Lending Conditions Chartbook

Q4 2024

Prepared by:
Joseph Mayans, Chief Economist
Josee Farmer, Economic Analyst

The quarterly Lending Conditions Chartbook captures key trends important for the financial services industry. By bringing together Experian-only and external-market data sets on the economy, credit activity, lending standards, loan demand, originations, delinquency, and consumer sentiment, this report provides a broad view of what is happening in the credit environment.

Table of contents

Macro backdrop

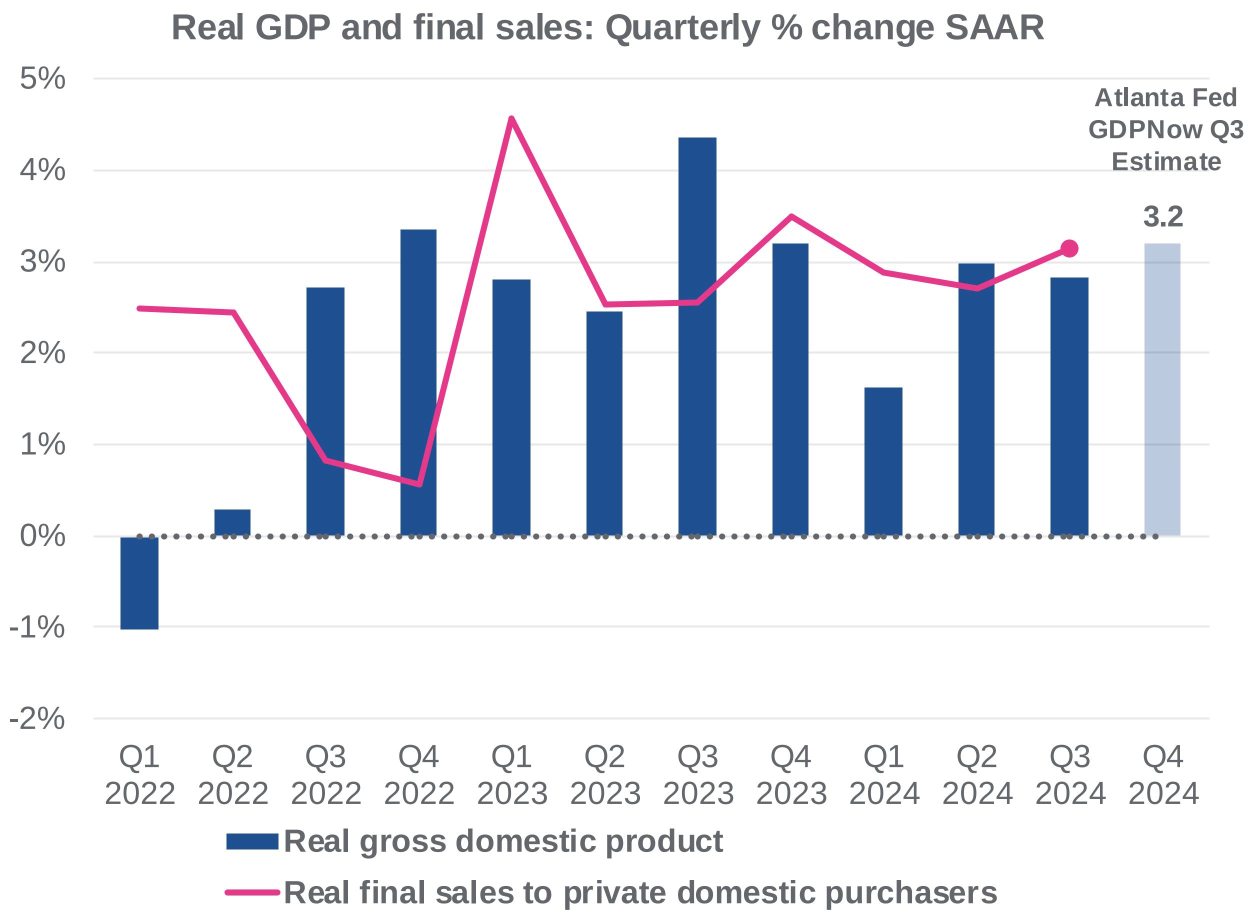
Charts on economic growth, labor market activity, spending and income data, consumer and business sentiment, inflation, fed funds projection, and longer-term interest rates

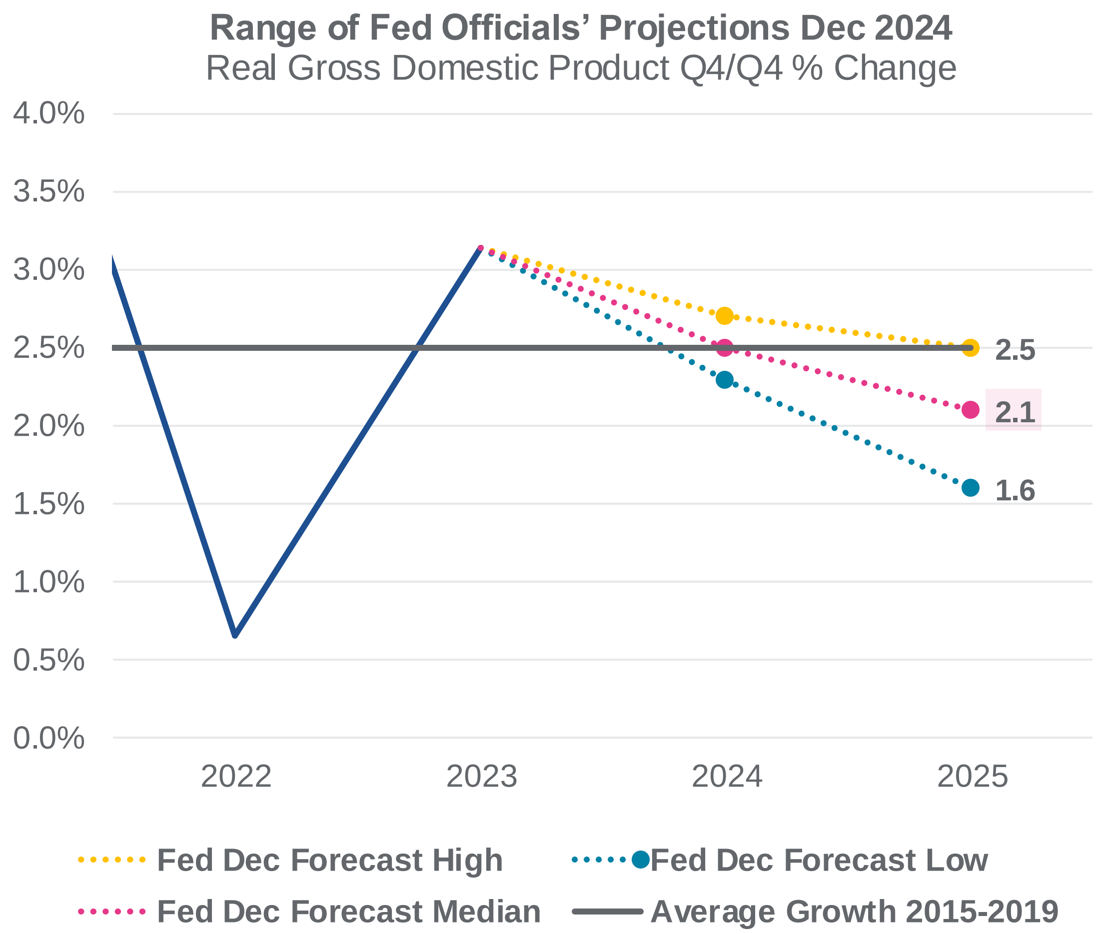
Key Takeaways: Macro Backdrop

- **The U.S. economy remains on strong footing heading into the new year** even as concerns around geopolitics, tariffs, and Fed policy linger. At their December meeting, Fed officials lifted their growth projection for the economy in 2025 from 2.0% to 2.1%.
- Despite cooling in recent months, **the overall labor market backdrop is still solid**. Job creation, job openings, and the rate of quitting have risen in recent months, pushing back somewhat on broader slowdown concerns. However, long-term unemployment has risen as job finding has become more difficult. Fed officials expect a modest climb in unemployment throughout 2025.
- Consumers continue to benefit from rising real incomes and net worth gains which have fueled spending. Recently, **consumer sentiment has shifted more optimistic as expectations for future conditions have improved**.
- After easing for much of the last two years, **inflationary pressures are proving stubborn.** Given the still solid labor market and concern over inflation, **Fed officials reduced their projected number of interest rate cuts in 2025 from 100bps (four 25bp cuts) to 50bps (two 25bp cuts).**
- Longer-term interest rates – including mortgage rates – have risen even after the Fed began cutting in September. **The rise in longer-term rates has been the most significant of any post-rate-cut period in modern history** and should drive caution around expectations for a meaningful pickup in home sales in 2025.

US economy continues to outperform expectations

— Latest forecast from Fed officials is for 2.1% growth in 2025, up from prior view of 2%

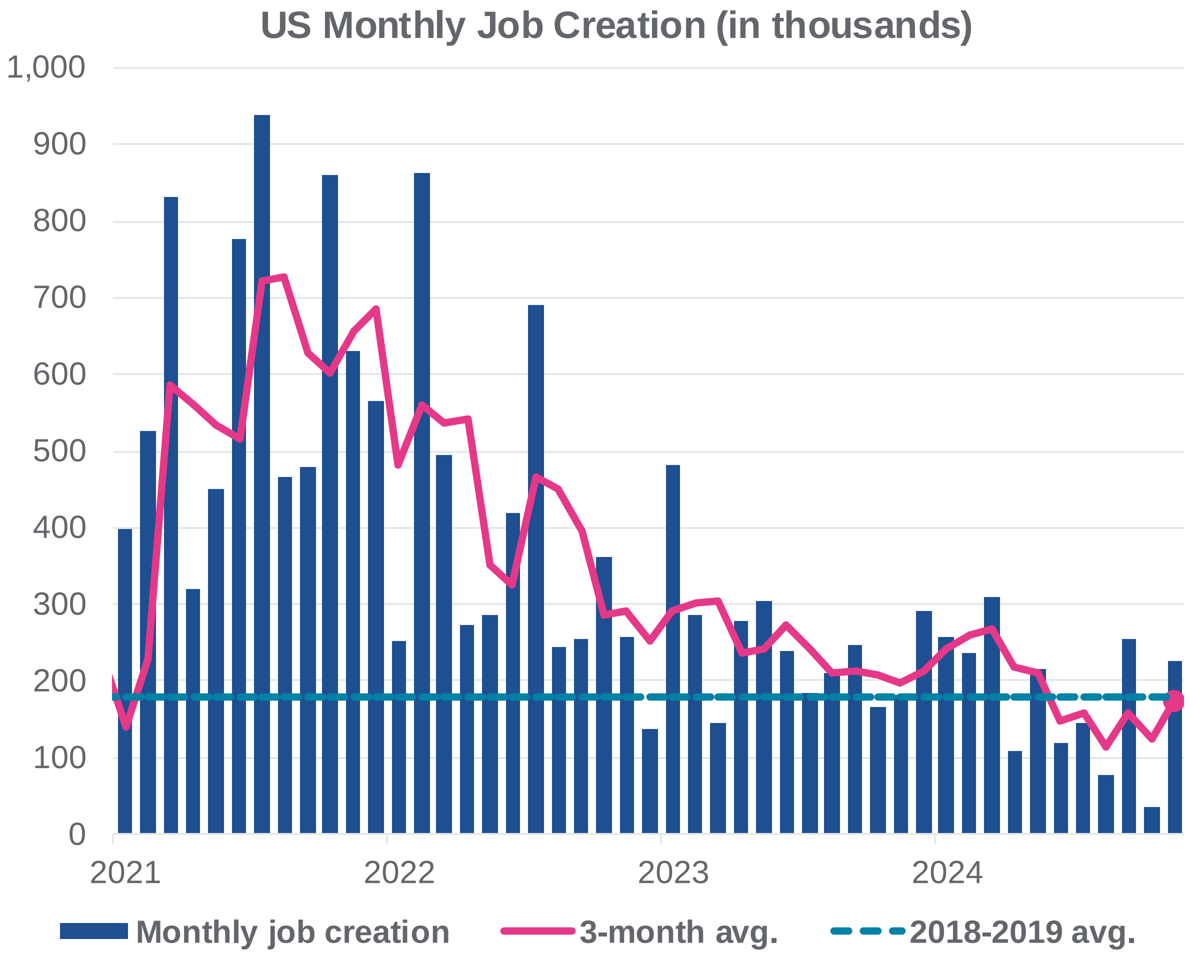


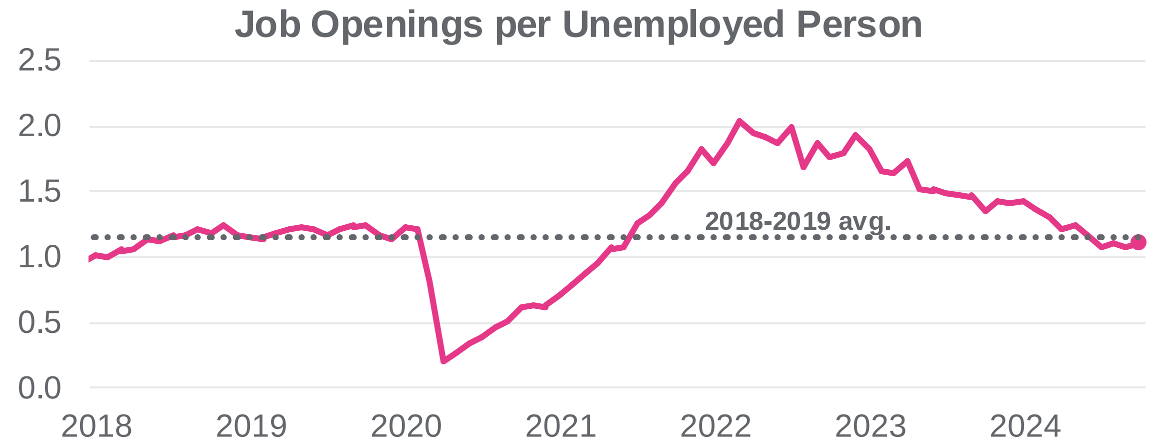


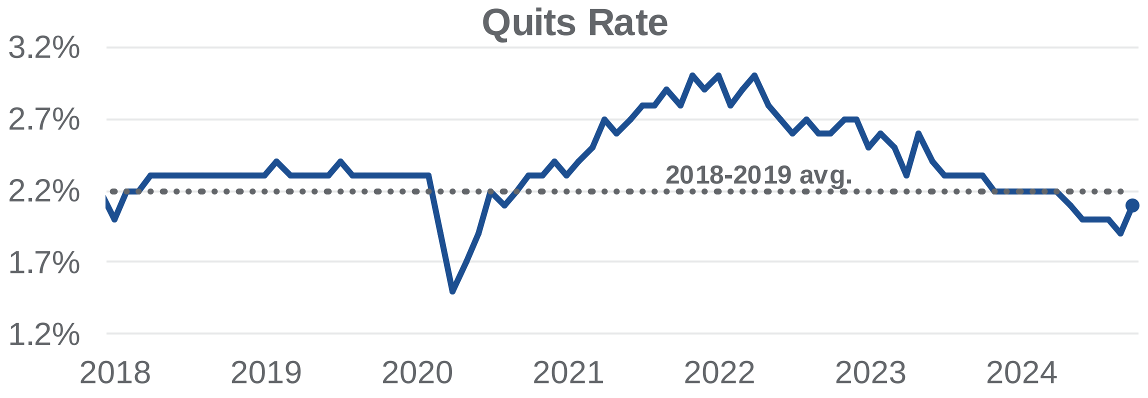
Sources: Bureau of Economic Analysis, Atlanta Fed GDPNow estimate as of 12.18.2024, and Experian Economic Strategy Group

Labor market has found some footing after the summer slowdown

— Average monthly job creation is back to pre-pandemic levels, job openings and quits improved in October





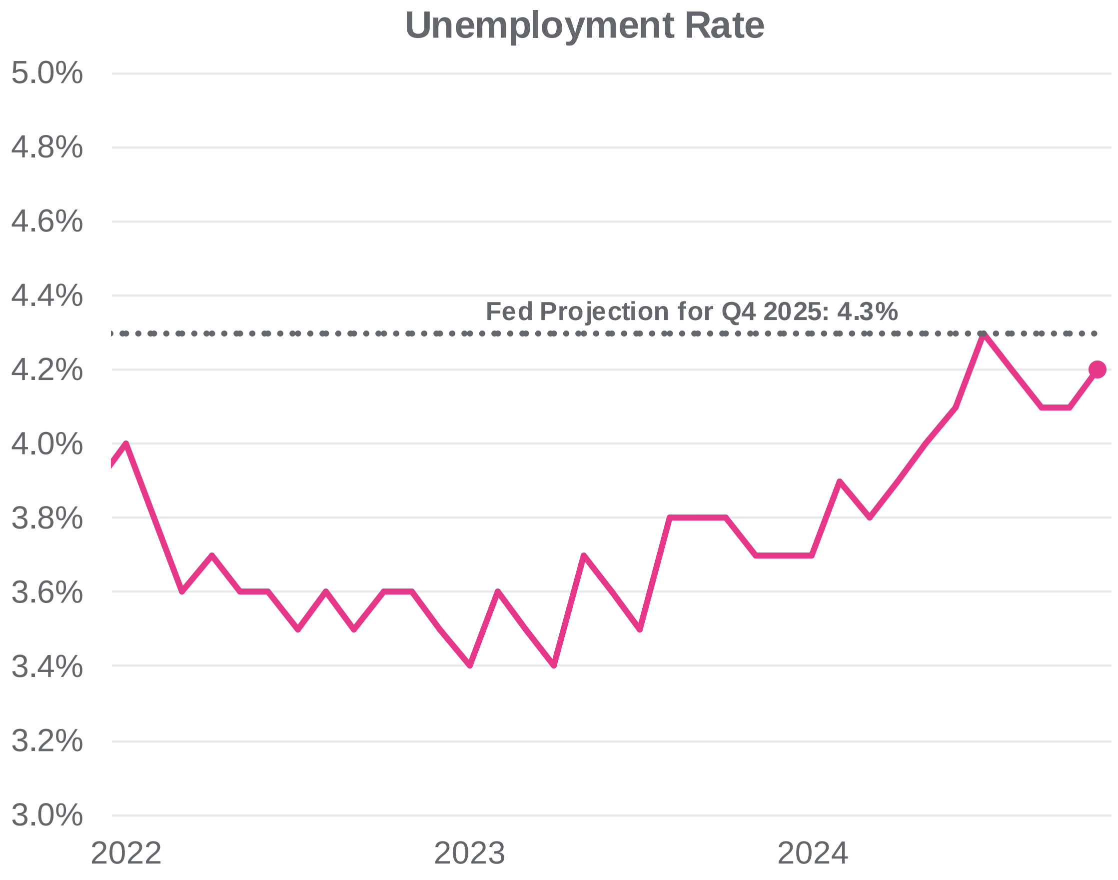


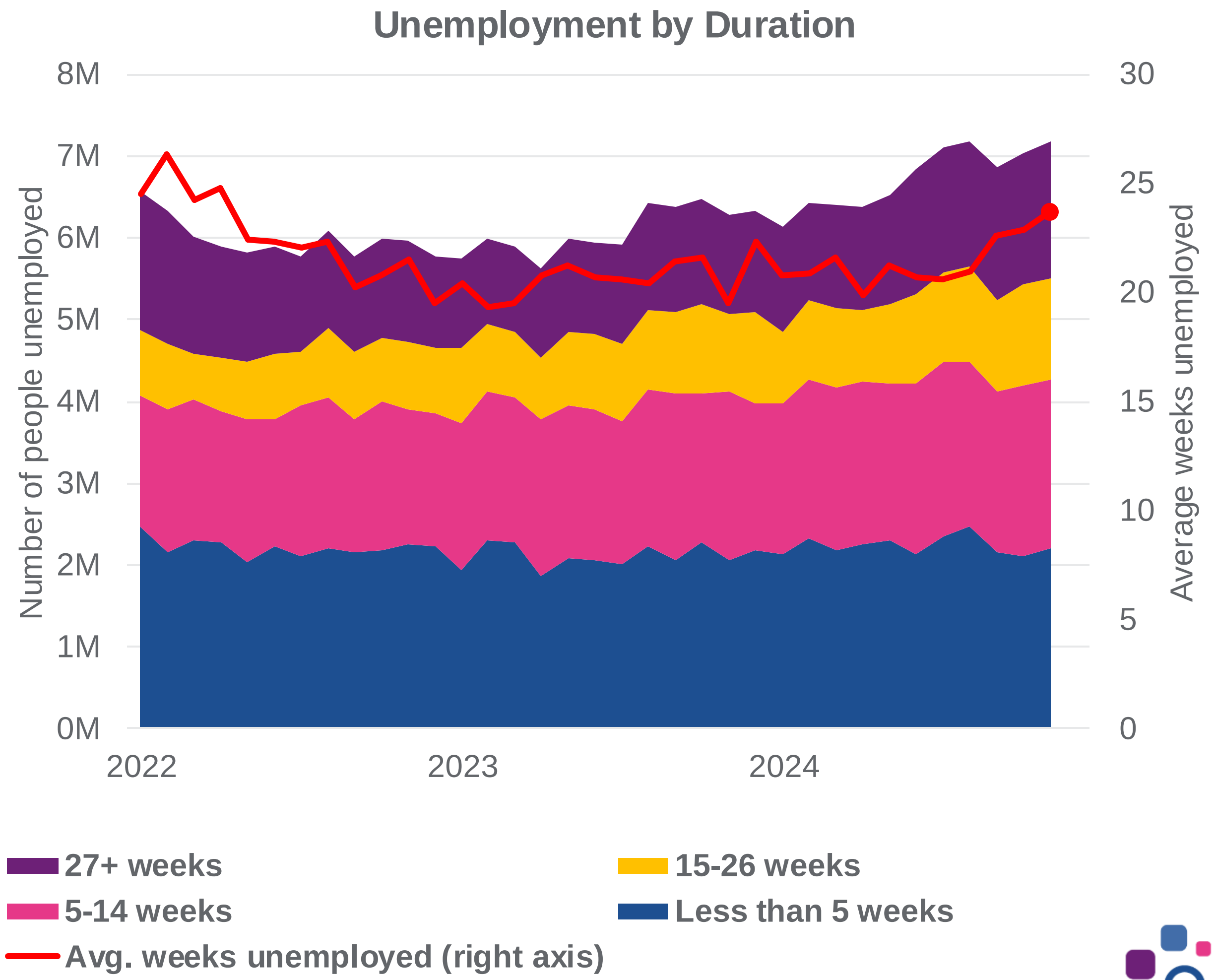
Source: Bureau of Labor Statistics and Experian Economic Strategy Group

  12/19/2024

Fed officials expect unemployment to rise modestly throughout 2025

— Average duration of unemployment has risen as long-term unemployment (27+ weeks) has increased to highest level in more than two years

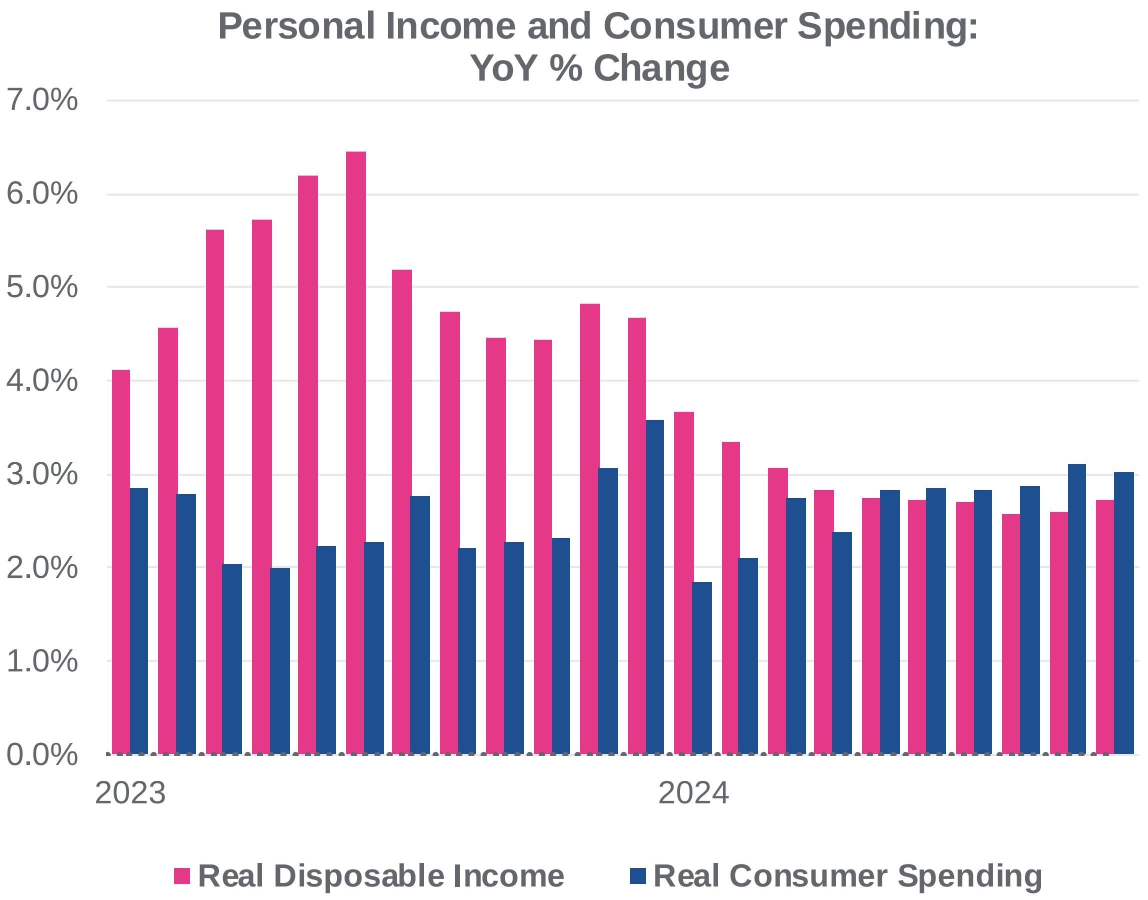


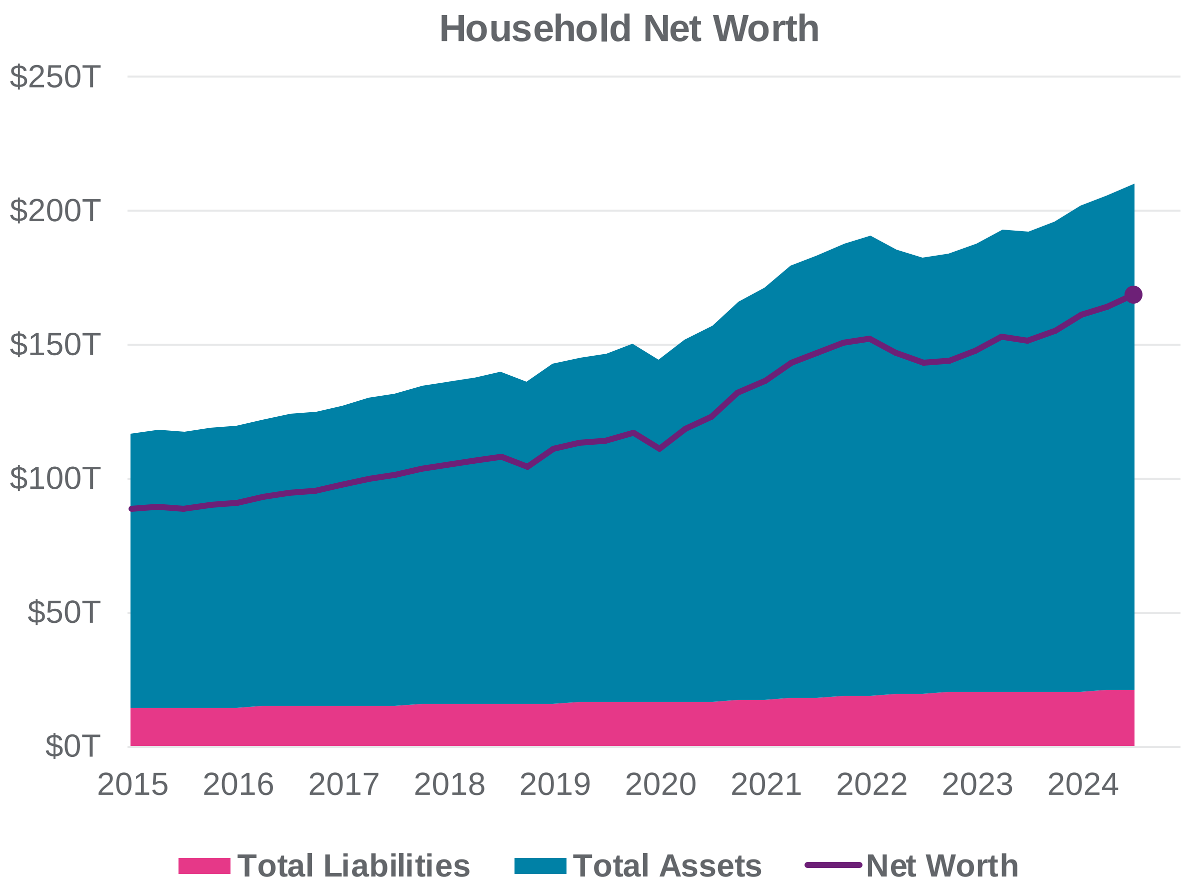


Source: Bureau of Labor Statistics, Federal Reserve and Experian Economic Strategy Group

Real consumer spending remains strong as incomes continue to grow

— Household net worth climbed again in Q3 driven by gains in equity markets





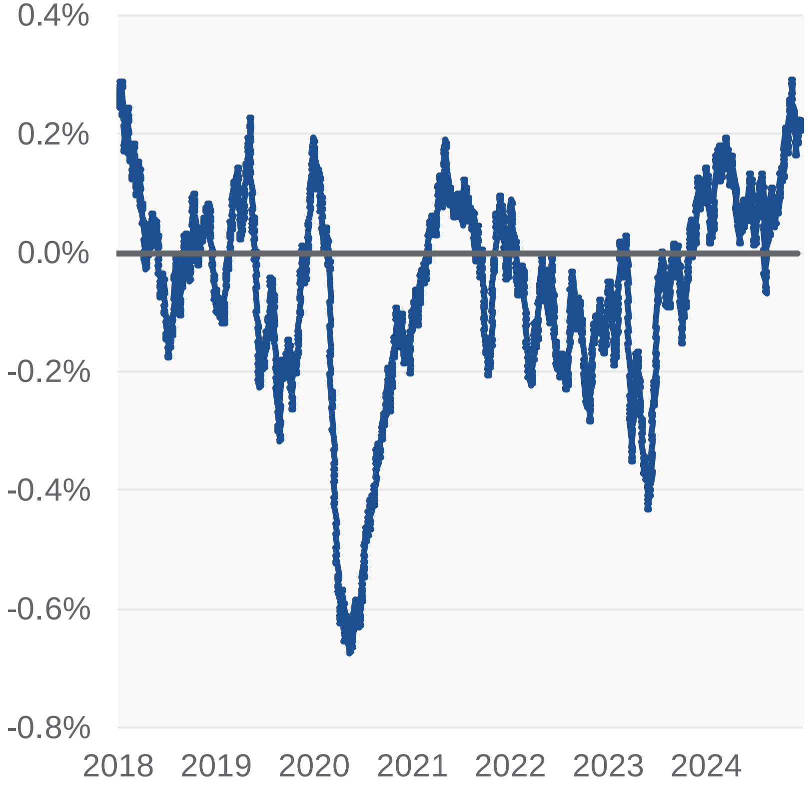
Source: Bureau of Economic Analysis, Federal Reserve Z.1 Financial Accounts, and Experian Economic Strategy Group

  12/19/2024

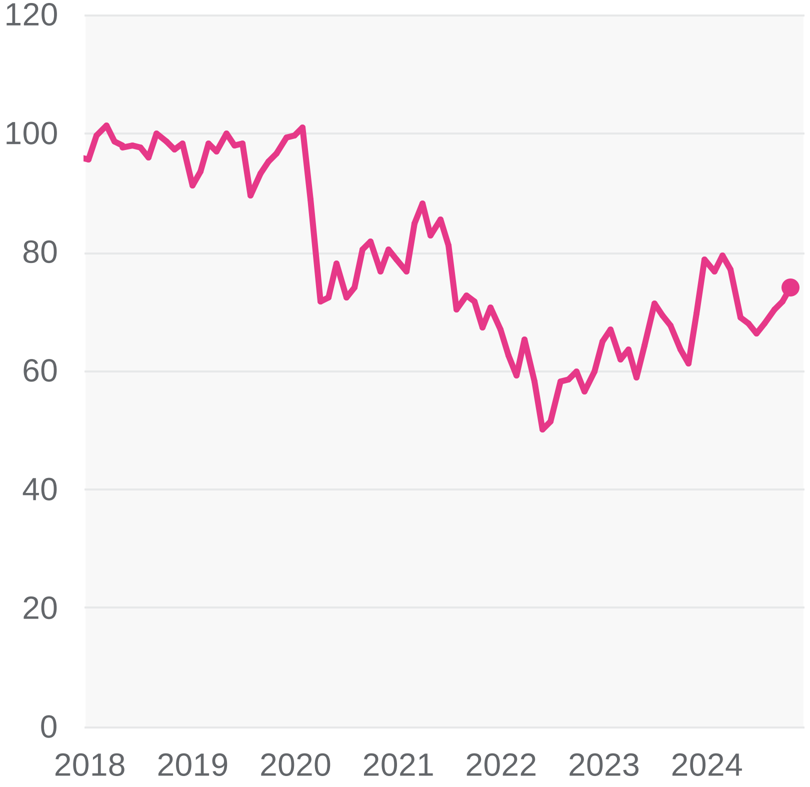
Consumers are becoming more optimistic

— Pickup in sentiment has been seen across multiple surveys and indicators

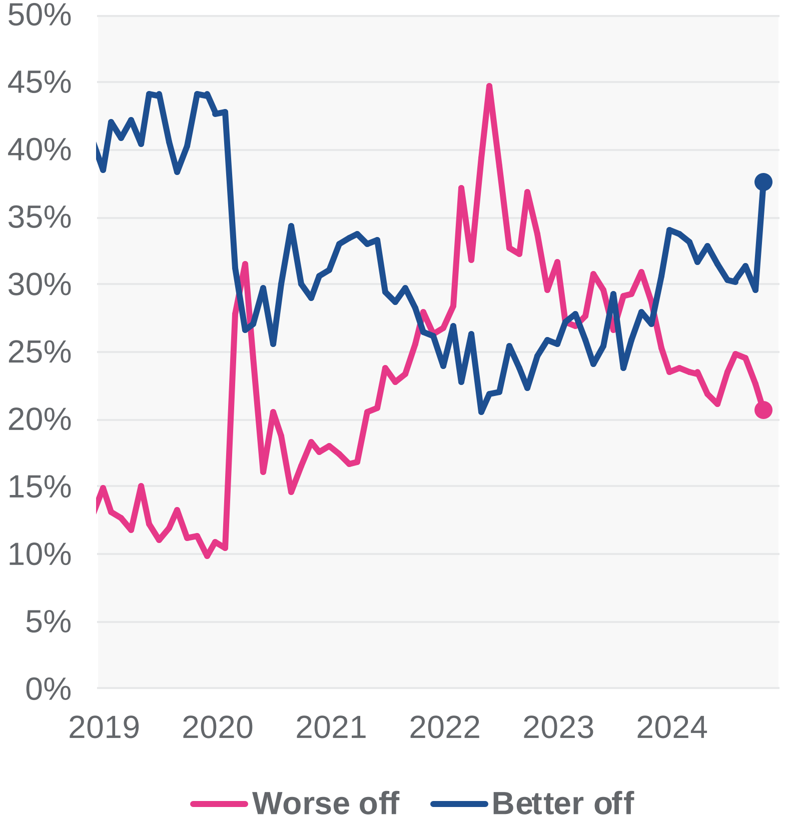
Daily News Sentiment Index



University of Michigan Consumer Sentiment Index



Year Ahead Financial Situation Expectations

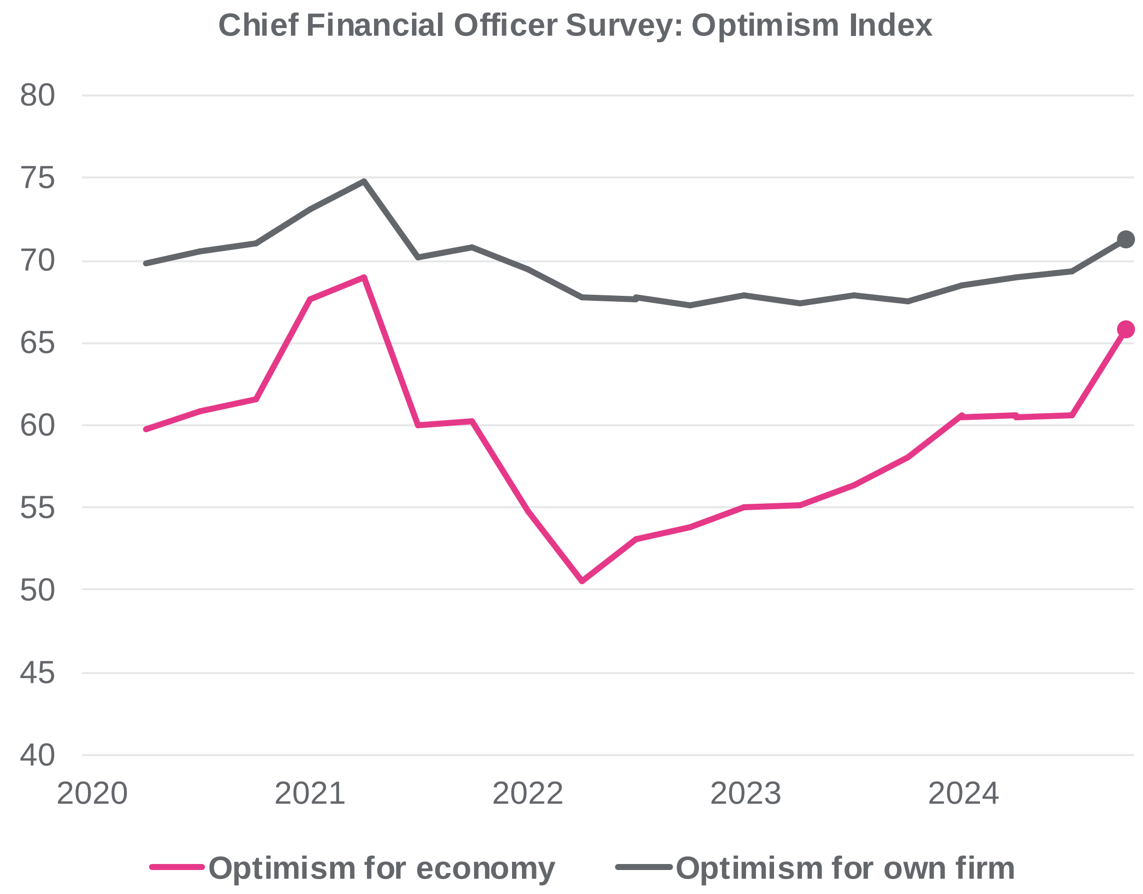


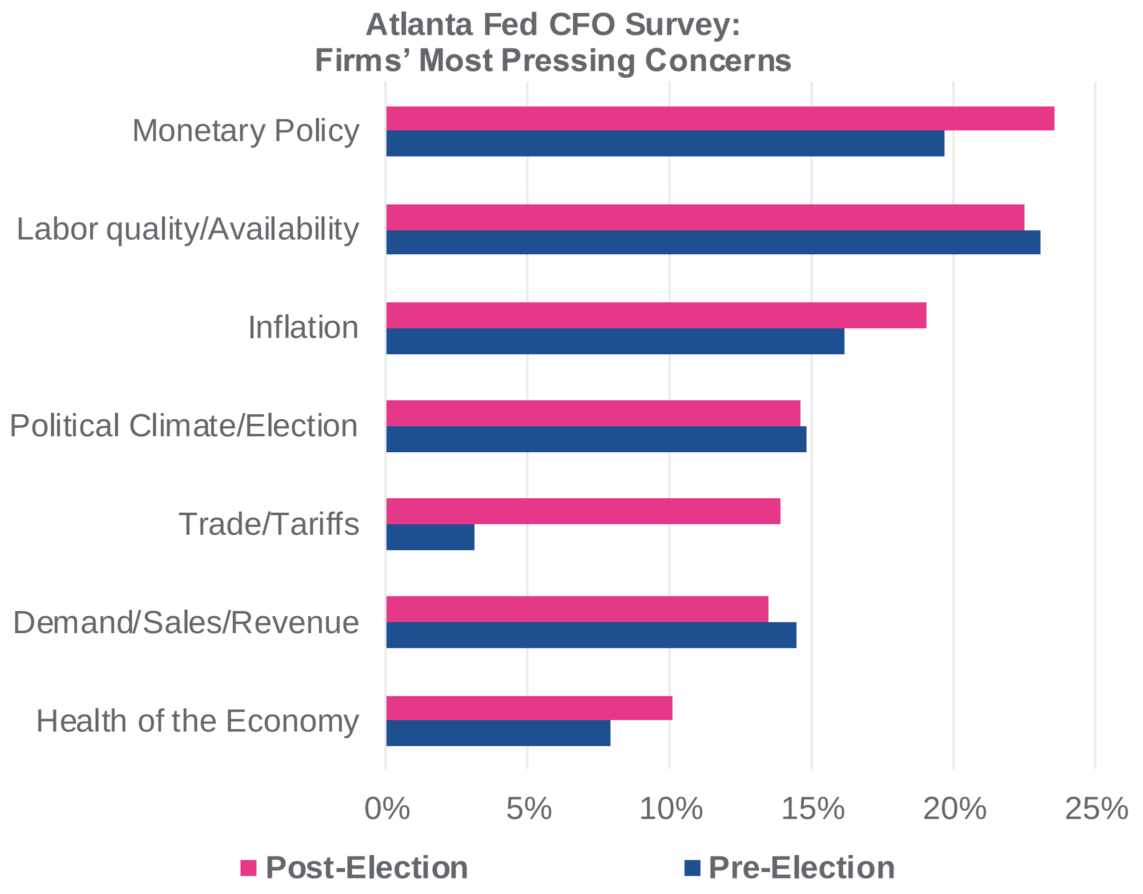
Source: Federal Reserve Bank of San Francisco, University of Michigan, Federal Reserve Bank of New York, and Experian Economic Strategy Group

