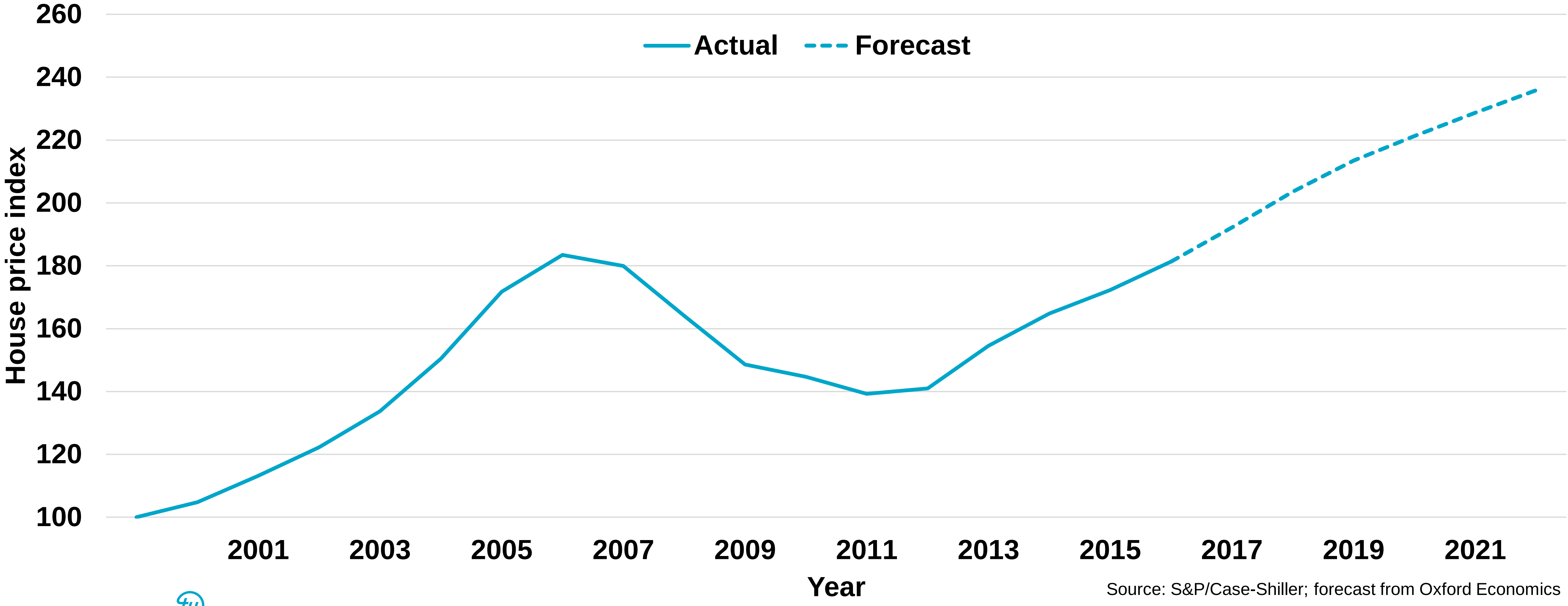
The Return of HELOCs

The number of consumers originating such loans may double during the next five years

Home values have recovered and are expected to continue rising. The resulting increase in equity is beginning to fuel interest in HELOCs

Case-Shiller house price index (2000 Q1 = 100)



