

# Financially Underserved Market Size Study | 2019



## AUTHORS

*Karen Graham*

*Director, Financial Health Network*

*Elaine Golden*

*Associate, Financial Health Network*

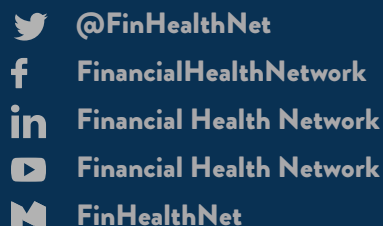
## ACKNOWLEDGMENTS

Numerous Financial Health Network staff members contributed to this report, including John Thompson, Rob Levy, Naomi Adams Bata, Dan Miller, and Stevenson Fellow Hannah Gdalan.



The Financial Health Network is the leading authority on financial health. We are a trusted resource for business leaders, policymakers, and innovators united in a mission to improve the financial health of their customers, employees, and communities. Through research, advisory services, measurement tools, and opportunities for cross-sector collaboration, we advance awareness, understanding, and proven best practices in support of improved financial health for all.

**For more on the Financial Health Network, go to [www.finhealthnetwork.org](http://www.finhealthnetwork.org) and join the conversation online:**



### **Financial Health Network**

135 S. LaSalle, Suite 2125, Chicago, IL 60603 | 312.881.5856

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## ABOUT THE 2019 STUDY

Financially underserved consumers in the U.S. spent **\$189 billion** in fees and interest on financial products in 2018. Overall, their spending across a set of **29 financial products** continued its historical upward trajectory, with a growth of 4.0% since 2017 and a compound annual growth rate (CAGR) of 3.4% since 2015. The market is projected to expand at a slightly higher 4.2% to reach \$196 billion in 2019.

### *Additional findings include:*

- Credit products continue to dominate the fees and interest paid by underserved consumers, representing 87 cents per dollar spent.
- In 2018, market growth in **Short-Term Credit** (5.2% growth) and **Long-Term Credit** (8.0% growth) far outpaced **Single Payment Credit** (-0.2% growth).<sup>1</sup>
- **Short-Term Credit** revenue growth was fueled by the continued growth of **Installment Loans** (6.1% in 2018 and 13.8% CAGR since 2015) and the small but emerging **Non-Bank Small Business Loan** segment (26.6% in 2018, maintaining pace with its three-year CAGR).
- All **Long-Term Credit** products grew substantially in 2018, from the largest **Subprime Auto Loan** sub-segment (9.7% growth) to **Private Student Loans** (10.7% growth) and the small but emerging **Personal Marketplace Loan** segment (20.6% growth).
- The decline of **Single Payment Credit** is driven by a flattening of **Overdraft** revenue (0.6% growth), **Pawn** revenue (1.1% growth), and continued revenue declines in **Online and Storefront Payday Loans** (-6.5% and -11.6%, respectively).
- Spending on fees for **Payments & Deposit Accounts** (-0.9% growth) and **Other Financial Products & Services** (-1.8% growth) have both declined.



The size and growth of this market continues to highlight the opportunity to develop innovative, high-quality products and services to improve the financial health of underserved consumers.

<sup>1</sup> Short-Term Credit products function either on an installment basis, with terms from several months to two years, or as a line of revolving credit. Long-Term Credit products are loan products that function on an installment basis, with typical terms longer than two years. Single Payment Credit are loan products for which payment is due in one lump sum, typically with terms of one month or less.



## INTRODUCTION

The Financial Health Network's annual analysis of the financially underserved market<sup>2</sup> illustrates the magnitude of the opportunity to address the needs of financially underserved consumers, while identifying trends impacting marketplace evolution and growth.

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*The 2019 report presents a snapshot of:*

**Interest and fees paid by underserved consumers to borrow, spend, plan, and save in 2018.<sup>3</sup>**

**The volume of dollars borrowed, transacted, saved, or managed to access these products and services that generated revenue in 2018.**

**Current and projected revenue growth rates.**

For current growth rates, we report the 2017-2018 annual growth to capture short-term fluctuations, and the three-year compound annual growth rate (CAGR) from 2015 to demonstrate longer-term trends.

Throughout this report, we highlight the product categories and specific products that are generating the most significant changes in revenue from underserved consumers and identify the trends driving marketplace evolution. This report does not constitute a commentary on the appropriateness, safety, or quality of specific financial products for consumers, however. Market size and growth rates are not endorsements of market well-being for providers or financial health impact for consumers.