  12/19/2024

Businesses are also feeling better about the future

— However, key concerns remain around the path of monetary policy and inflation. Concerns over trade and tariffs have risen post-election

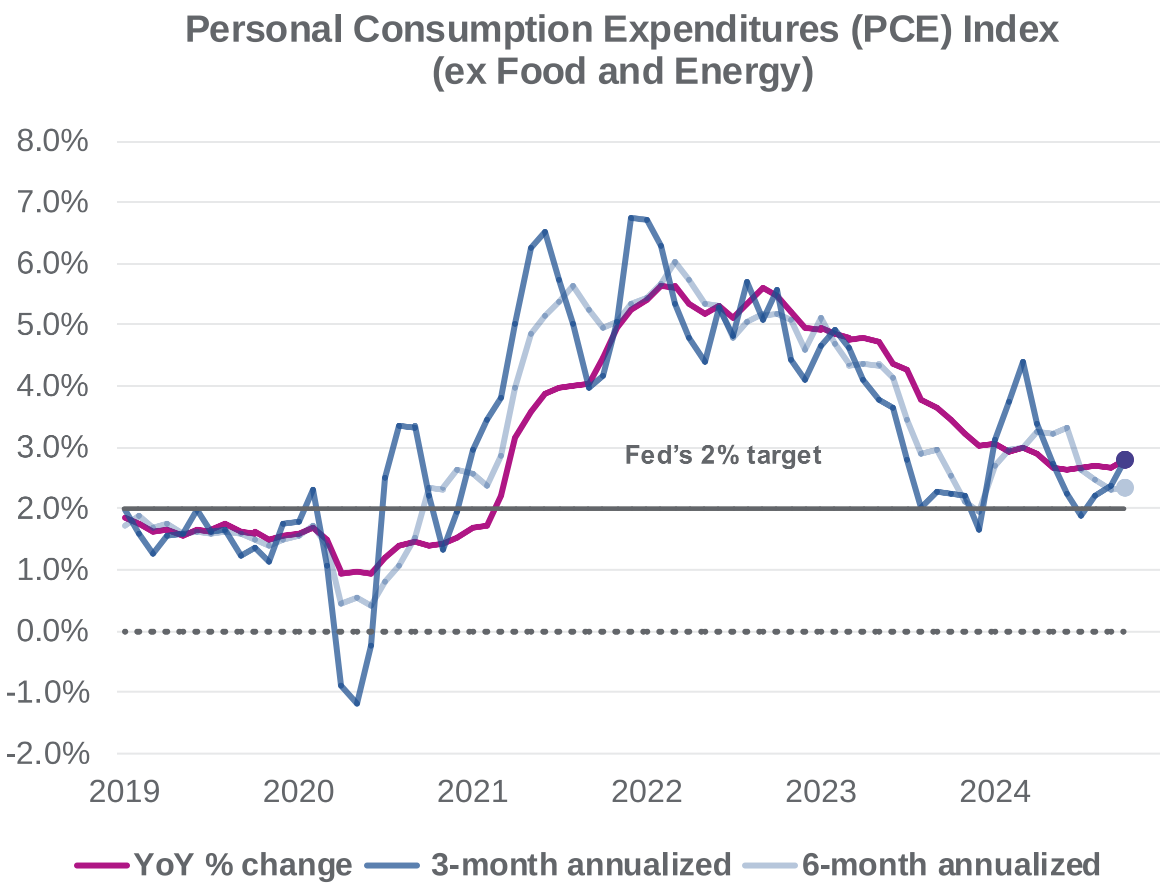


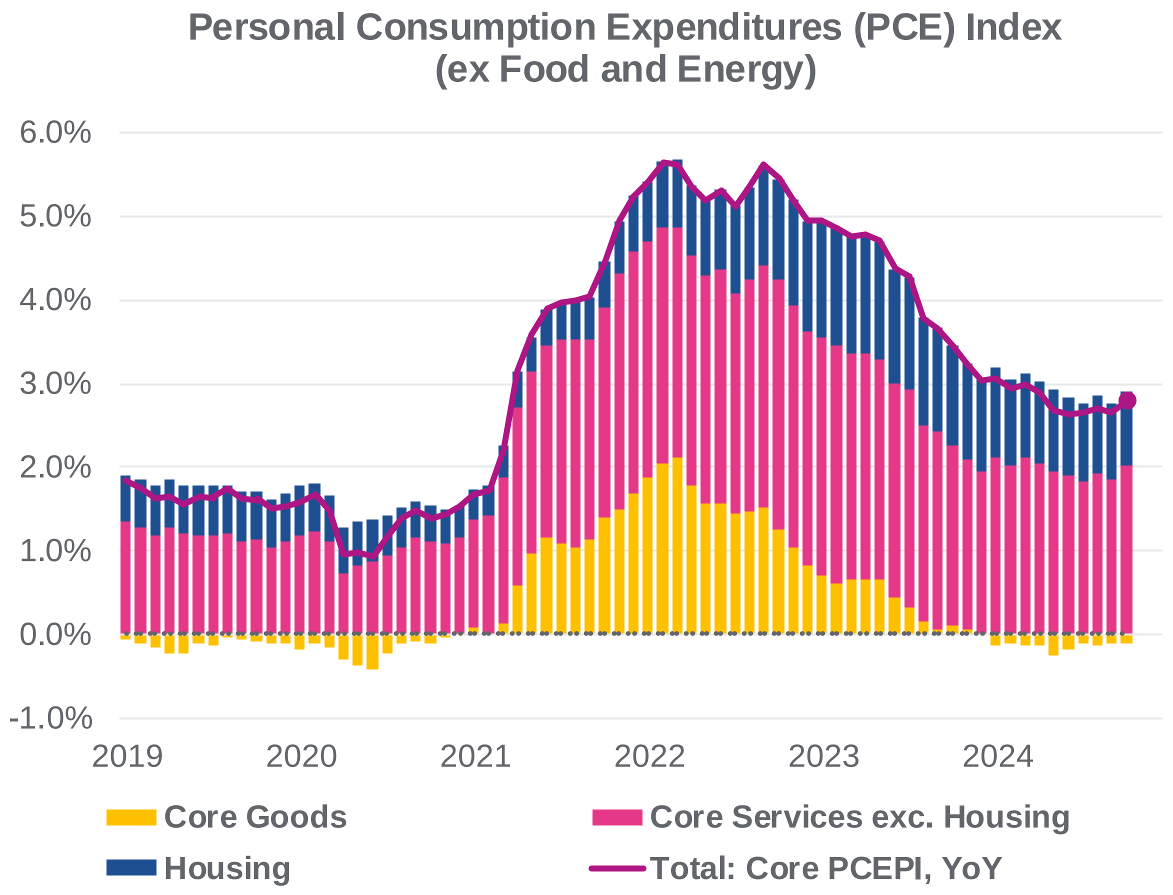


Source: Federal Reserve Bank of Atlanta and Experian Economic Strategy Group

Progress on inflation has slowed in recent months

— Price pressures still driven by housing (rent) and services



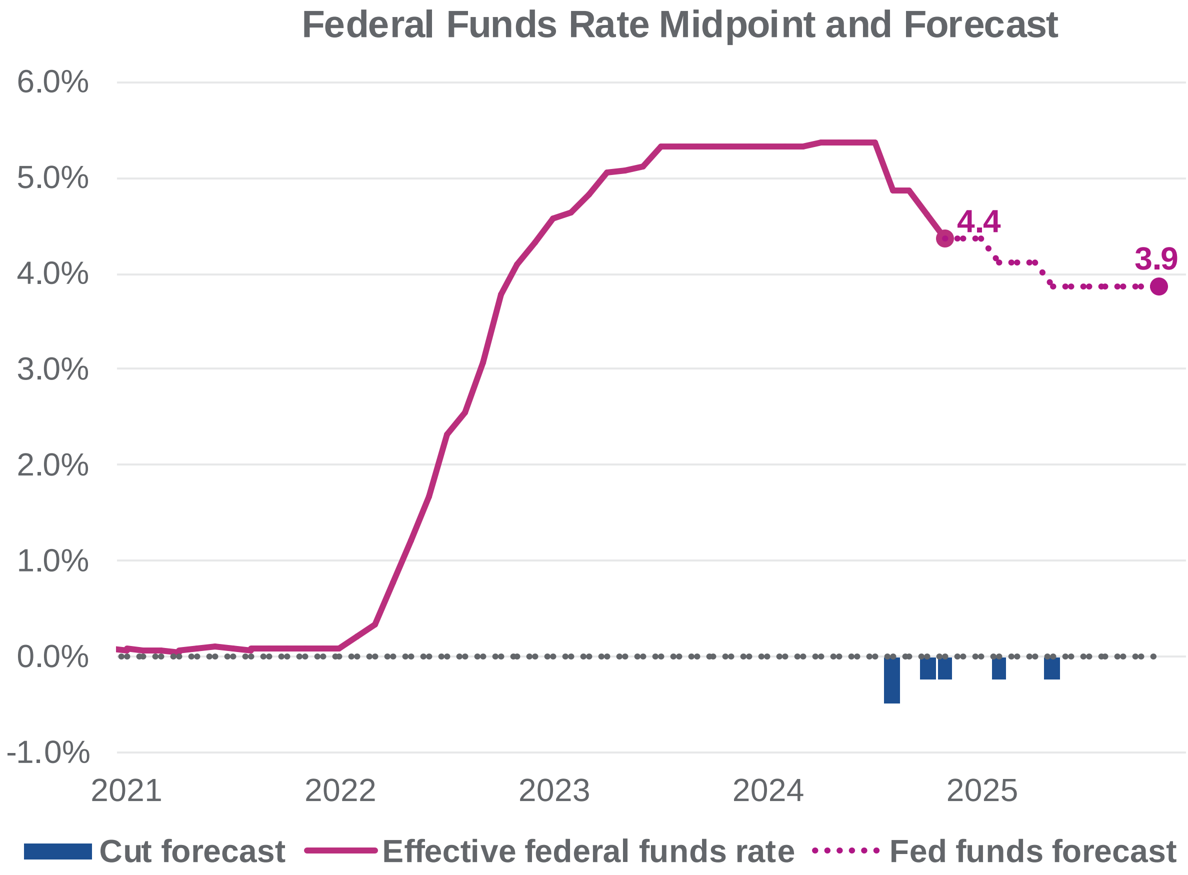


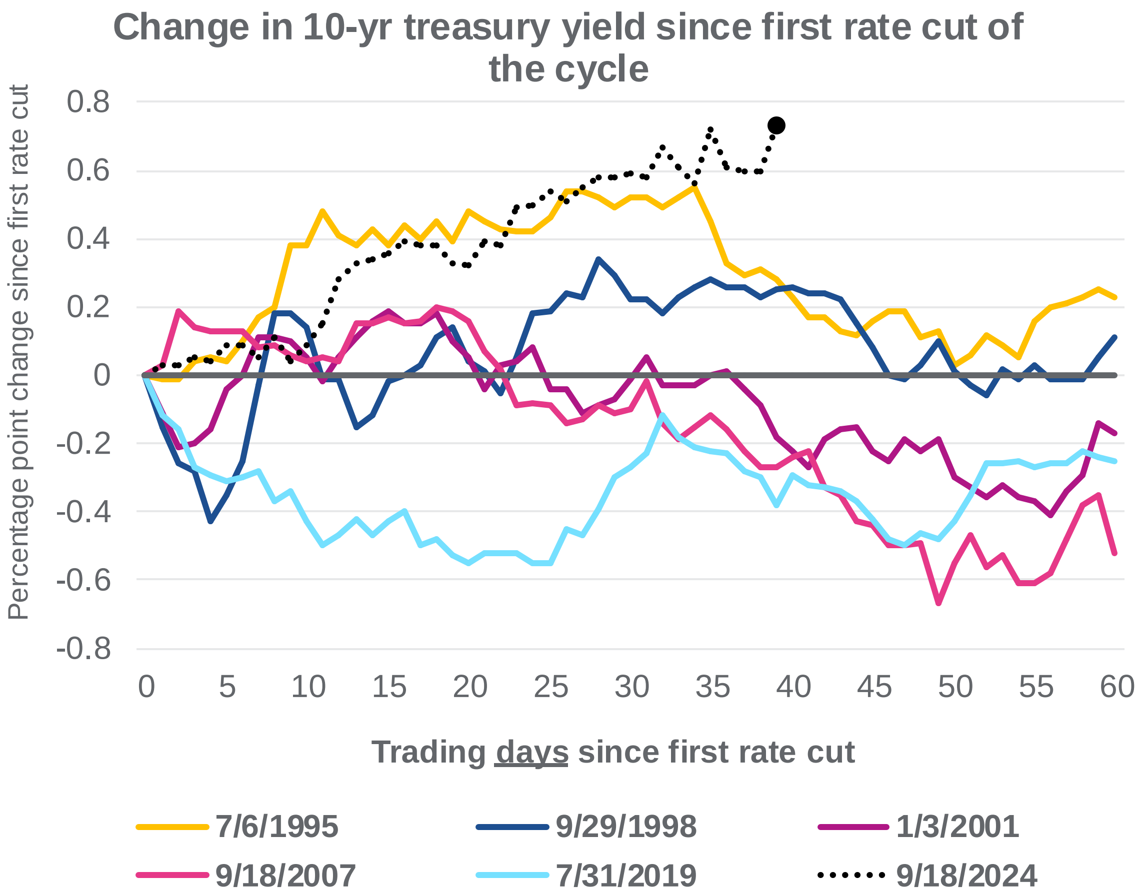
Sources: Bureau of Economic Analysis, Federal Reserve Bank of San Francisco, and Experian Economic Strategy Group

  12/19/2024

Fed officials reduce projected rate cuts in 2025 from 100bps to 50bps

— Even as Fed has cut rates 100bps since September, longer-term rates have increased



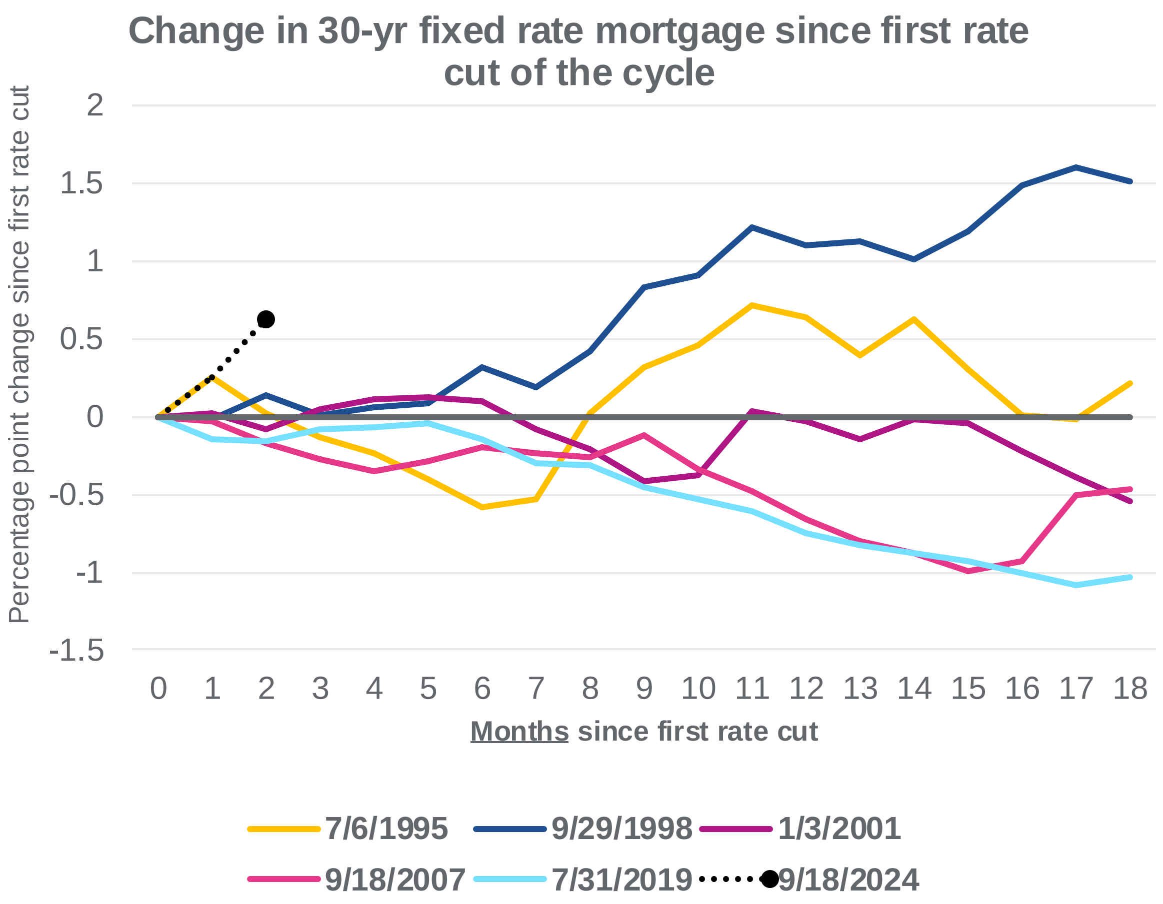


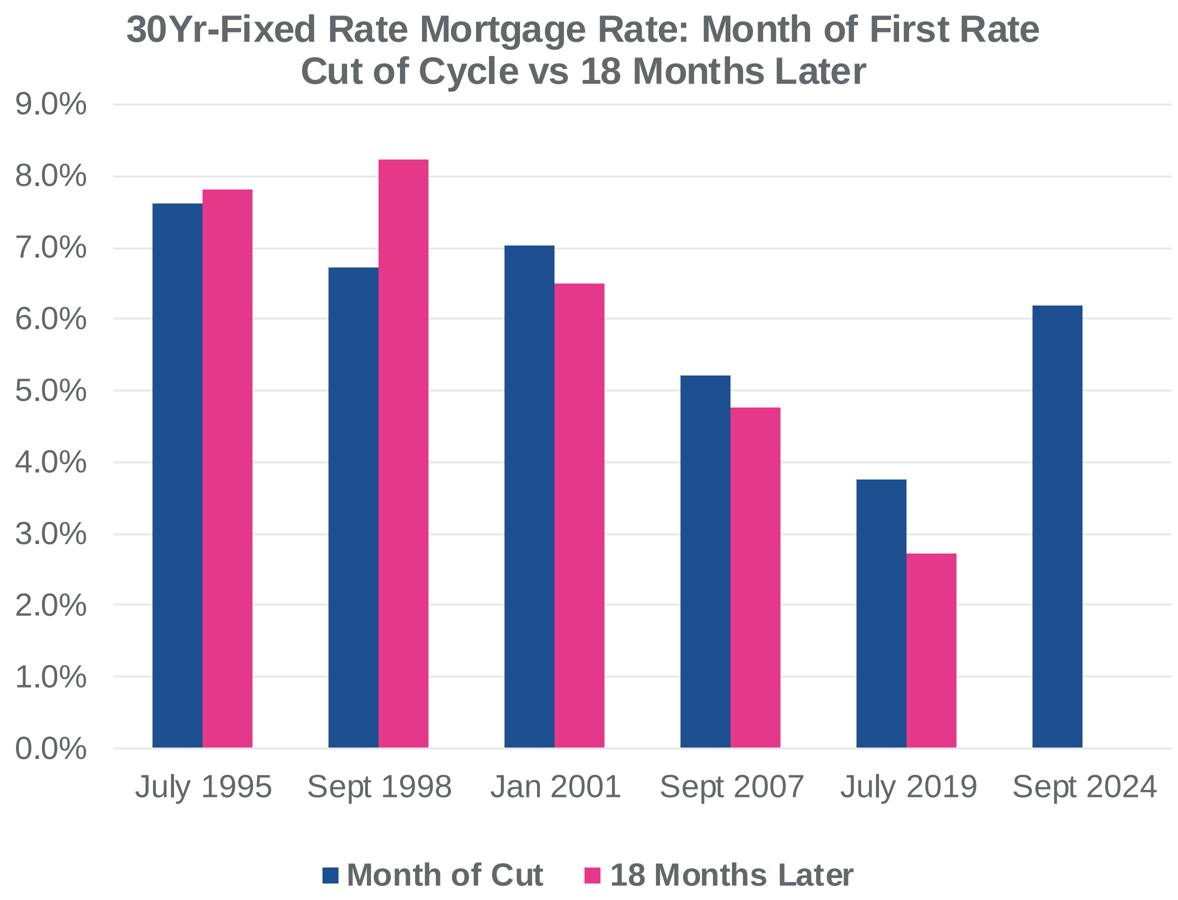
Source: Federal Reserve and Experian Economic Strategy Group

  12/19/2024

Pickup in longer-term rates has impacted mortgages

— Prior cycle in the mid-90s suggests some caution that mortgage rates will see much improvement over the next year





Source: Federal Reserve, Freddie Mac, and Experian Economic Strategy Group

Lending Activity

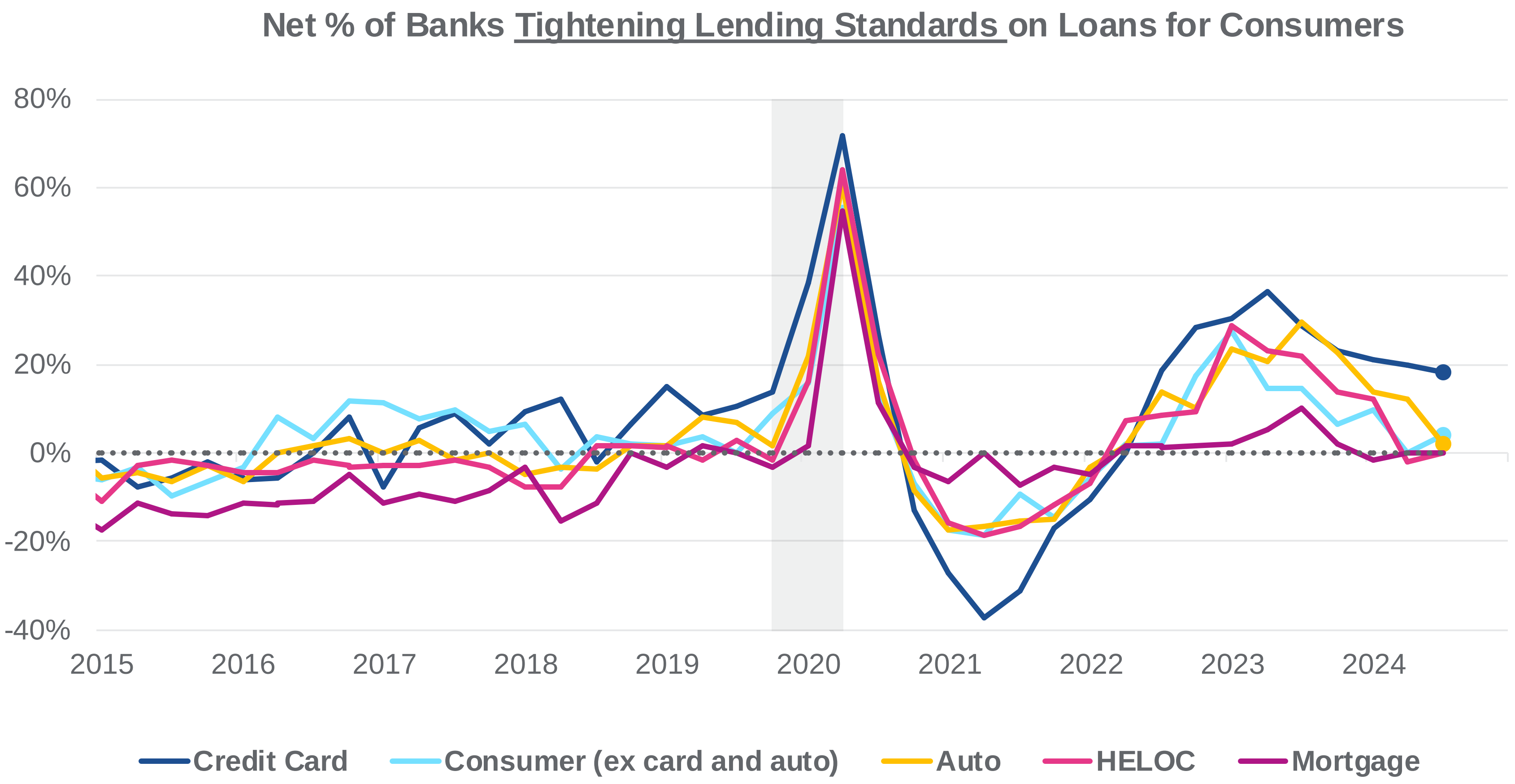
Charts on bank lending standards and credit demand, bank and credit union lending, revolving and non-revolving activity, Experian origination data by product, score and state, delinquency

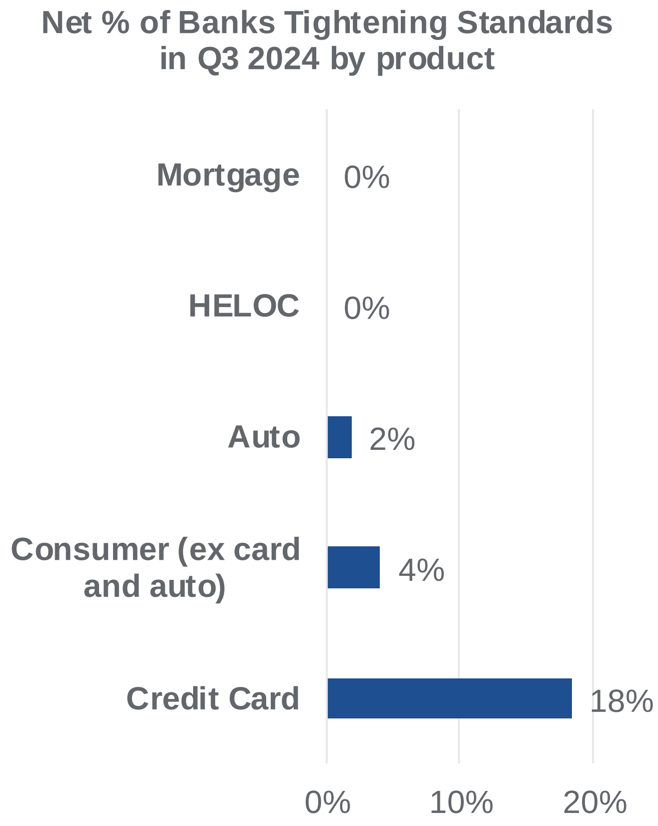
Key Takeaways: Credit growth

- **Lending standards at banks continue to tighten across most products, but the net % of banks tightening has eased**. Credit card remained the segment with the most tightening in Q3. Given the tightening over the last two years, **consumers are reporting the highest rejection rate for credit products in a decade.**
- **Loan demand reported by both banks and consumers remains subdued, but there are areas of improvement.** In Q3, banks noted a pickup in mortgage and HELOCs, and large banks, in particular, saw an increase in demand for auto and consumer loans. **Consumer expectations to apply for a credit card in the next 12 months also picked up.**
- Year-over-year growth in total loans and leases held at **commercial banks has improved for two-consecutive quarters after easing since late 2022**. Loan growth at credit unions continued to weaken through Q3, driven – in part – by a decline in auto loans.
- **Overall origination activity remains constrained but there are segments of growth.** In November, originations rose year-over-year for unsecured personal loans, auto, mortgage, and HELOC, while they declined for credit card, retail card, and secured personal loans. Super prime consumers have seen annual growth in originations across products.
- While delinquency has generally continued to trend up across most products, the pace of increase is slowing. **And in Q3, commercial banks reported the first quarterly decline in credit card delinquency in three years.**

Lending standard tightening at banks is slowing, highest in credit card

— Effects of tightening are cumulative, so even though the pace of tightening has slowed we are near/at the tightest of the cycle

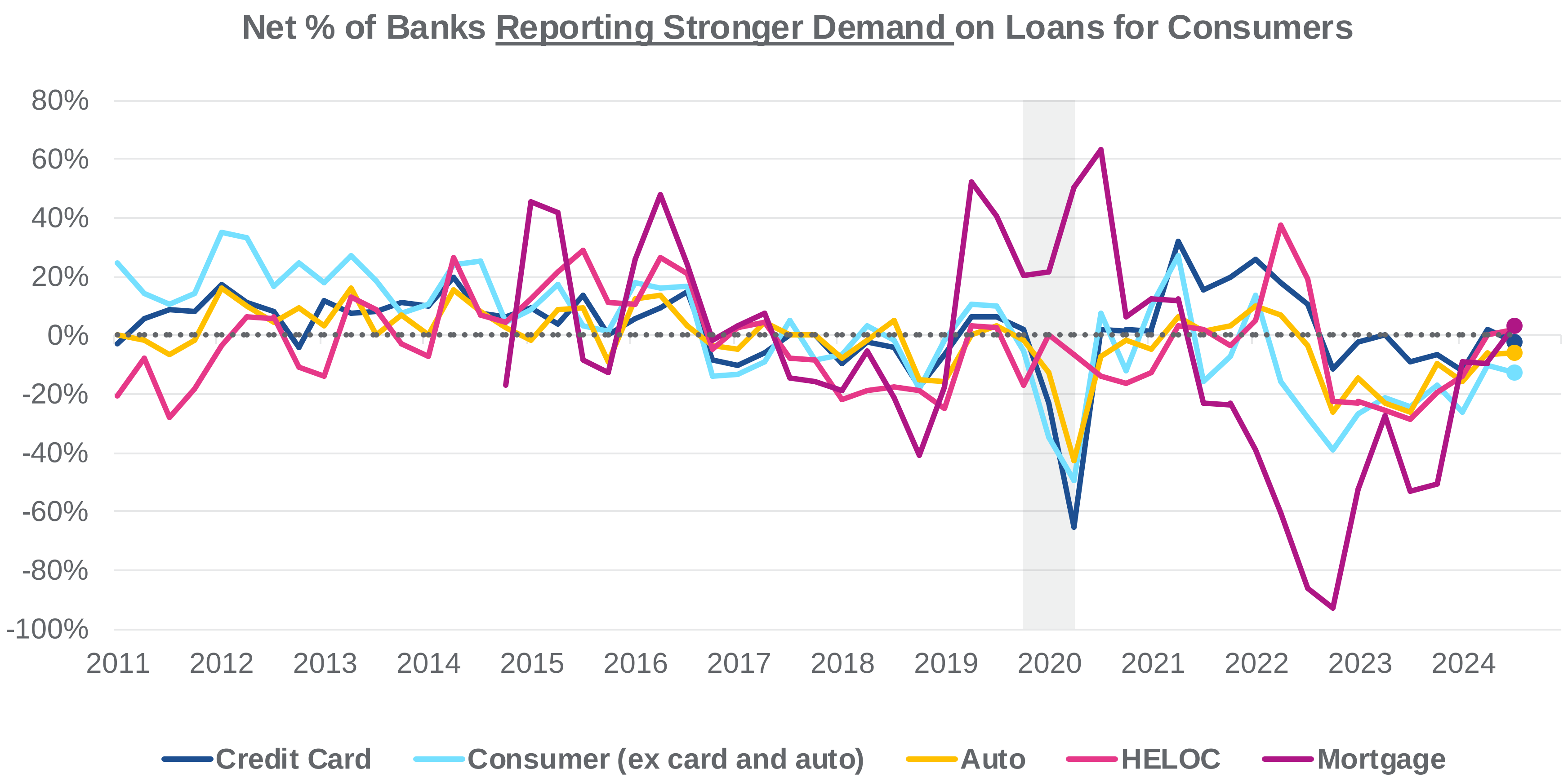


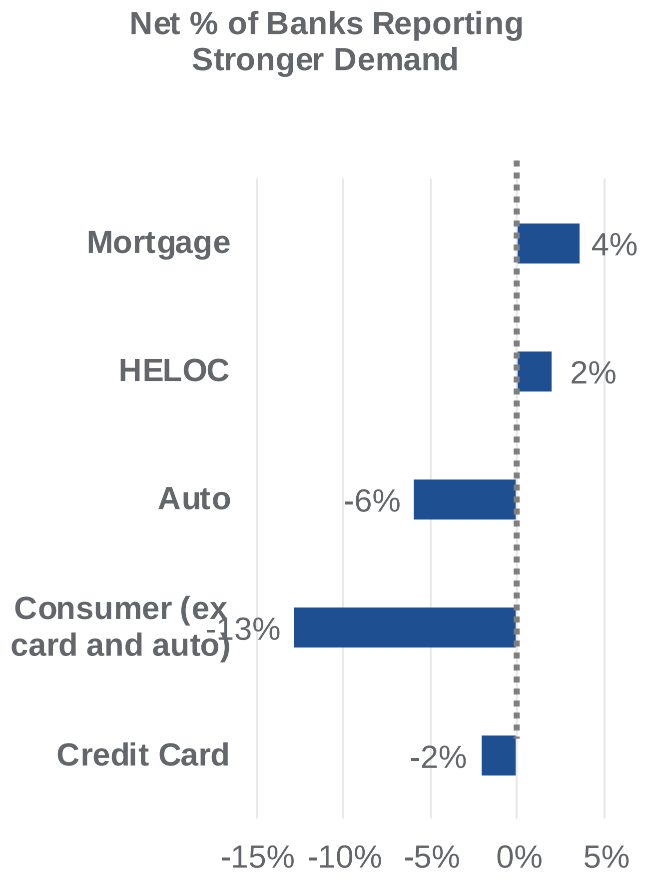


Sources: Federal Reserve Senior Loan Officer Survey and Experian Economic Strategy Group

Reported loan demand at banks is moving in the right direction

— Demand picked up for mortgages and HELOCs in Q3, while it continued to weaken for credit cards, autos and other consumer loans