Source: S&P/Case-Shiller; forecast from Oxford Economics

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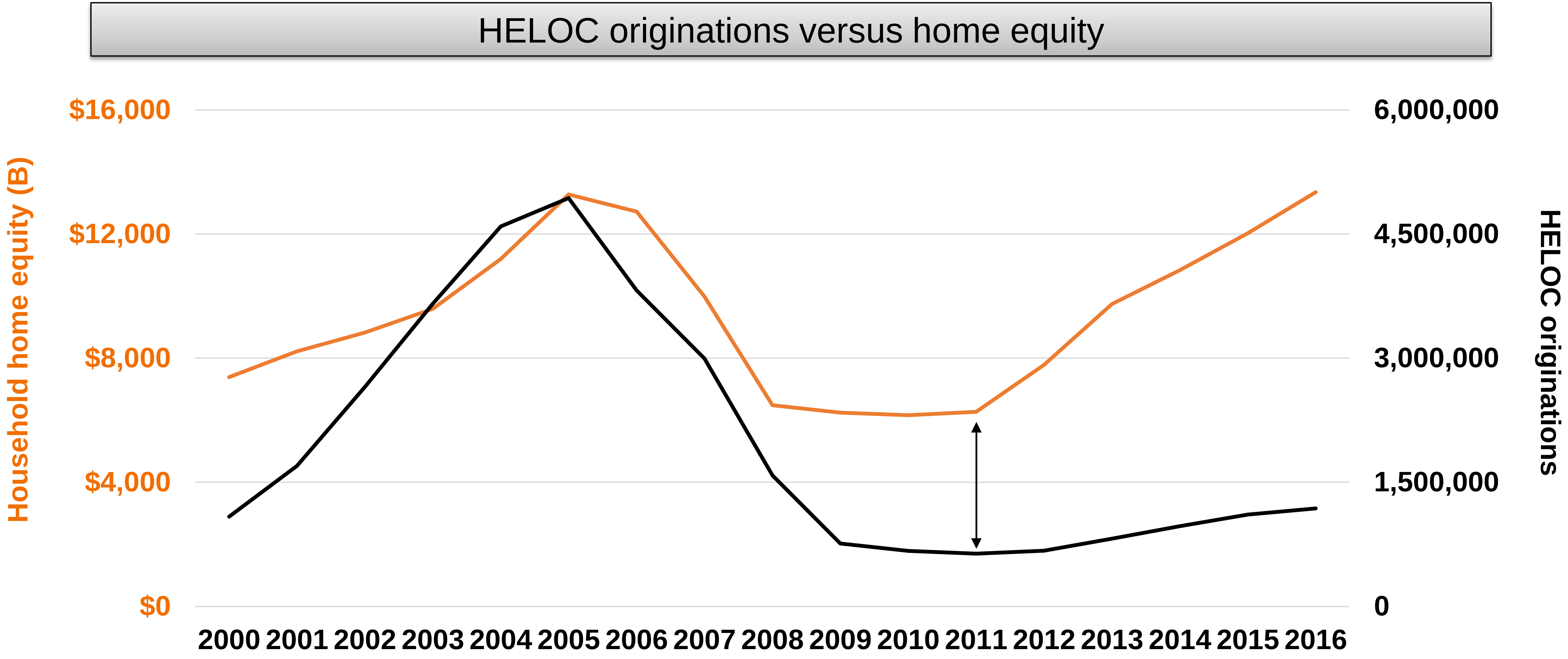
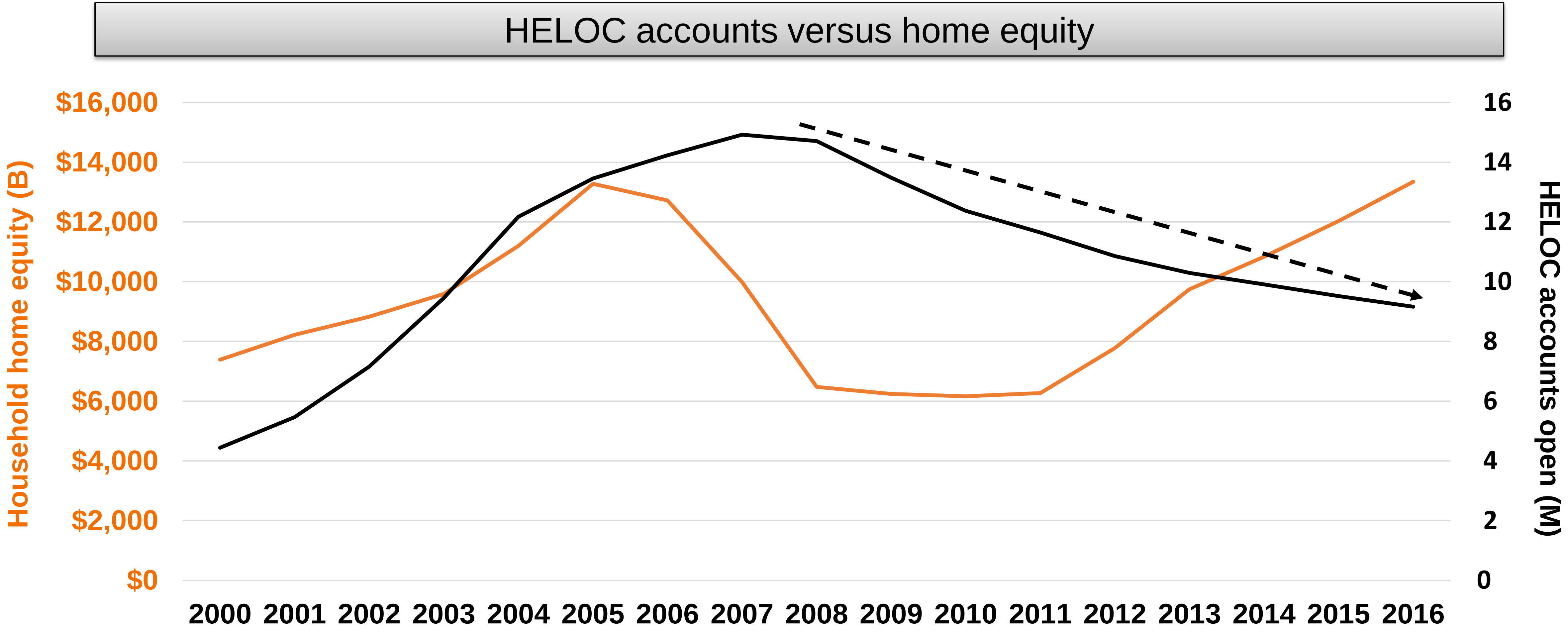
HELOC originations have tracked with home equity, but have not recovered at the same rate. This presents an opportunity for lenders



