

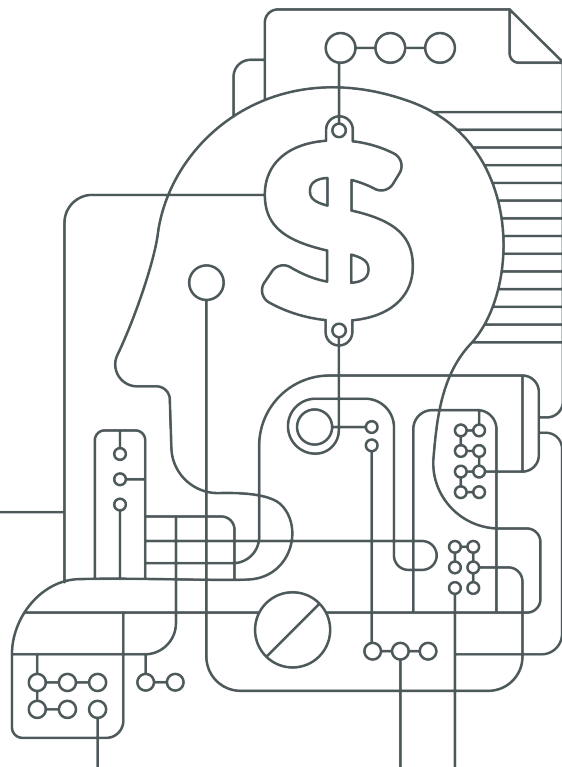
The Financial Health Advantage: Designing Products to Reach Millennials

EverFi Insights on Financial Health Behaviors and Attitudes of Millennial Customers