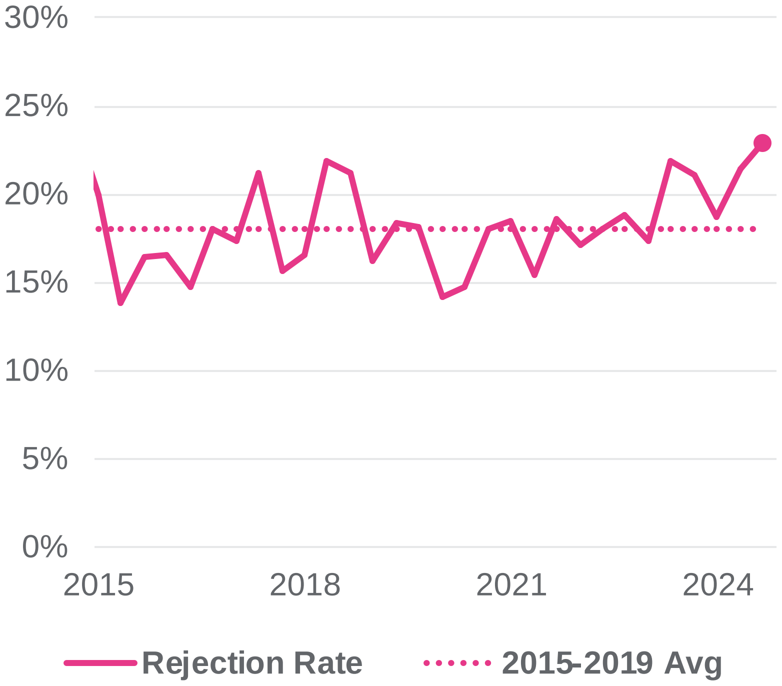
Sources: Federal Reserve Senior Loan Officer Survey and Experian Economic Strategy Group

  12/19/2024

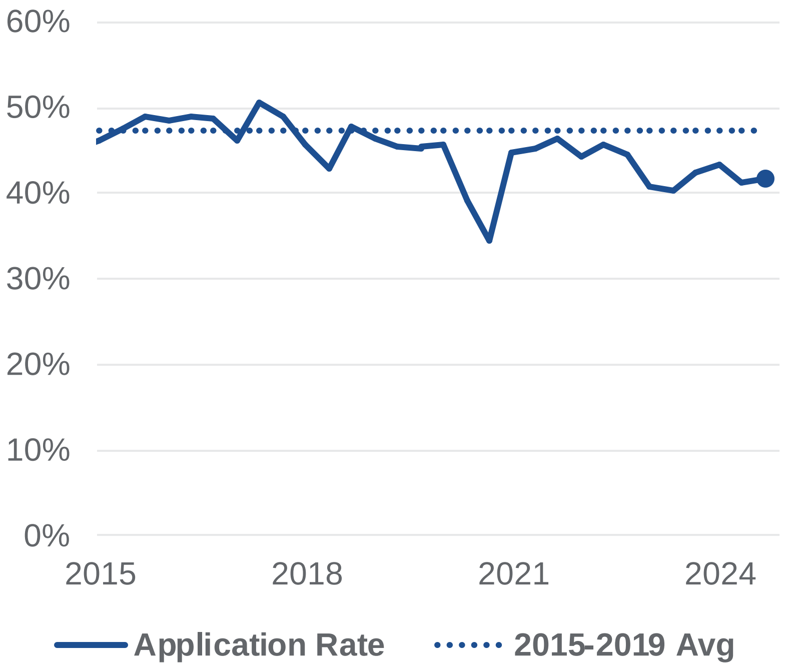
Consumers reporting highest loan rejection rates in 10 years

— Application and expected application rates remain below pre-pandemic levels

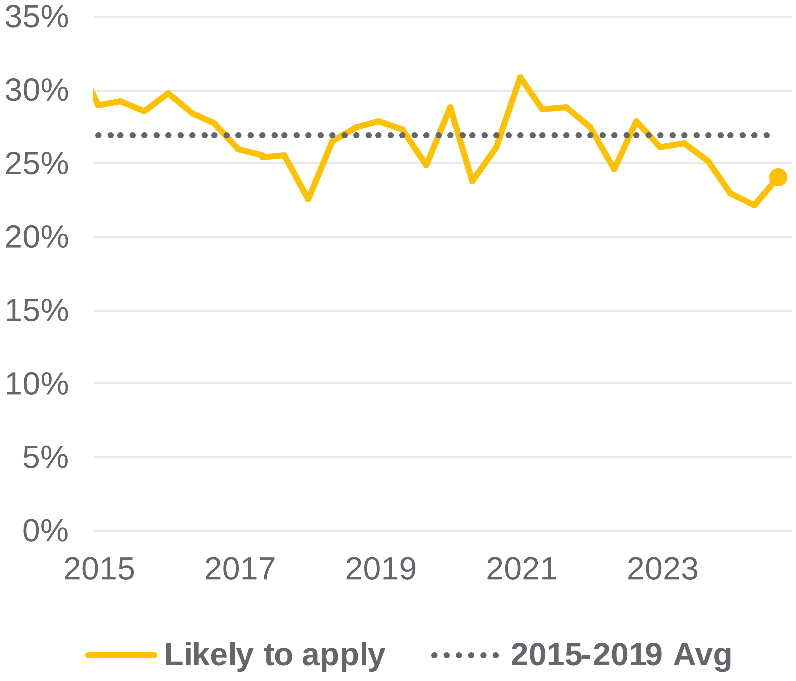
Overall rejection rate if applied for credit in last 12 months



Application rate over the past 12 months for all credit products



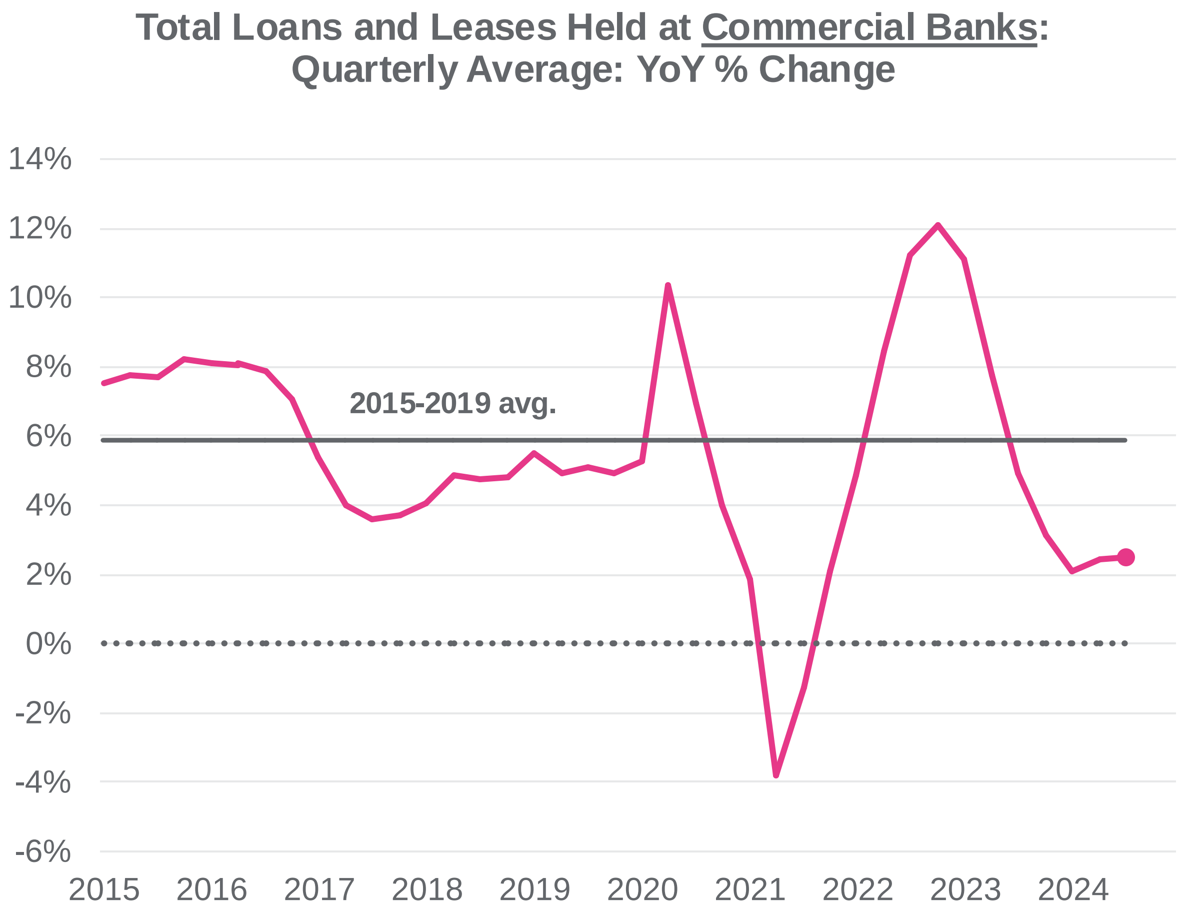
Expected application rate for any type of credit in next 12 months

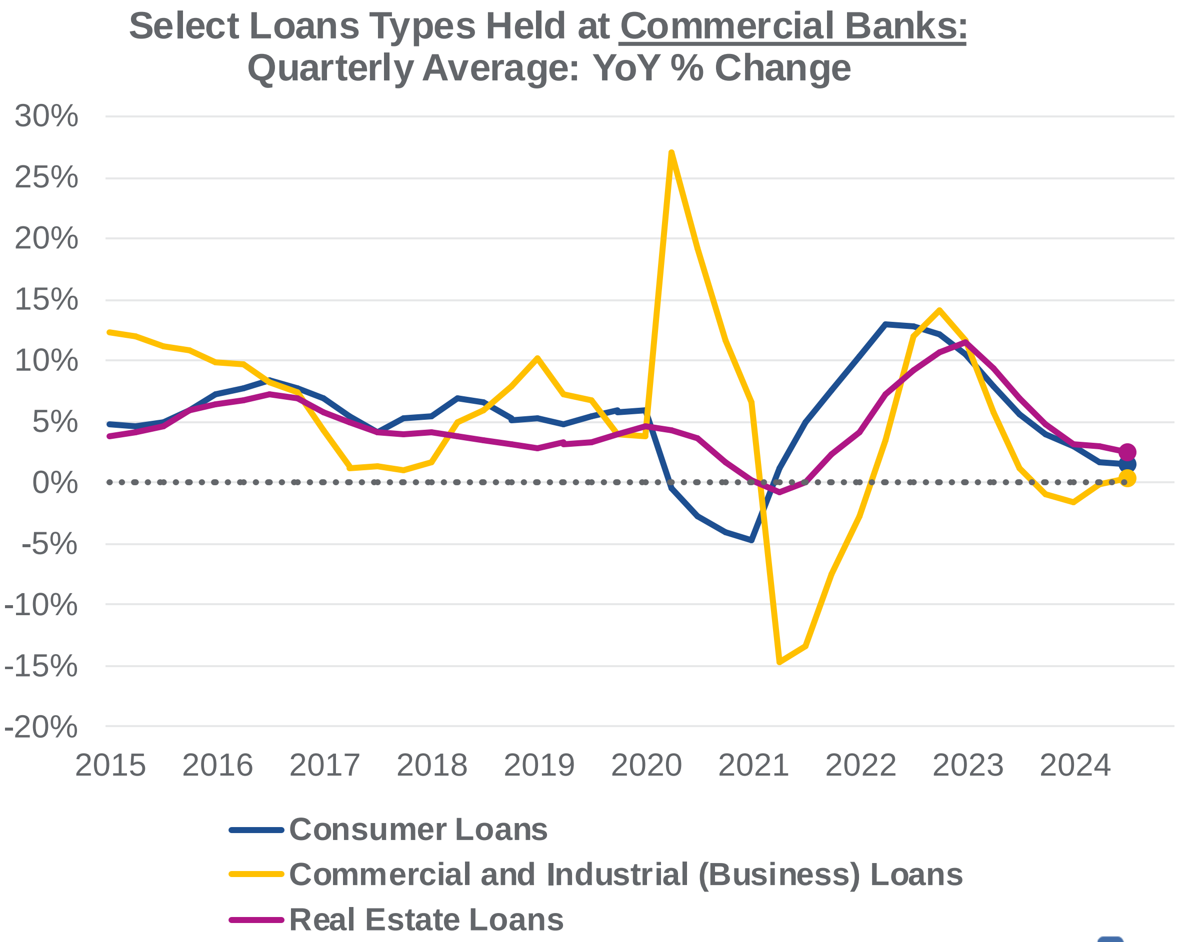


Sources: New York Federal Reserve and Experian Economic Strategy Group

Credit growth at banks stabilized in first three quarters of 2024

— Stabilization driven by improvement with business lending, consumer and real estate has slowed through Q3

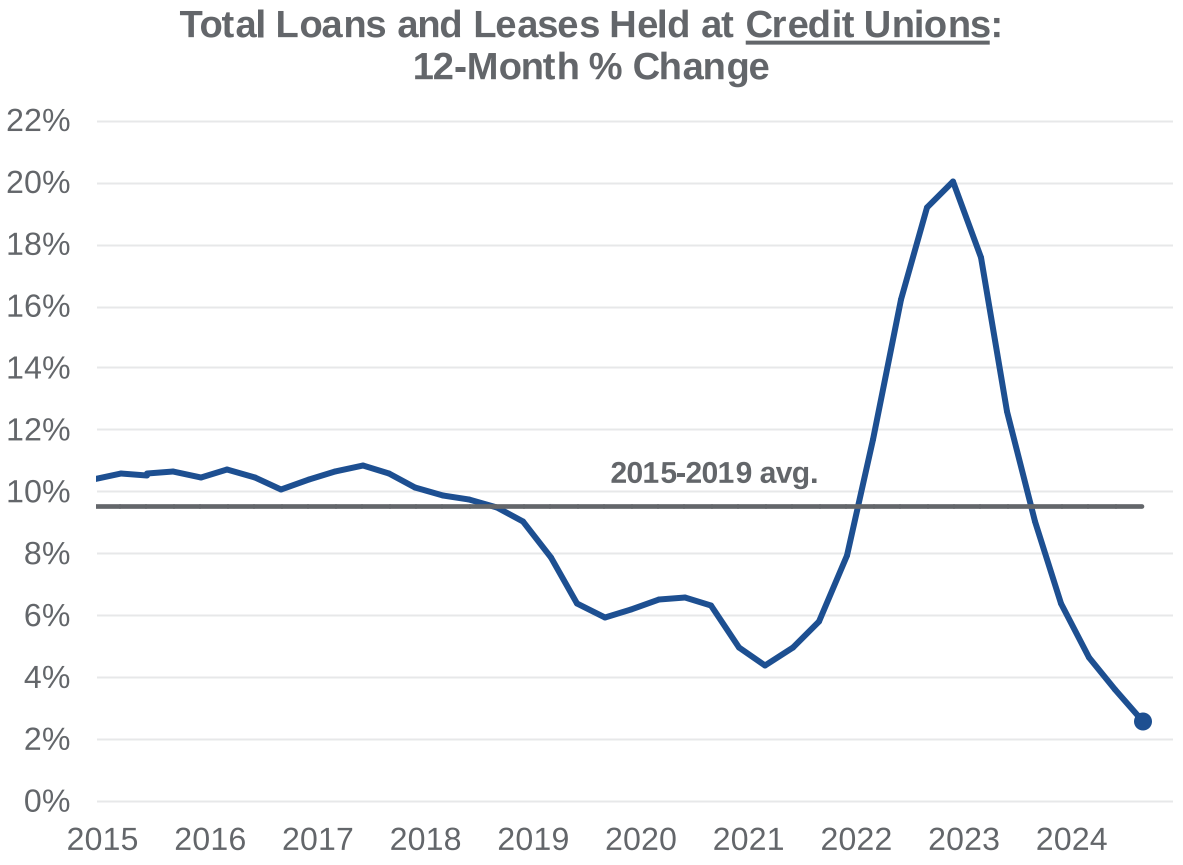


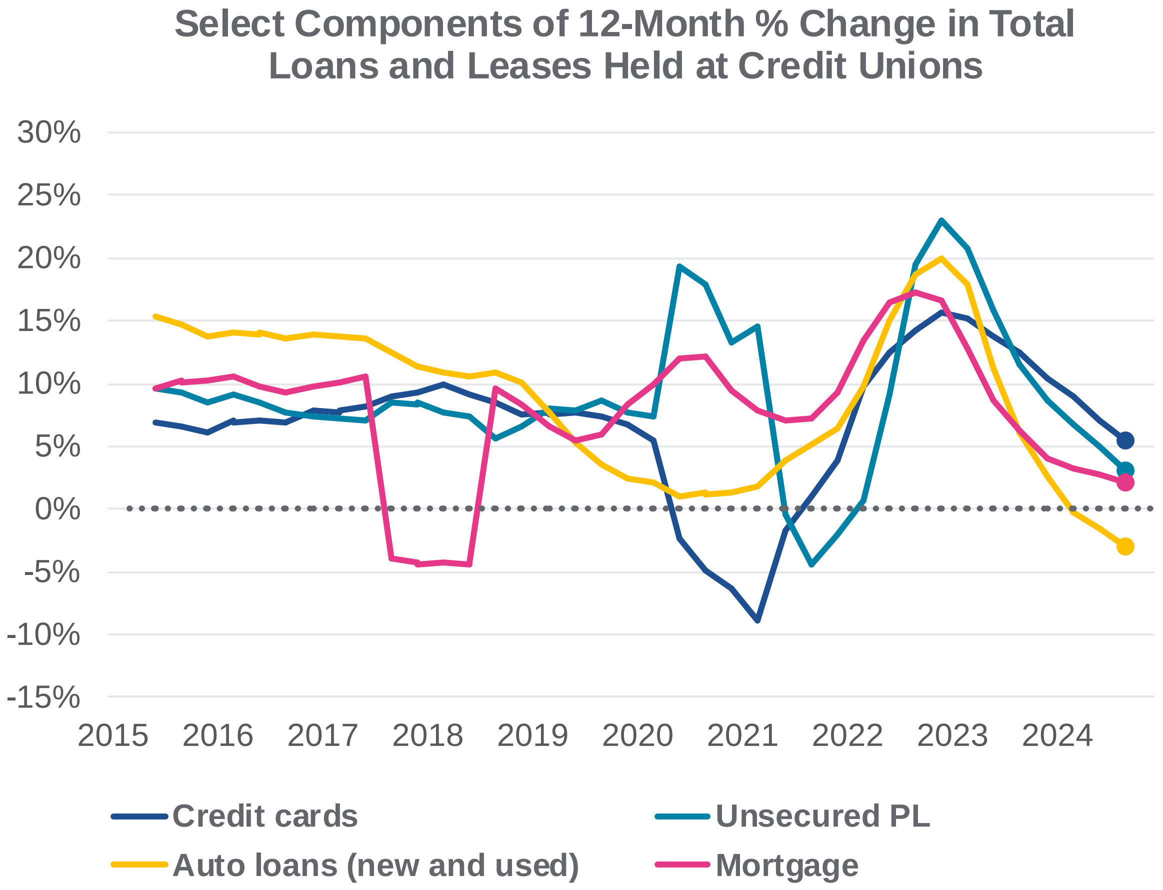


Source: Federal Reserve H.8 and Experian Economic Strategy Group

Credit growth at credit unions continues to moderate

— Slowdown is across the board, but most acute in auto lending



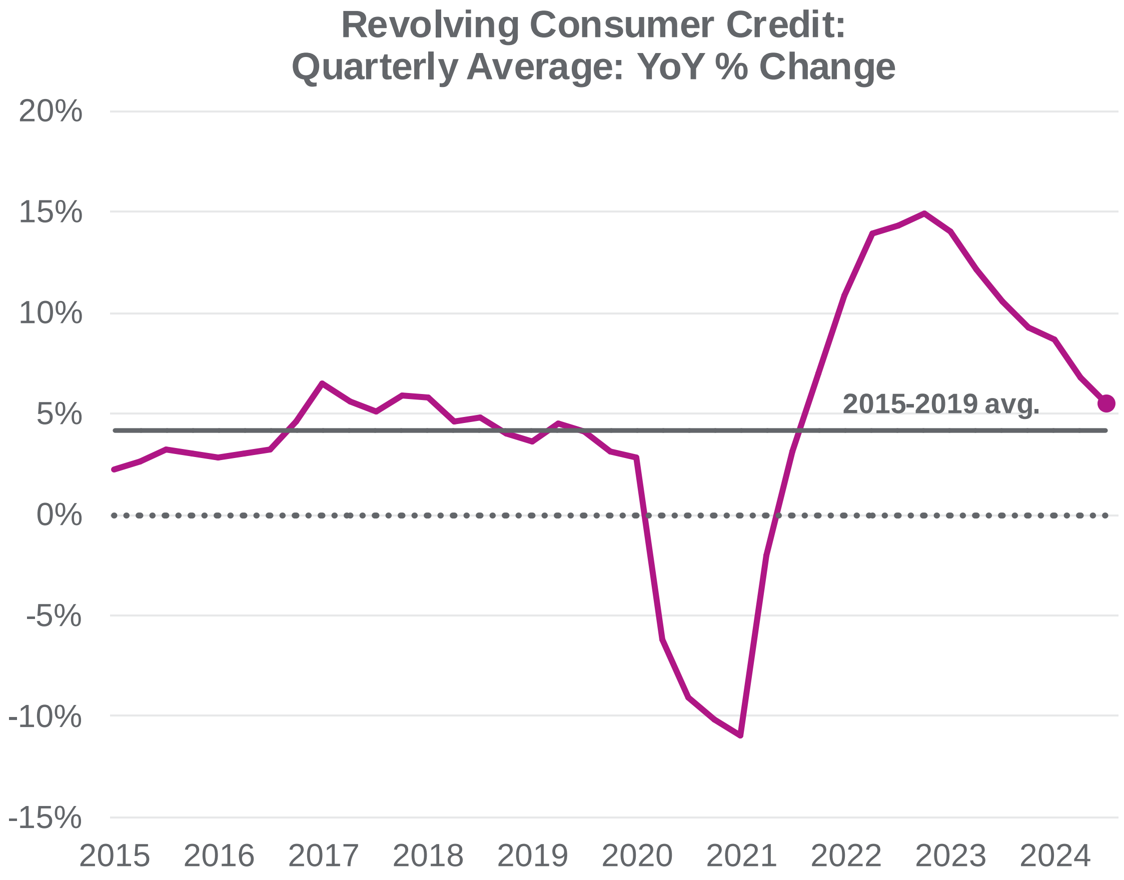


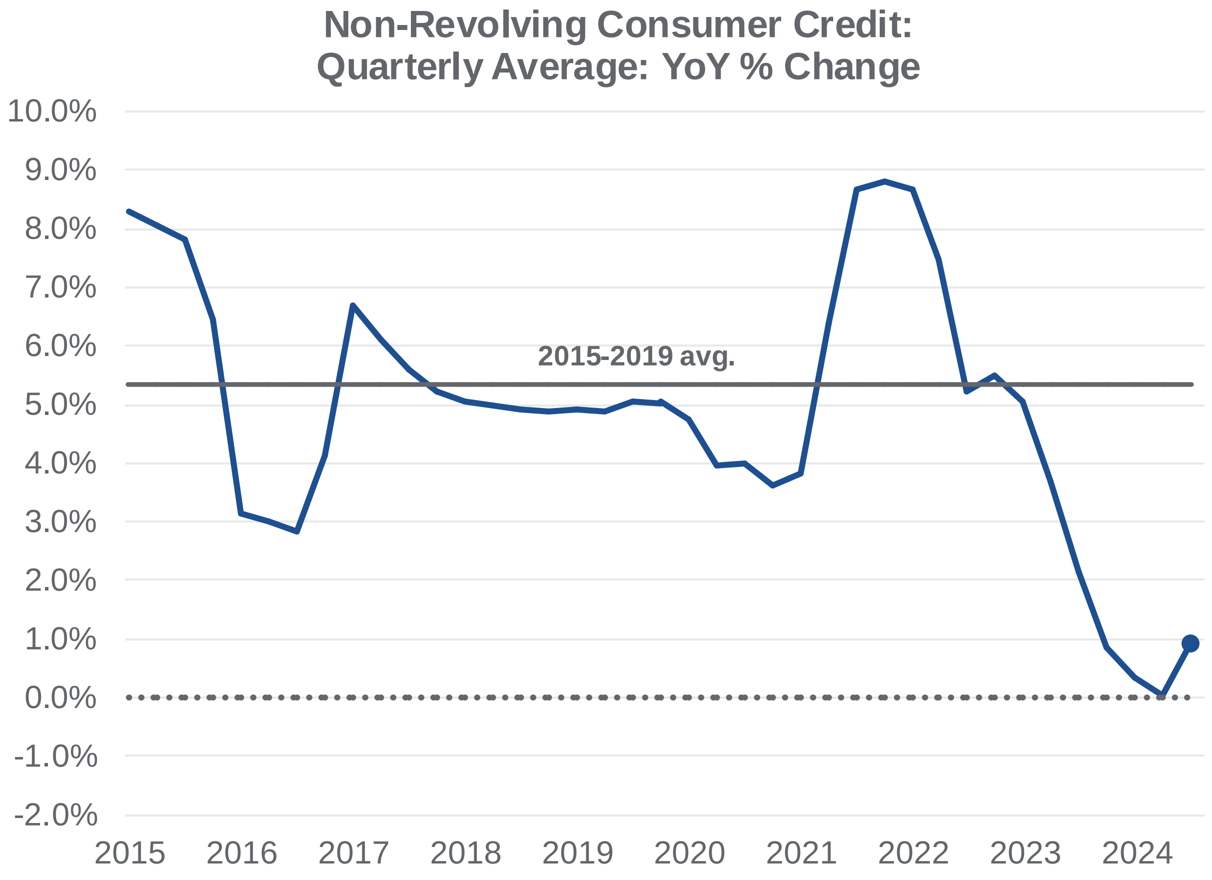
Source: National Credit Union Administration and Experian Economic Strategy Group

  12/19/2024

Growth in revolving credit continues to slow but remains elevated

— 12-month change in non-revolving consumer credit rebounded in Q3

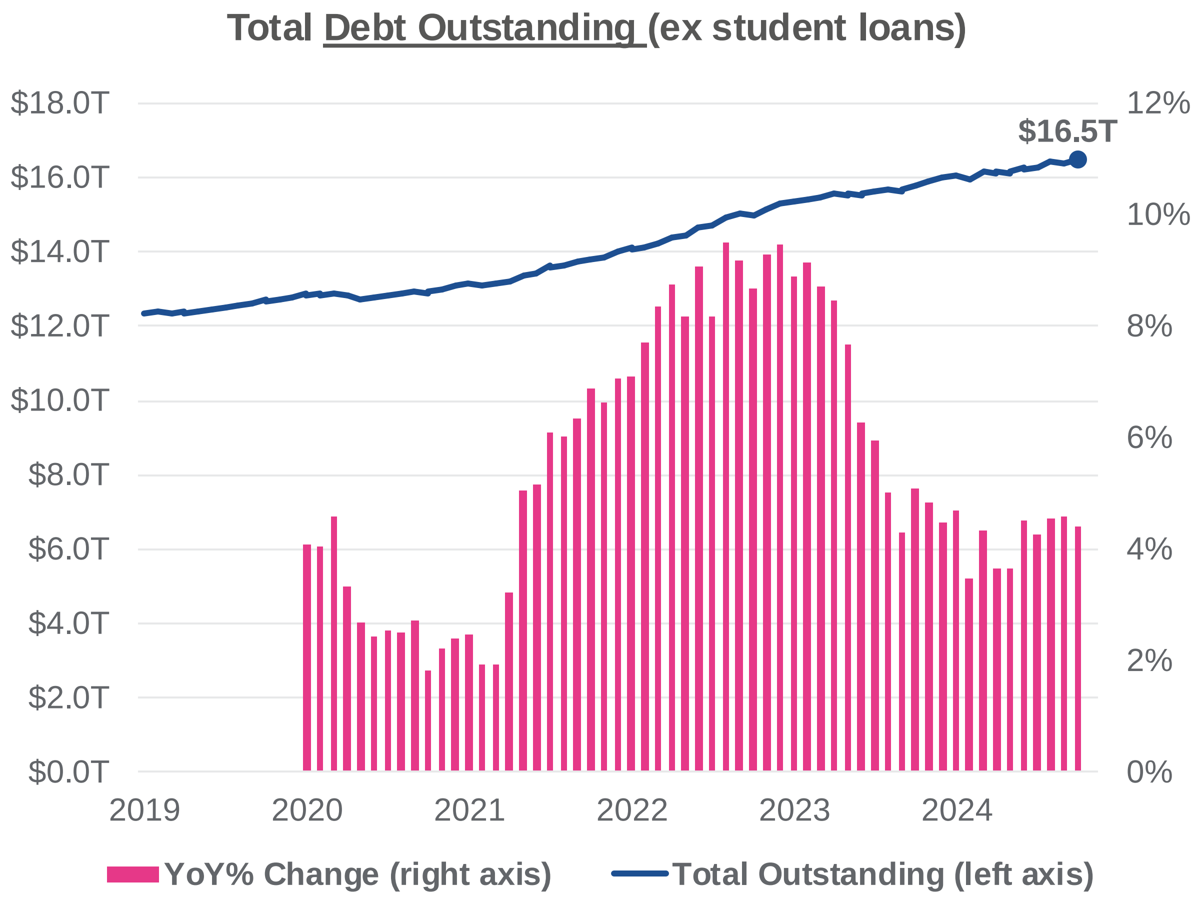


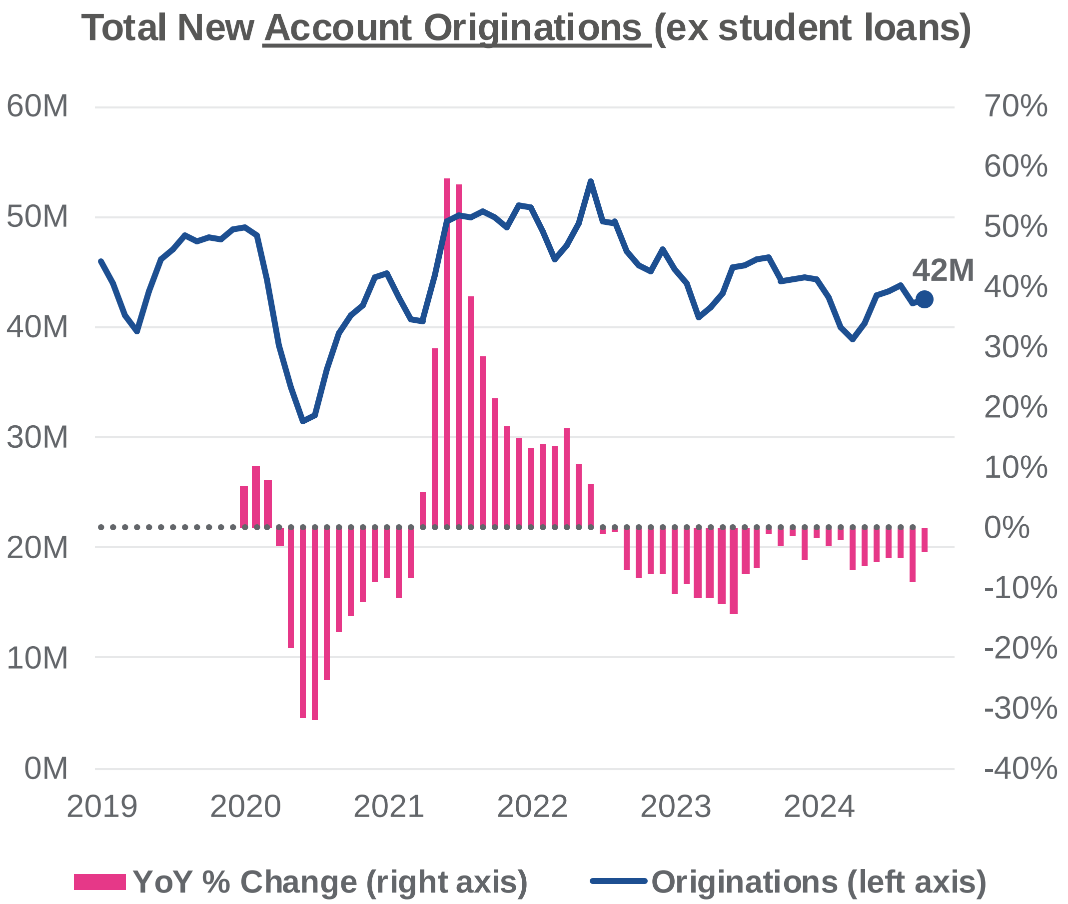


Source: Federal Reserve G.19 and Experian Economic Strategy Group
Note: "Credit card loans comprise most of revolving consumer credit measured in the G.19, but other types, such as prearranged overdraft plans, are also included. "Consumer motor vehicle and education loans comprise the majority of nonrevolving credit, but other loan types, such as boat loans, recreational vehicle loans, and personal loans, are also included."

Overall level of debt outstanding rising at a slower pace

— Growth in total account originations continues to ease



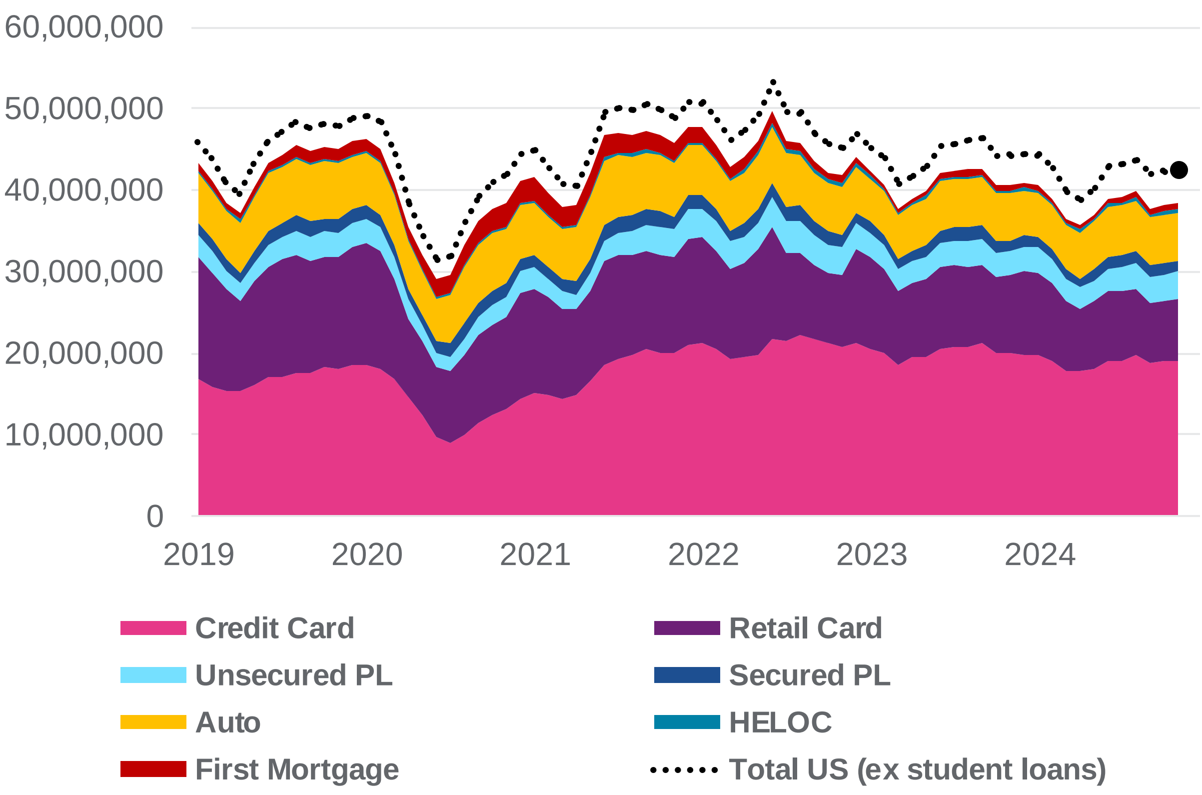


Sources: Experian Sandbox - Credit Trends Dashboard and Experian Economic Strategy Group

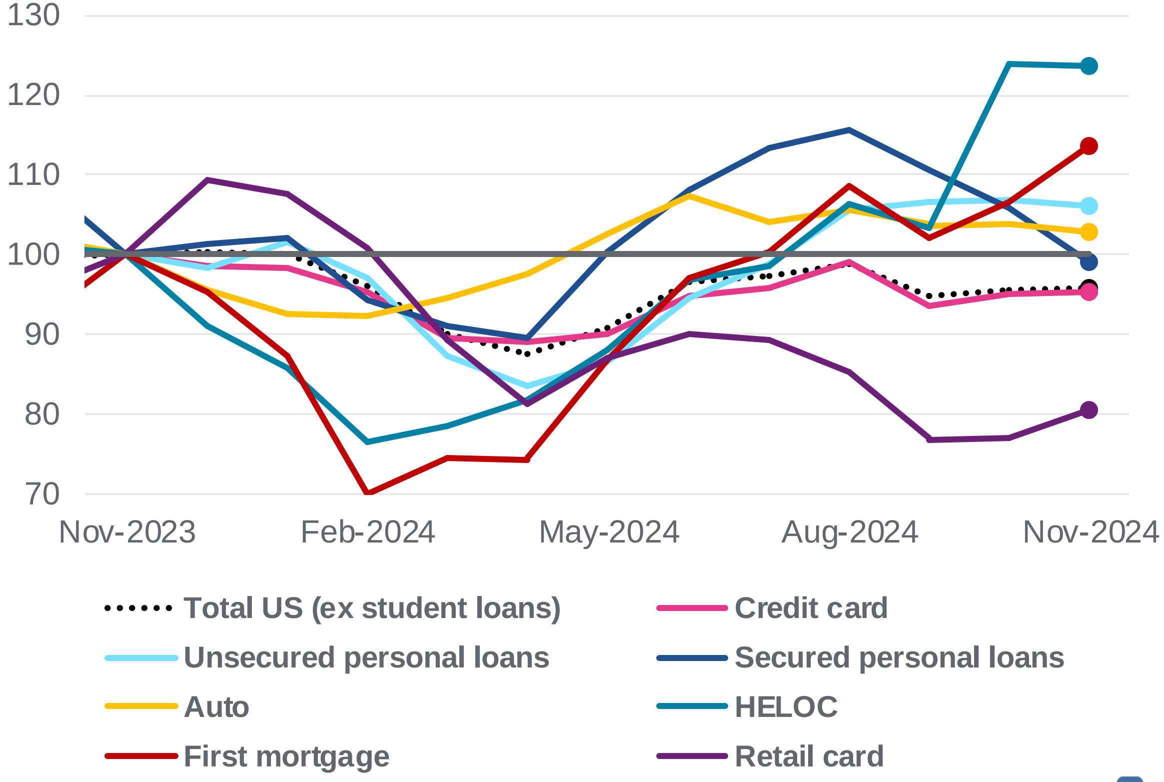
While total originations are down some segments are picking up

— Decline in originations over the last year has been driven by retail card, credit card, and secured personal loans. Mortgage, HELOC, auto, and unsecured personal loans were up YoY in November.