<sup>2</sup> The Financial Health Network (previously CFSI) has presented the Market Size Study annually since 2011, with the exception of 2018.

<sup>3</sup> In addition to revenue and volume estimates for 2018, the Appendix of this 2019 report includes the Financial Health Network's revenue and volume estimates for 2017.





## DEFINING FINANCIALLY UNDERSERVED CONSUMERS.

Throughout this study, we focus on fees and interest paid by financially underserved consumers. For the purposes of this report, underserved consumers are defined by their struggle to access mainstream financial products because of one or more of the following financial challenges:<sup>4</sup>

1

### Low- to moderate-income or volatile income.

These circumstances impact approximately 26% and 20% of U.S. adults, or 66 million and 51 million consumers, respectively.<sup>5</sup>

2

### Credit challenges.

This includes consumers who have subprime credit scores below 600 or are unscorable because of a lack of sufficient credit file information. Approximately 36% of U.S. adults, or 91 million people, are credit-challenged.<sup>6</sup>

3

### Unbanked or underbanked.<sup>7</sup>

These consumers struggle with access to mainstream financial products to meet their needs. This group is estimated at about one in four U.S. adults, or 63 million people, by the FDIC.<sup>8</sup>

<sup>4</sup> Due to disparate data sets focused on each consideration of financially underserved status, it is not possible to identify the aggregate count of all underserved individuals collectively.

<sup>5</sup> “2017 FDIC National Survey of Unbanked and Underbanked Households,” FDIC, 2018; “Annual Update of the HHS Poverty Guidelines,” United States Department of Health and Human Services, Office of the Secretary, 2018; “Income and Poverty in the United States,” United States Census Bureau, 2018 update, table B-3. LMI adults are those with household incomes at or below 200% of the federal poverty threshold as defined by the HHS Poverty Guidelines.

<sup>6</sup> “Ultra FICO,” FICO, 2019; “Average U.S. FICO Score Hits New High,” FICO, September 2018. 53 million U.S. individuals are unscorable due to thin or nonexistent FICO credit file data, while 19% of those with FICO scores, or 38 million people, have scores below 600.

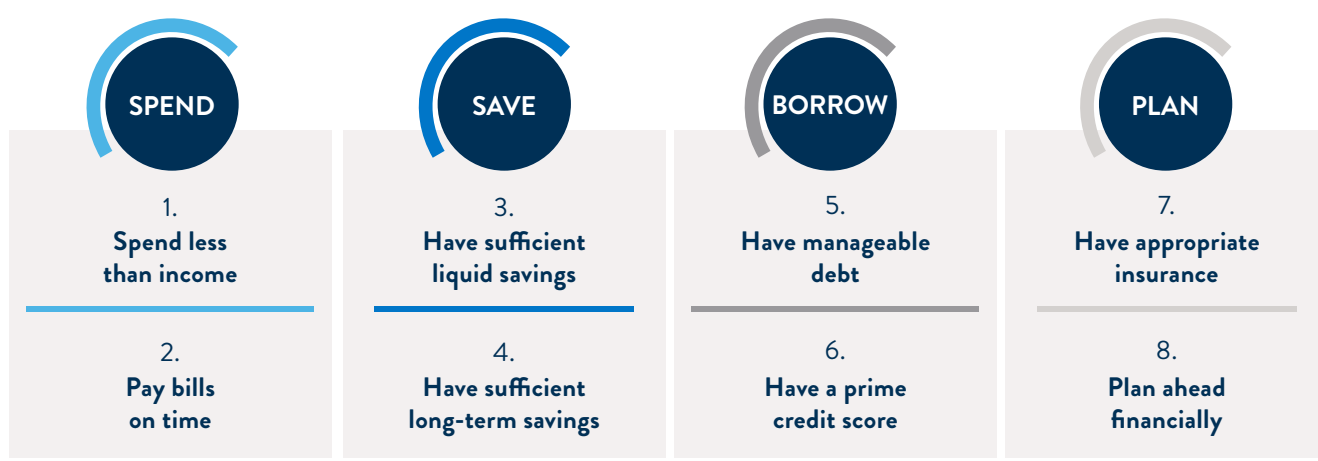
<sup>7</sup> Unbanked adults are in households in which no one has a checking or savings account. Underbanked adults are in households that have an account at an insured institution but who also obtained financial products or services outside of the banking system.