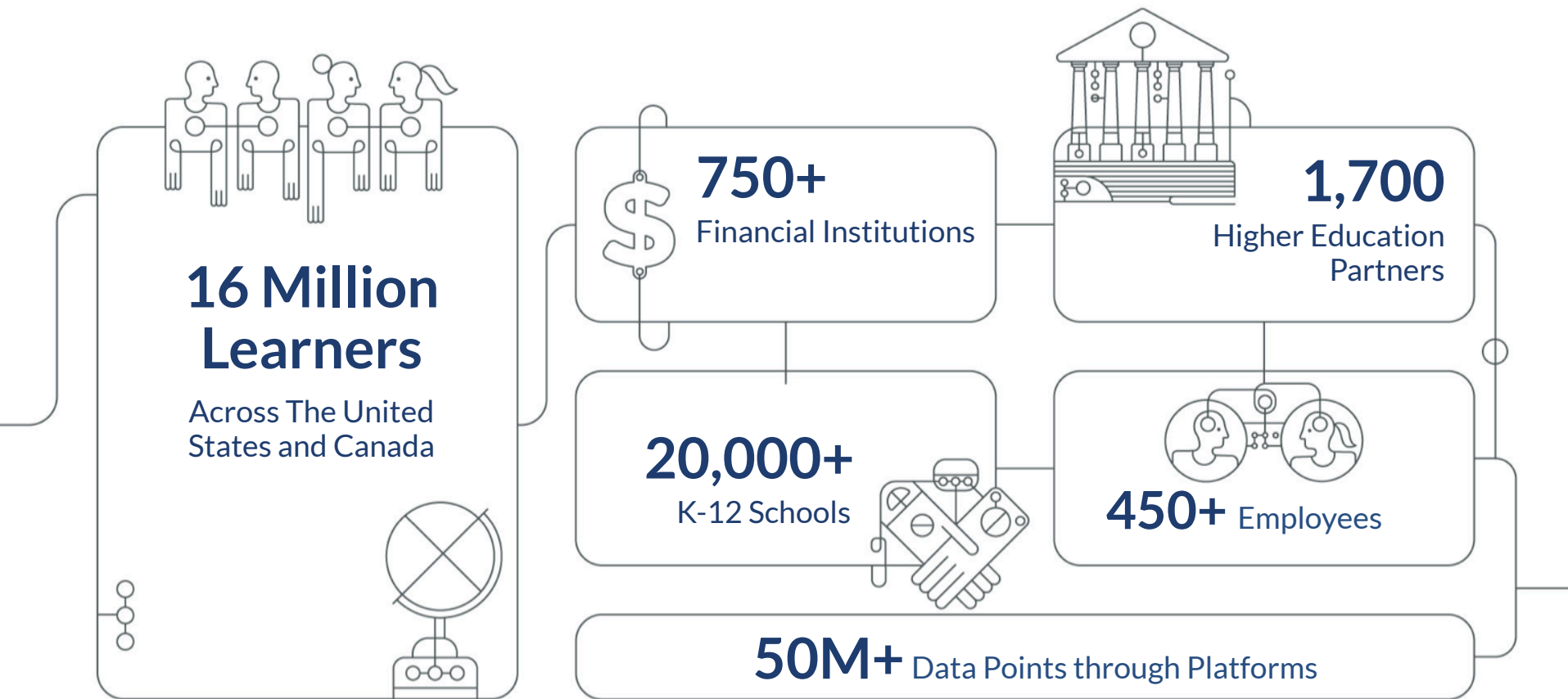
Lauren Bernstein

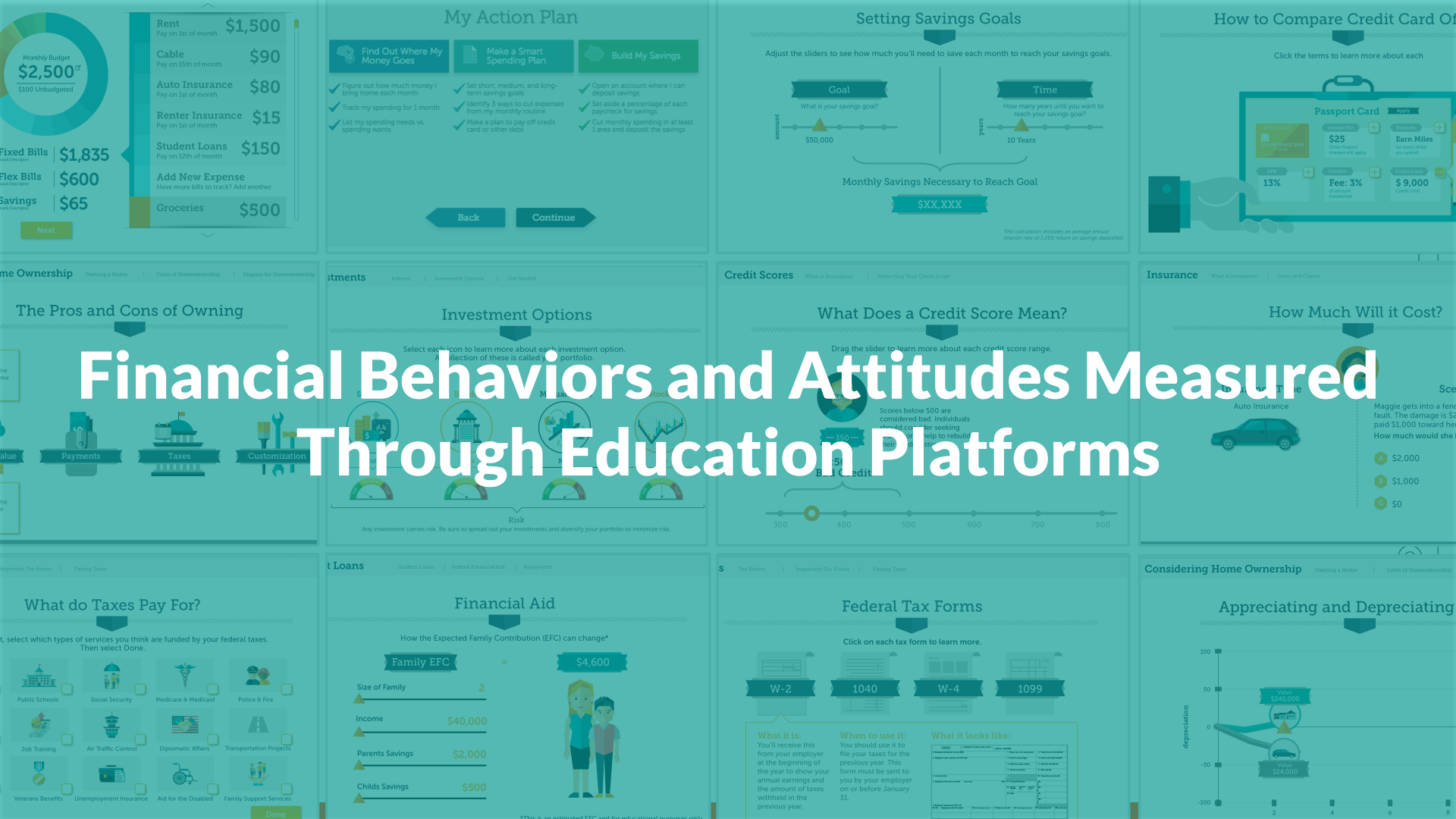
Senior Vice President, Financial Education, EverFi



EVERFI at a Glance

EVERFI





Financial Behaviors and Attitudes Measured Through Education Platforms

41%



Have One or More Credit Cards
(up from 28% five years ago)



90%

of Millennials Have
Checking Accounts
(up from 86%)

65%

of Banked
Millennials have
Individual Accounts,
up from 60%

57%

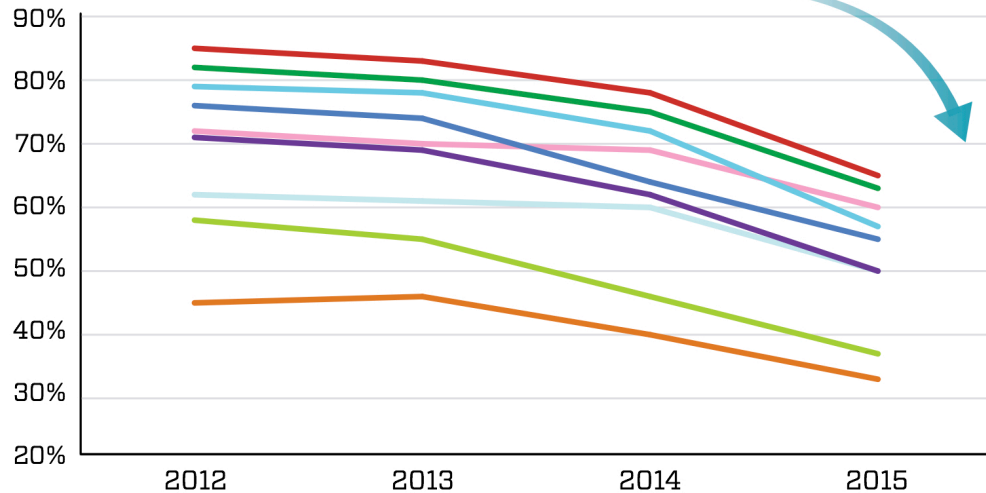
Pay Entire Credit Card Bill
(down from 79% five years ago)