Total New Account Originations by Select Product



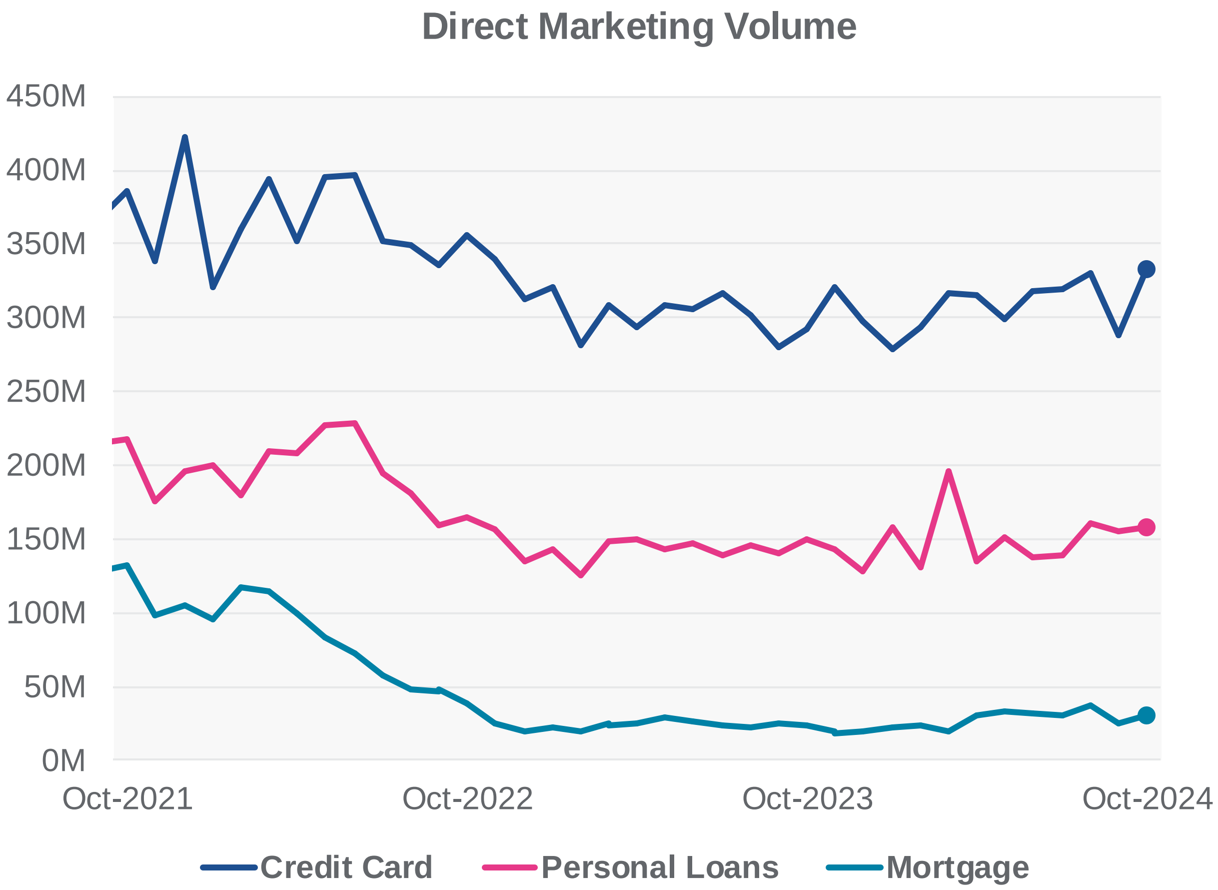
Originations by Select Product:
Index: Nov 2023 = 100

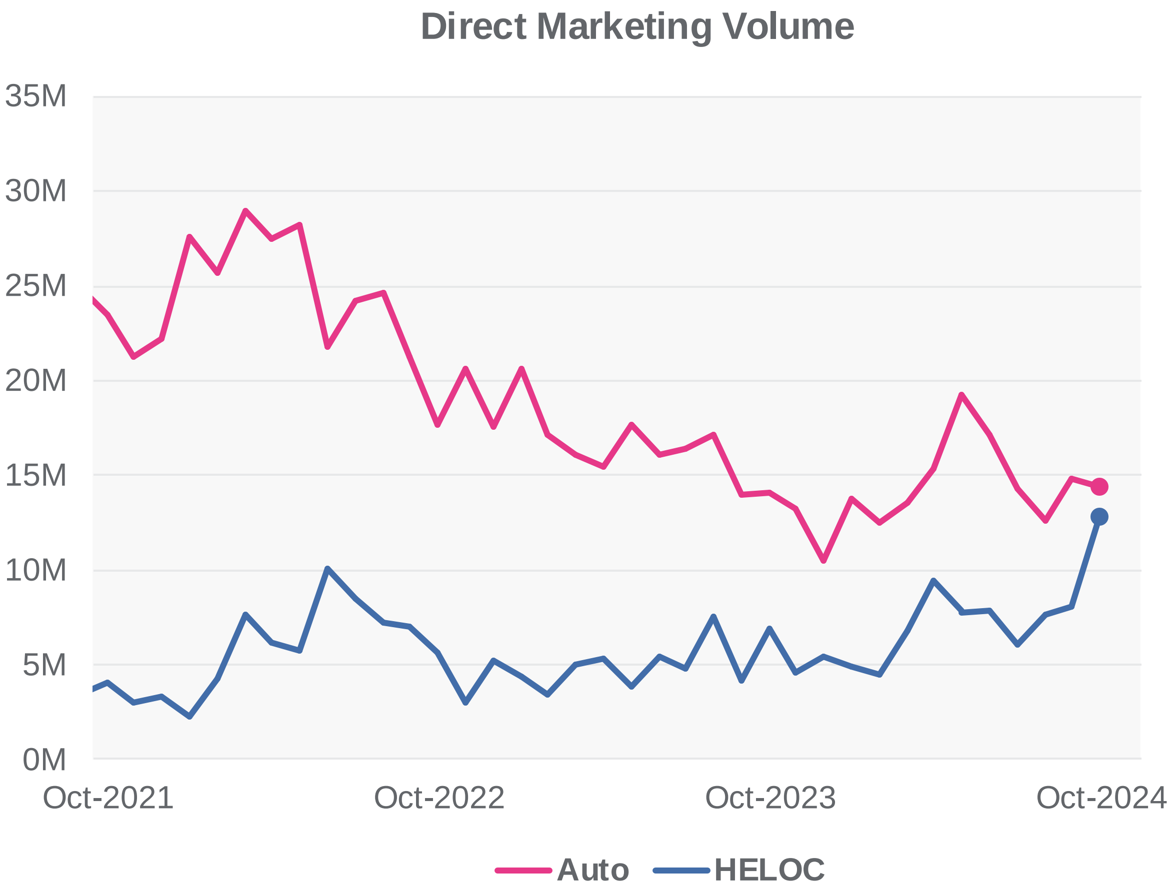


Sources: Experian Sandbox - Credit Trends Dashboard and Experian Economic Strategy Group

Some pickup starting to be seen in marketing volumes

— Marketing for credit cards, mortgages and HELOCs increased in October





Source: Mintel and Experian Economic Strategy Group

Anecdotes on lending activity around the country

Conditions seem to be improving with expectations of rate cuts on the horizon

"Overall, bankers reported that loan demand remained relatively flat for both businesses and households. **Looking ahead**, **bankers expected loan demand to improve as a result of expectations for further interest rate reductions**."

— Cleveland

"**Contacts reported a modest increase in the demand for new loans.** Although demand varied by type, demand for agriculture loans, credit cards, and commercial and industrial loans increased moderately while mortgage demand remained relatively unchanged."

— St. Louis

"**Lending picked up slightly in recent weeks following several reporting periods of muted activity.** Contacts highlighted some improvement in demand for commercial and industrial loans and consumer credit but noted continued weakness in commercial real estate lending. Credit and asset quality remained high overall, and liquidity was ample."

— San Francisco

"**Business loan demand increased modestly,** led by growth in commercial and industrial volumes. Business loan rates and terms were stable, and loan quality was flat. **In the consumer sector, loan demand was flat** ."

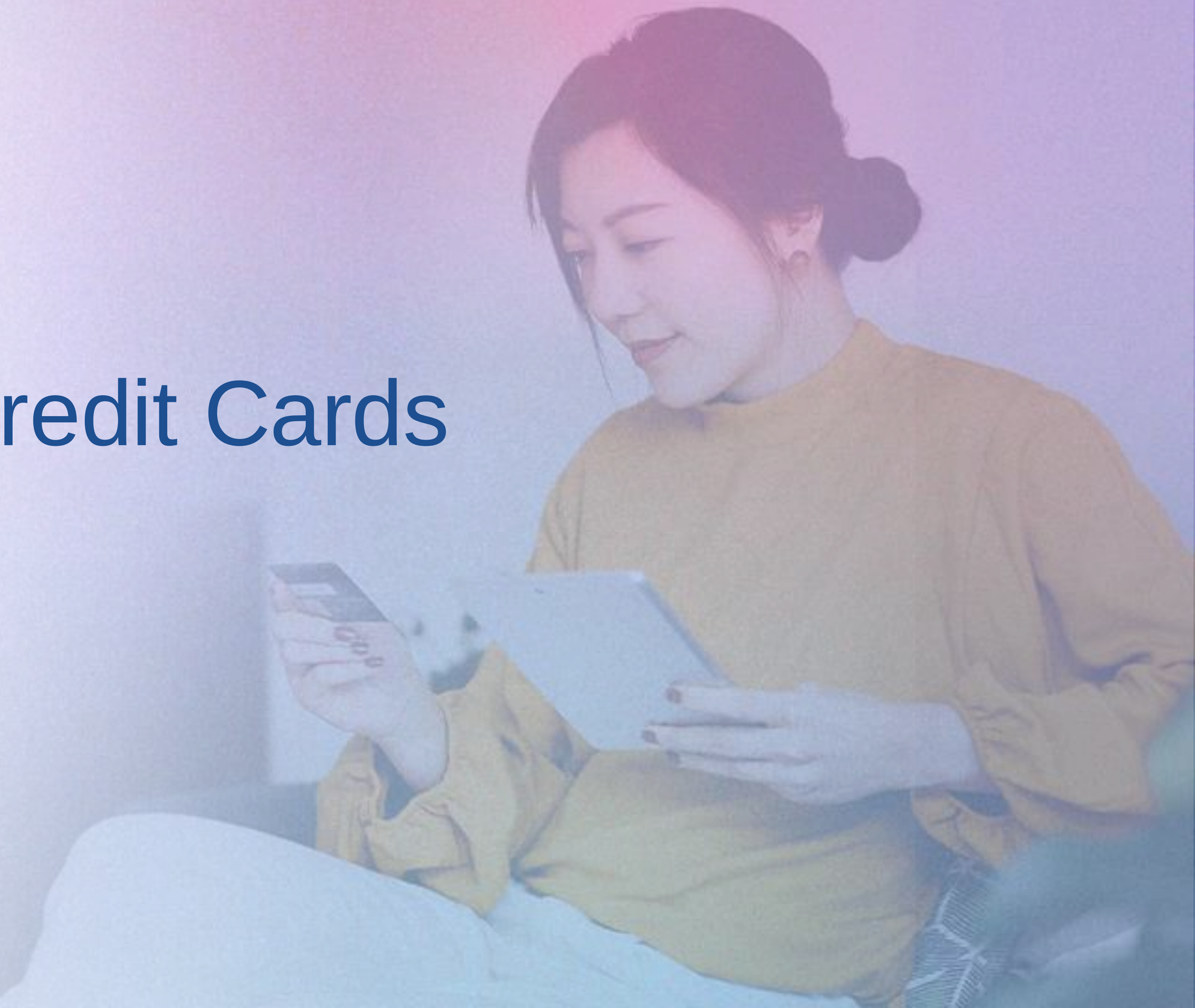
— Chicago

"Contacts reported that **elevated interest rate volatility was causing some concern among potential borrowers**. Still, contacts in the finance industry more broadly were noticeably more optimistic about the outlook."

— New York

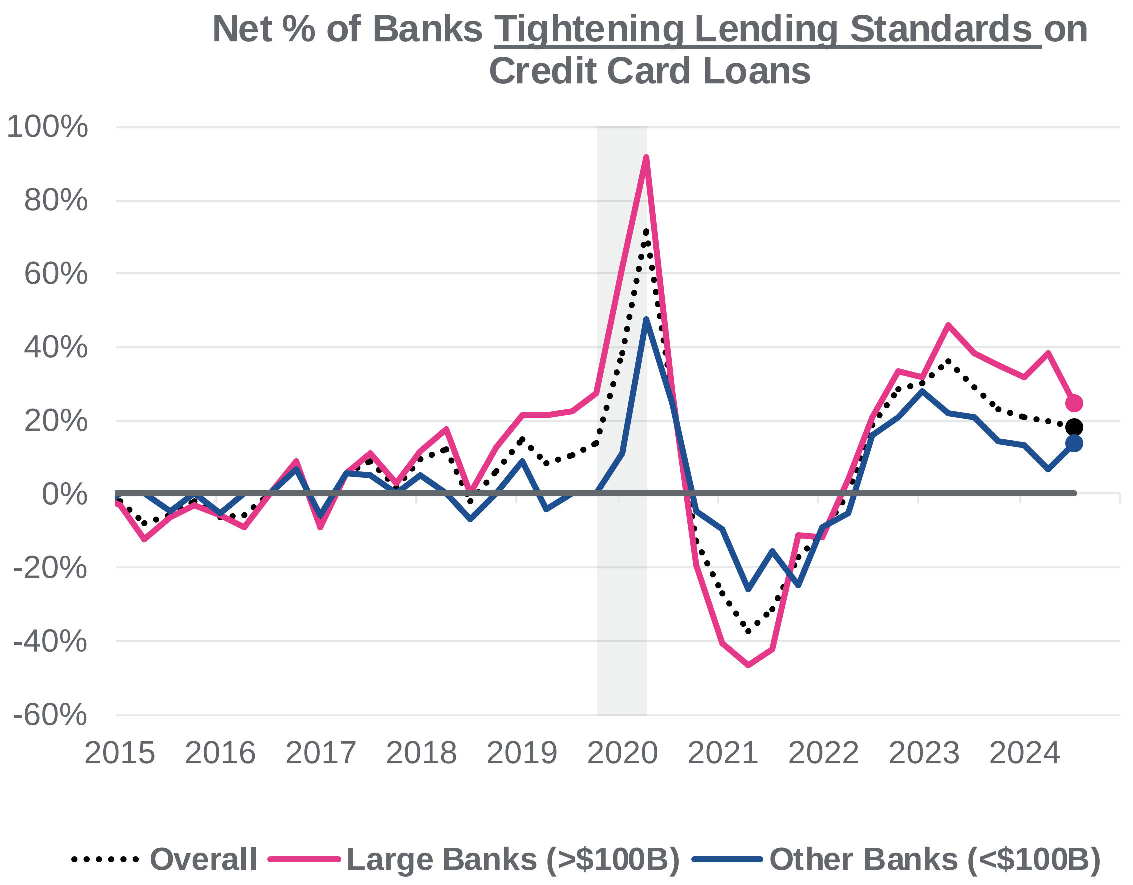
Source: Federal Reserve December 2024 Beige Book and Experian Economic Strategy Group

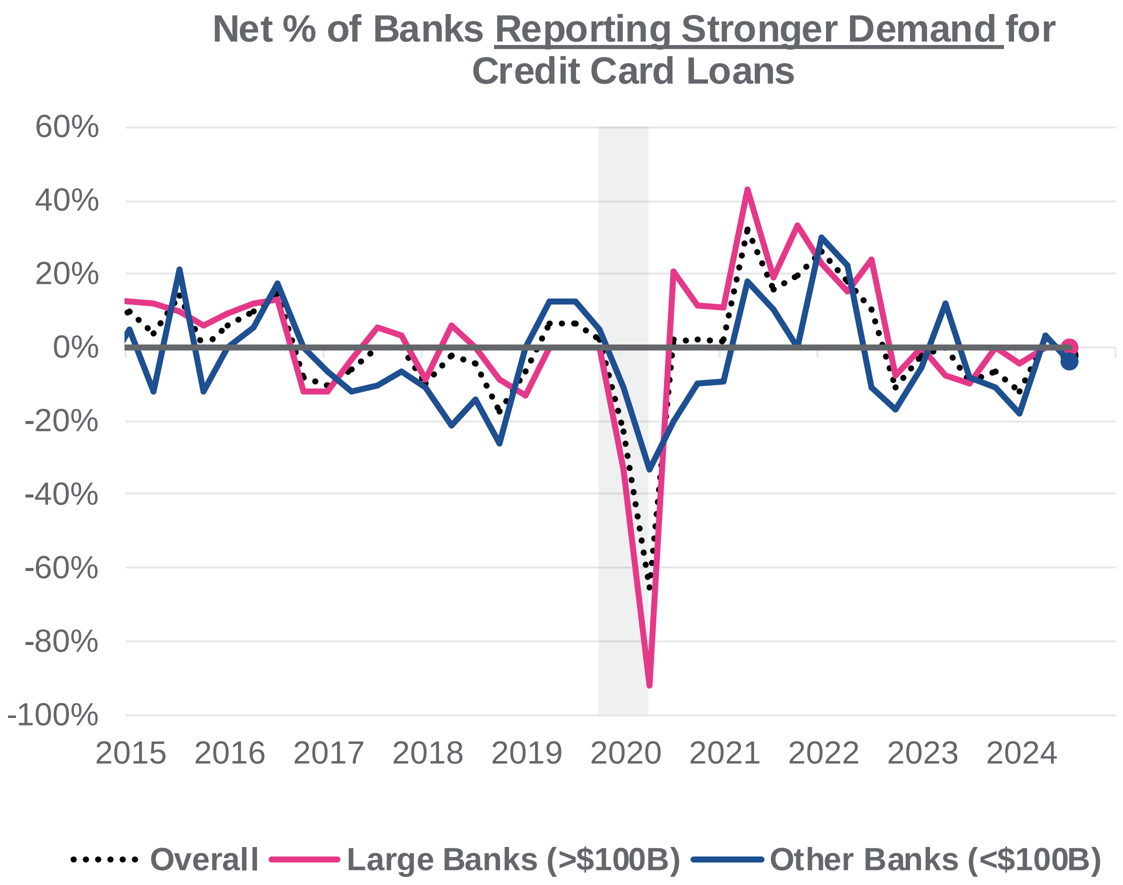
Credit Cards



Lending standards still tightening for credit cards

— Pace of tightening slowed for large banks in Q3. Demand at large banks also remained flat for second consecutive quarter.



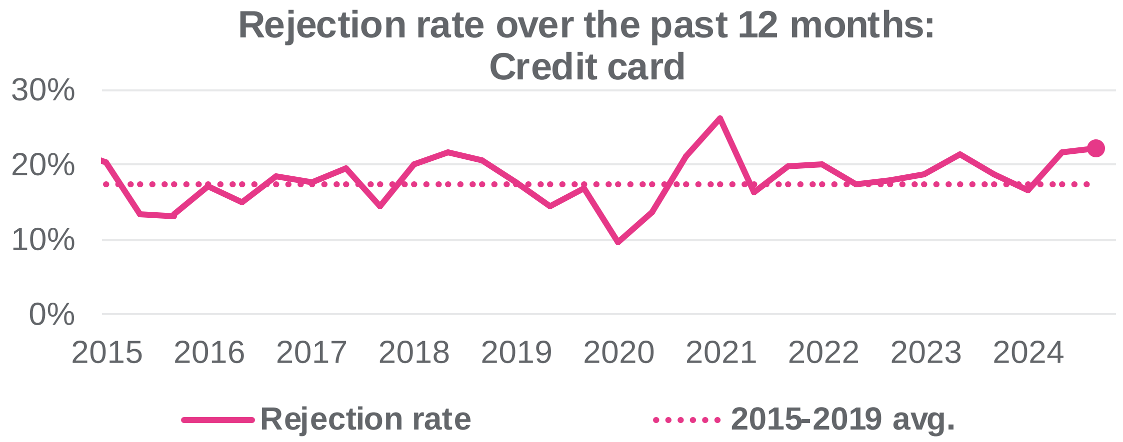


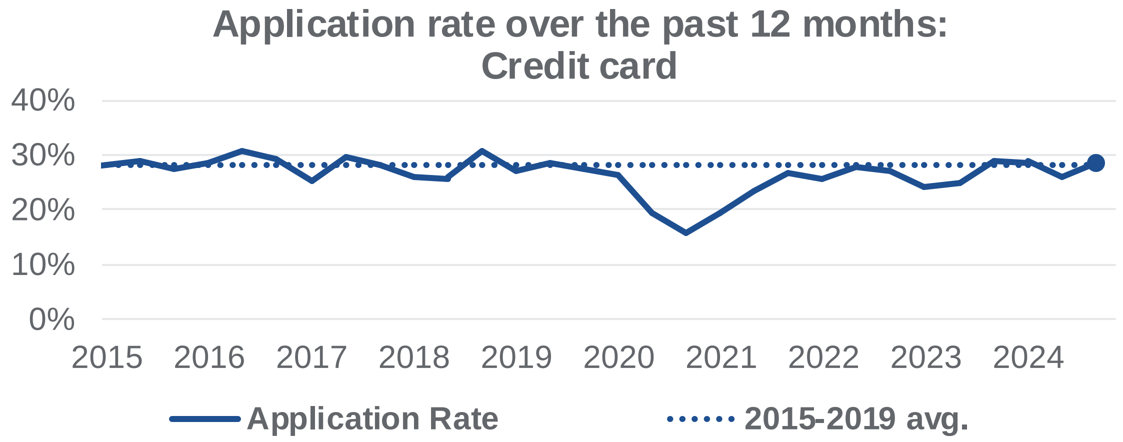
Sources: Federal Reserve Senior Loan Officer Survey and Experian Economic Strategy Group

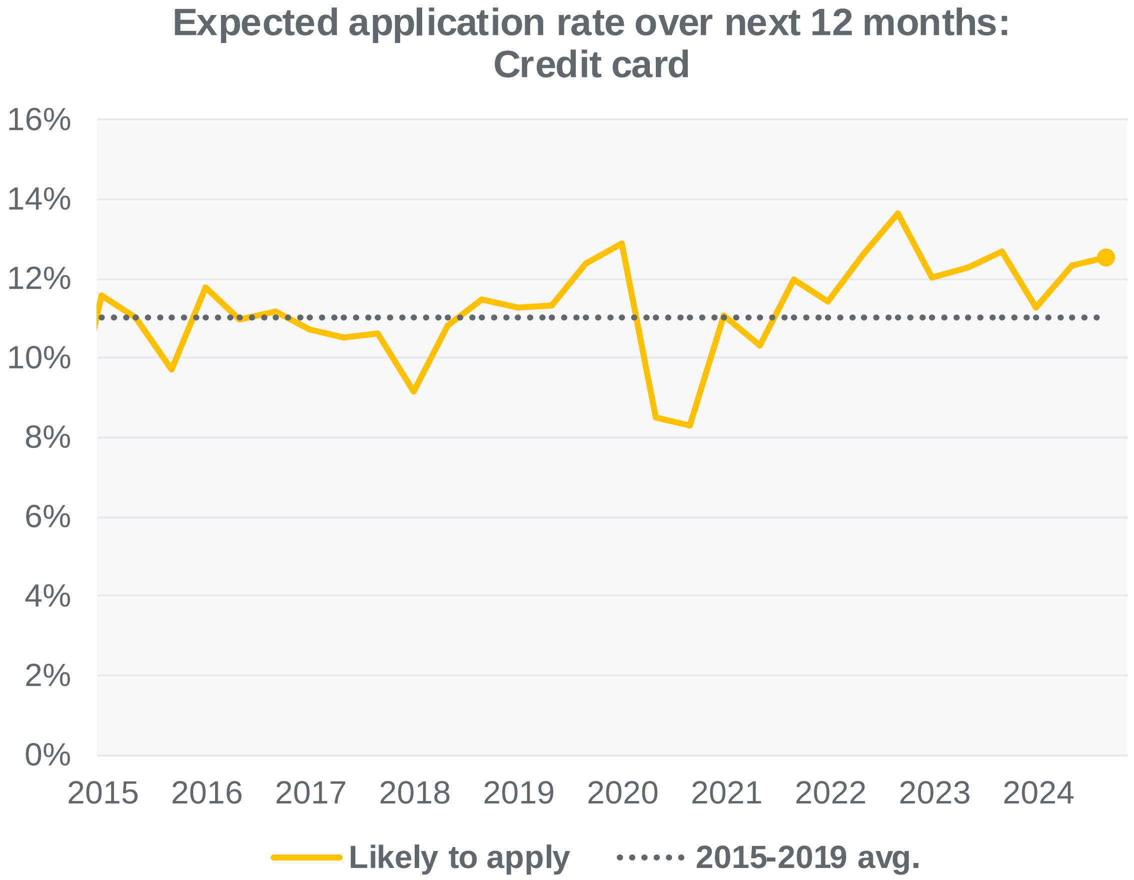
  12/19/2024

Credit card rejection rates highest since 2021

— Application rate remains stable but expectations to apply in next 12 months are rising



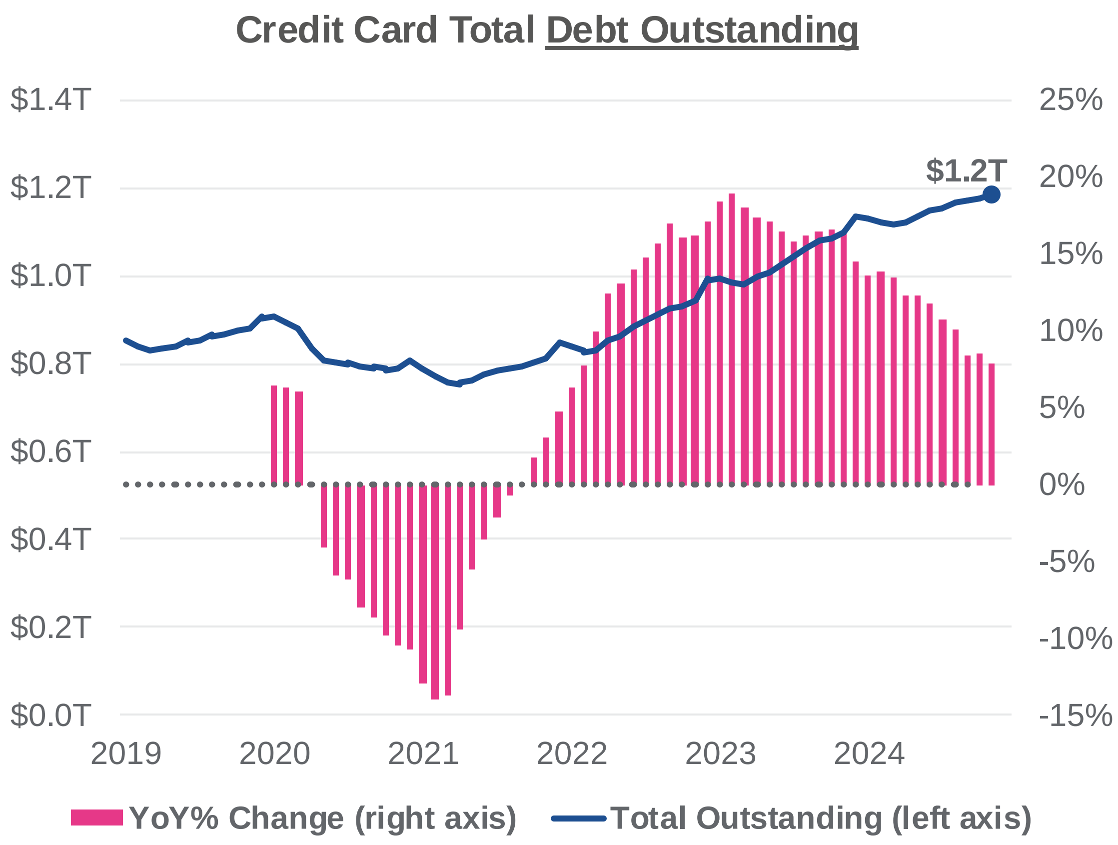


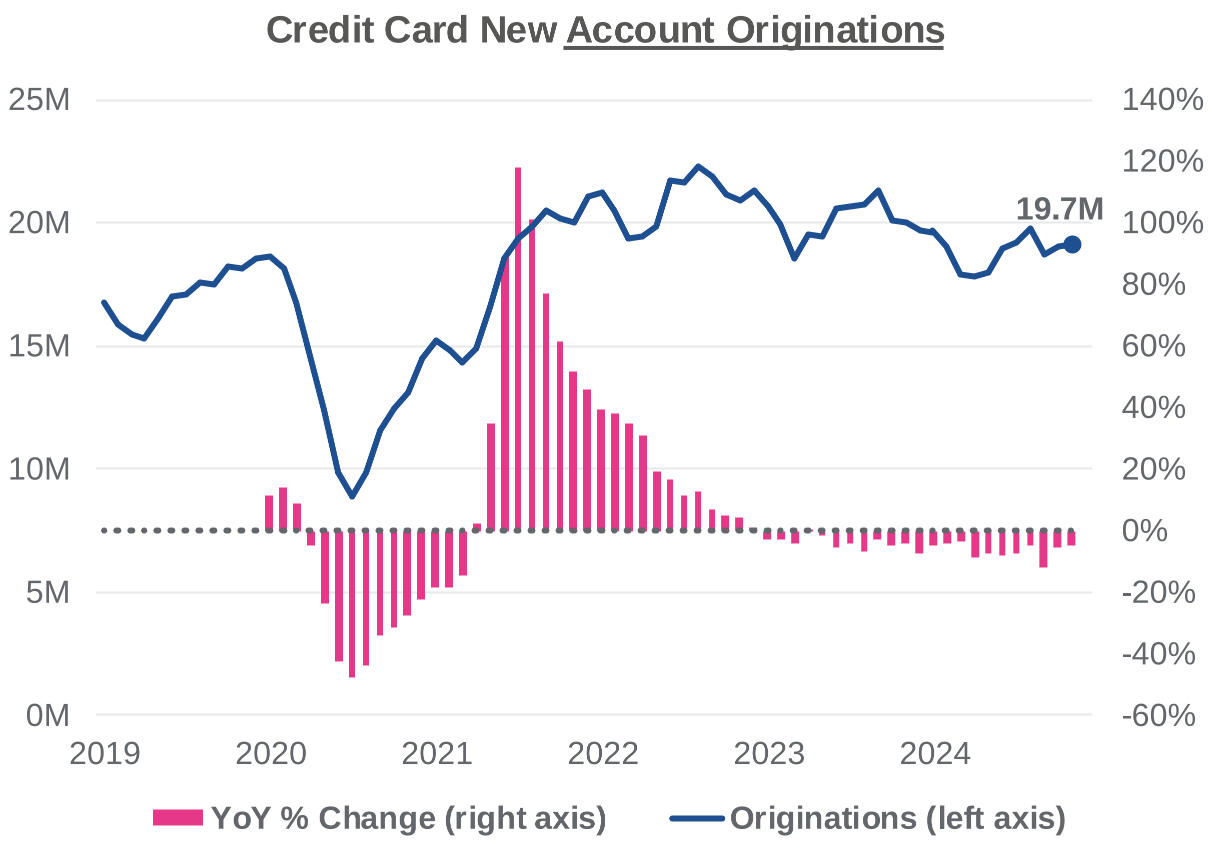


Sources: New York Federal Reserve and Experian Economic Strategy Group

Credit card debt outstanding rising, but at a slower pace

— Originations down ~5% year-over-year in November

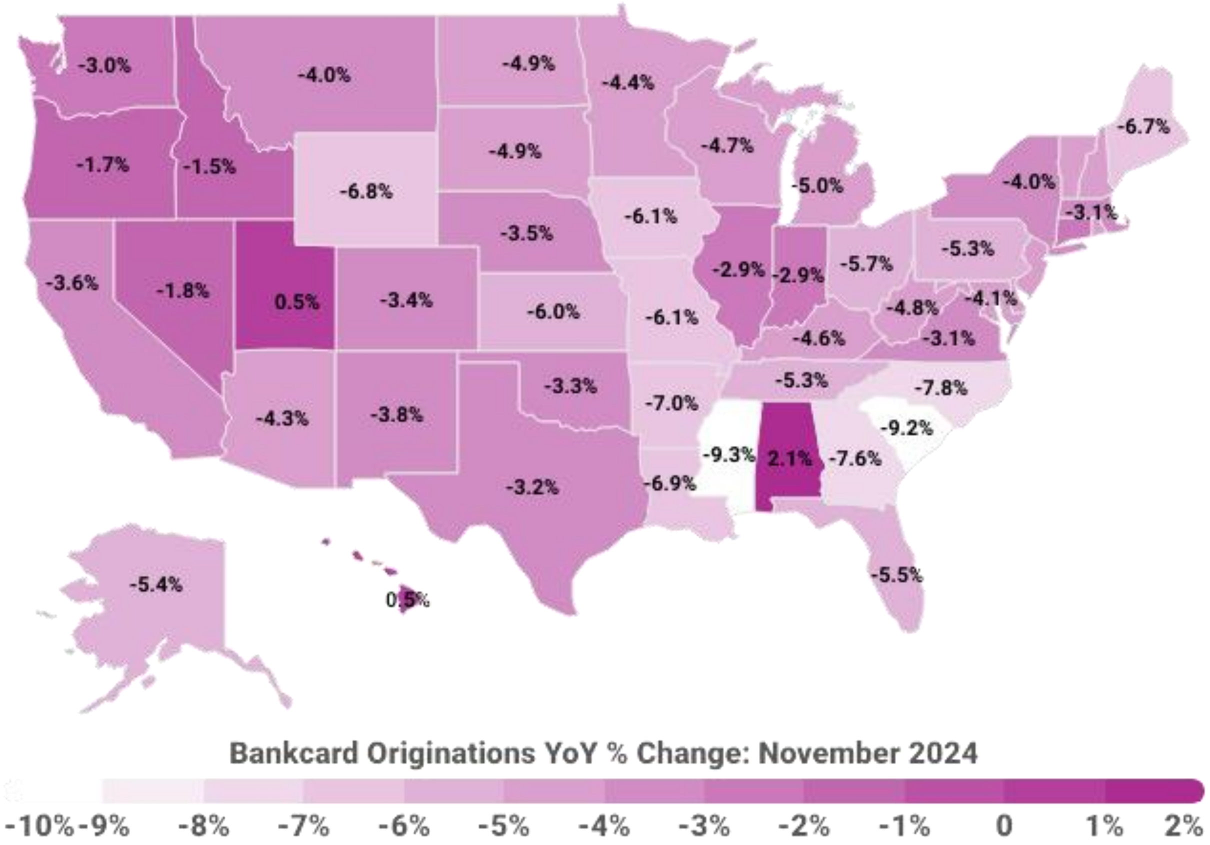




Sources: Experian Sandbox - Credit Trends Dashboard, and Experian Economic Strategy Group

Only three states saw increase in card originations over past year

— Greatest year-over-year decline in credit card originations concentrated in the South

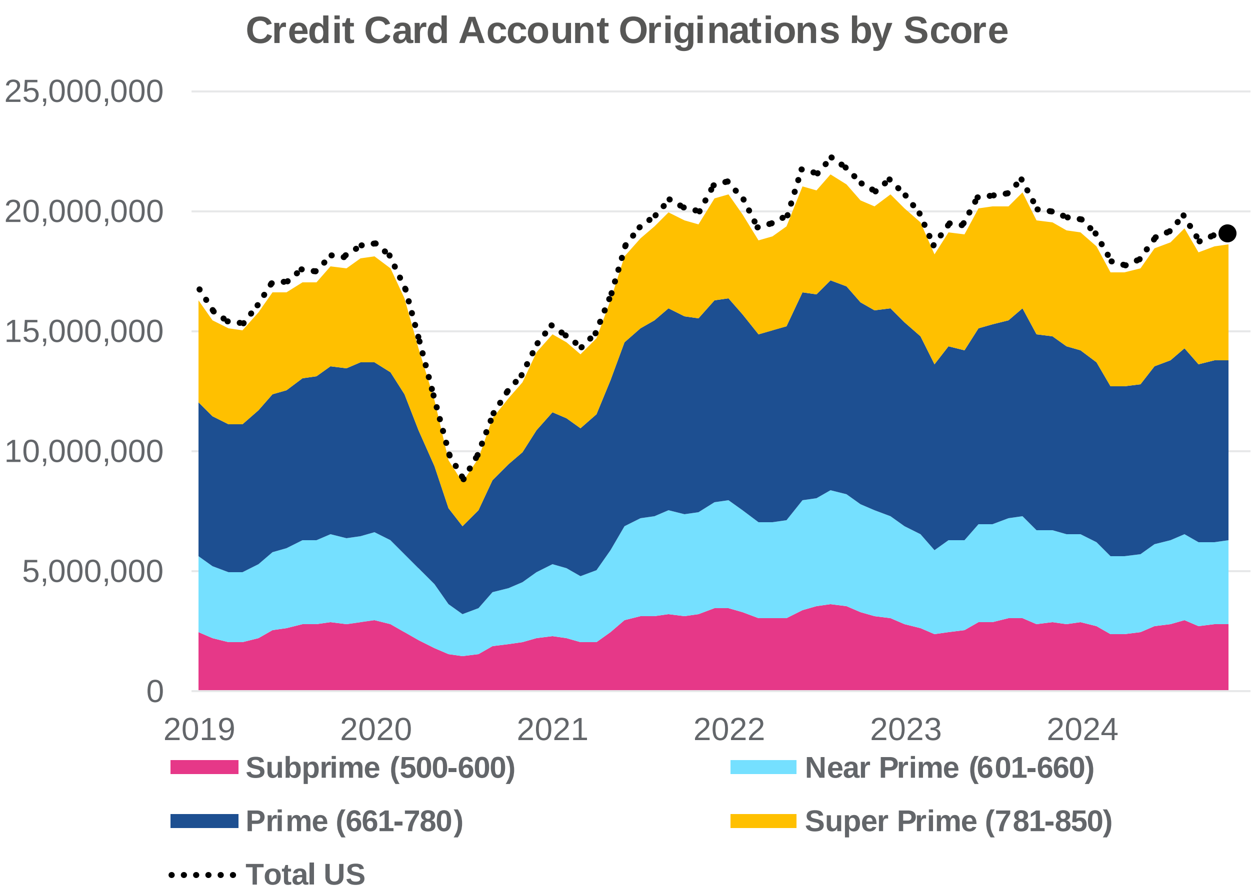


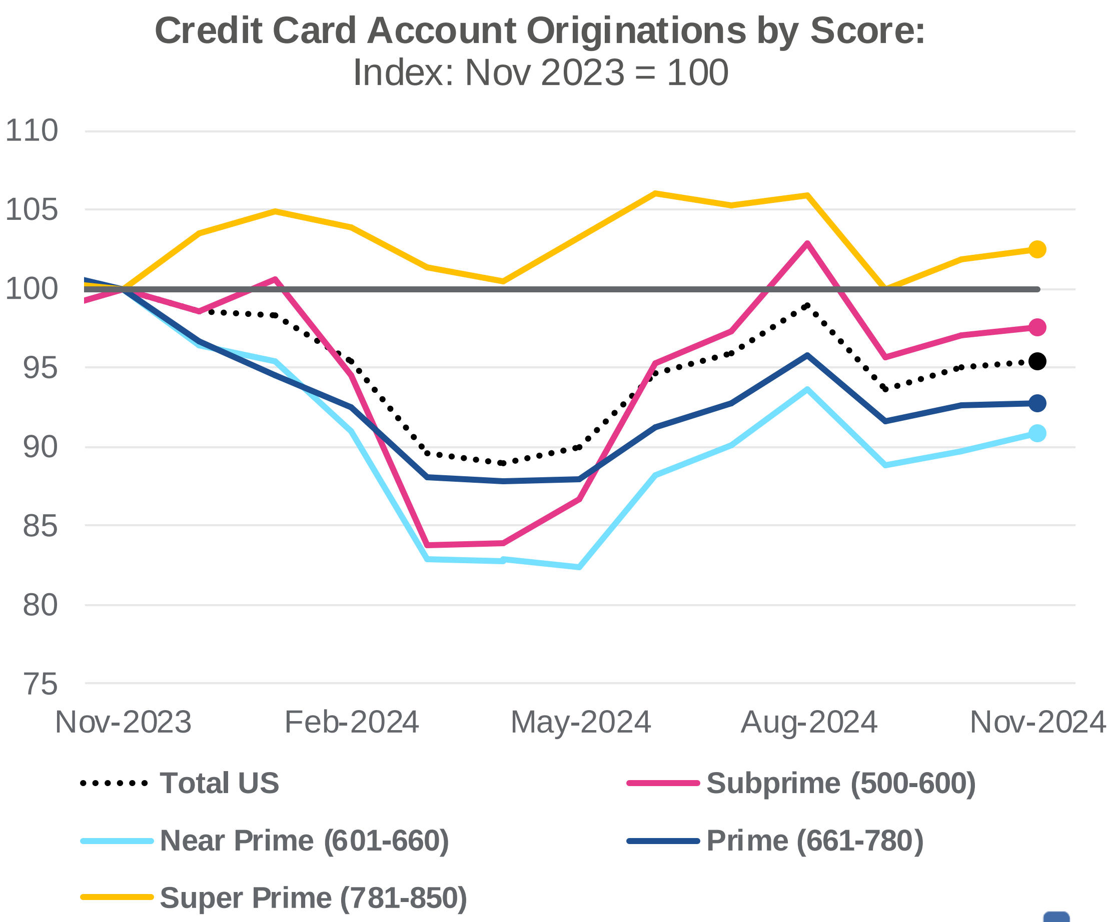
State	YoY % Change
Highest	
Alabama	+2.1%
Utah	+0.5%
Hawaii	+0.5%
Lowest	
Mississippi	-9.3%
South Carolina	-9.2%
North Carolina	-7.8%