Source: Federal Reserve; TransUnion consumer credit database

Open HELOCs fell off materially after the housing market crashed, a trend that has not abated despite improving home values



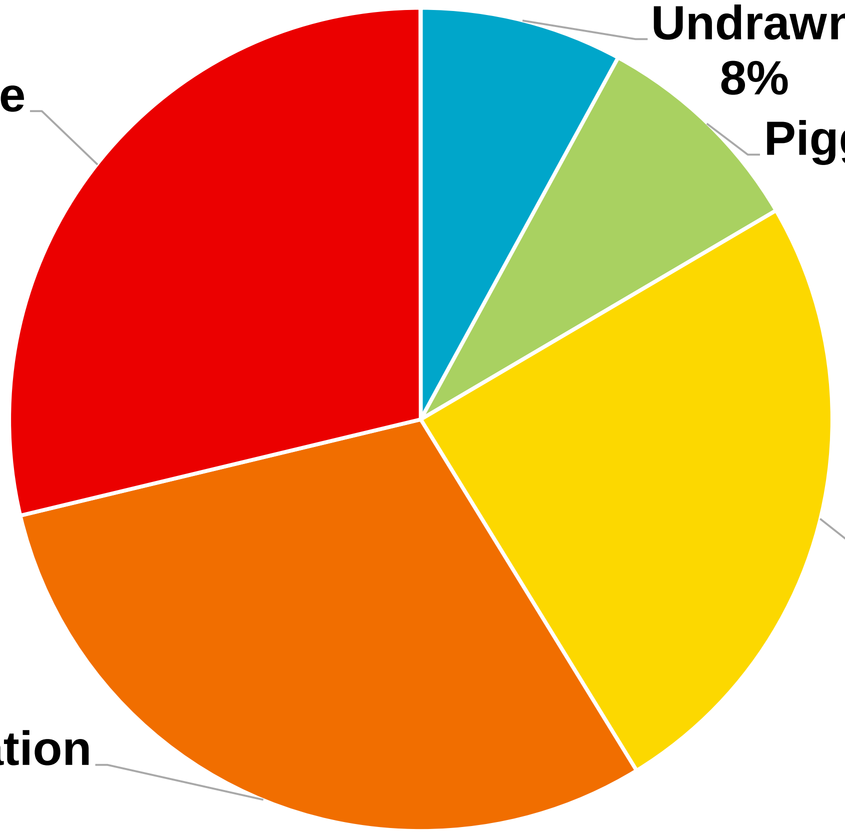
Source: Federal Reserve; TransUnion consumer credit database

HELOCs can be a great consumer product, and there are five main uses for consumers opening a HELOC