A close-up photograph of a hand holding a brown leather wallet. The wallet is open, revealing a US dollar bill and a small notebook with yellowed pages. The background is a plain, light-colored surface.

40%

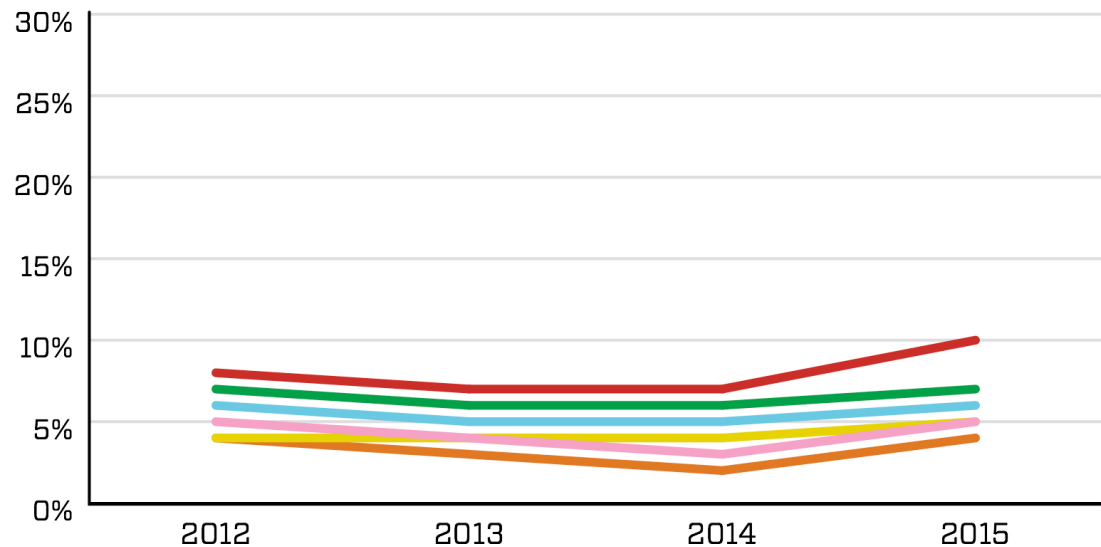
Follow a Budget to Limit Spending
(down from 72% five years ago)



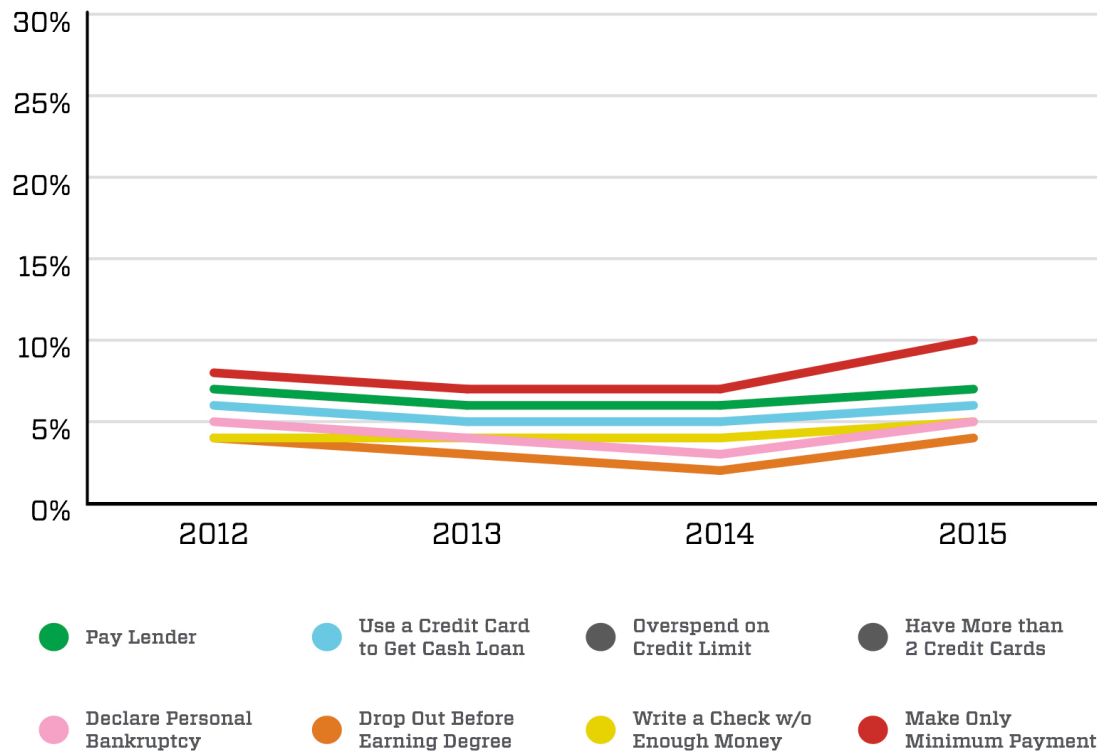
- Follow a Budget to Limit Spending
- Pay Credit Card Bills on Time
- Review Bills
- Save and Invest 5-10% of Income
- Pay Entire Credit Card Bill
- Build Emergency Fund
- Use a Debit Card vs Credit Card
- Balance Checkbook
- Buy Only Things You Need

