

Subprime Mortgage Originations Rise Across U.S.

Americans with low credit scores getting first mortgages, but few HELOCs

ATLANTA, Sept. 21, 2015 /PRNewswire/ -- Mortgage originations to those with subprime credit scores continued to climb steadily over the first five months of 2015, according to data from the latest Equifax (NYSE: EFX) *National Consumer Credit Trends Report*.



Each category – first mortgages, home equity installment (HE) loans and home equity lines of credit (HELOC) – showed significant increases in subprime originations over the same period a year ago. The number of first mortgage originations to borrowers with low credit scores was up 30.5 percent, HE loans was up 29.5 percent, and HELOCs rose 20.4 percent.

Despite the considerable increases in subprime originations, their overall numbers remain only a small fraction of total originations across the mortgage lending industry and are well off the pace of subprime lending prior to the Great Recession, according to Equifax consumer credit data. A subprime credit score is generally considered to be below 620.

One area where lending to those with low credit scores remains particularly slow is for HELOCs. Of the more than 525,000 HELOCs originated in the first five months of 2015, just 7,800 of them were considered subprime, having an Equifax Risk Score™ of less than 620. Those fortunate enough to obtain HELOCs in May 2015 despite low credit scores also saw a 21.5 percent decrease in borrowing power from May 2014, as average credit limits fell to \$35,643 compared to the average credit limit for all HELOCs of \$103,588, which was 7.5% higher than in May 2014.

"The data make it very clear that almost nobody is getting HELOCs if they don't have a credit score above 620," said Amy Crews Cutts, Chief Economist at Equifax. "But we are seeing a rise in first mortgage and home equity installment loan origination subprime shares. It appears that American lenders still believe in second chances, and without subprime loans, there would be no second chances in the housing market. The underwriting on mortgages today is tough on everyone and we believe that the subprime lending that is happening is being underwritten even more carefully."

Additional key data on subprime originations from the *Equifax National Consumer Credit Trends Report* included:

- Of the 3.26 million first mortgages originated year-to-date through May, 143,800 – or

4.6 percent – were issued to consumer with an Equifax Risk Score™ below 620.

- Of the more than 280,700 HE loans originated year-to-date, 30,900 – or 1.5 percent – went to those with low credit scores.
- As HE installment loan originations rose 22.4 from a year ago and surged to their highest level since 2008, subprime originations also jumped sharply, by 29.5 percent. The average origination loan amount of a new subprime HE loan also climbed, hitting \$22,455 in May 2015 – up 11.6 percent from May 2014.

The latest Equifax data also reveals that lenders have taken steps in recent years to limit their risk in lending to people with subprime credit scores. For example, in 2008, more than 10 percent of first mortgage originations went to borrowers with credit scores below 620. Thus far in 2015, that figure has dropped by more than half to 4.6 percent of first mortgage originations.

"Despite the continuing rise in overall subprime originations, banks are still greatly limiting their high-risk exposure," said Cutts. "The credit score of the borrower at the 10th percentile of newly originated first mortgages today is 650. For HELOCs, it's 700. Looking back to the start of 2006, the credit score of the 10th percentile loan was 575 for a first mortgage and 645 for HELOCs. I think we are still a long way from the Goldilocks level of 'just right.'"

The *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 InformationWeek Elite 100 Winner. For more information, please visit www.equifax.com.

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