Sources: Experian Sandbox - Credit Trends Dashboard, and Experian Economic Strategy Group

Card originations down across score bands except Super Prime

— Super Prime originations up 3% year-over-year in November

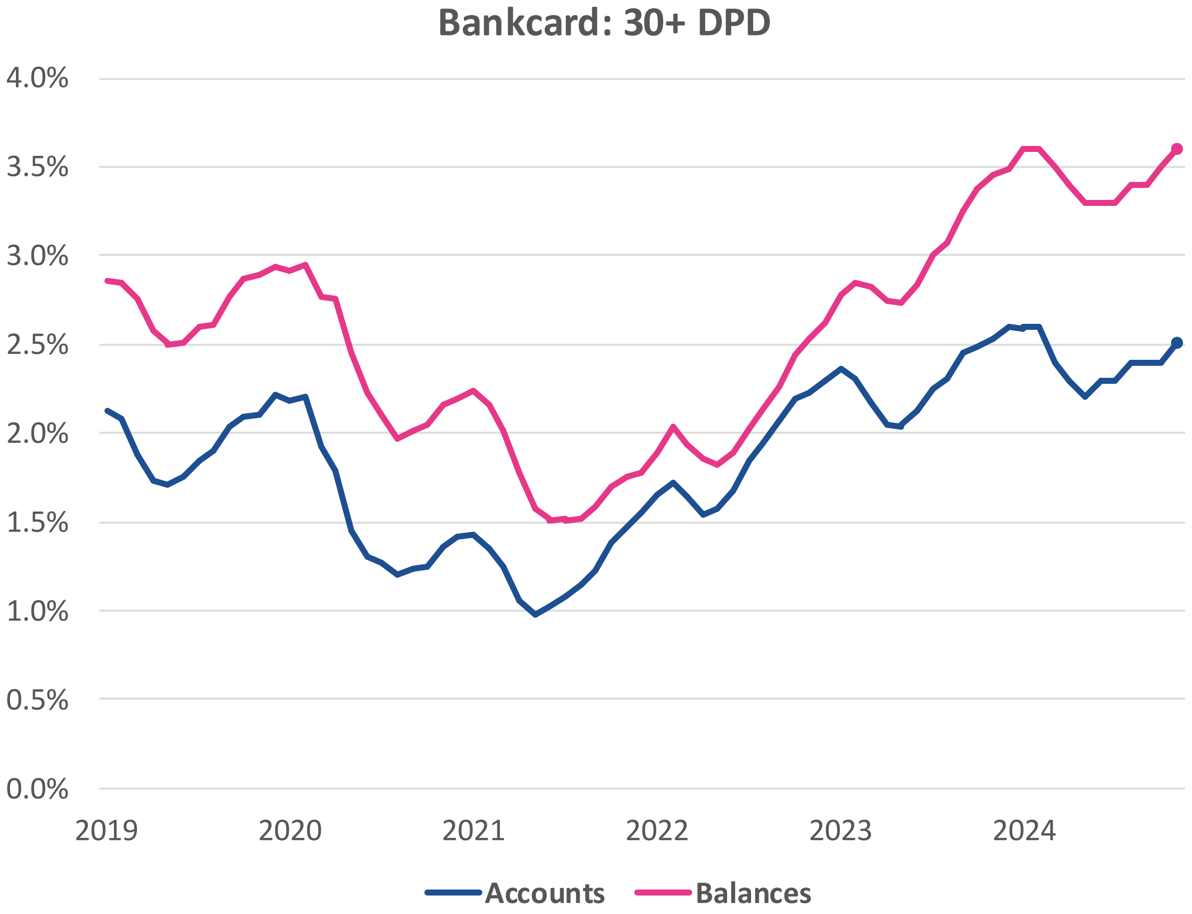


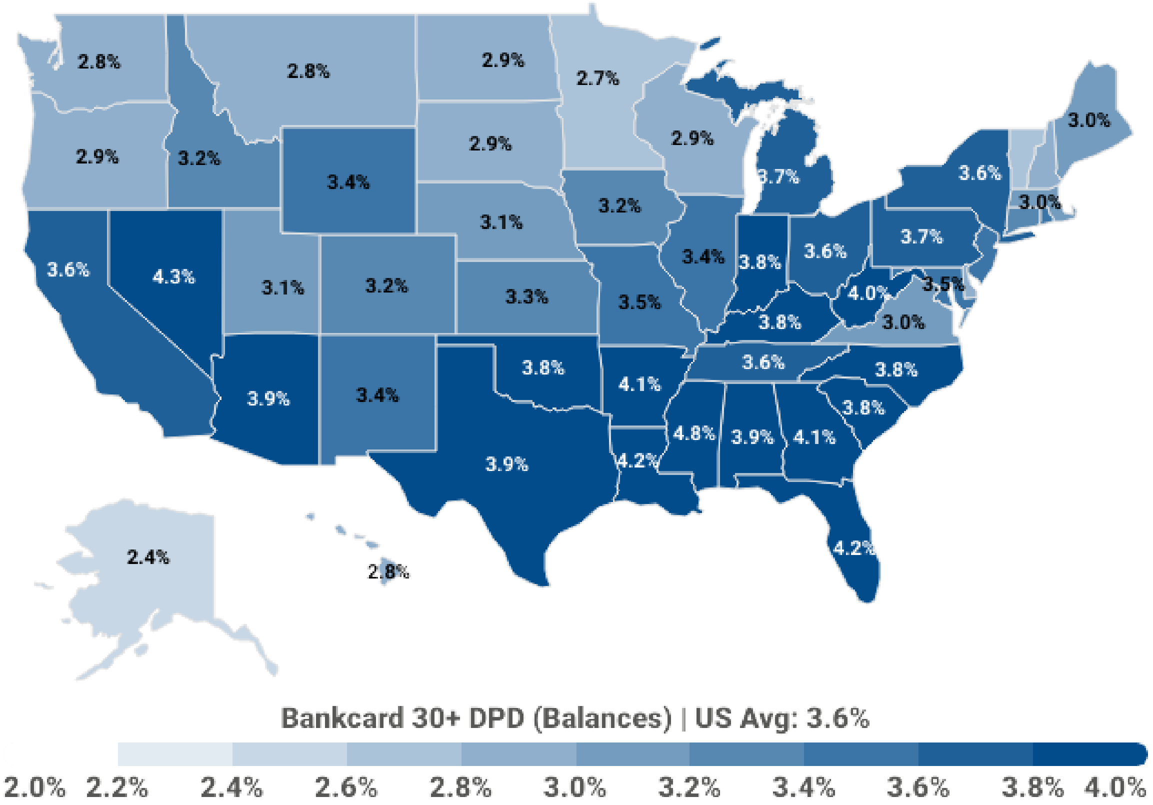


Sources: Experian Sandbox - Credit Trends Dashboard, and Experian Economic Strategy Group

Credit card delinquencies still climbing but at a slower rate

— Highest delinquency concentrated in the southern U.S.



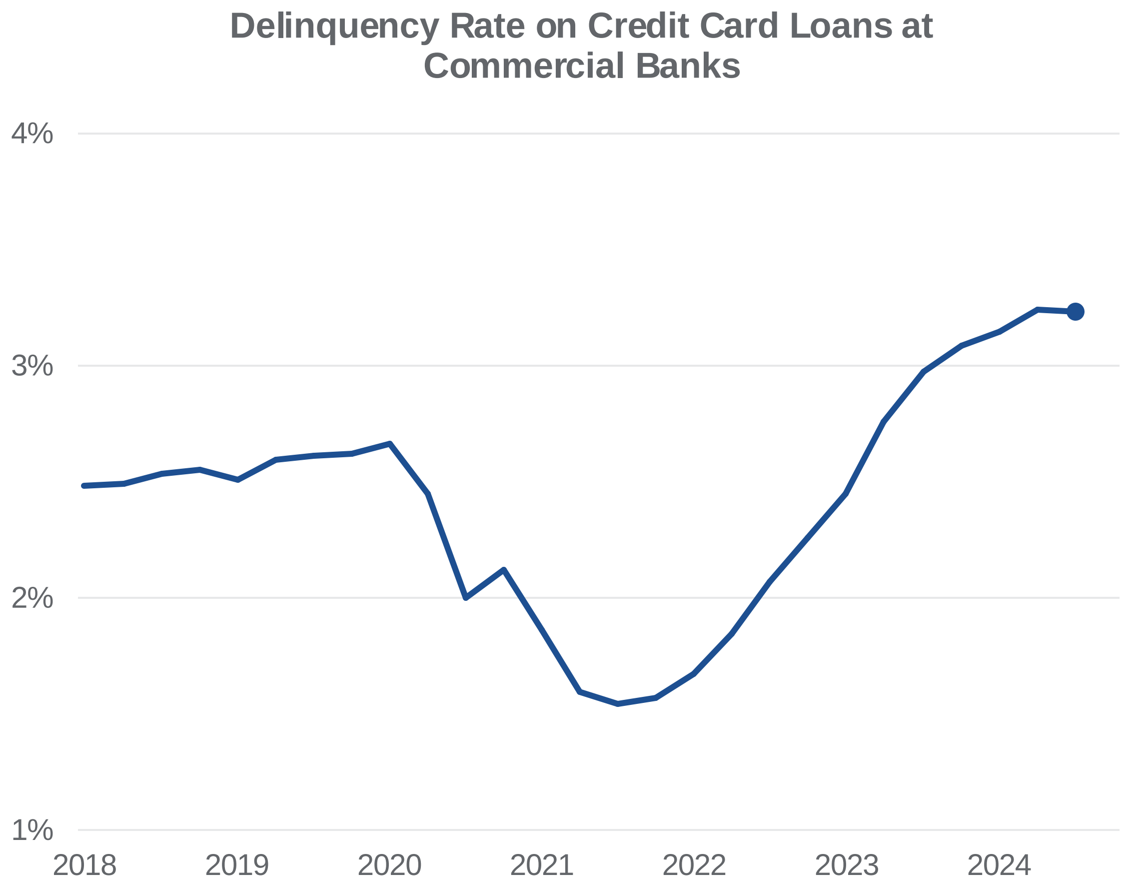


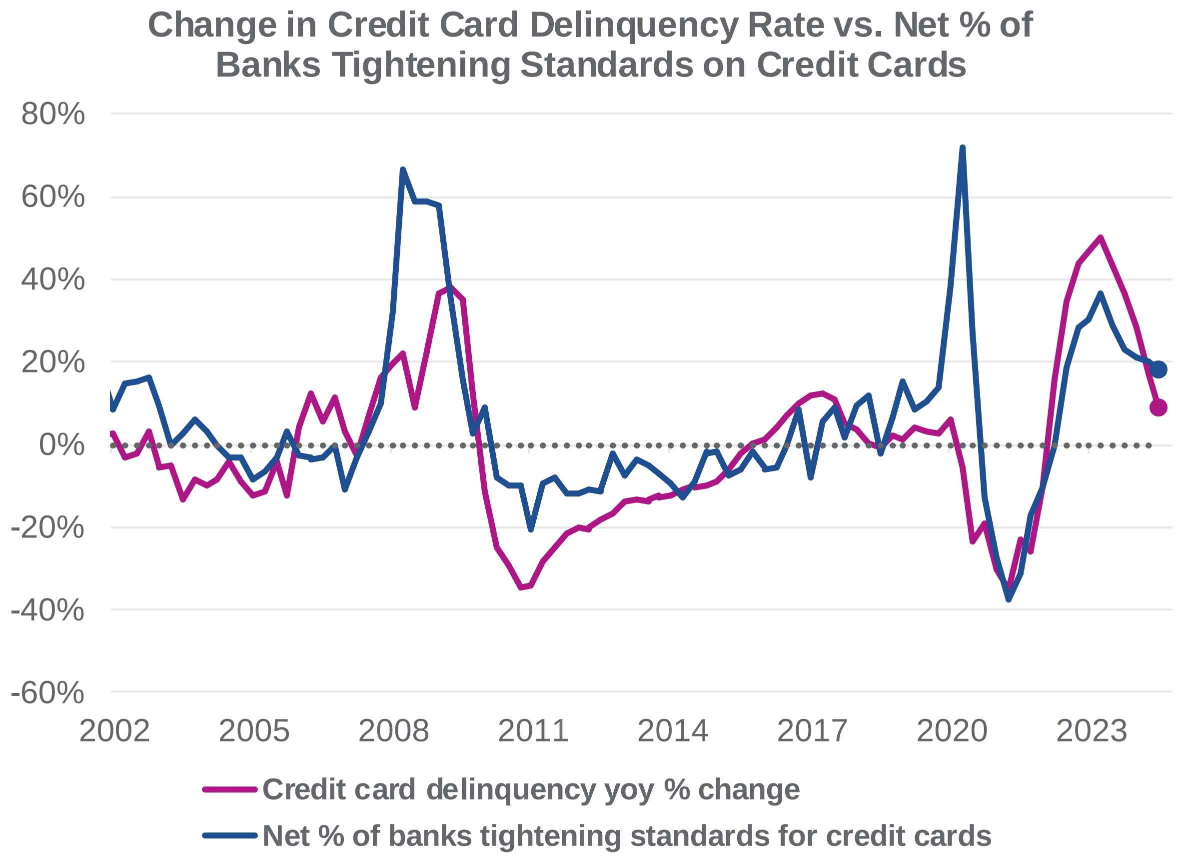
Sources: Experian Ascend Market Insights Dashboard and Experian Economic Strategy Group

  12/19/2024

First quarterly decline in credit card delinquency at banks in three years

— Q3 marked the first quarter in three years that card delinquencies eased at commercial banks – hinting at future improvement in lending standard tightening





Sources: Federal Reserve and Experian Economic Strategy Group

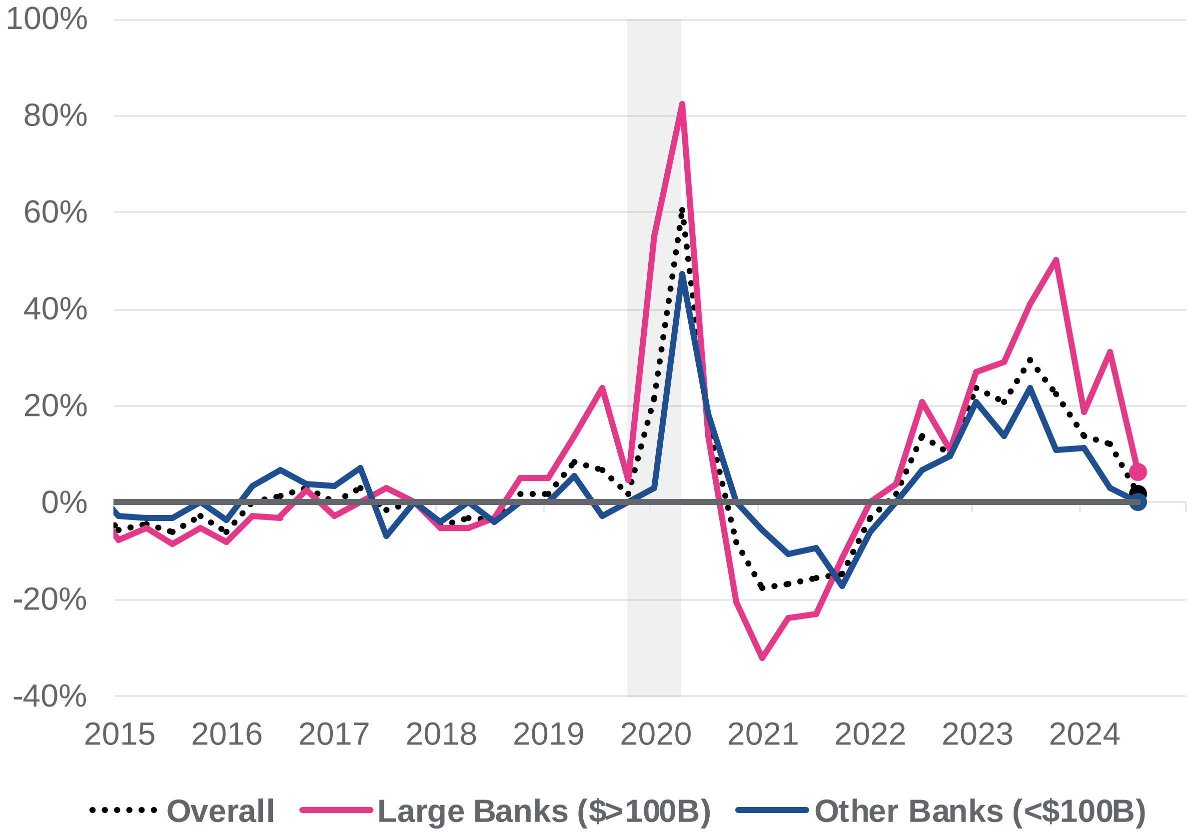
  12/19/2024

Unsecured Personal Loans

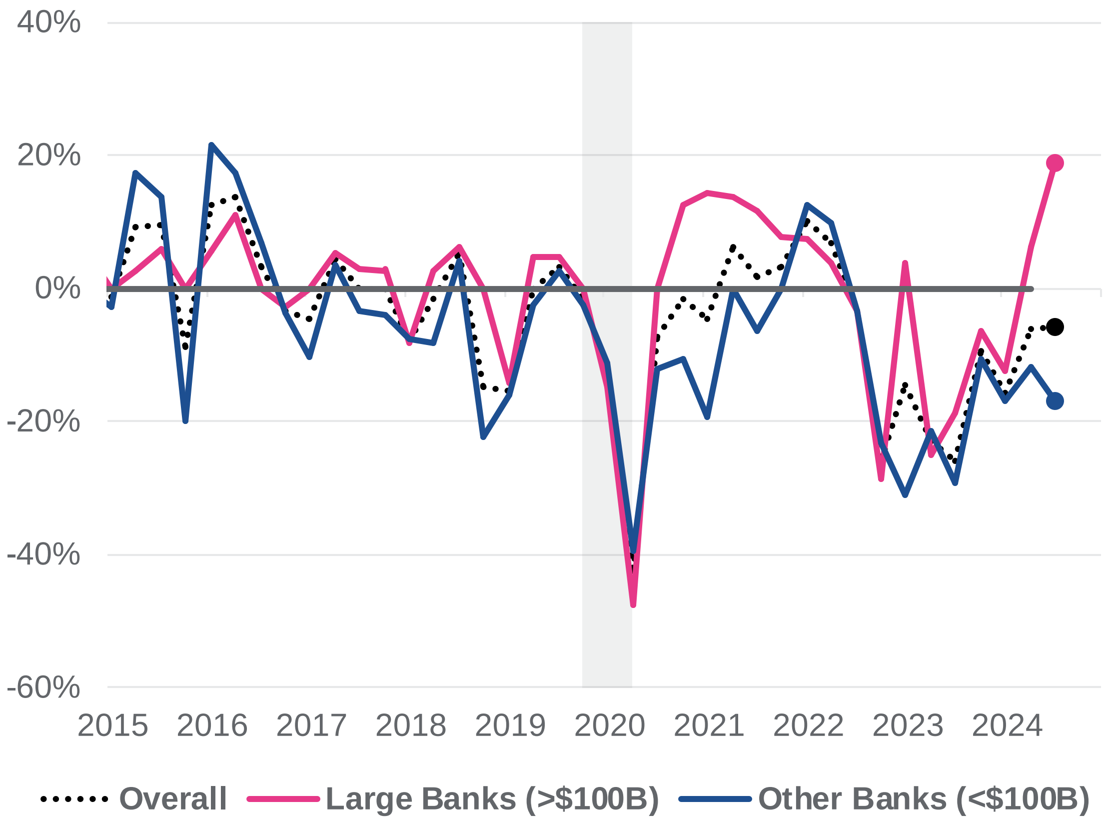
Lending standard tightening slowing rapidly for other consumer loans

— Pickup in demand reported by large banks in Q3 for consumer loans other than credit card and auto

Net % of Banks Tightening Lending Standards on Consumer Loans Other than Credit Card and Auto



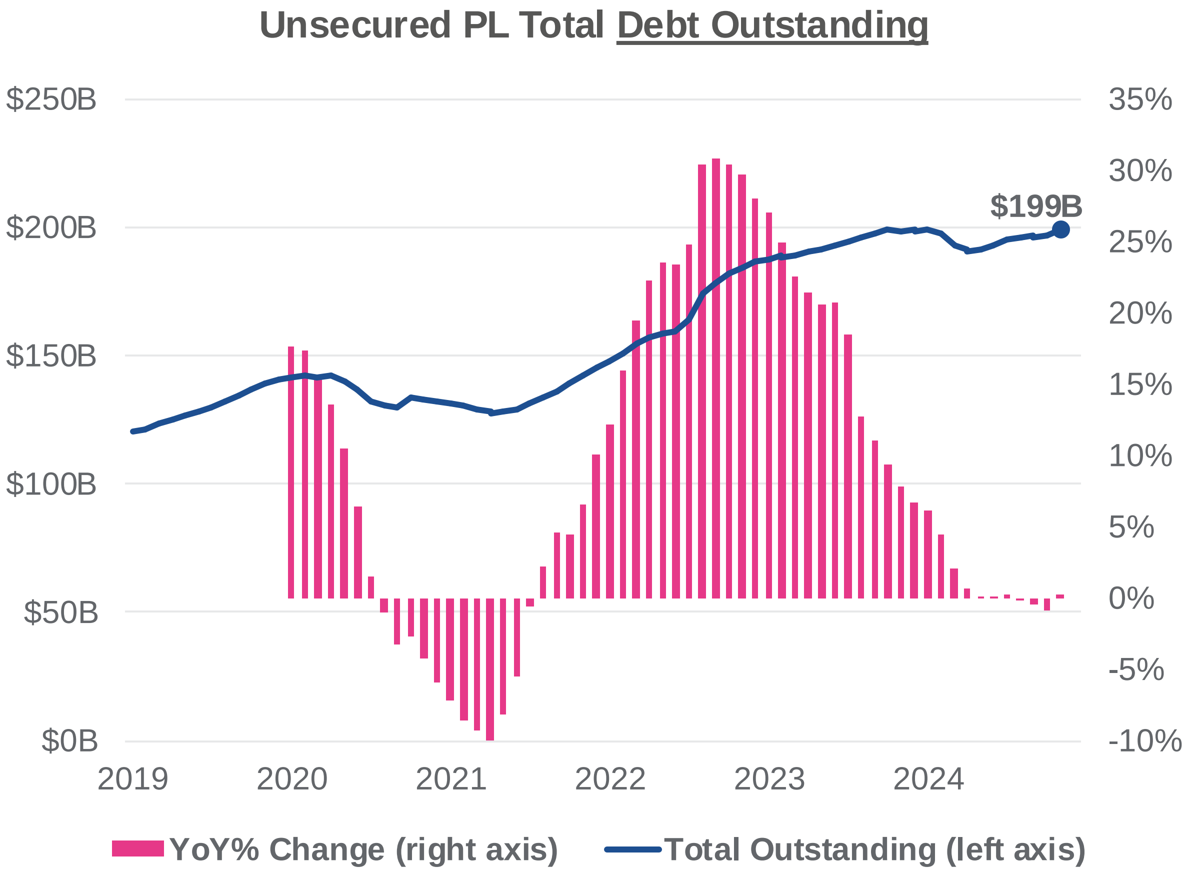
Net % of Banks Reporting Stronger Demand for Consumer Loans Other than Credit Card and Auto

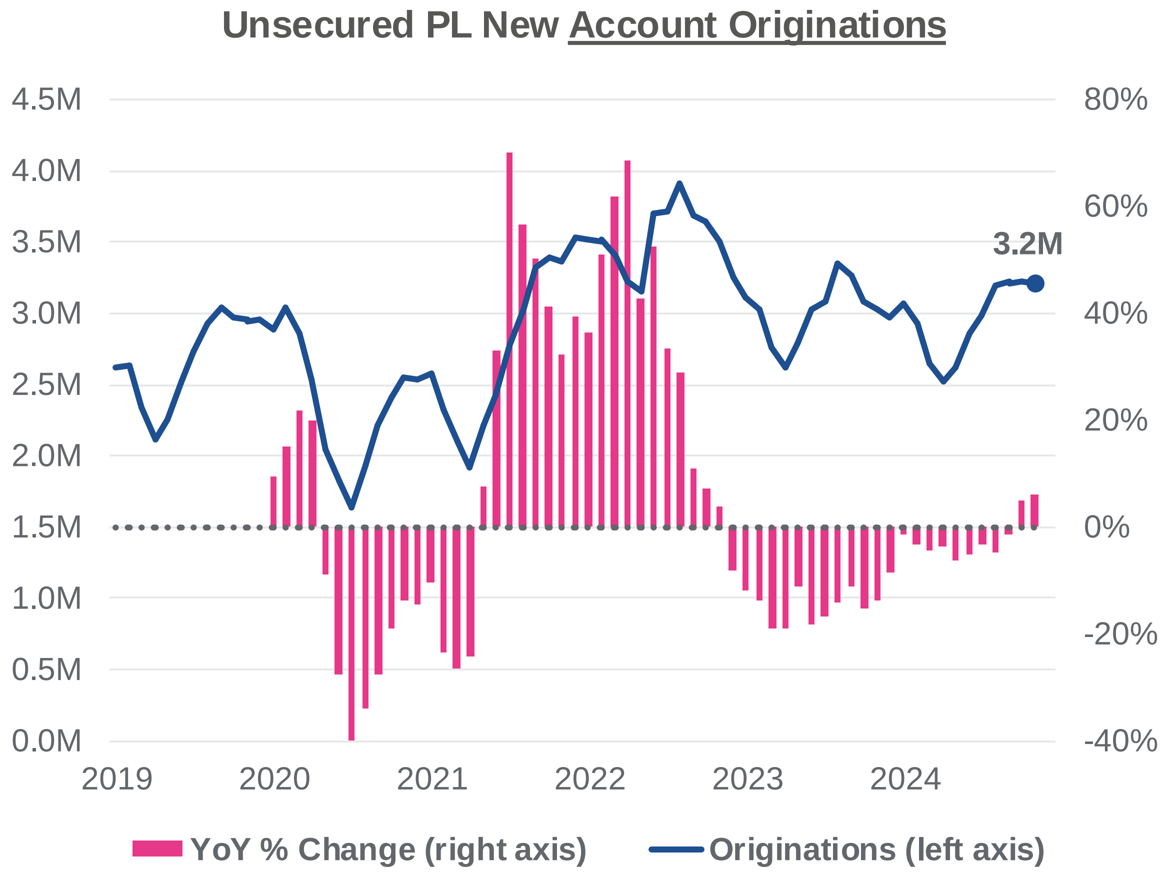


Sources: Federal Reserve Senior Loan Officer Survey and Experian Economic Strategy Group

Unsecured personal loan originations trending up

— New account originations posted two-consecutive months of YoY growth as of November after declining since late 2022

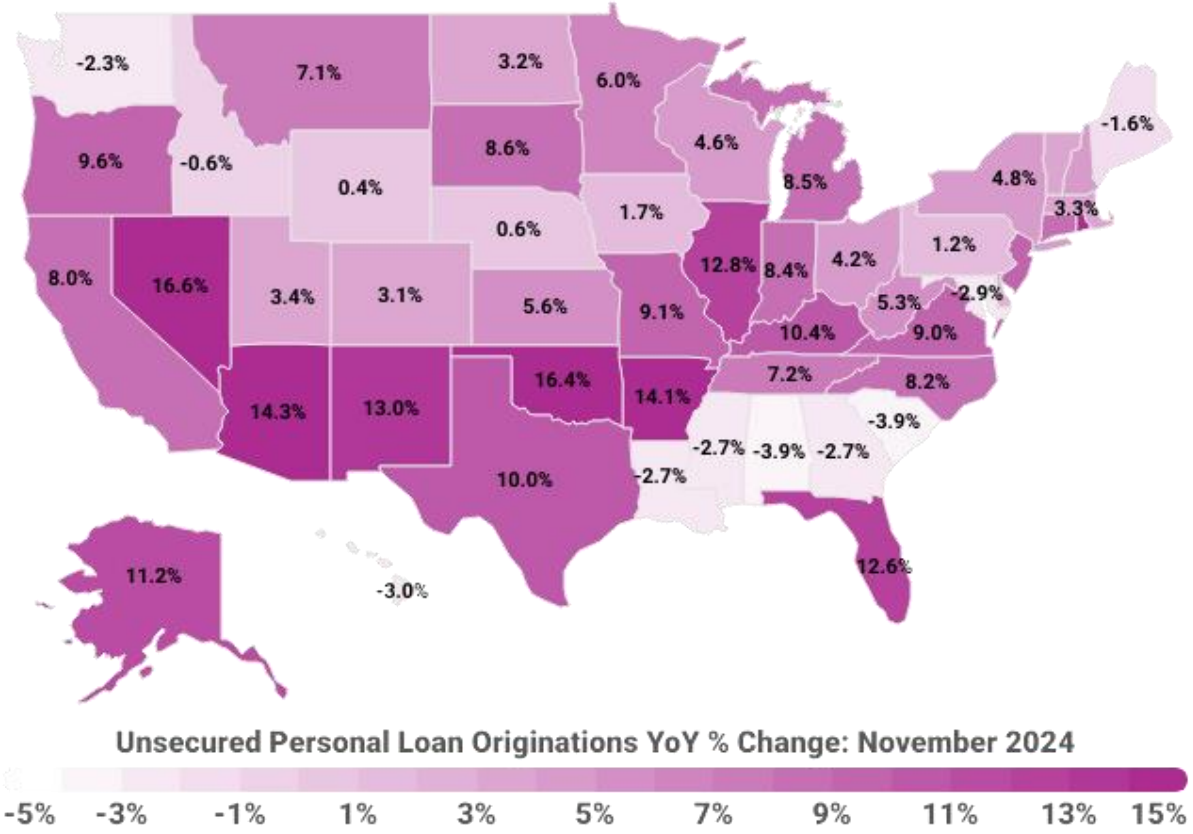




Sources: Experian Sandbox - Credit Trends Dashboard, and Experian Economic Strategy Group

Unsecured PL have increased in majority of U.S. over past year

— Steepest increases mostly concentrated in Southwest; greatest declines in Southeast

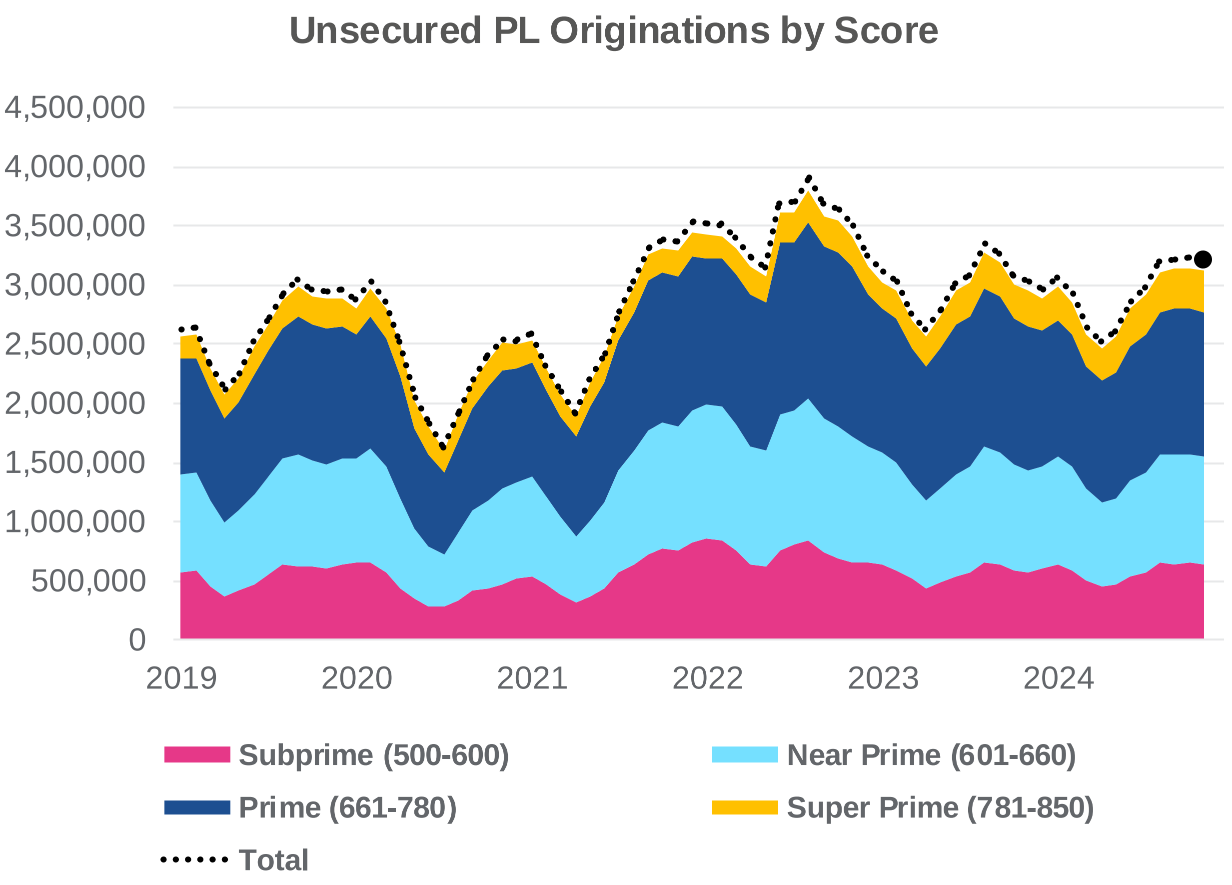


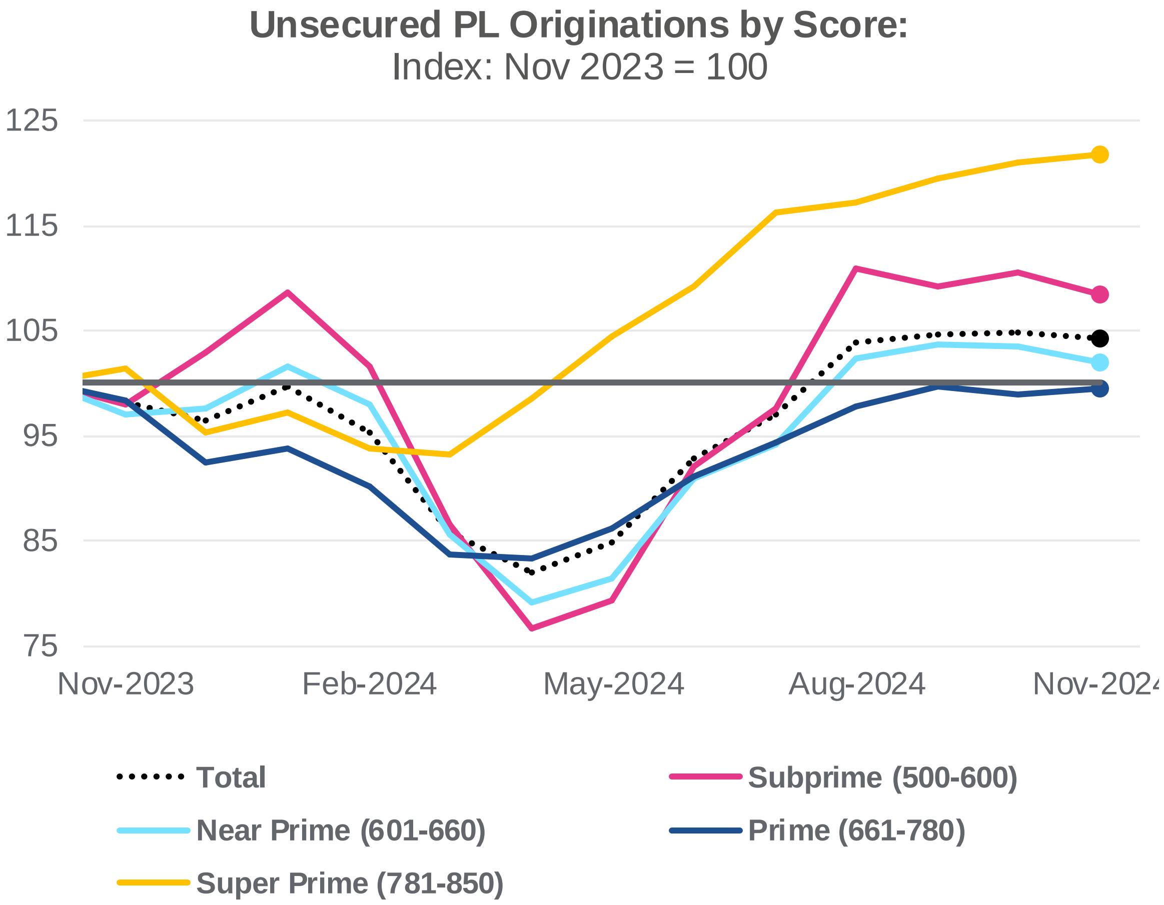
State	YoY % Change
Highest	
Rhode Island	+17.1%
Nevada	+16.6%
Oklahoma	+16.4%
Lowest	
Alabama	-3.9%
South Carolina	-3.9%
Hawaii	-3.0%