While we see increased product usage...

We see significant decreases in planned healthy financial behaviors...



And increases in the
likelihood to engage in
unhealthy/risky
financial behaviors



Largest relative increases in risky behaviors

- ▶ Overspending on credit limit
- ▶ 2+ credit cards
- ▶ Making only minimum payments on cards

4 years of research has identified clustered behavioral factors that are the most consistent/strongest predictors of healthy or unhealthy financial capability and behavior:



**Cautious
Financial Attitudes**



**Possessions
Providing
Happiness**



**Debt as a
Necessity**

Hierarchical Regression Predictors

Cautious Financial Attitudes



Following a budget (+)
Withdrawal from college (-)
Participate in high-risk debt behavior (-)
Having a checking account (+)
Paying loans on time and in full (+)

Possessions Providing Happiness



Frequency of Bank Contact (-)
Paying loans on time and in full (-)
High-Risk Debt Behaviors (+)
Being Late on Credit Card Payments (+)

Debt as a Necessity



Having a checking account (-)
Paying loans on time and in full (-)
Structured Savings Plan (-)
Following a Budget (-)
High-Risk Debt Behaviors (+)
Withdrawal from college (+)
Being Late on Credit Card Payments (+)

**MILLENNIALS WANT
(AND NEED) EDUCATION**

**KEY INSIGHTS FOR
EDUCATION - AND
PRODUCTS ENGAGING
MILLENNIALS**



Action-Oriented, Outcomes-Based Education



Mapping Products/Services to Education Experience



Experiences and Empowerment — Putting the User in Control



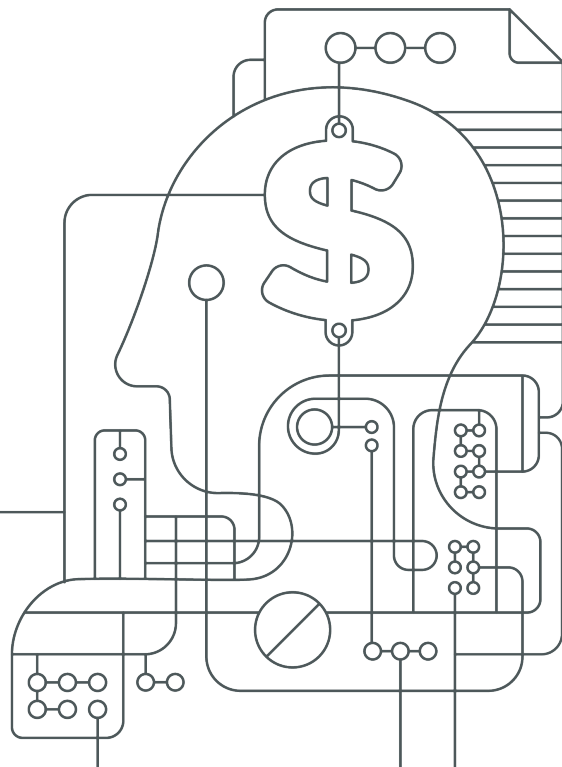
Just-in-Time and Instant Access



Mobile-First and Mobile-Driven

Thank you!

Lauren Bernstein
Senior Vice President, EverFi



FICO Research on Millennials and Scoring Trends

David Shellenberger
Senior Director, FICO

Observations on Millennials

Millennials are the largest population segment

- 79 million Millennials vs 76 million Boomers as of 2011 *(per US Census)*

Most rely on a national bank as a primary financial institution

- 68% use a national bank, 15% a credit union, 9% regional bank

High likelihood to switch institutions

- 5 times more likely to close all accounts at primary institution than those aged 50+
- 3 times more likely to open a new account at a new institution than those aged 50+

Perceived high fees are key reason for switching for 34%

- Negative experience with representative 27%
- Too few ATM locations 24%

Significant segment of “credit invisibles” among millennials and Gen Z

Credit Usage Among the “Credit Visible”