Undrawn	Standby, undrawn line of credit for a “rainy day”
Piggyback	Concurrent with a mortgage origination, often used for down payment
Refinance	Refinance a HELOC, often to get a better rate or when terms change
Debt consolidation	Consolidate balances from other credit products
Other expense	Finance a large credit need (e.g., home renovation project)

Consumers predominately use HELOCs for debt consolidation, refinancing, and other miscellaneous expenses

Usage of 2014–2015 HELOC originations



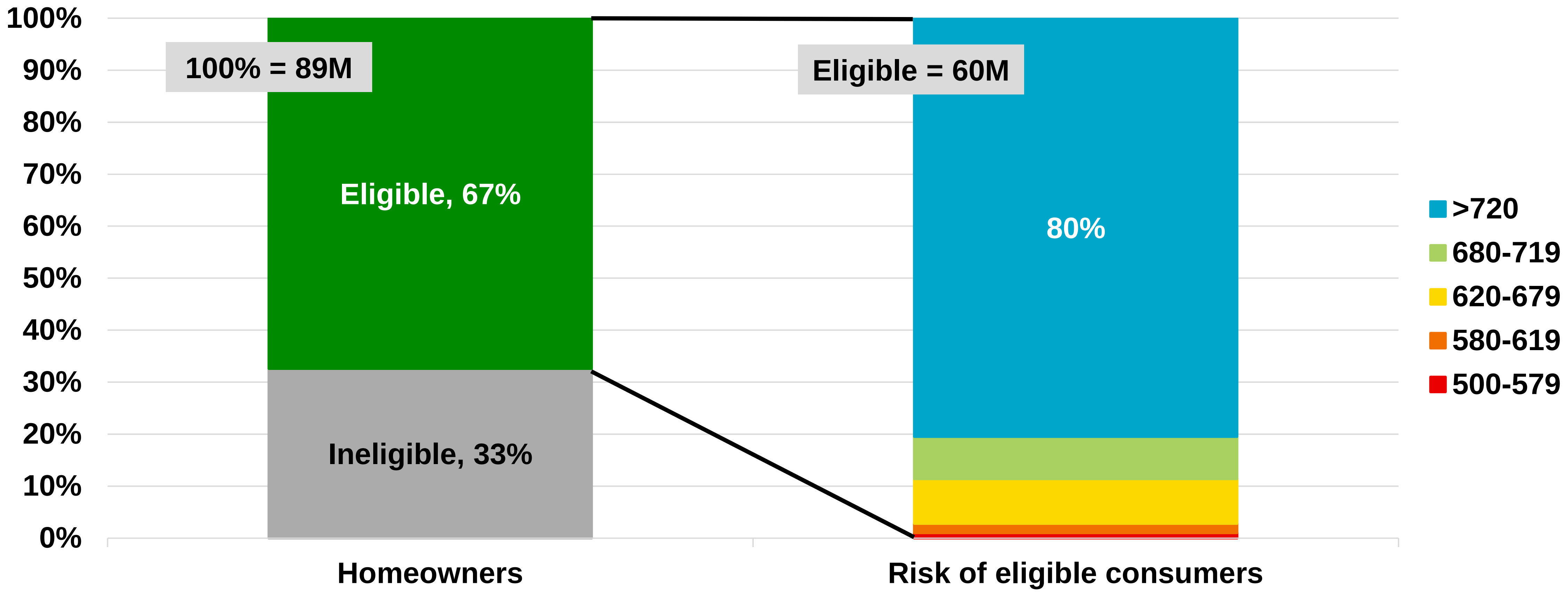
1.8M HELOC originations

Source: TransUnion consumer credit database

A better understanding of HELOC borrowers is critical for lenders. Can we predict which consumers will take out HELOCs in the future?