Sources: Experian Sandbox - Credit Trends Dashboard, and Experian Economic Strategy Group

Growth across most score bands except Prime

— Super prime and Subprime consumers have seen the most growth over the last year



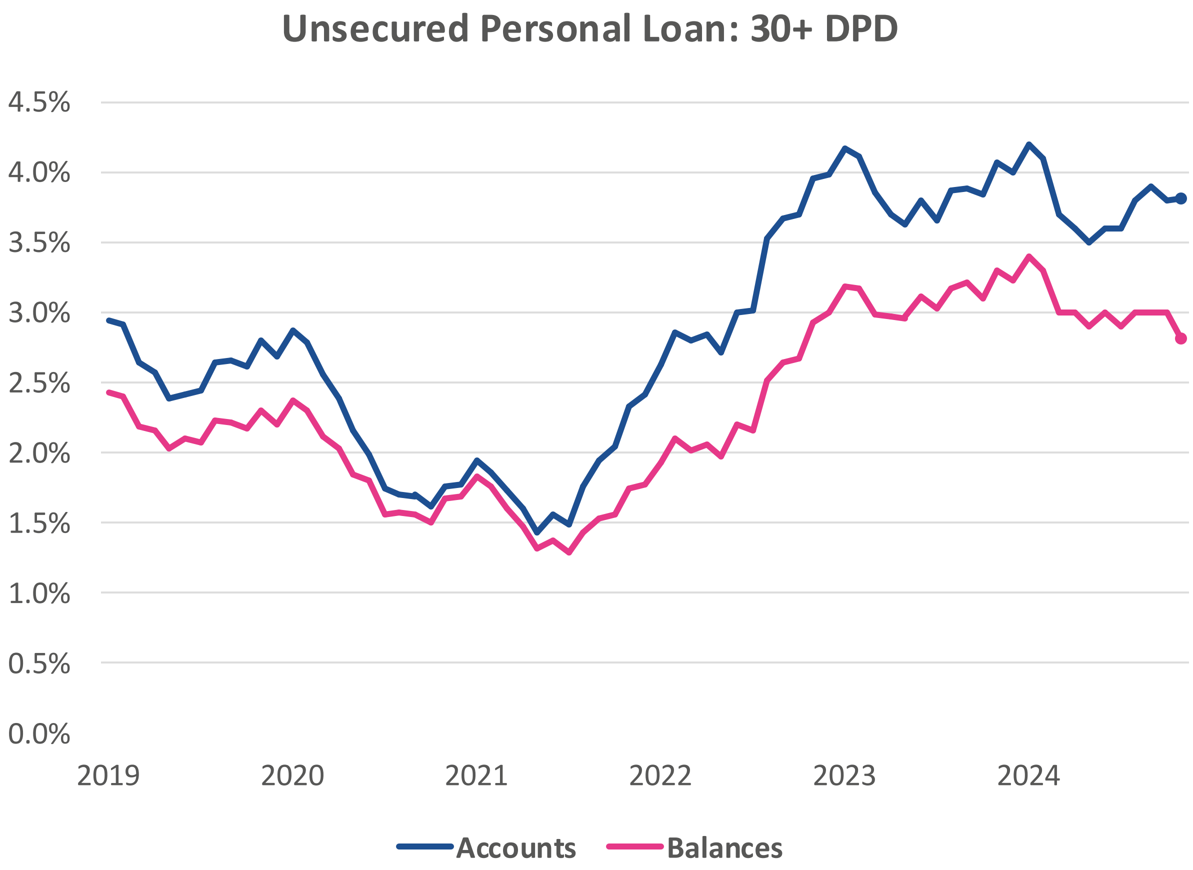


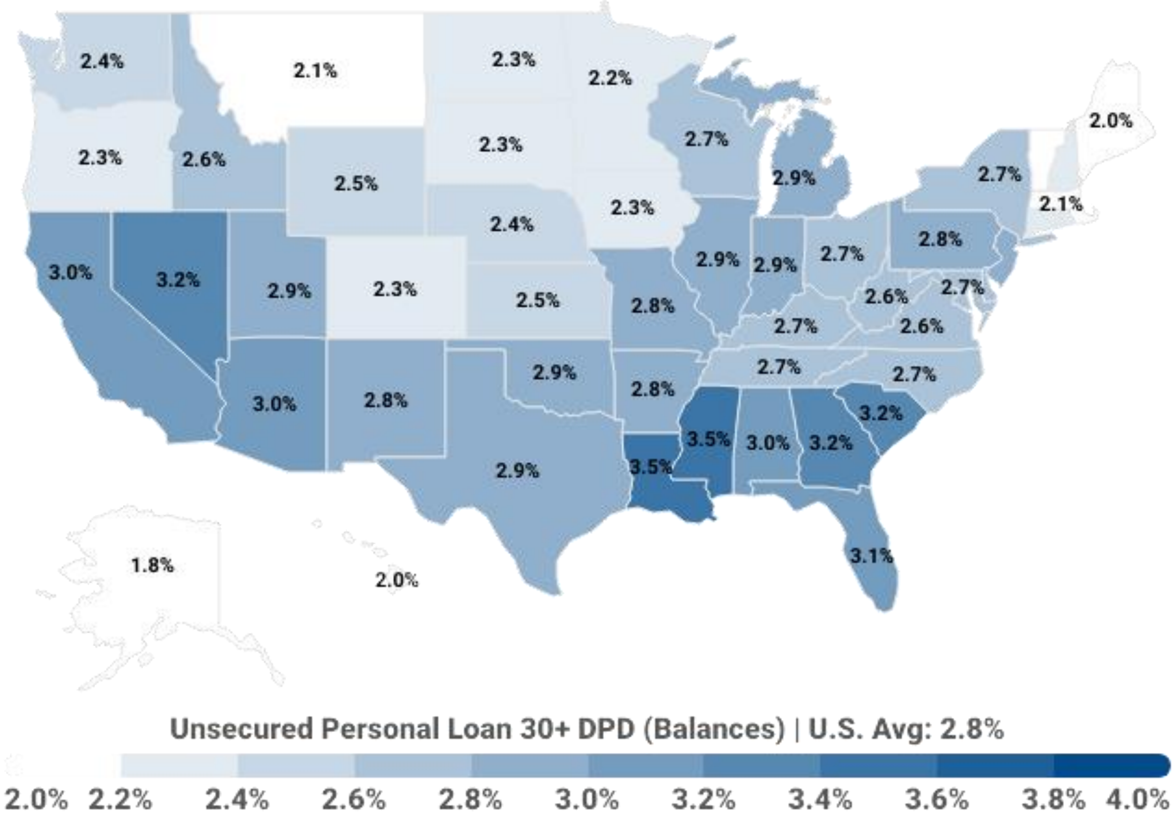
Sources: Experian Sandbox - Credit Trends Dashboard, and Experian Economic Strategy Group

  12/19/2024

Unsecured personal loan delinquency appears to have peaked

— Lowest delinquency rates concentrated in the upper-Midwest and Great Plains regions



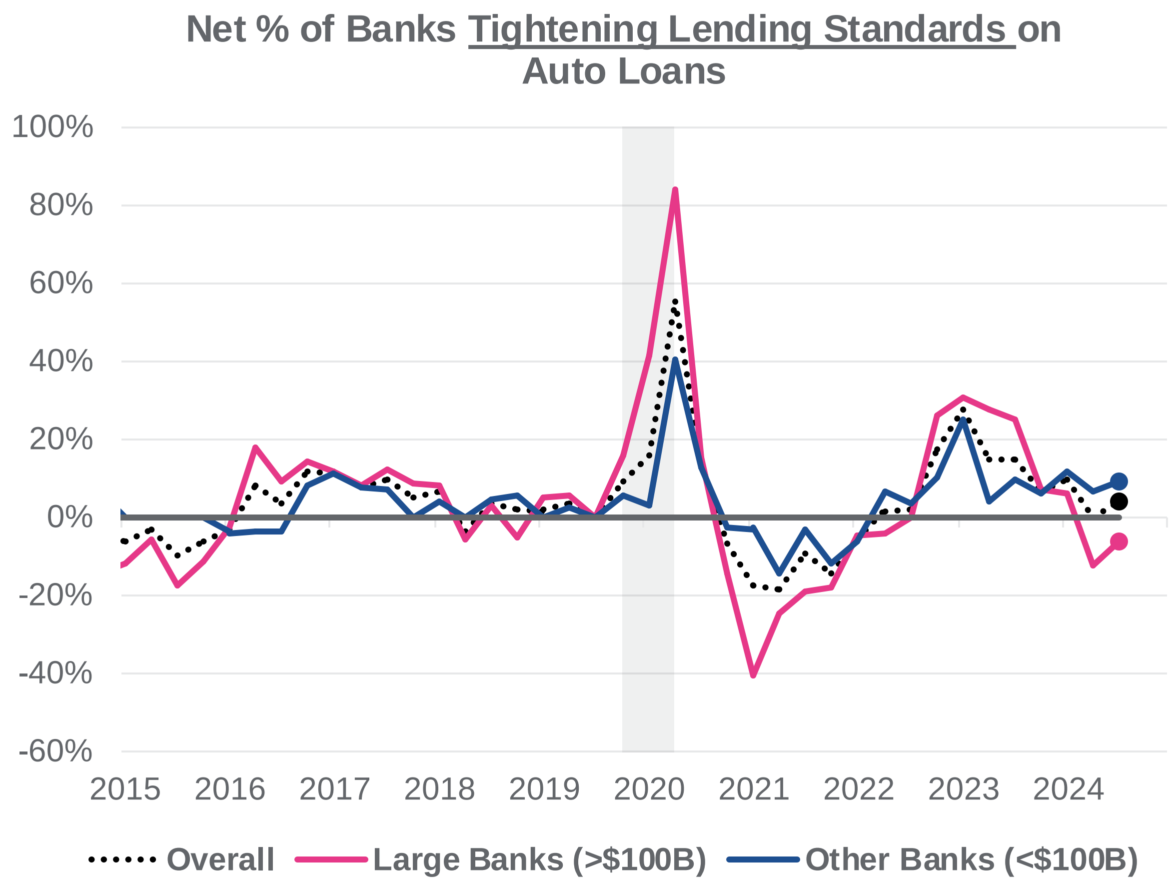


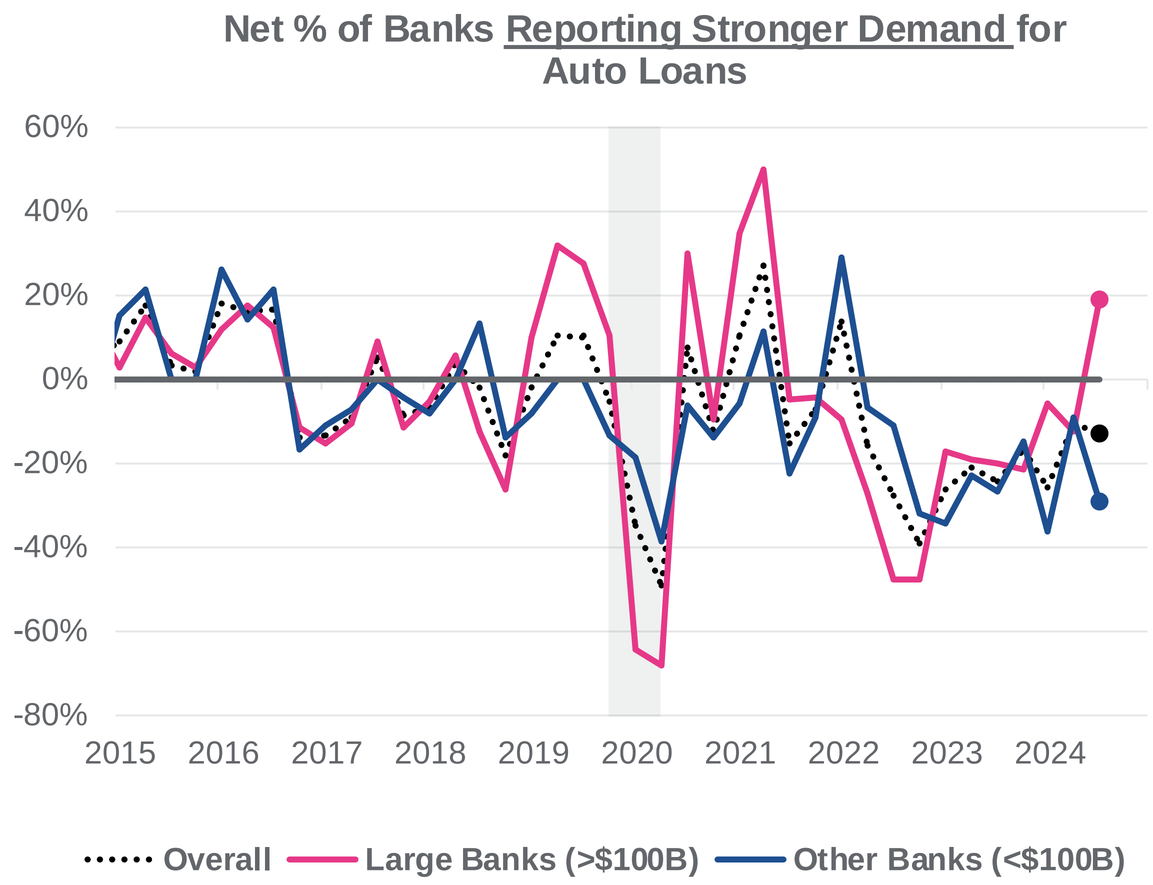
Sources: Experian Ascend Market Insights Dashboard and Experian Economic Strategy Group

Auto Loans

Net % of banks still tightening for autos, but large banks are loosening

— In Q3, large banks reported the second-consecutive quarter of easing standards. Large banks also experienced first increase in demand in ~three years

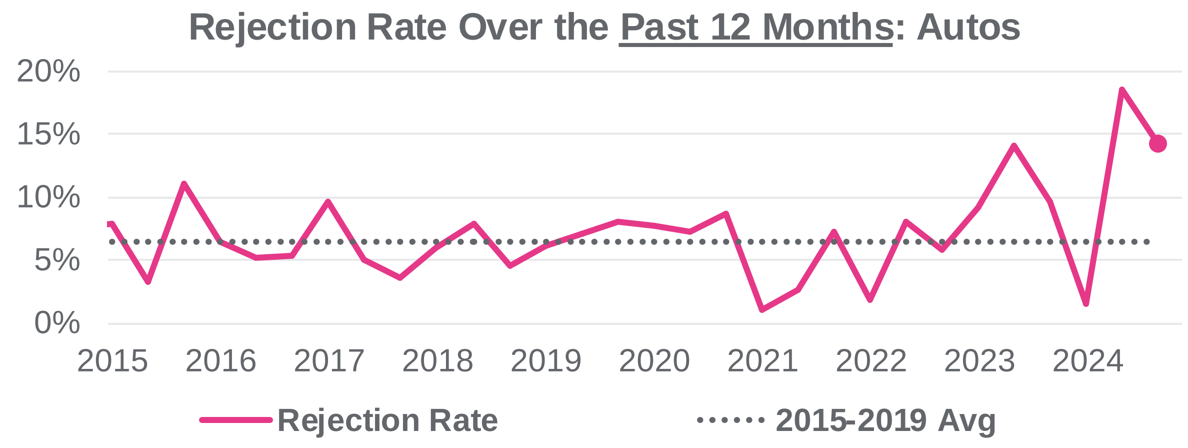


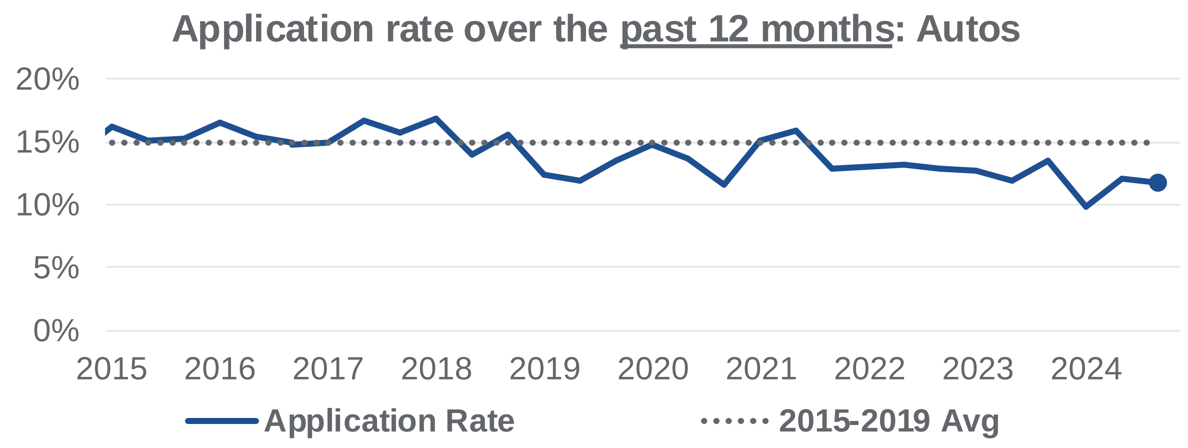


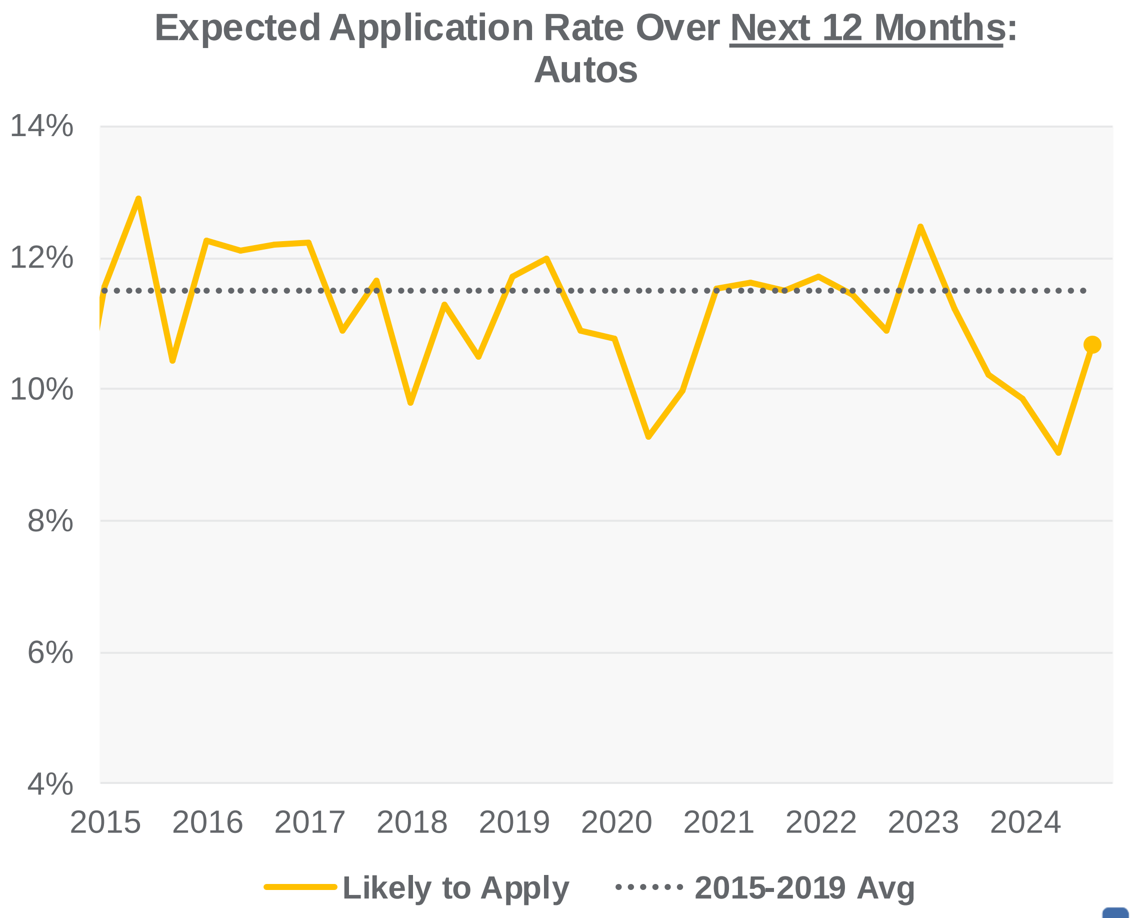
Sources: Federal Reserve Senior Loan Officer Survey and Experian Economic Strategy Group

Auto loan rejection rates at the second highest level in a decade

— Consumers reporting below average application rates and low – but improving – expectation to apply





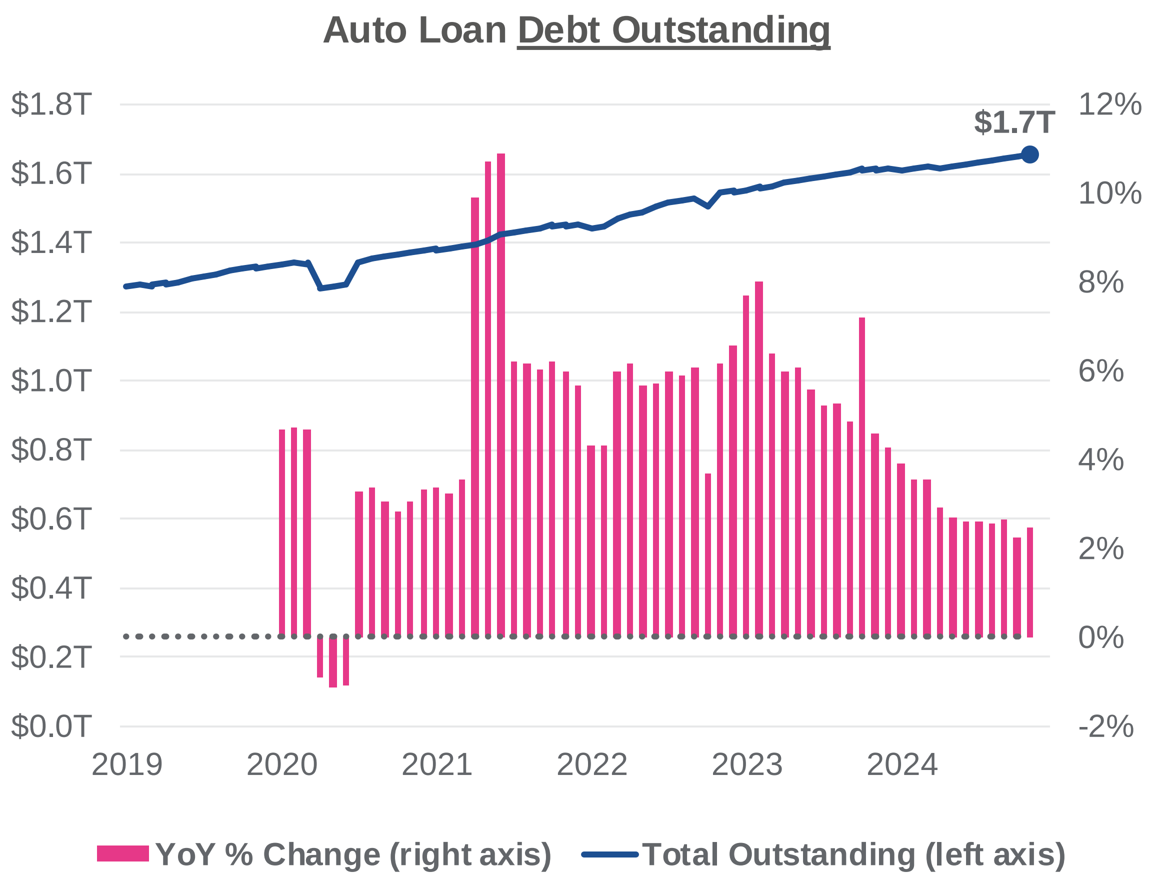


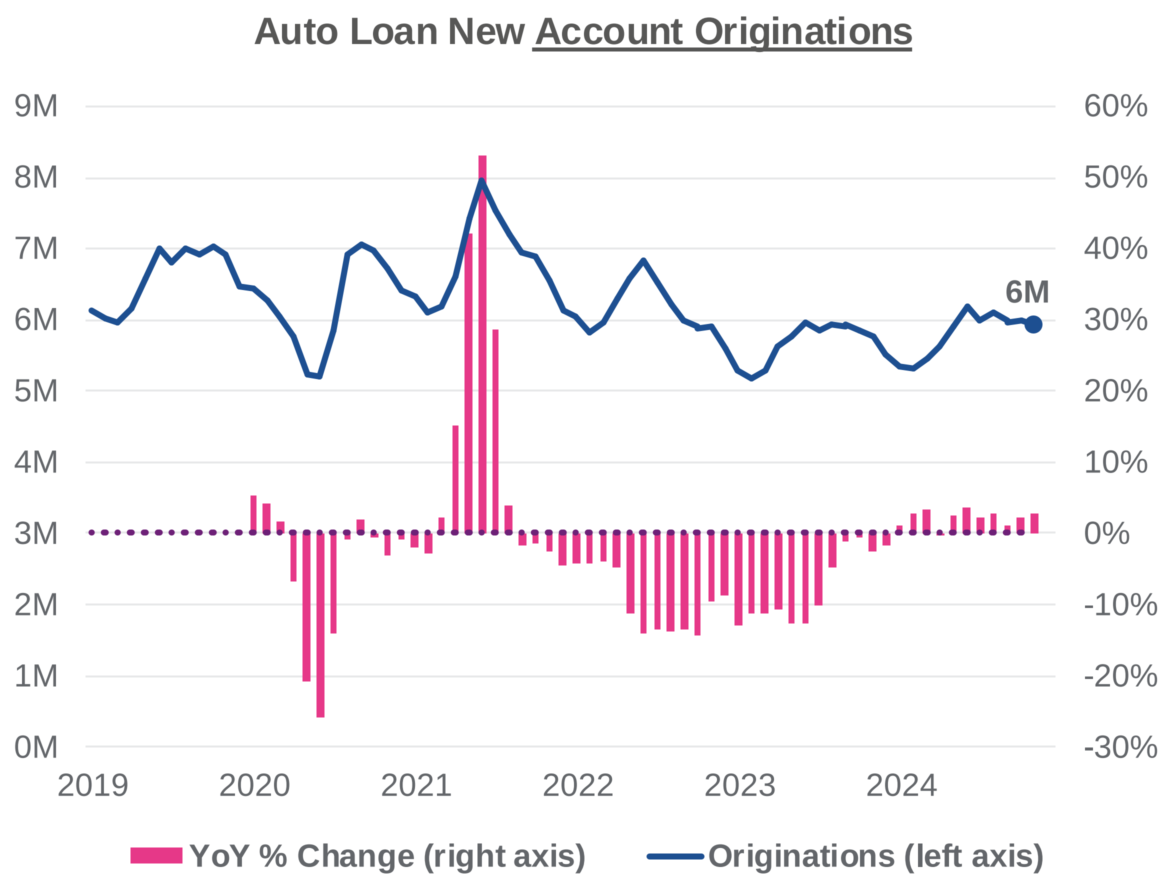
Sources: New York Federal Reserve and Experian Economic Strategy Group

  12/19/2024

Auto loan originations remain fairly stable

— New account originations up YoY in November

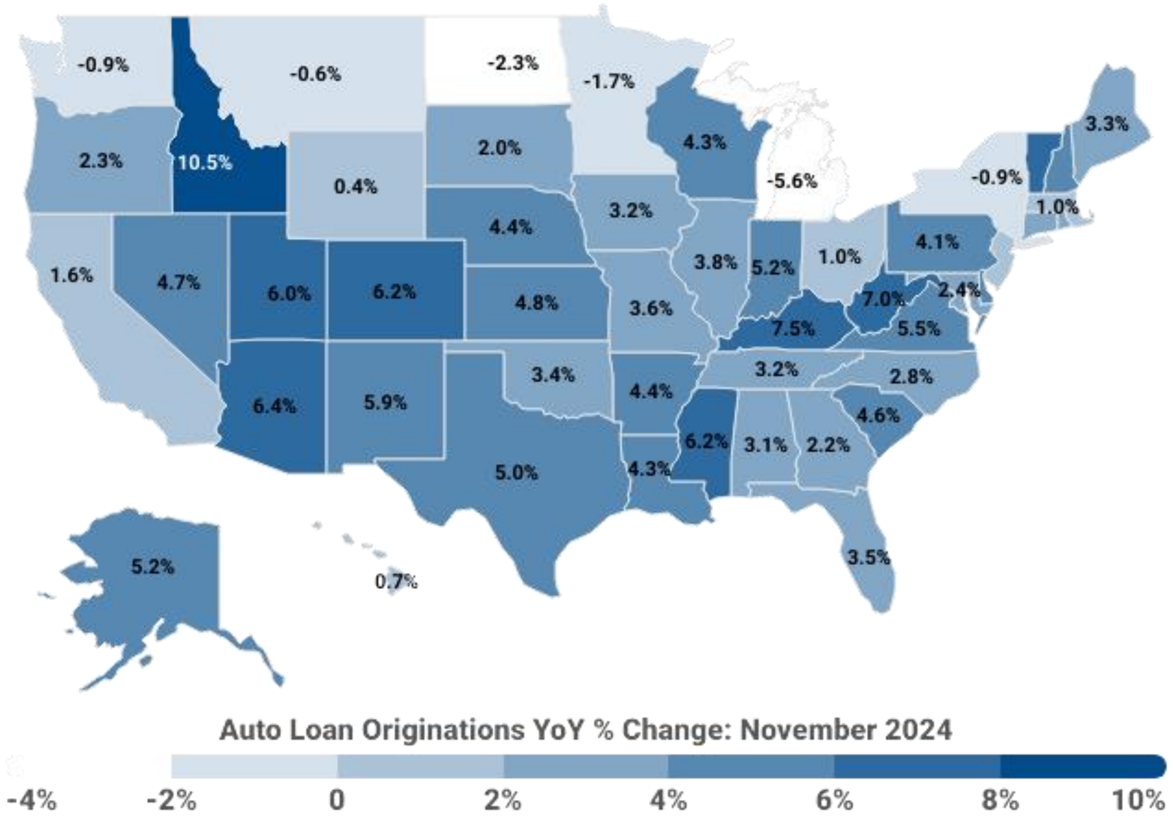




Sources: Experian Sandbox - Credit Trends Dashboard, and Experian Economic Strategy Group

Auto loan originations increased in majority of U.S. over past year

— Idaho was the only state with over double-digit growth in auto originations over the year

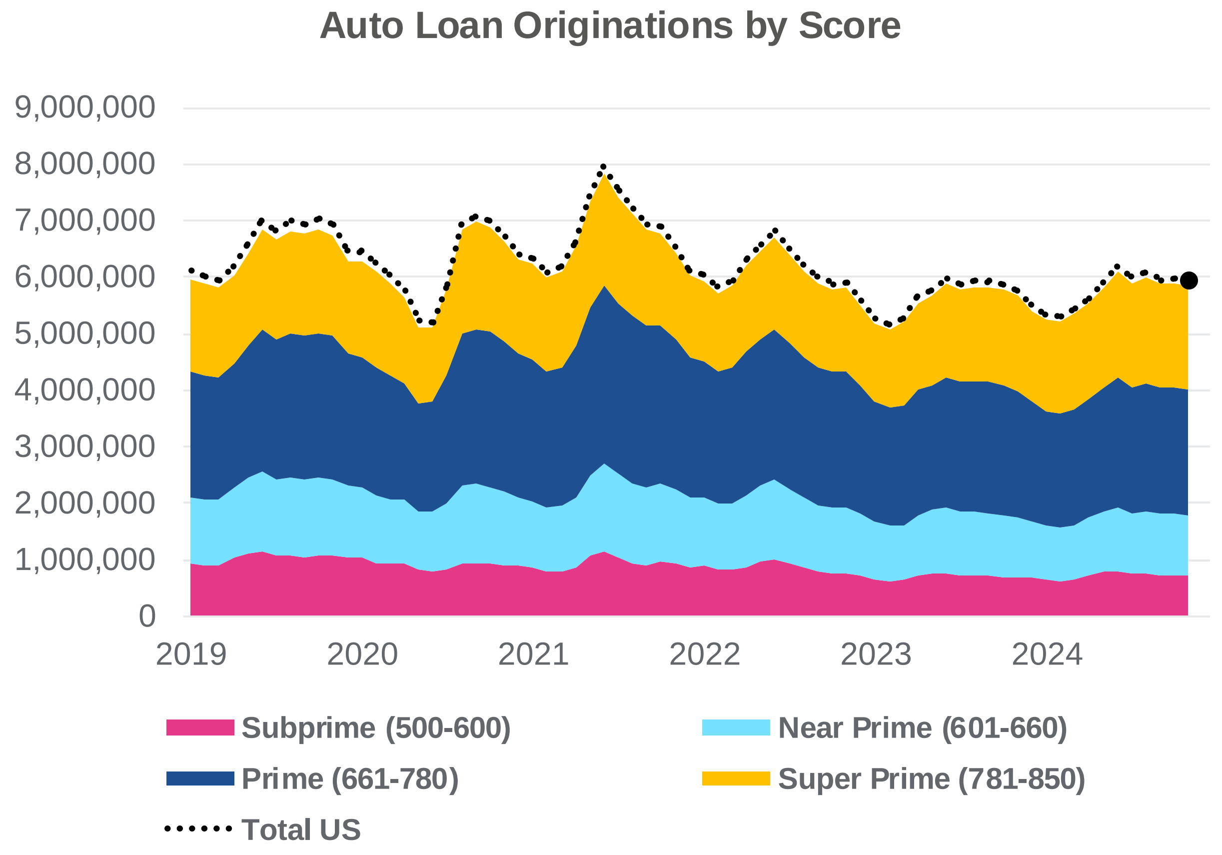


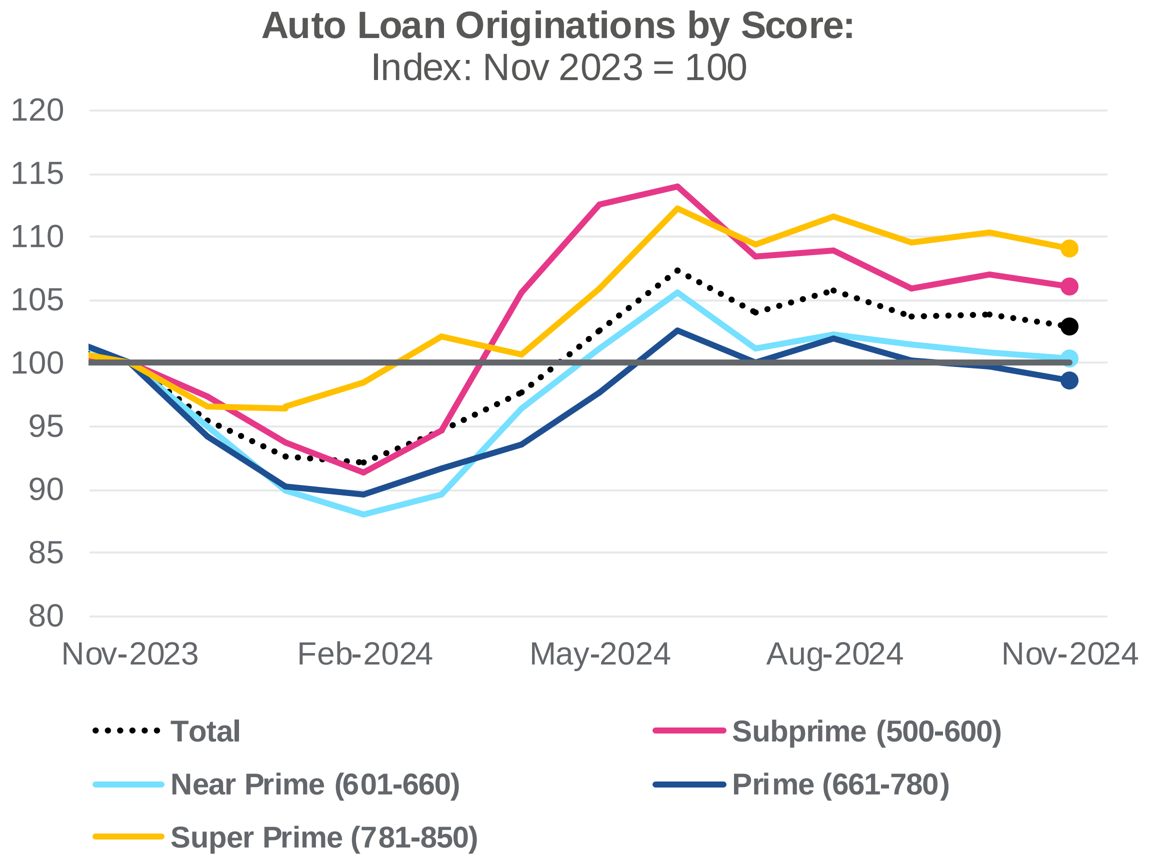
State	YoY % Change
Highest	
Idaho	+10.5%
Kentucky	+7.5%
West Virginia	+7.0%
Lowest	
Michigan	-5.6%
Washington D.C.	-4.0%
North Dakota	-2.3%