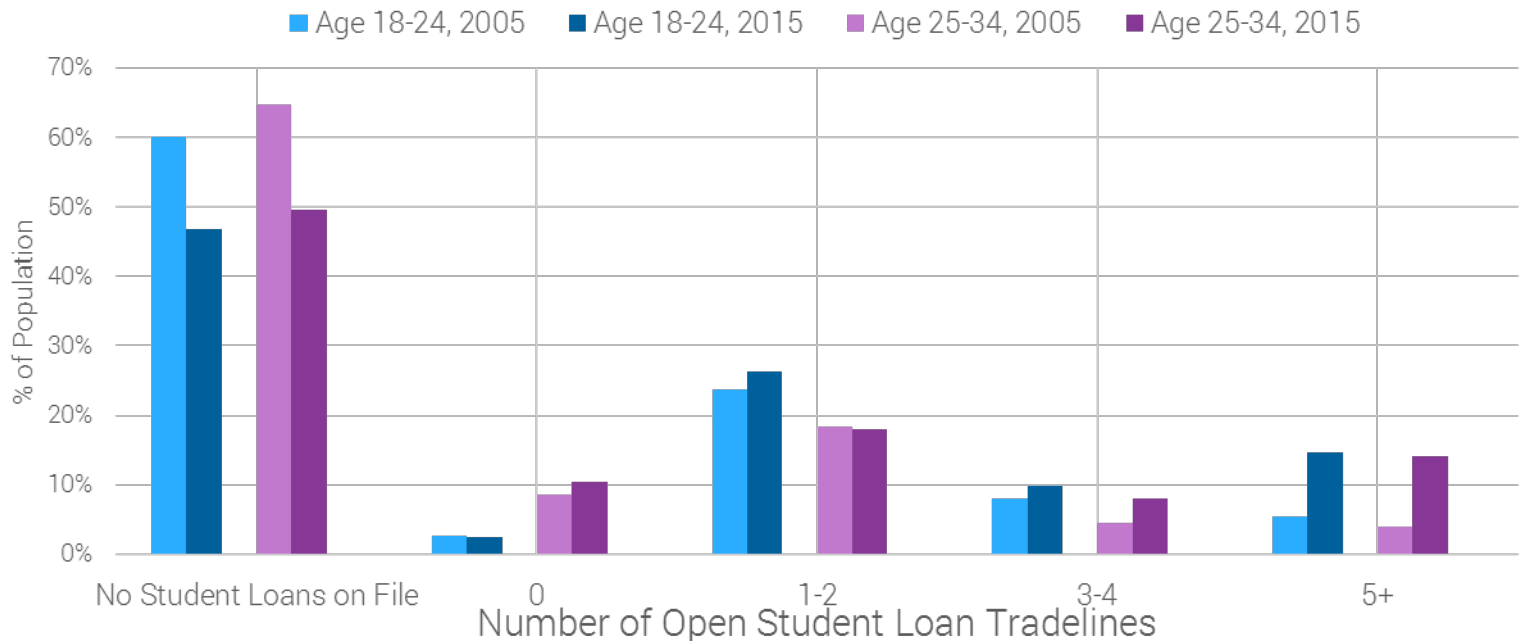
	% of Age Group with 1+ Tradeline Type		
Age:	18–24	25–34	35+
Year:	2015	2015	2015
Mortgage	2.1	21.0	36.4
Student Loan	50.8	40.0	12.0
Auto Loan	28.1	44.3	35.8
Credit Card	60.3	74.0	79.0

Credit Usage Compared To a Decade Prior

% of Age Group with 1+ Tradeline Type						
Age:	18–24		25–34		35+	
Year:	2005	2015	2005	2015	2005	2015
Mortgage	5.3	2.1	31.4	21.0	40.9	36.4
Student Loan	37.2	50.8	26.8	40.0	6.1	12.0
Auto Loan	27.4	28.1	42.8	44.3	33.2	35.8
Credit Card	73.1	60.3	78.9	74.0	86.0	79.0

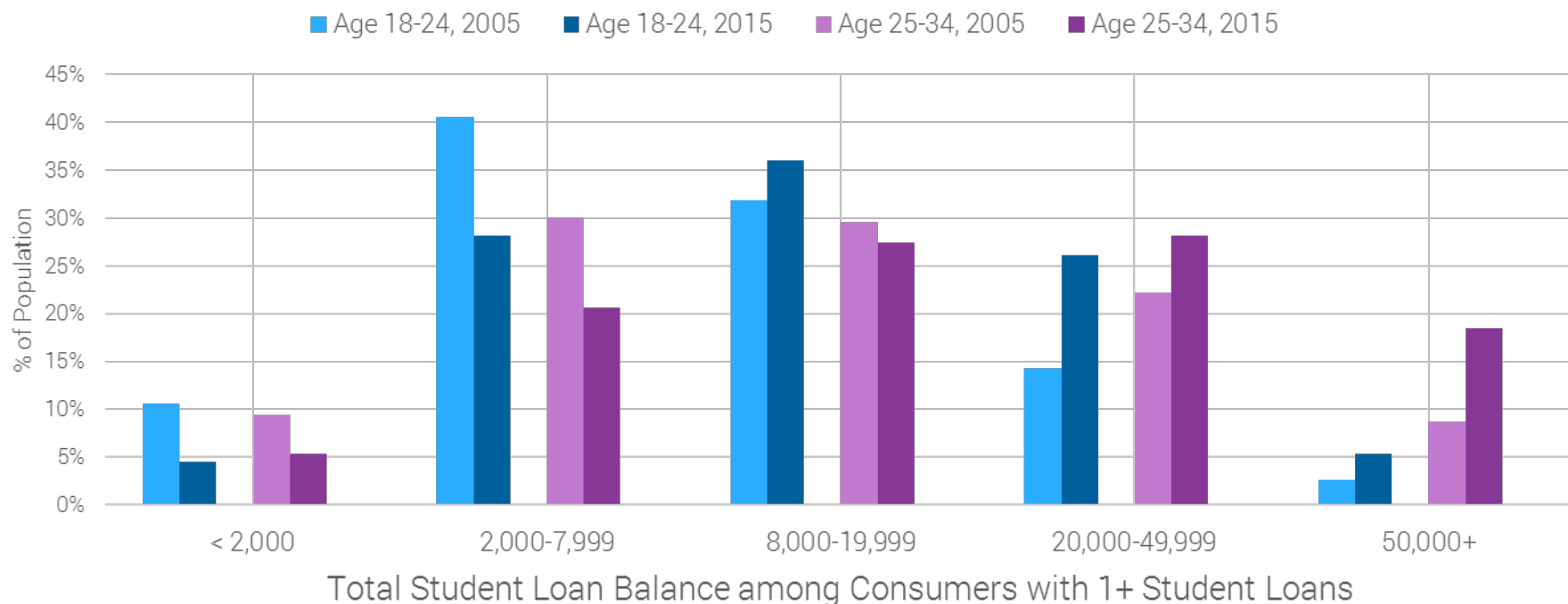
Visible Gen Z's & Millennials Carrying More Student Loans ...

