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Equifax: Smarter Lending Drives First Mortgage Originations for Subprime Borrowers

ATLANTA, Jan. 29, 2016 /PRNewswire/ -- According to data from the latest *Equifax National Consumer Credit Trends Report*, first mortgage originations for subprime borrowers (consumers with an Equifax Risk Score™ of 620 or below) have shown steady growth from January to October 2015, with more than 312,000 new mortgages originated, totaling \$50.7 billion. This represents an increase of 28 percent in number of first mortgage originations and a 45 percent increase in the total balances from the same time a year ago.



"While there are many characteristics that define a subprime loan, such as the specific terms of the loan and the lender who issues it, credit standards are becoming more accommodating to meet market demand," said Amy Crews Cutts, chief economist at Equifax. "At the same time, lenders are focusing more attention on evaluating consumers' ability to repay. This has led to a much larger reliance on third-party data verifications that enable lenders to more accurately vet subprime borrowers much earlier in the origination process."

The industry is also seeing an increase in subprime activity within the home equity market, with the total balance of home equity installment loans originated for subprime borrowers increasing to more than \$1.4 billion, a year-over-year increase of 32.7 percent; with the total credit limits on home equity lines of credit (HELOCs) reaching \$608 billion, a year-over-year increase of 6.8 percent.

Cutts continued, "Home equity installment loans are often more suitable for consumers with credit issues, but the regulatory costs and underwriting burdens have typically made them very expensive for lenders to originate. Conversely, HELOCs are generally more popular among consumers, but less accessible to subprime borrowers. Mortgage insurance is a viable alternative for home equity loans that might be used as piggy-back financing for part of the downpayment on the first mortgage and may explain why we are not seeing similar proportionate increases in subprime home equity loans."

Additional data from the *Equifax National Consumer Credit Trends Report* includes:

First Mortgage

- The total balance of first mortgage originations January-October 2015 is \$1.56 trillion, a year-over-year increase of 50.7 percent;

- In that same time, the number of new first mortgages originated was 6.64 million, an increase of 37.4 percent;
- As of December 2015, the severe delinquency rate (loans that are 90-days past due, in bankruptcy or foreclosure), as a share of the total balance of first mortgages, is 1.77 percent, the lowest level since September 2007.

Home Equity Lines of Credit (HELOC)

- The total balance of outstanding loans in December 2015 is \$493.7 billion;
- The total credit limit of new HELOCs originated in January-October 2015 was \$121.6 billion, a 19.7 percent increase from same time a year ago and a seven-year high; and
- In that same time, the total number of new HELOCs originated was 1.17 million, an increase of 11.8 percent and the highest since 2008.

Home Equity Installment

- As of December, the total balances on outstanding home equity loans is \$132.7 billion;
- The total balances originated January-October 2015 was \$21.9 billion, a 20.1 percent increase from same time a year ago; and
- In that same time, the total number of new home equity loans for subprime borrowers was 652,200, an increase of 24.7 percent and the highest level since 2008.

Equifax's National Consumer Credit Trends Report reveals population-level debt and lending insights, including originations, balances, number of loans, delinquencies and more from more than 210 million consumers.

About Equifax

Equifax is a global leader in consumer, commercial and workforce information solutions that provides businesses of all sizes and consumers with insight and information they can trust. Equifax organizes and assimilates data on more than 600 million consumers and 81 million businesses worldwide. The company's significant investments in differentiated data, its expertise in advanced analytics to explore and develop new multi-source data solutions, and its leading-edge proprietary technology enables it to create and deliver unparalleled customized insights that enrich both the performance of businesses and the lives of consumers.

Headquartered in Atlanta, Equifax operates or has investments in 19 countries and is a member of Standard & Poor's (S&P) 500® Index. Its common stock is traded on the New York Stock Exchange (NYSE) under the symbol EFX. In 2014, Equifax was nominated as a Bloomberg BusinessWeek Top 50 company; its CIO was listed as one of the top 100 by CIO magazine; and the company was named to the Fintech 100 list, was recognized as a top 20 company to work for by the Atlanta Journal-Constitution, and was named a 2014 Information Week Elite 100 Winner. For more information, please visit www.equifax.com.

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