Over two-thirds of homeowners could be eligible for a HELOC, and their scores skew strongly to the top tier

Distribution of HELOC eligibility and credit score risk tiers as of June 2016



Note: VantageScore® 3.0 tiers

Source: TransUnion consumer credit database and public record property data

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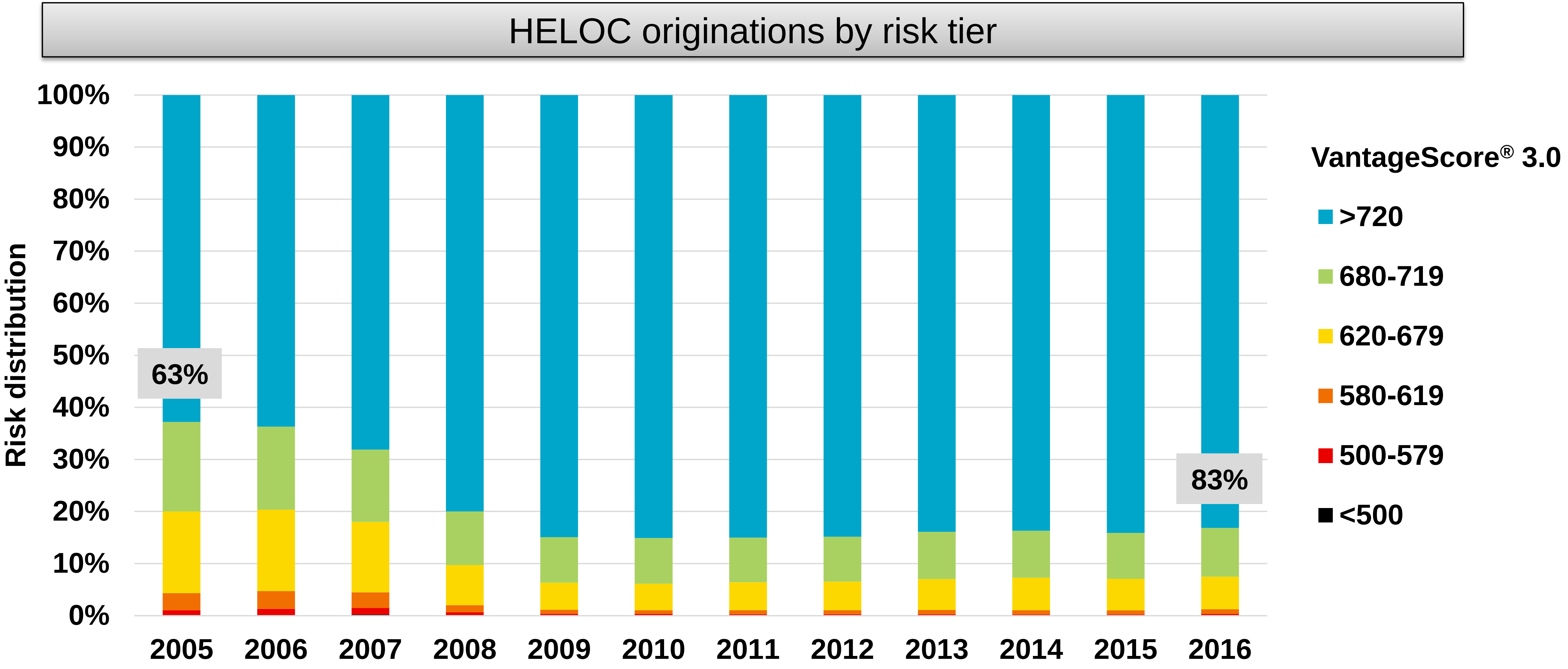
High credit quality originations became even more dominant during the recession and have remained that way since



Source: TransUnion consumer credit database

HELOC borrowers show distinct characteristics that distinguish them from non-borrowers

Credit profile factors	*HELOC borrowers:*
Risk distribution	Have similar credit scores to non-borrowers, but…
Credit participation	Are more credit active
Credit responsibility	Have lower ever-delinquent rates within all risk bands
Payment capacity	Have higher AEPs
Home values	Have higher-valued homes
End-of-draw	Refinance their existing HELOCs around the end-of-draw date

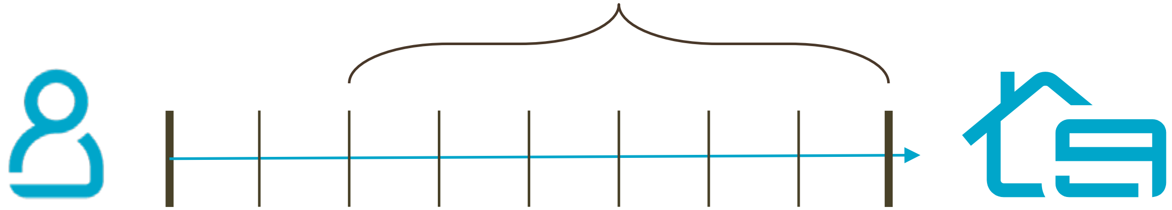
We developed a HELOC propensity model and scored all eligible candidates