- Over half of 18–24 age group carry at least one open student loan
 - Trend of more student loans between 2005 and 2015

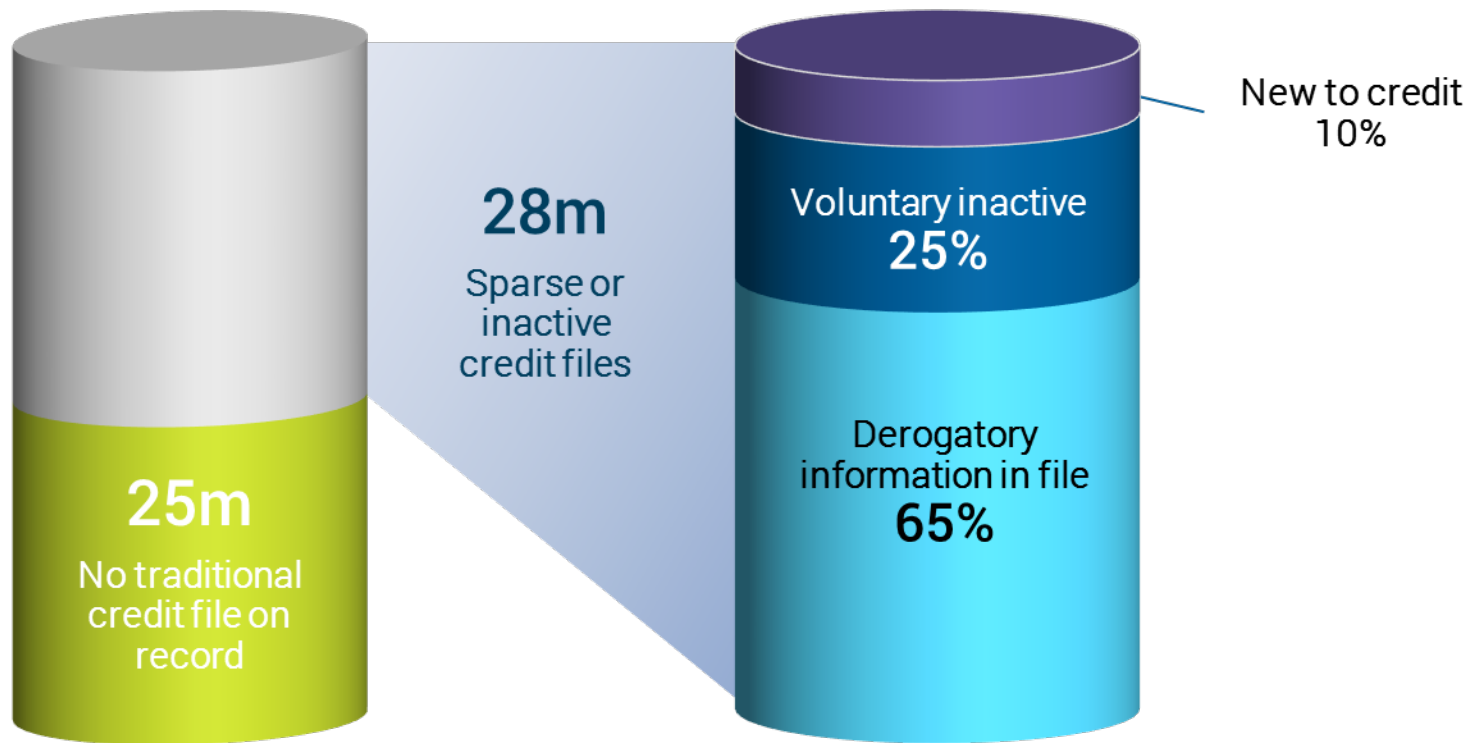


...and Carrying Higher Student Loan Balances

- Total population have higher student loan balances in 2015
 - 18–24 age group carries lower student loan balances than the total population

