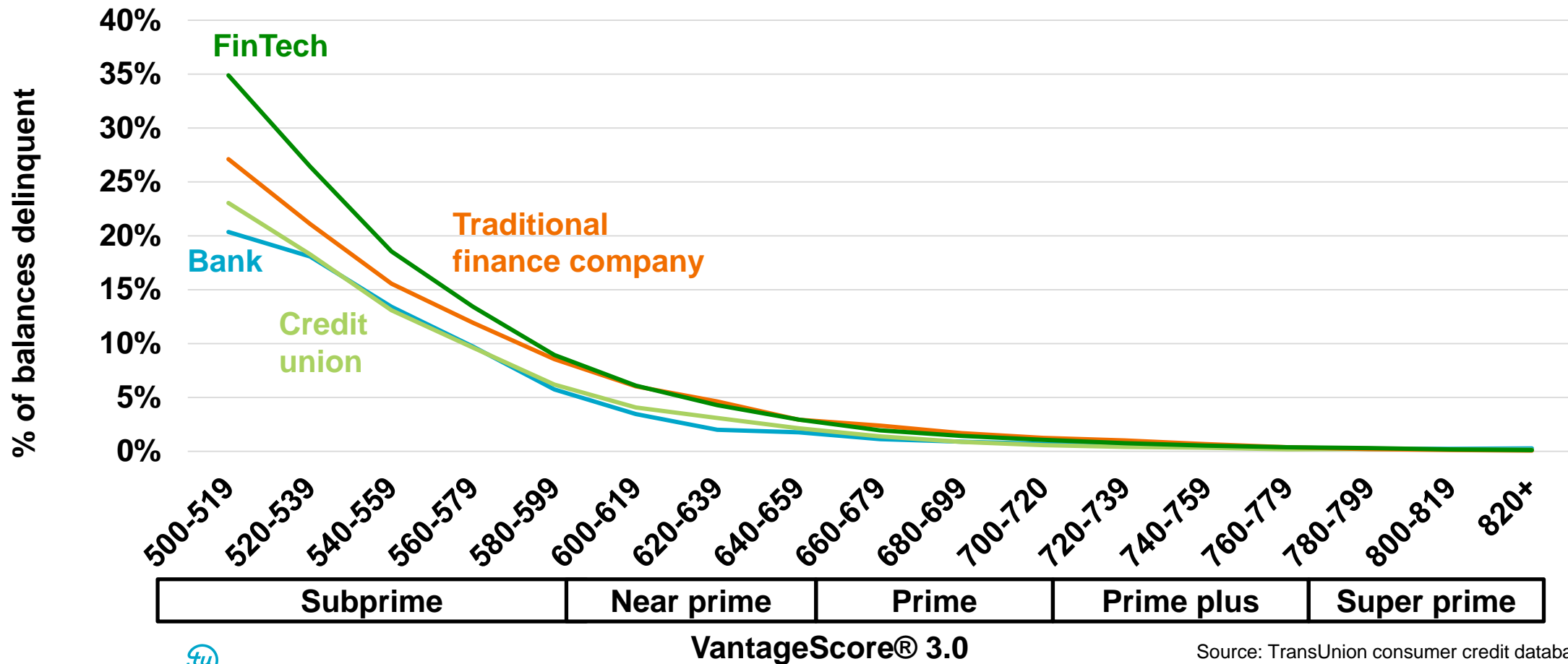
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Do FinTech loans perform differently?



# FinTech loans experience higher delinquencies, specifically within lower credit tiers

60+ DPD balance-level delinquency rate at 12 MOB for Q1 2014 – Q2 2016 originations



# To summarize FinTech strategy and performance:

Dimensions	Business questions
<p><b>Consumer demographics</b></p>	<ul style="list-style-type: none"> <li>• FinTech consumers are similar to bank and credit union consumers/members—a reason for competitors to be concerned</li> </ul>
<p><b>Origination strategy</b></p>	<ul style="list-style-type: none"> <li>• FinTechs are serving consumers across the risk spectrum with a major focus on near prime and prime consumers</li> <li>• FinTechs exhibit the most robust risk-based pricing strategies</li> </ul>
<p><b>Credit performance</b></p>	<ul style="list-style-type: none"> <li>• FinTech loans perform similar to other lenders from 700+ risk scores</li> <li>• FinTech loans do perform worse within the subprime space</li> </ul>
<p><b>Risk returns</b></p>	<ul style="list-style-type: none"> <li>• FinTechs benefit from a higher risk-return ratio than banks and credit unions—credit performance appears to be priced in and steadily improving</li> </ul>

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or visit [transunion.com/fintech](https://transunion.com/fintech)