Sources: Experian Sandbox - Credit Trends Dashboard, and Experian Economic Strategy Group

Super Prime consumers remain largest driver of auto originations

— Prime is the only segment to see decline YoY in November

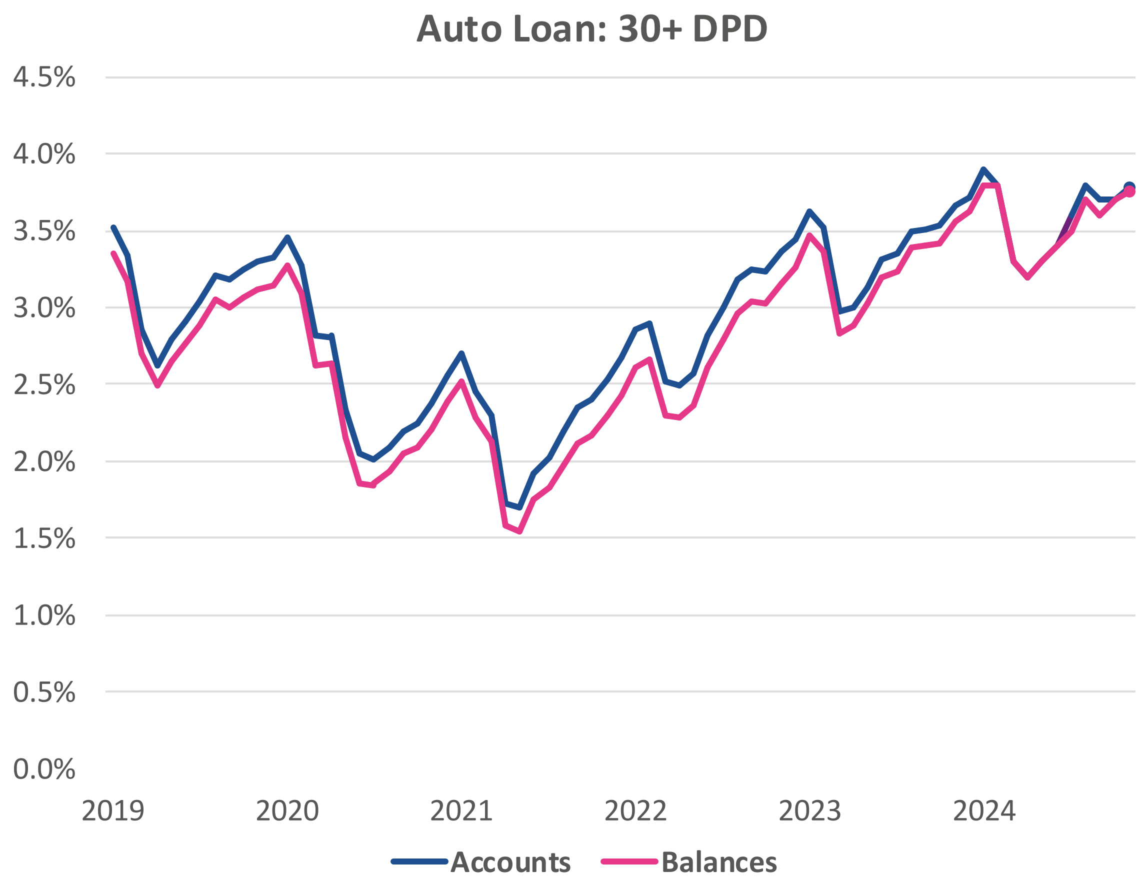


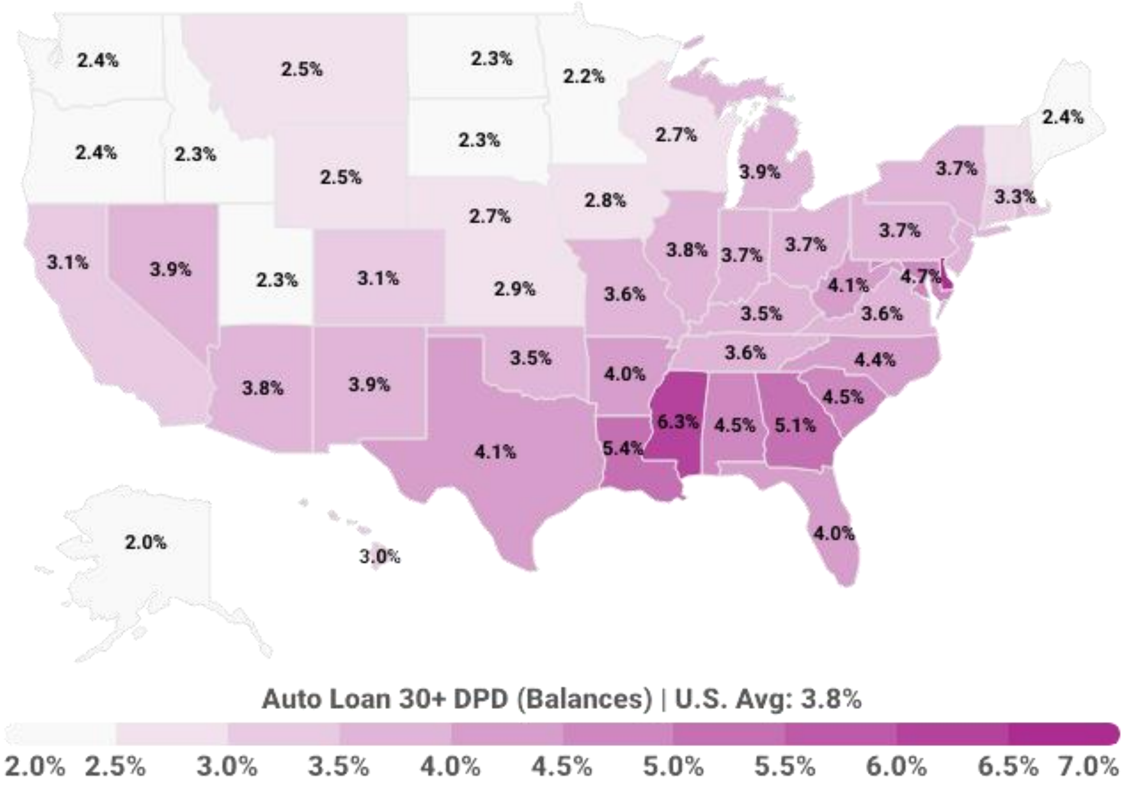


Sources: Experian Sandbox - Credit Trends Dashboard, and Experian Economic Strategy Group

Auto loan delinquencies continue to grow

— Southern U.S. has higher auto loan delinquency than northern U.S.



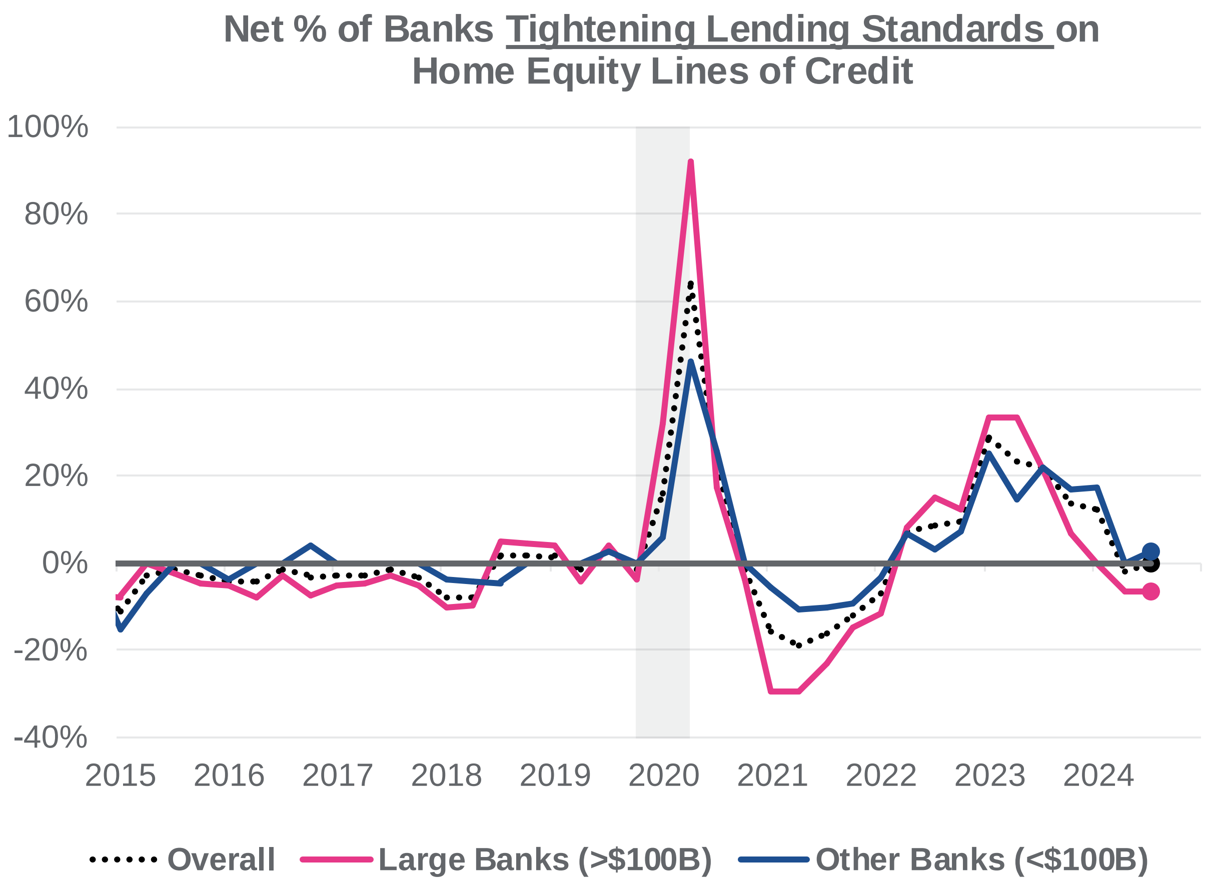


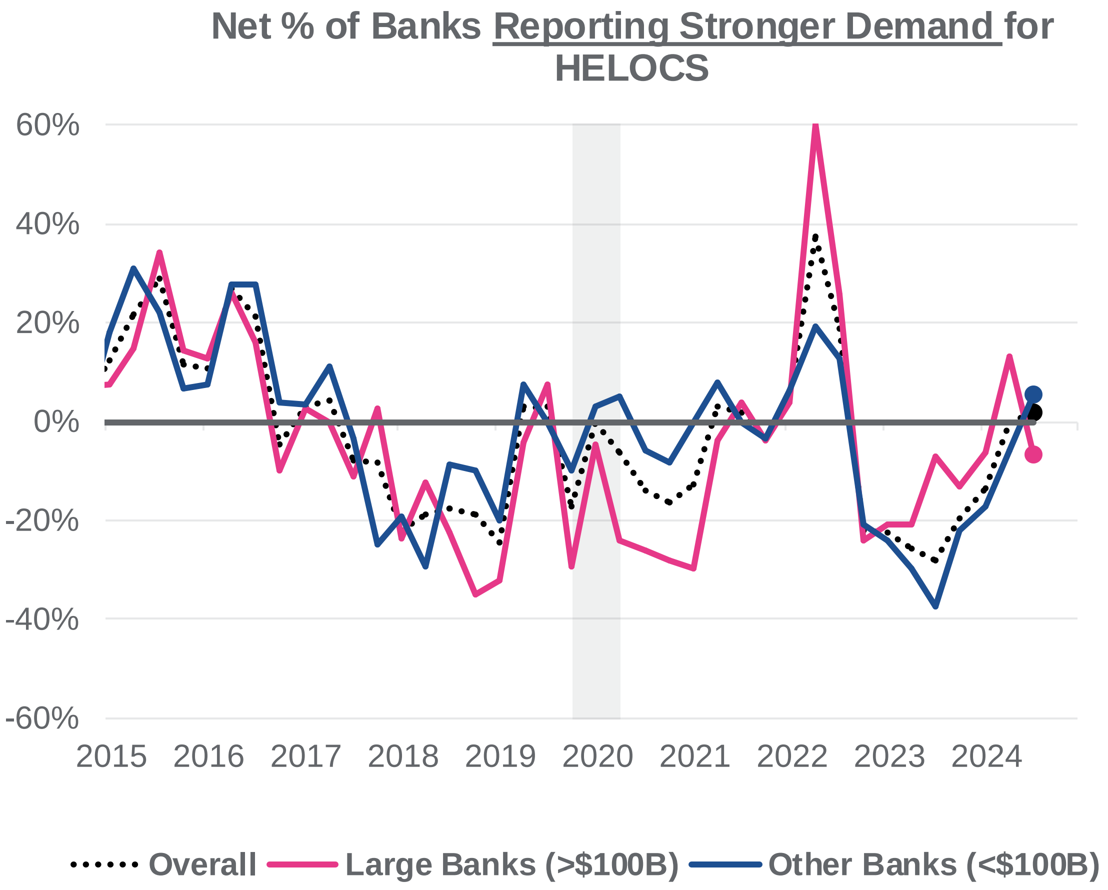
Sources: Experian Ascend Market Insights Dashboard and Experian Economic Strategy Group

HELOC

Large banks eased standards on HELOCs again in Q3

— Net % of banks reporting higher HELOC demand turned positive for first time in more than two years

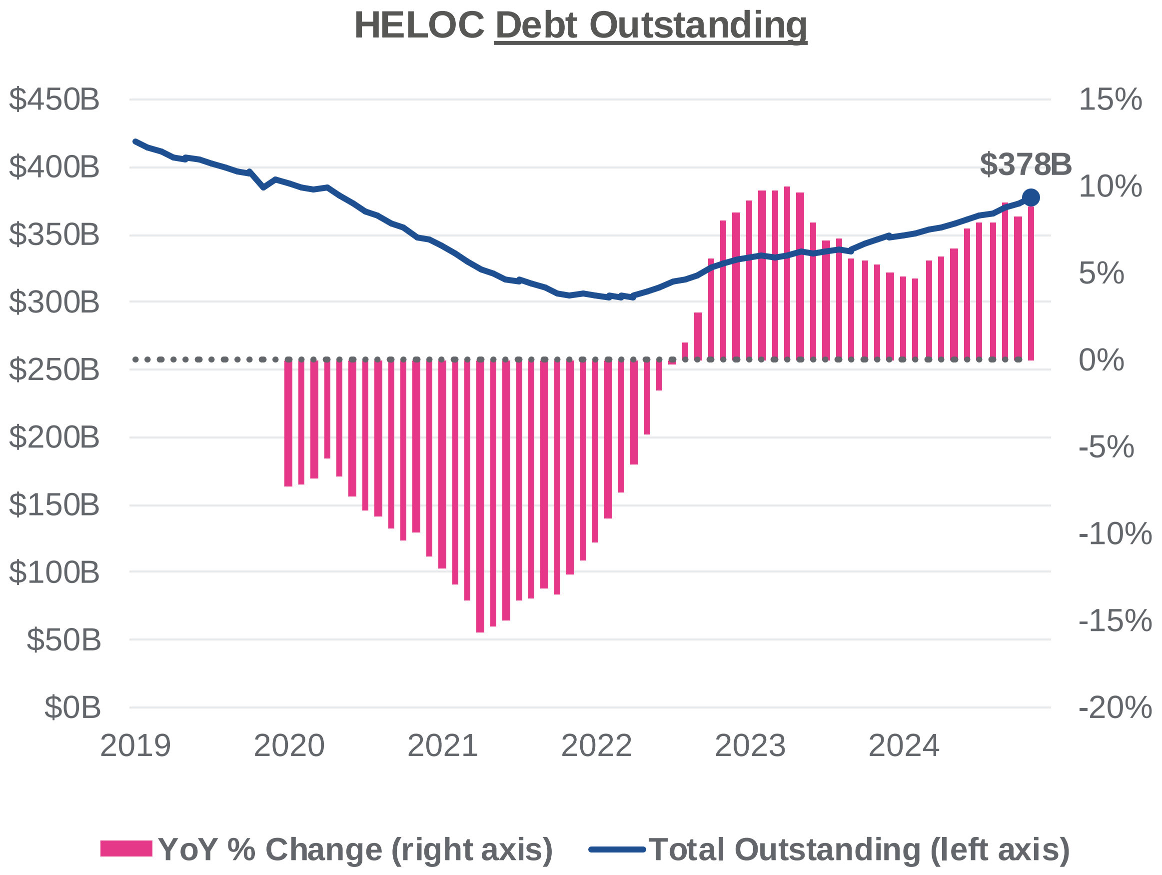


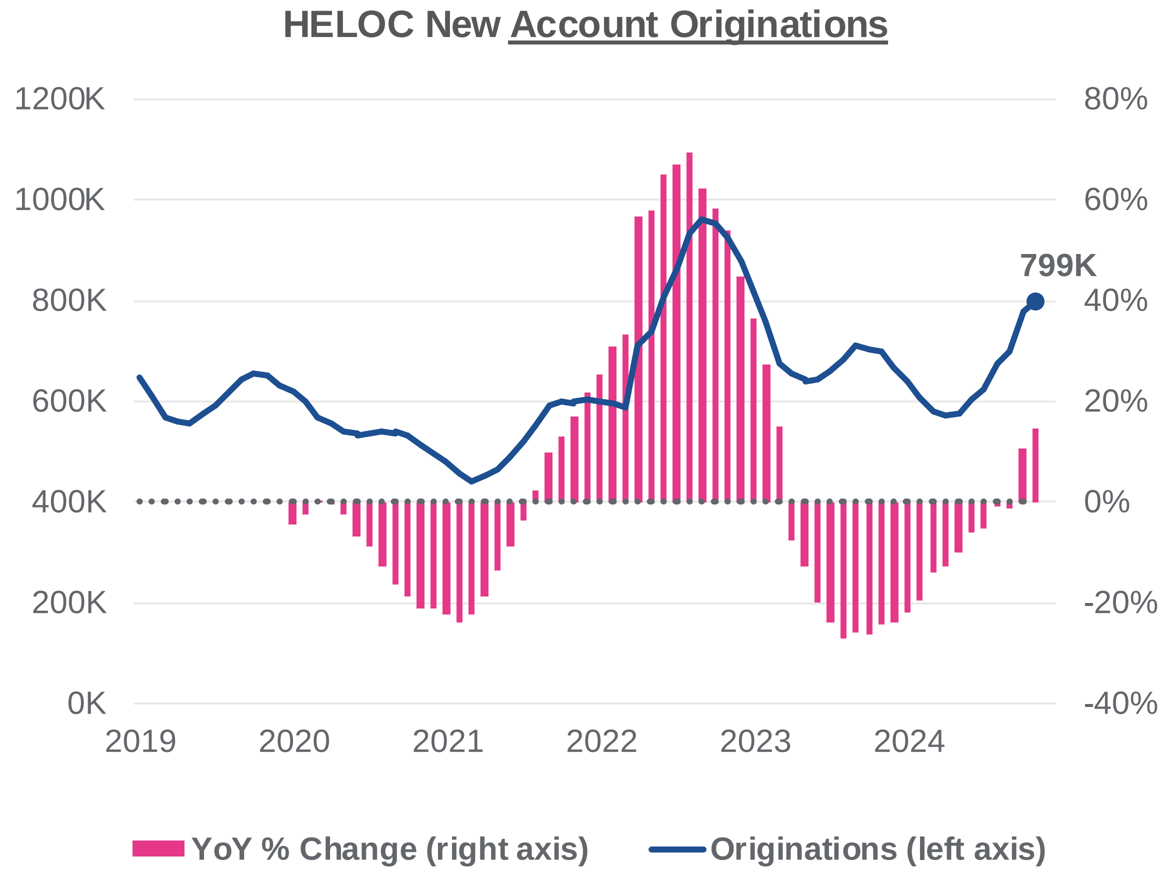


Sources: Federal Reserve Senior Loan Officer Survey and Experian Economic Strategy Group

HELOC debt outstanding and originations on the rise

— Originations were up YoY in November

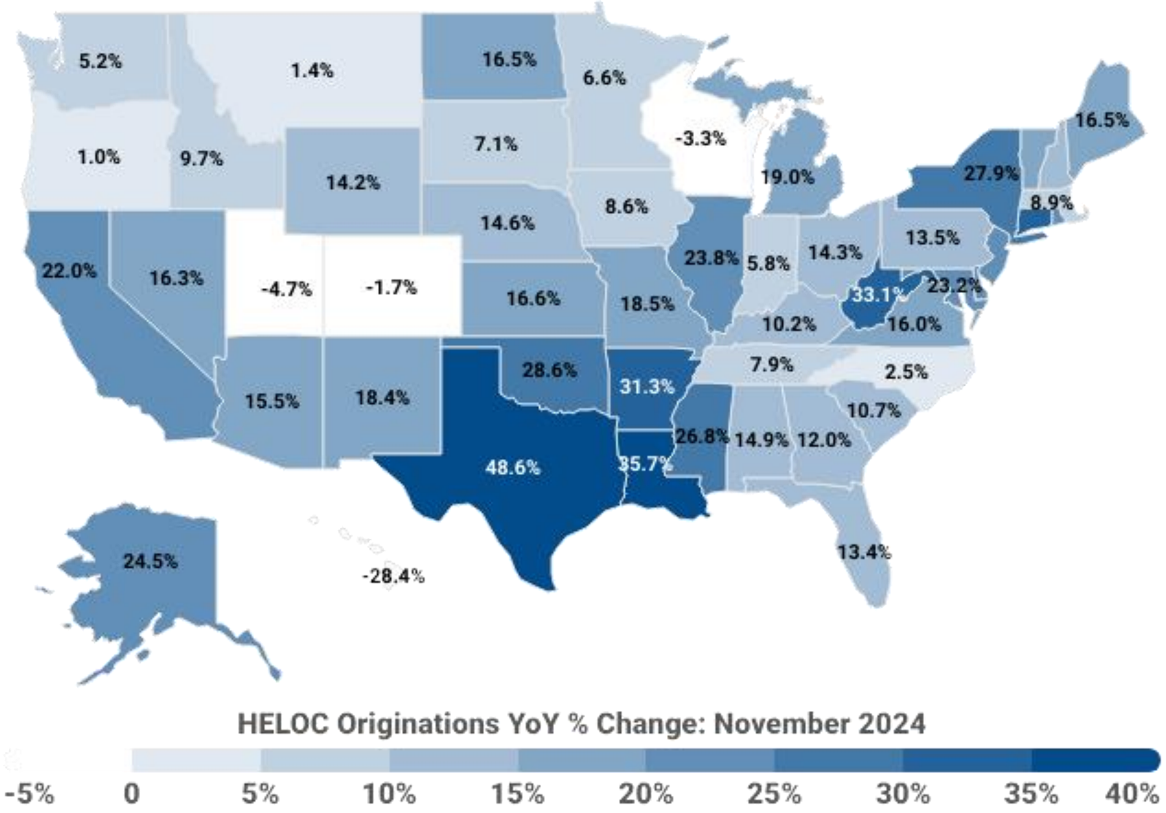




Sources: Experian Sandbox - Credit Trends Dashboard, and Experian Economic Strategy Group

Large pickup in HELOC originations in some states over past year

— HELOC originations only decreased in four states over past year

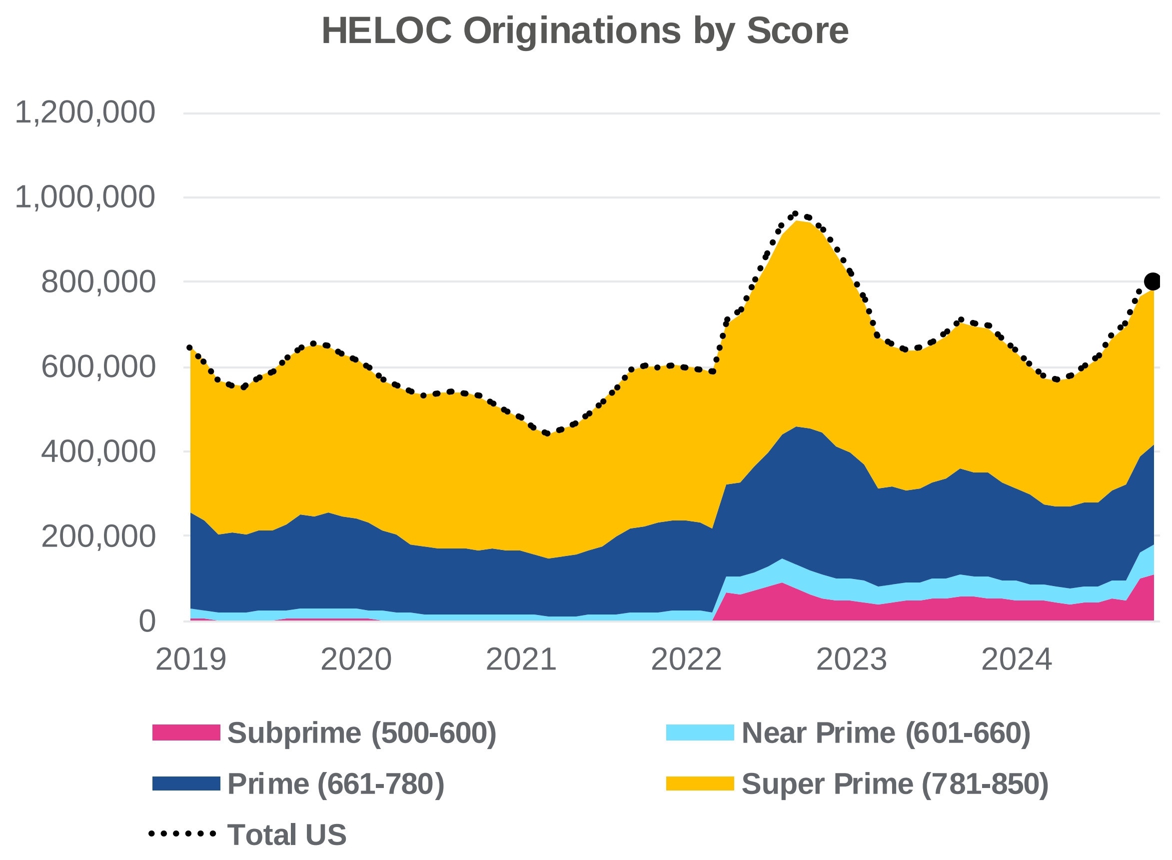


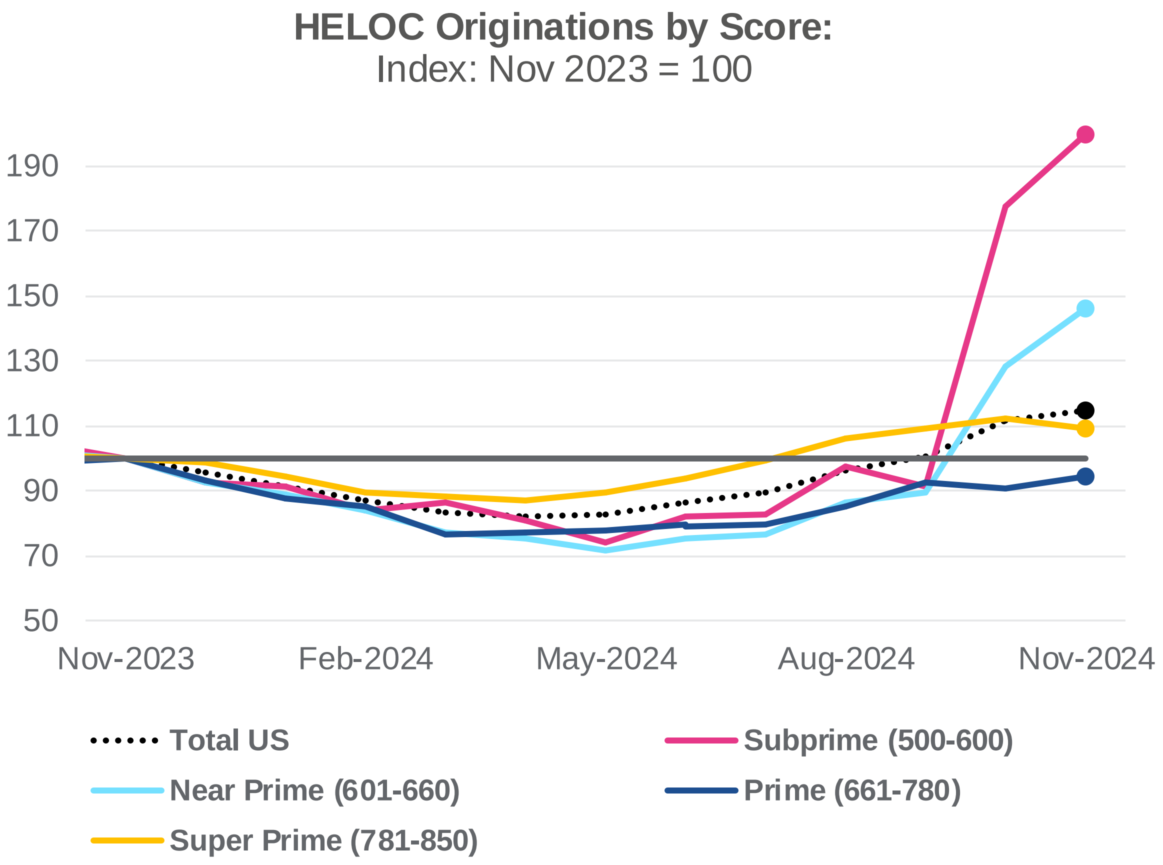
State	YoY % Change
Highest	
Texas	+48.6%
Louisiana	+35.7%
West Virginia	+33.1%
Lowest	
Hawaii	-28.4%
Utah	-4.7%
Wisconsin	-3.3%

Sources: Experian Sandbox - Credit Trends Dashboard, and Experian Economic Strategy Group

Originations have risen the most in Subprime and Near Prime segments

— Growth also seen among Super Prime borrowers over the last year

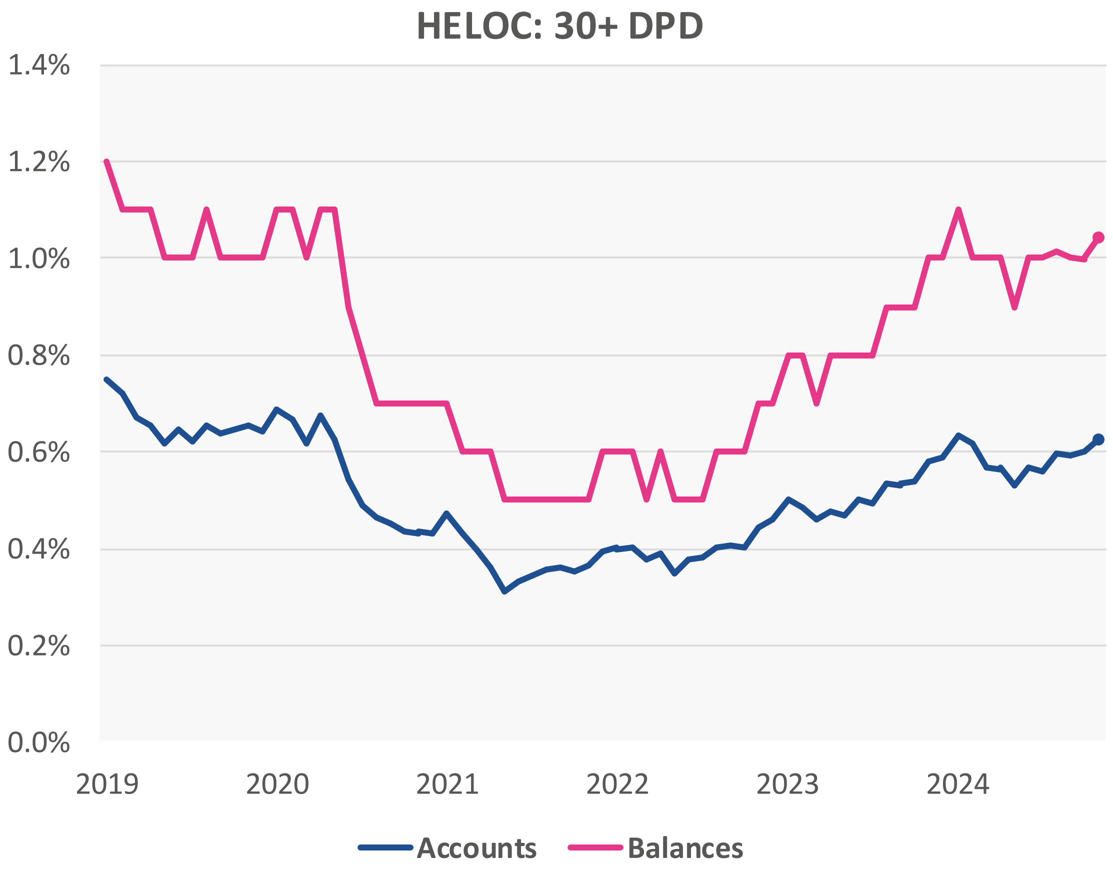


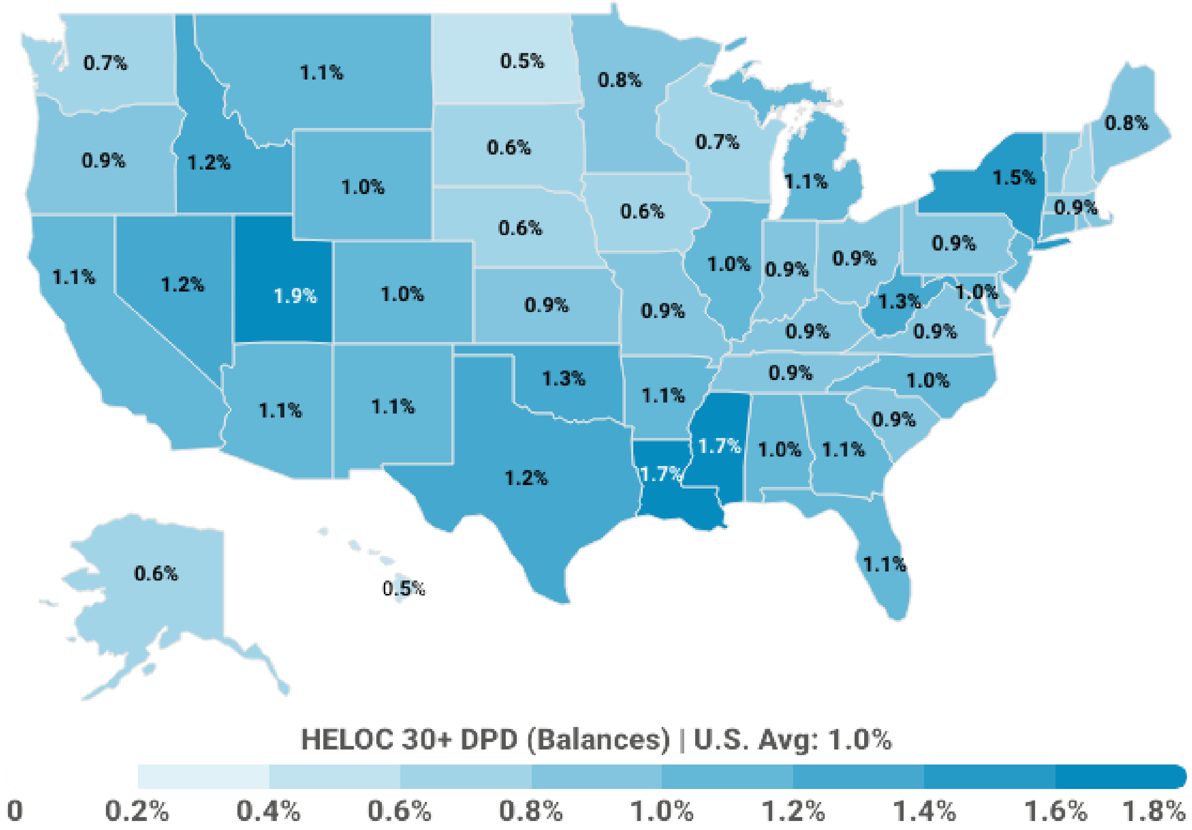


Sources: Experian Sandbox - Credit Trends Dashboard, and Experian Economic Strategy Group

HELOC delinquency in line with pre-pandemic levels

— Utah, Louisiana and Mississippi have highest HELOC delinquency in the U.S.