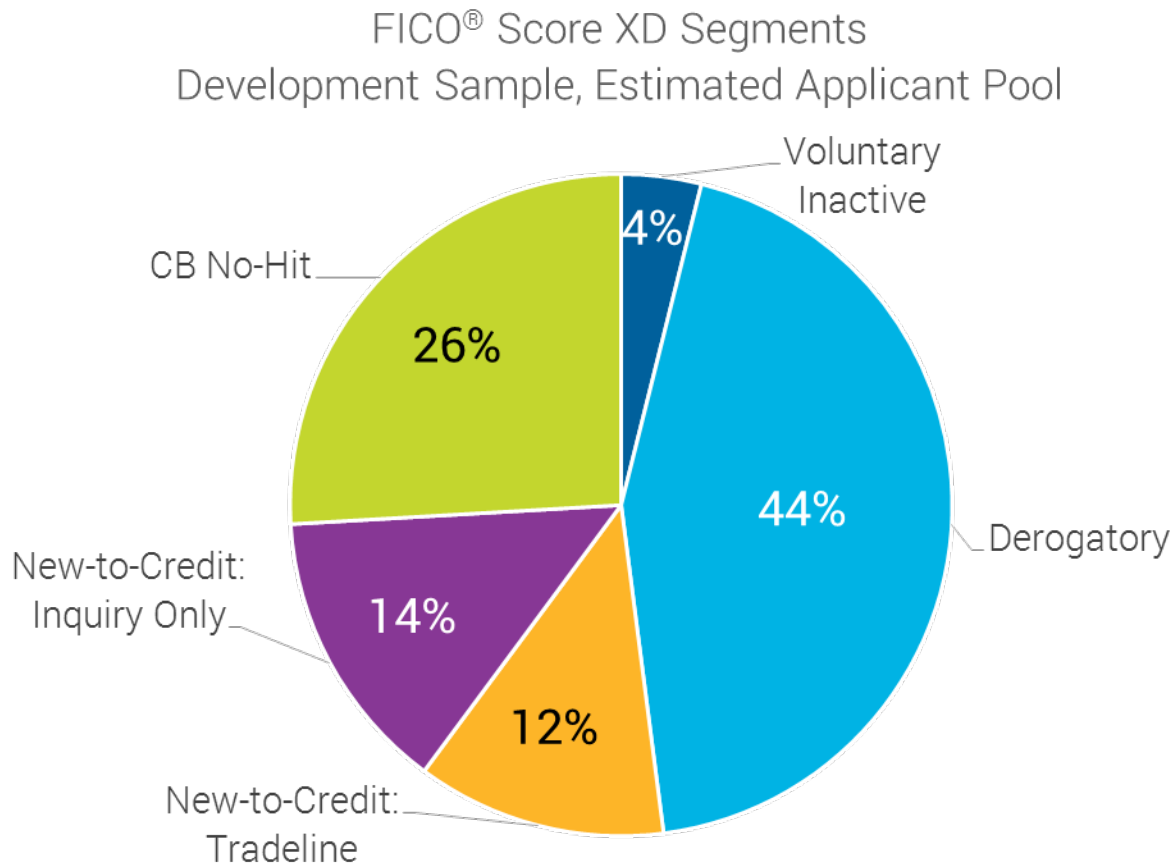


The Key Segments of the Unscorable Population Universe



A Look at a General Applicant Population

Average age of the Credit Bureau No-Hit and New-to-Credit segments are roughly 24 years



FICO® Score XD Leveraging Alternative Data

- Extensive research identified strong alternative data sources
 - National Consumer Telecom & Utility Exchange® managed by Equifax®
 - Public record and property data from LexisNexis® Risk Solutions
 - Both sources met critical compliance, coverage and predictiveness criteria
- Score was developed to extend the reach of traditional FICO® Score
 - Addresses unscorable consumer population
 - Reliable prediction following similar model design
 - Scaled to follow same odds-to-score relationship
 - Returns FICO® Score with up to five reason codes
- Observed scorable rate of over 50% for bankcard applicant populations
- Generally available through Equifax and LexisNexis to credit card issuers