- We developed a predictive model examining thousands of credit attributes

- Our model determined there are indeed factors that can be used to predict the likelihood of a HELOC-eligible candidate to open a HELOC within three to eight months of eligibility identification

- The model can be run against any population of consumers with a credit file

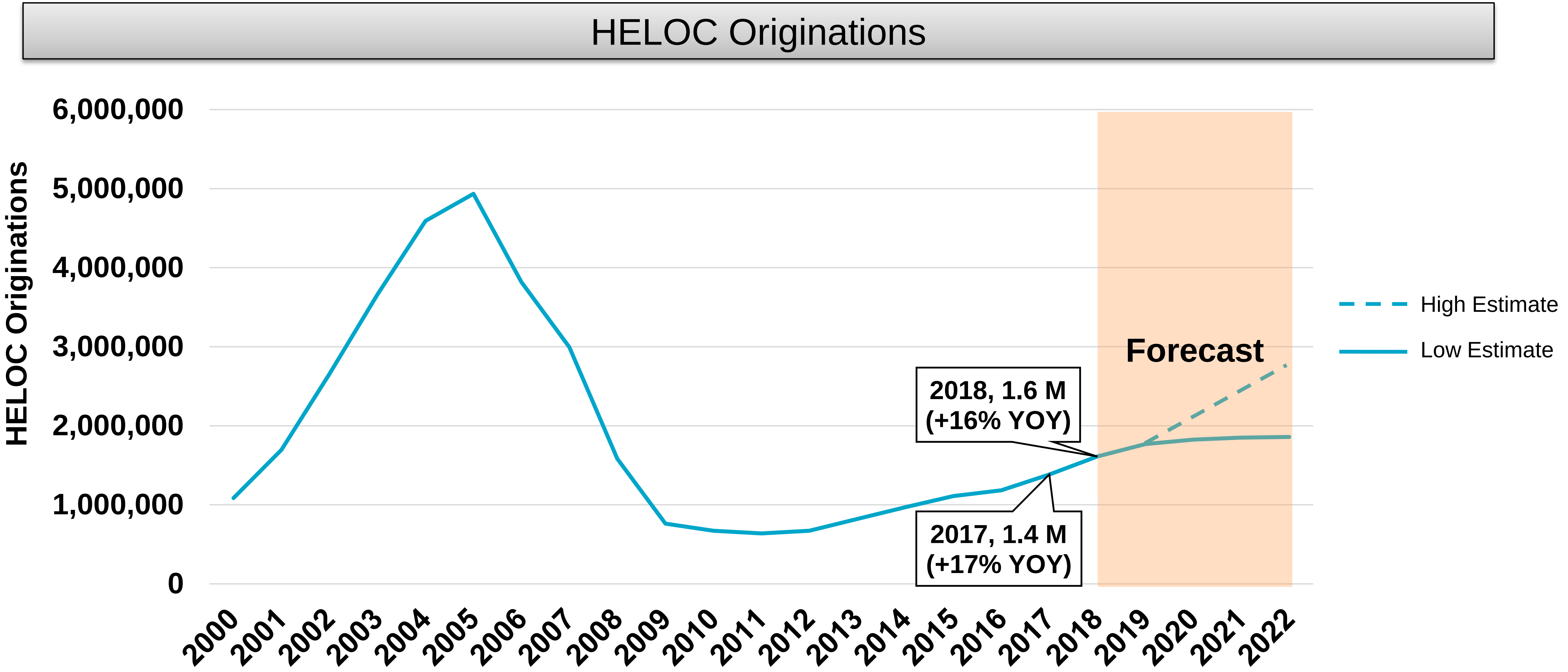
Period during which candidate originated a HELOC



t = consumer identified as a HELOC-eligible candidate

t+8

We expect 9-11 million HELOC originations between 2018 and 2022, double the 4.8 million HELOCs originated in the previous five-year period



Source: TransUnion consumer credit database

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To learn more about TransUnion’s HELOC model, visit www.transunion.com/HELOCs