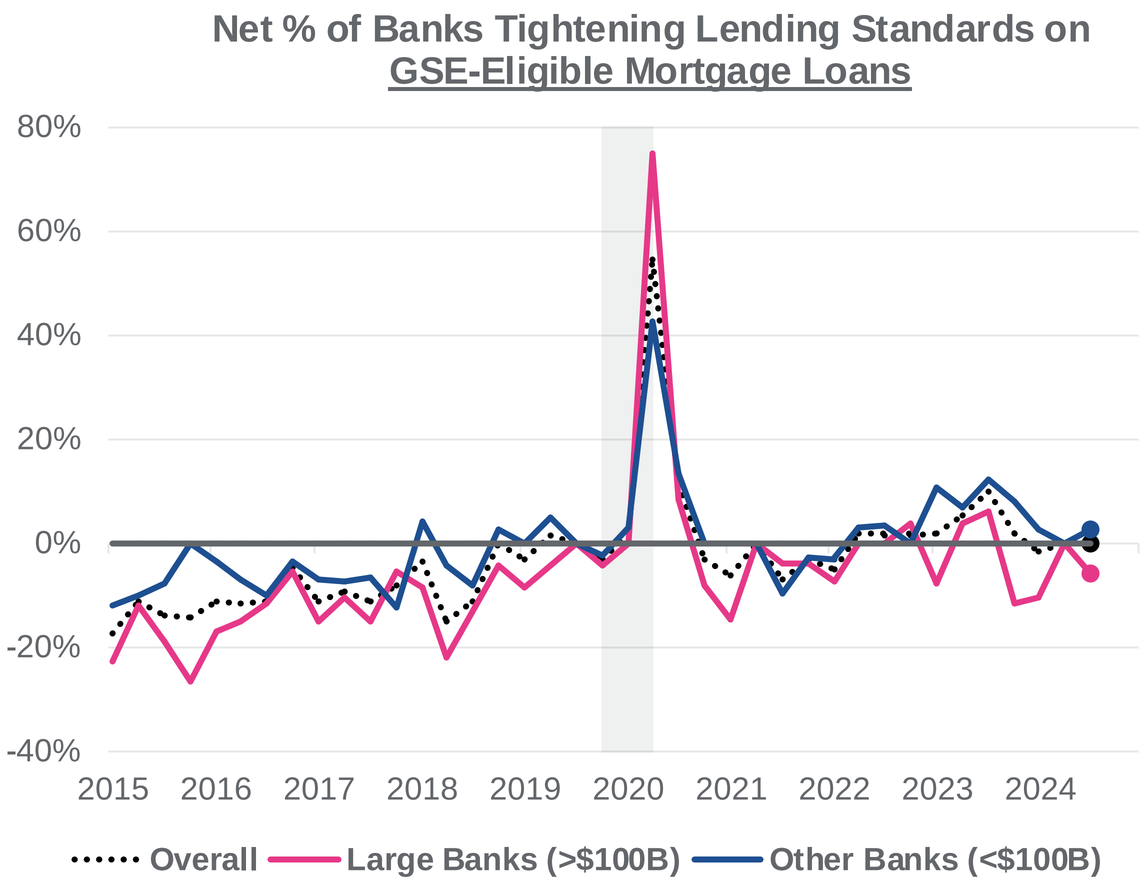
Sources: Experian Ascend Market Insights Dashboard and Experian Economic Strategy Group

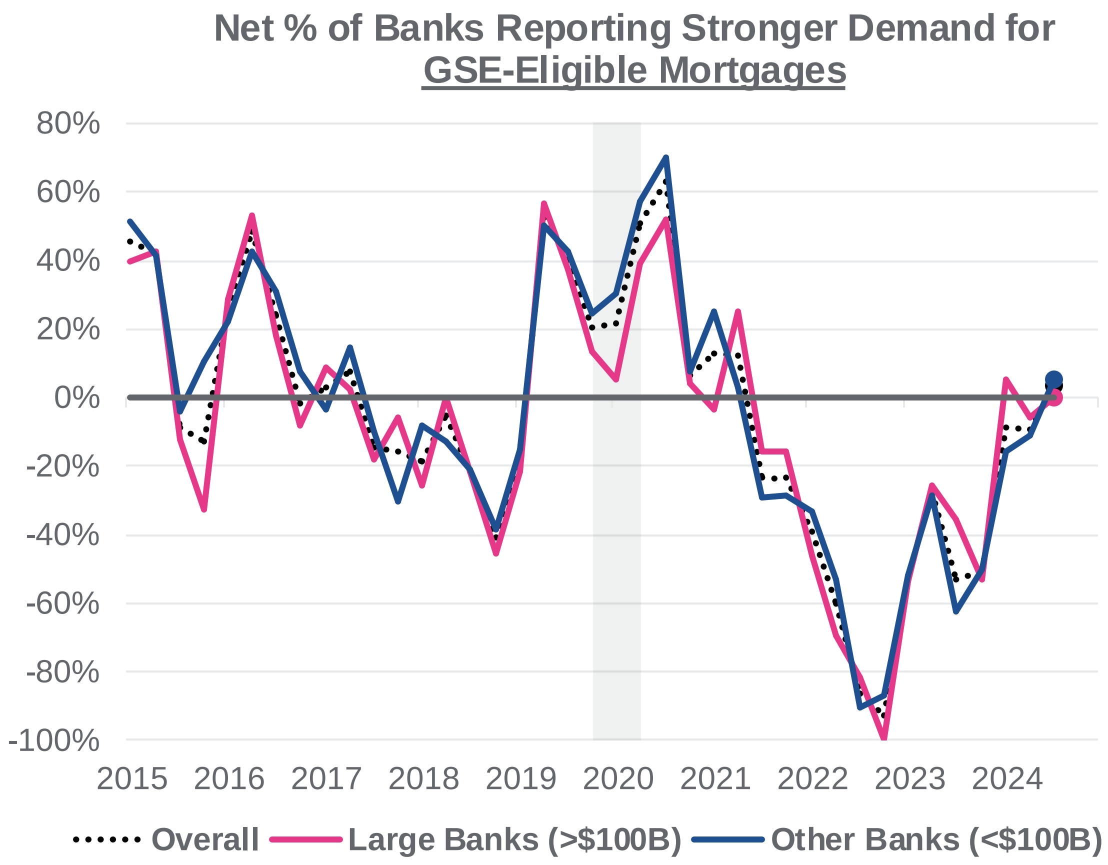
  12/19/2024

Mortgage

Lending standards for mortgages remain steady

— Banks are reporting stronger loan demand for first time in more than three years

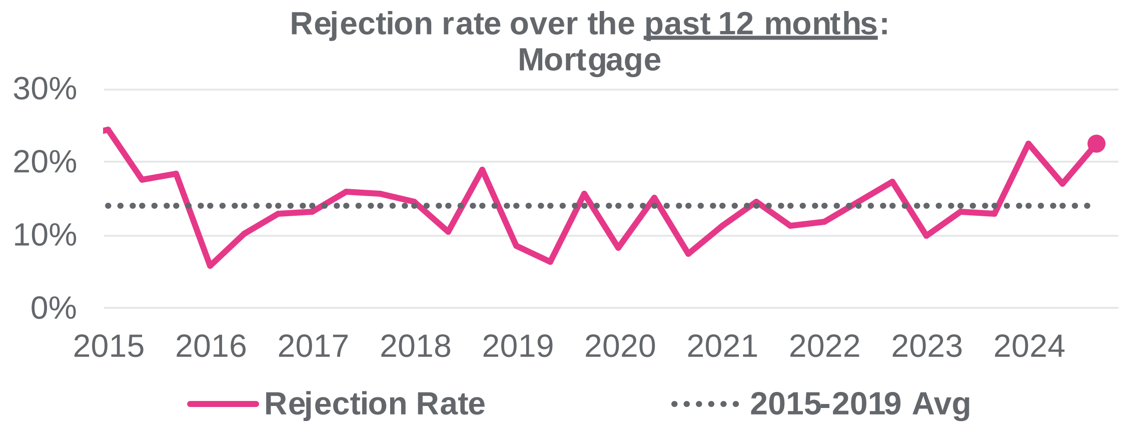


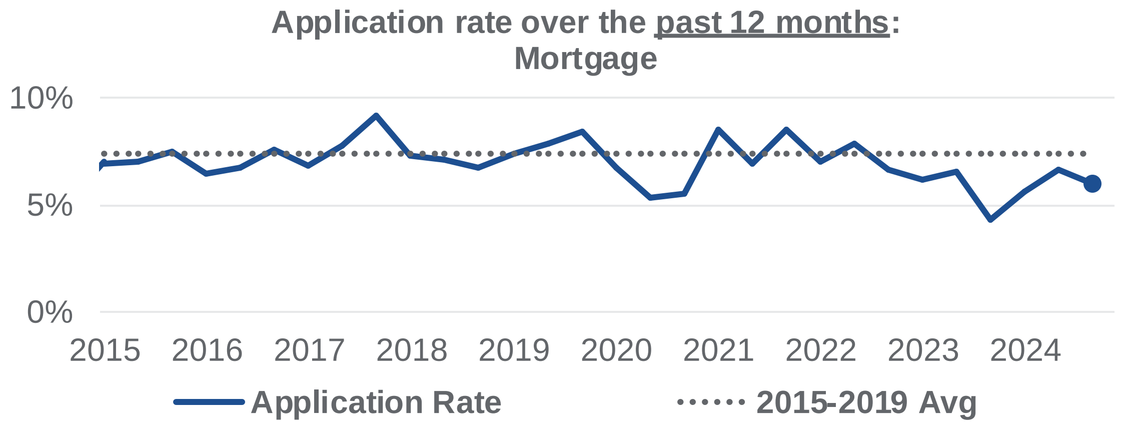


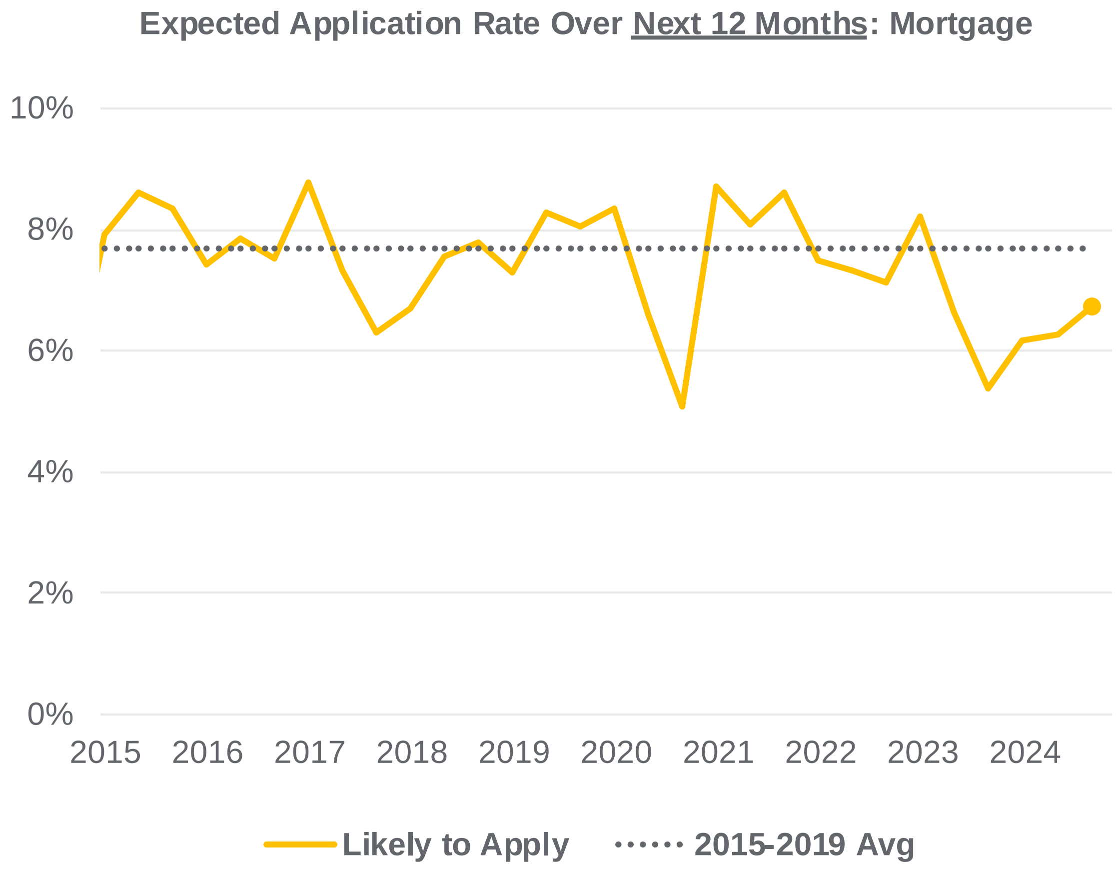
Sources: Federal Reserve Senior Loan Officer Survey and Experian Economic Strategy Group

Rejection rate for mortgage loans is second-highest in a decade

— Application rate remains below average, but some improvement in expectation to apply over next year





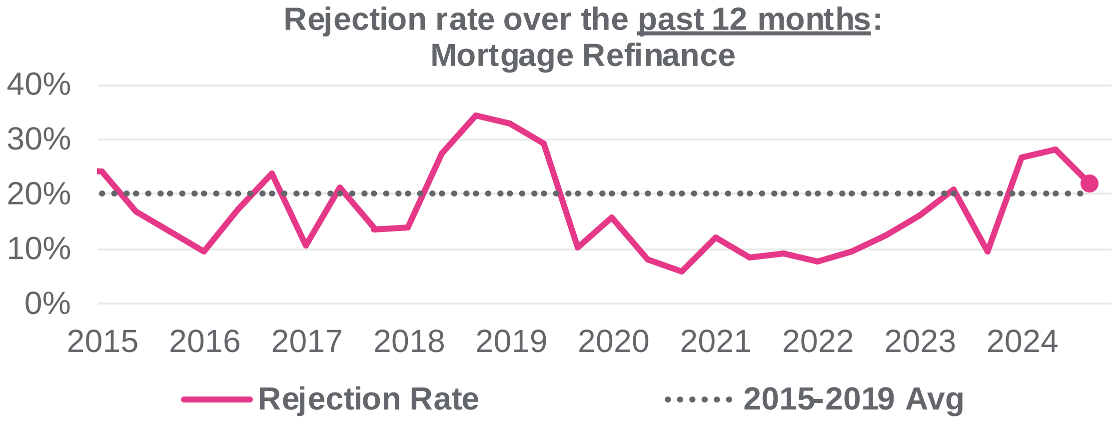


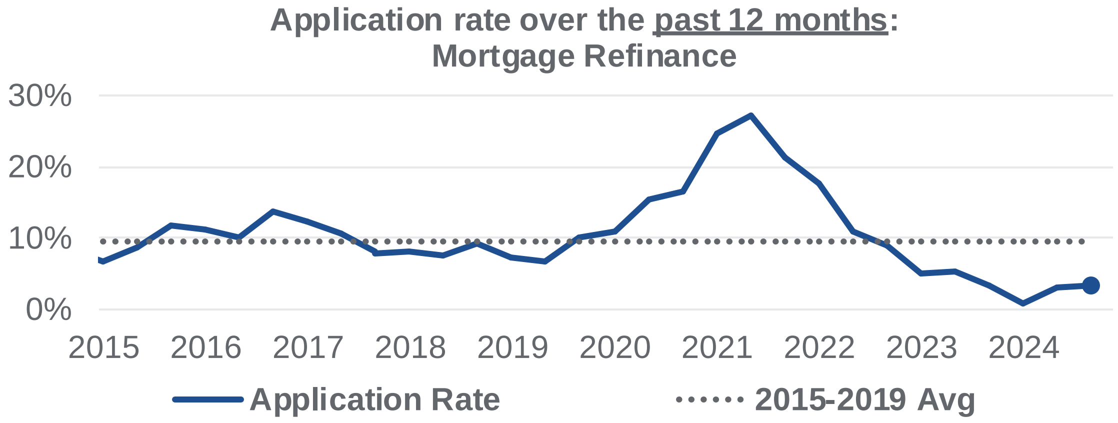
Sources: New York Federal Reserve and Experian Economic Strategy Group

  12/19/2024

Rejection rate for mortgage refi in-line with pre-pandemic average

— Consumers reporting low application and expected application rates



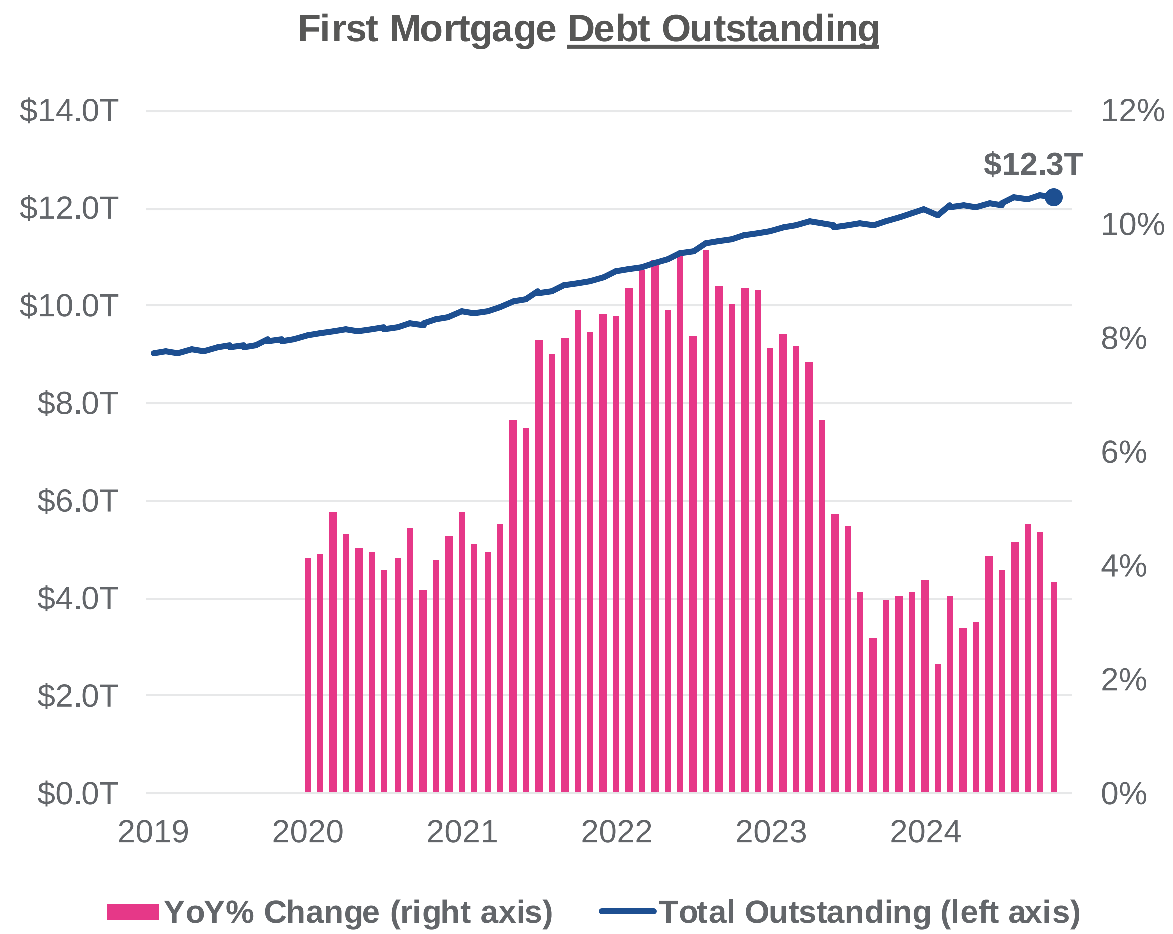


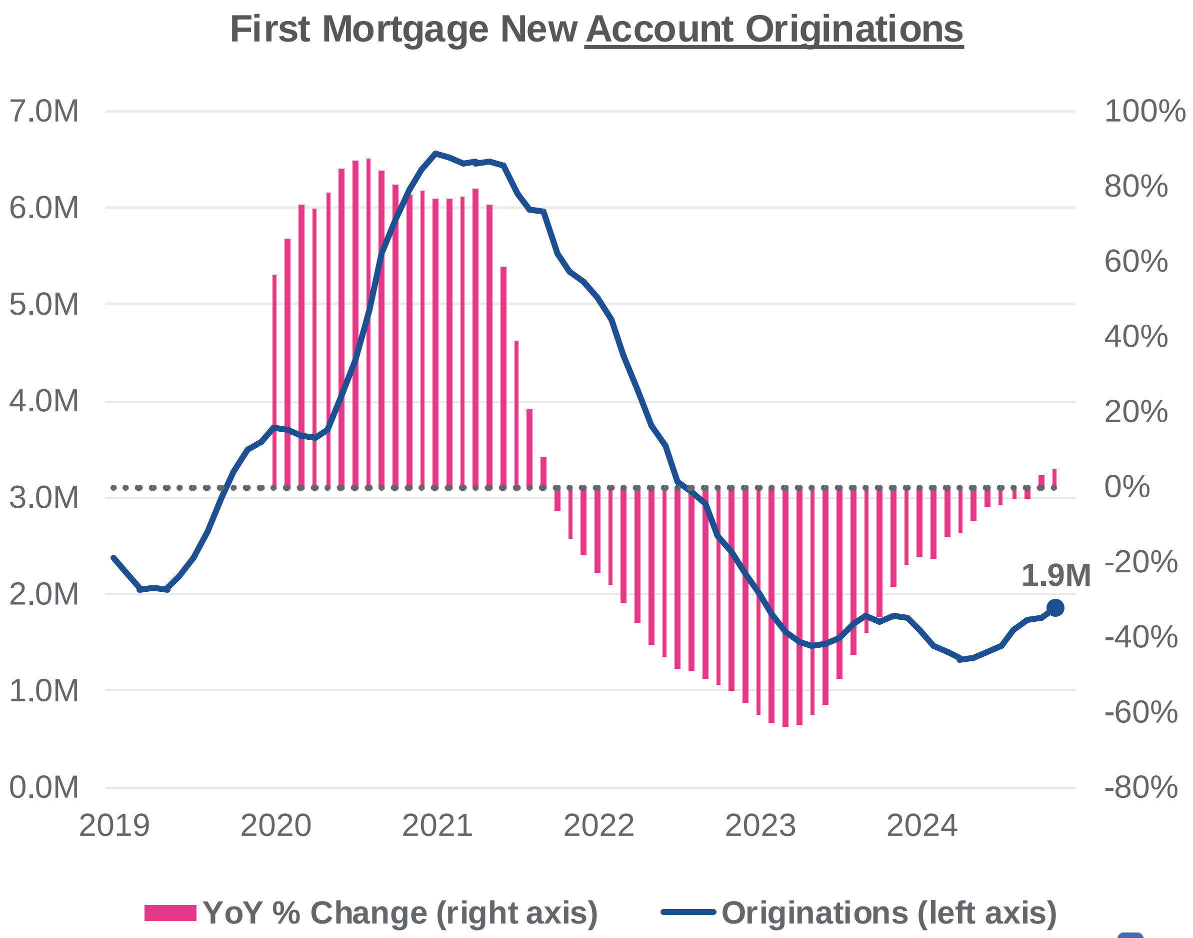
Sources: New York Federal Reserve and Experian Economic Strategy Group

  12/19/2024

Mortgage originations have increased YoY in recent months

— New account originations rose YoY in November for the second-consecutive month after declining since late 2021



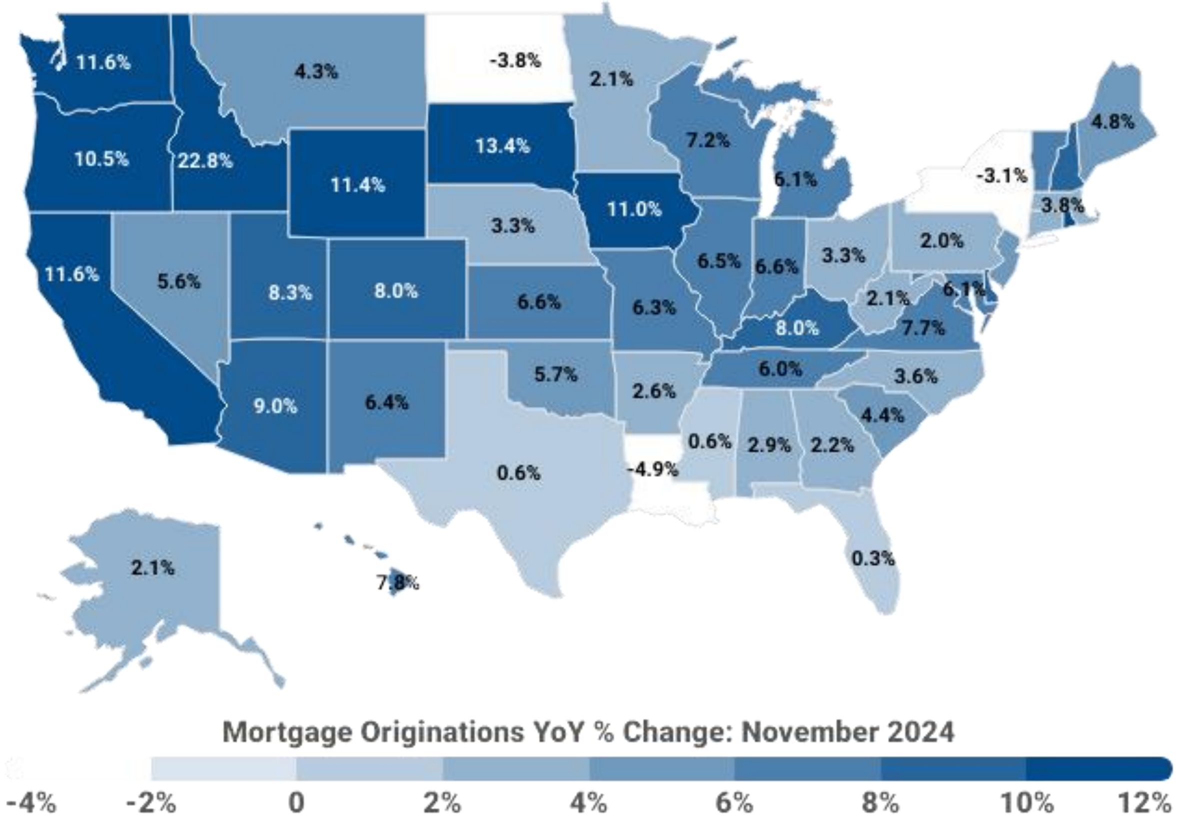


Sources: Experian Sandbox - Credit Trends Dashboard, and Experian Economic Strategy Group

  12/19/2024

Mortgage originations increased in majority of U.S. over past year

— Greatest year-over-year increases in western U.S.

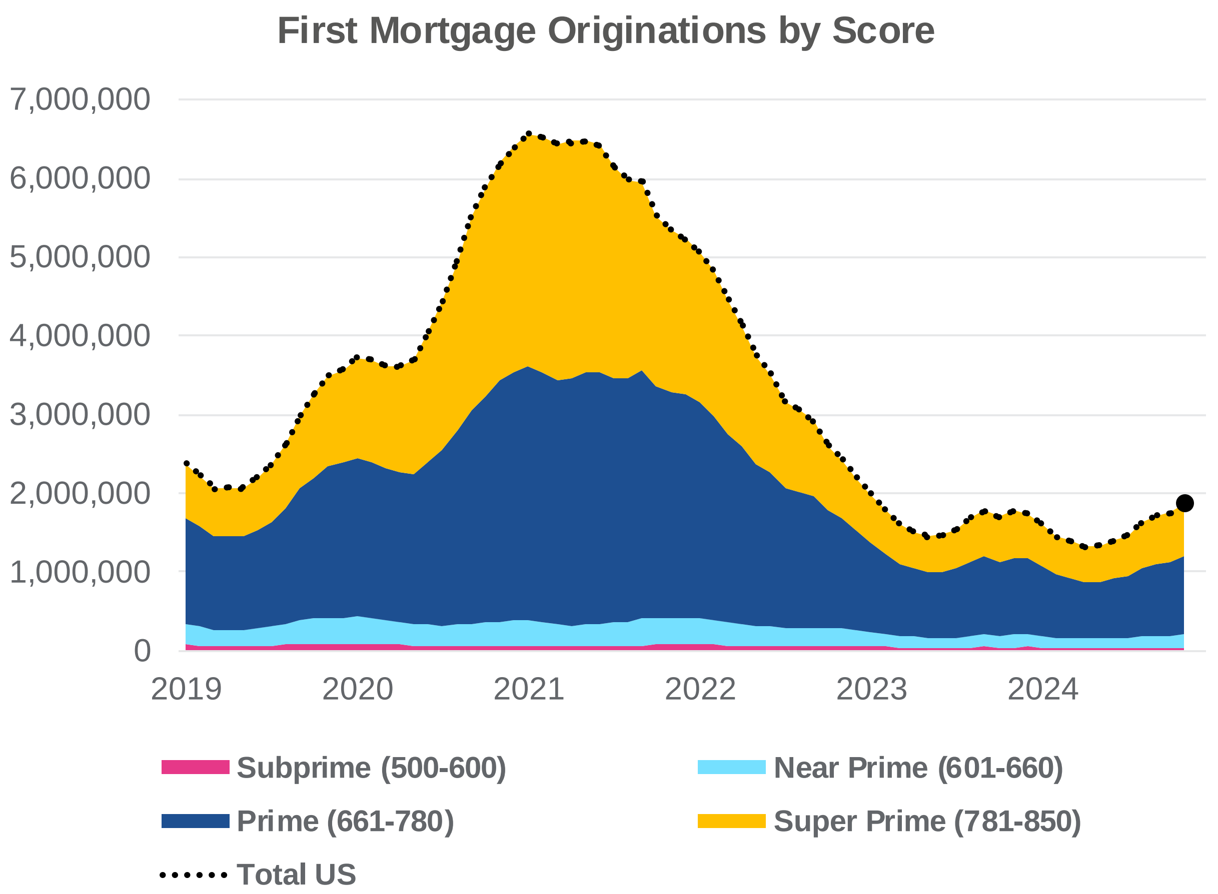


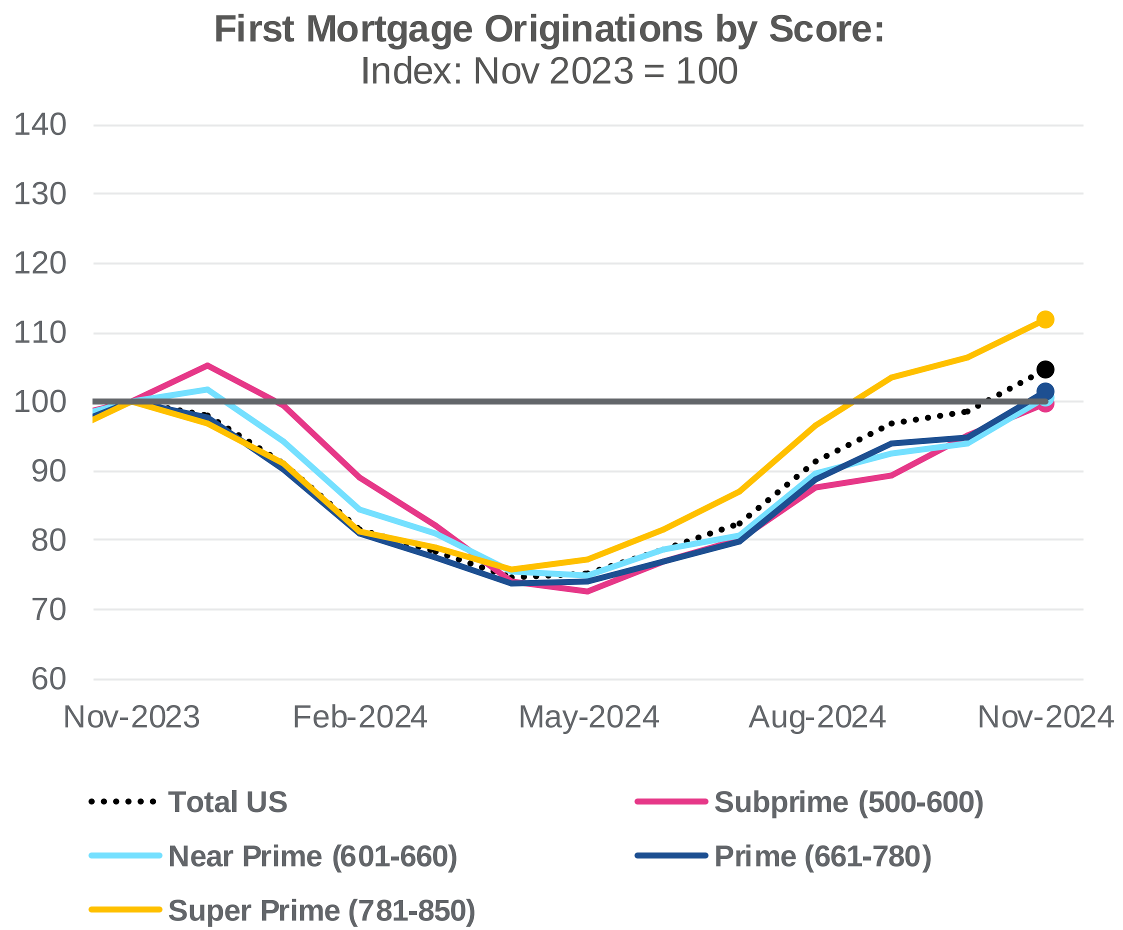
State	YoY % Change
Highest	
Idaho	+22.8%
South Dakota	+13.4%
Rhode Island	+13.0%
Lowest	
Washington D.C.	-9.6%
Louisiana	-4.9%
North Dakota	-3.8%

Sources: Experian Sandbox - Credit Trends Dashboard, and Experian Economic Strategy Group

Mortgage originations starting to pick across score bands

— Super Prime borrowers are driving the growth

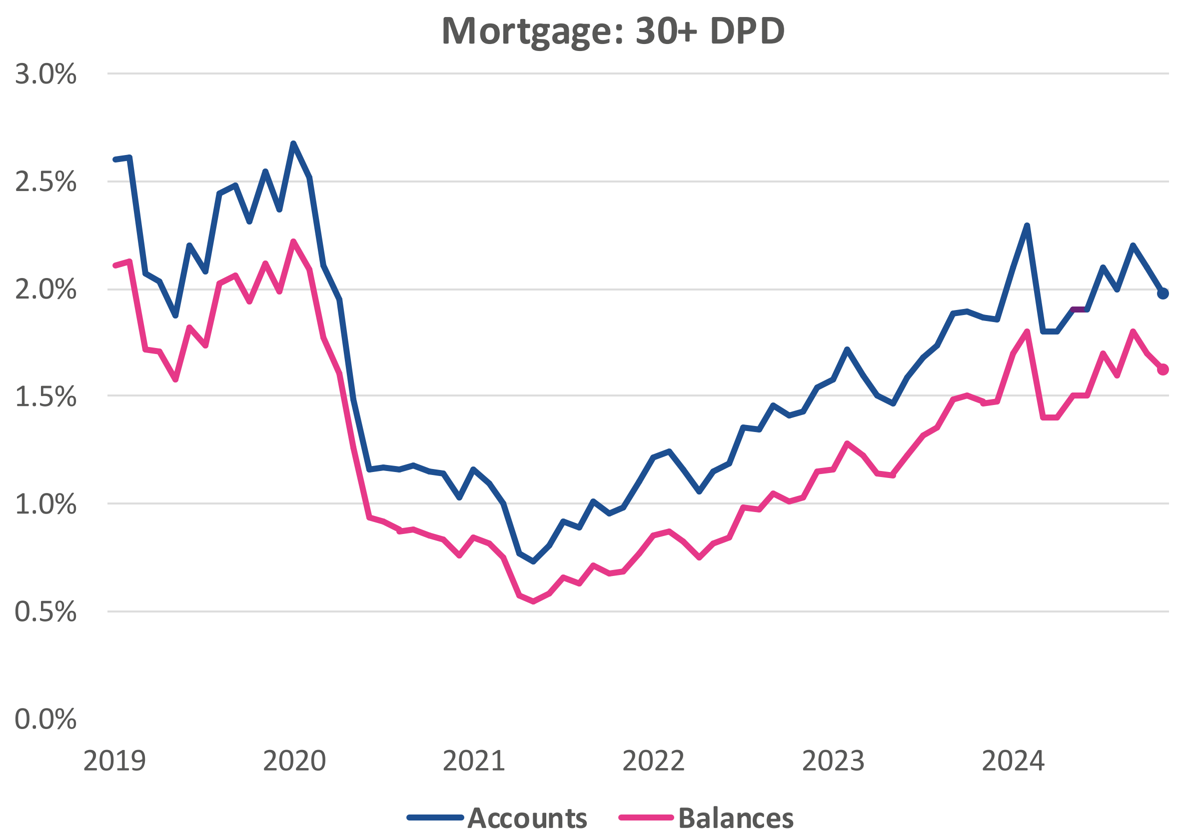


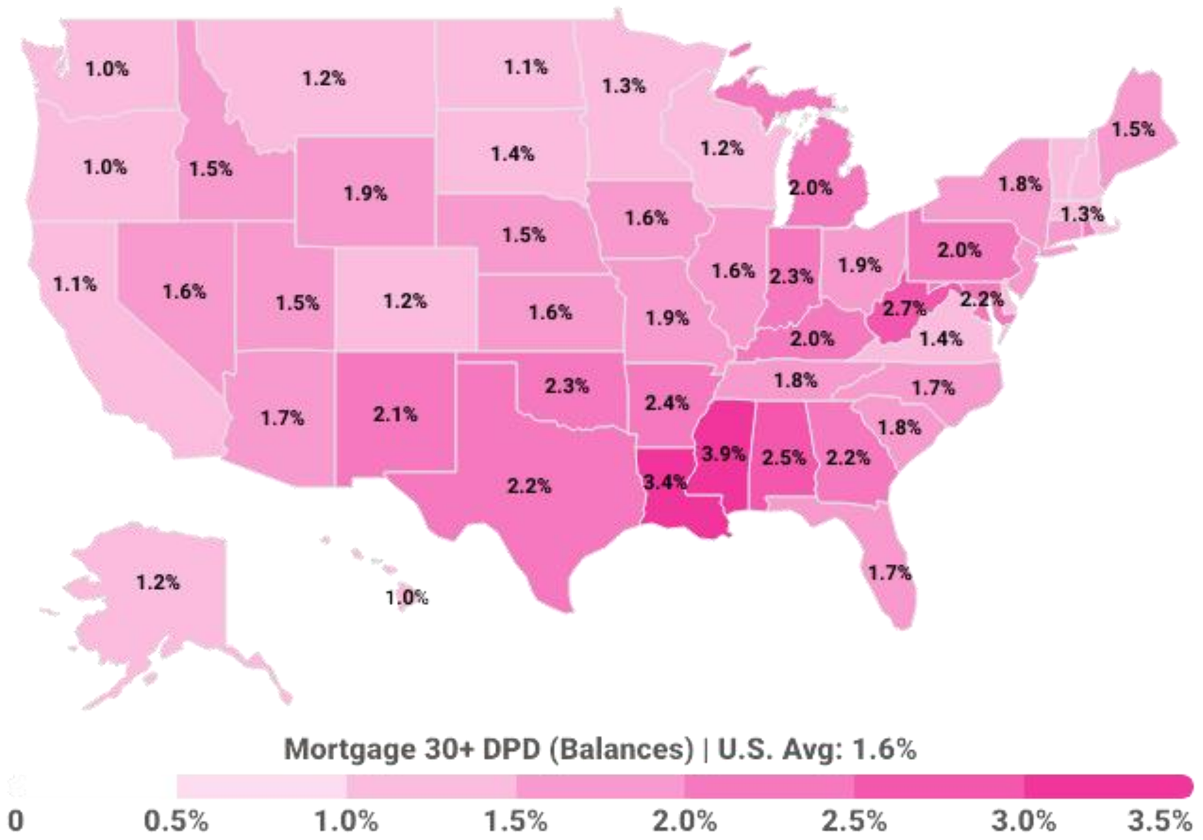


Sources: Experian Sandbox - Credit Trends Dashboard, and Experian Economic Strategy Group

Mortgage delinquency remains below pre-pandemic levels

— Highest rates of mortgage delinquency in the Southeast





Sources: Experian Ascend Market Insights Dashboard and Experian Economic Strategy Group