Among Those Now Scored with FICO® Score XD

We Can Identify More than a Third Scoring Above 620

Distribution of FICO® Score XD for
Estimated Applicant Sample from Development

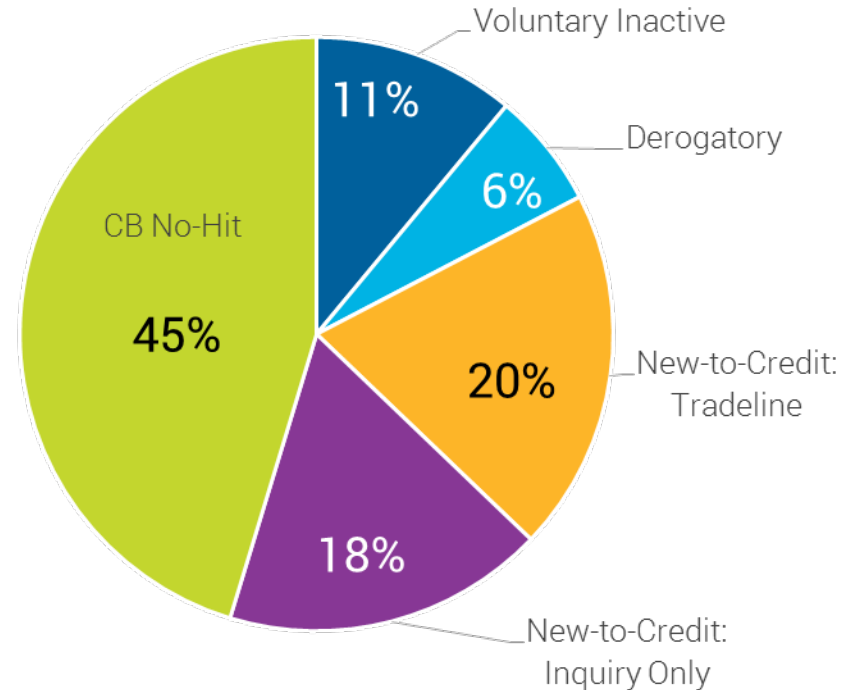


Applicants of Higher Credit Quality Are Dominated by New Credit Seekers

- Over 80% of applicants scoring over 620 are comprised of consumers with no credit file or very sparse files
- Roughly half applicants in the “New to Credit” segment have only inquiries on file
- Traditional credit data alone is insufficient to assess risk on these sparse/no file applicants

FICO® Score XD Segments

Development Sample, Consumers with Score ≥ 620

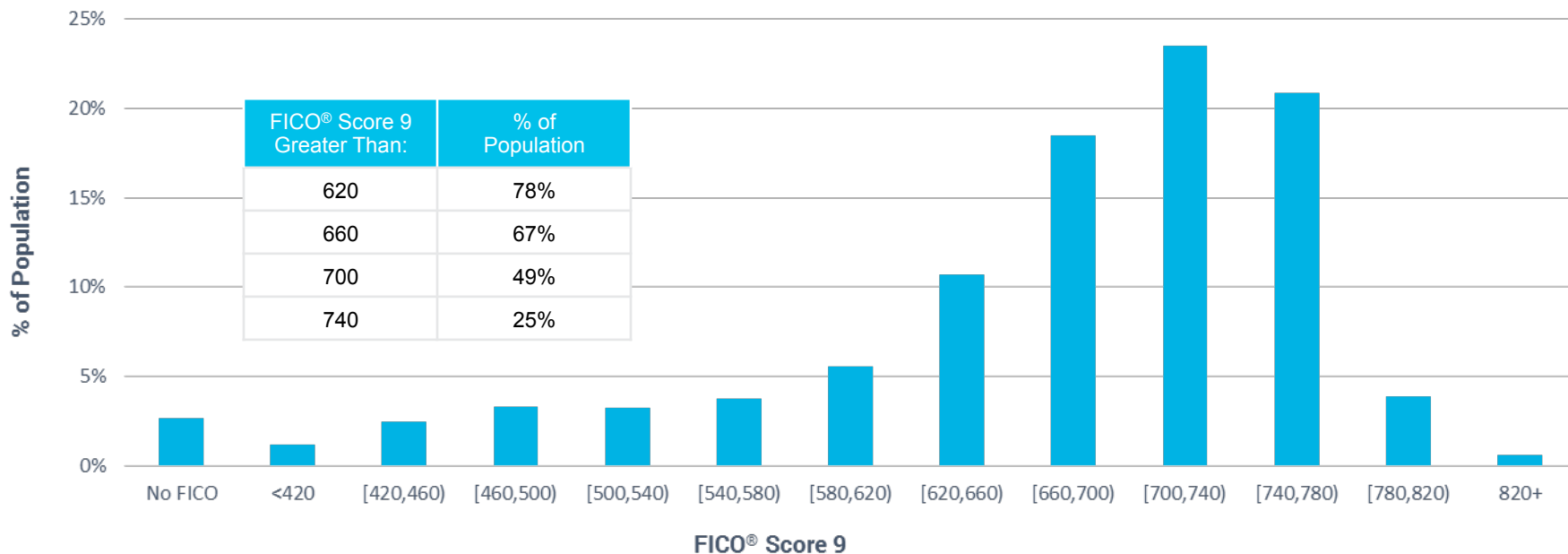


Research Insight

Consumers with Higher a FICO® Score XD Maintain High Traditional FICO® Scores in the Future

FICO® Score Distribution Two Years After Obtaining Credit

For Consumers with a FICO® Score XD greater than 620 at time of credit application



Key Insights

- Not all unscorable are alike
 - A sizeable portion are “Gen Z” and Young Millennials
- Credit profiles of the “credit visible” 18-24 year olds have changed over the past decade
- Alternative credit data can be very effective in providing useful insight to those previously “invisible” using traditional credit data alone
- A FICO® Score using alternative credit data, such as FICO® Score XD, identifies a large percentage of previously unscorable Gen Z and Young Millennials
- Previously unscorable consumers that score higher with this new approach go on to maintain good credit standing when a traditional credit history is established

Thank you

David Shellenberger
Sr Director, Scores, FICO