<sup>8</sup> “2017 FDIC National Survey of Unbanked and Underbanked Households,” FDIC, 2018.

Financial health challenges extend well beyond access, however. The Financial Health Network's 2019 U.S. Financial Health Pulse<sup>9</sup> finds that 71% of U.S. consumers, or approximately 178 million adults, are Financially Coping or Vulnerable, while only 29%, or 70 million, are Financially Healthy. Financial health comes about when your daily financial systems allow you to be resilient and pursue opportunities over time. It includes the ability to spend, save, borrow, and plan.

**Financial health comes about when your daily financial systems allow you to be resilient and pursue opportunities over time.**

**Individuals are financially healthy if they...**



Starting in 2020, future market size reports will aim to use this definition of financial health to develop the criteria for determining which consumers are included in our market analysis. This study's focus on the financially underserved may, in fact, greatly underestimate the market size for higher-quality financial products and services, which could improve financial health for all financially struggling Americans.

### **Measuring Product Revenue<sup>10</sup>**

This report examines **29 products** that underserved consumers use to spend, save, borrow, and plan their financial lives. For the majority of these products that constitute non-traditional or alternative financial services, primarily used by financially struggling consumers, all revenue generated by consumer usage is sized in this report. For products used by a broader set of consumers, such as Savings Accounts, Checking Accounts, Overdraft, and Tax Preparation, only the portion of usage and revenue generated by financially underserved individuals is included.

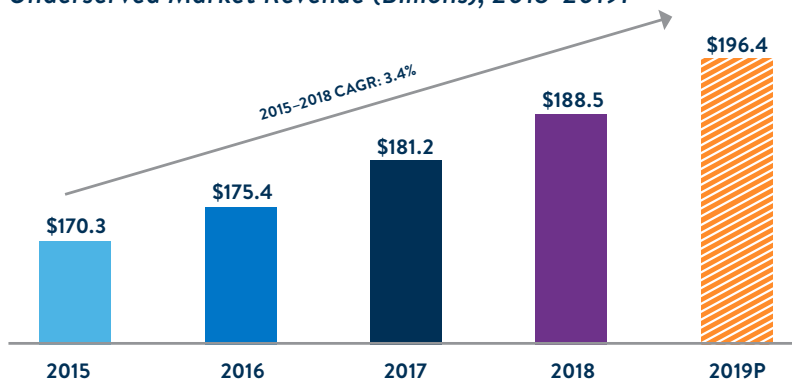
<sup>9</sup> "U.S. Financial Health Pulse: 2019 Trends Report," Financial Health Network, 2019.

<sup>10</sup> Please see Appendix for full Methodology, Product Definitions, Confidence Levels, and Data Sources.

## OVERALL SPENDING BY FINANCIALLY UNDERSERVED CONSUMERS IN THE U.S. HIT \$188.5 BILLION IN 2018.

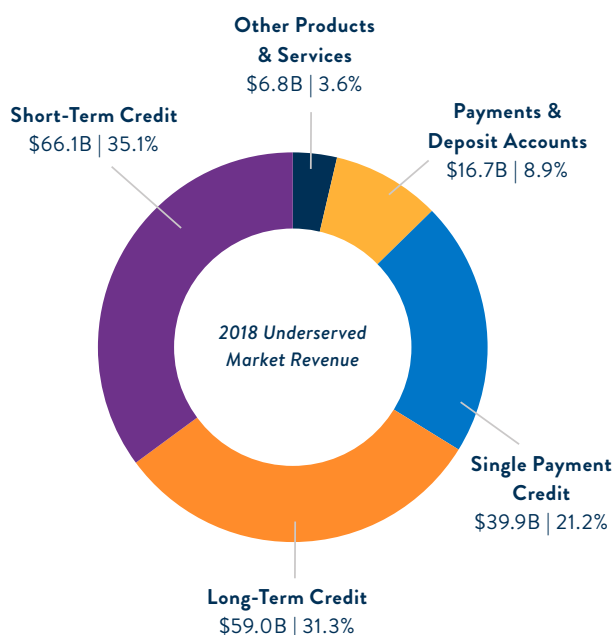
Underserved consumer spending on fees and interest continues to increase, growing 4.0% since 2017 and at a three-year CAGR of 3.4% since 2015. Spending is projected to grow 4.2% in 2019 to \$196 billion.

*Underserved Market Revenue (Billions), 2015–2019P*

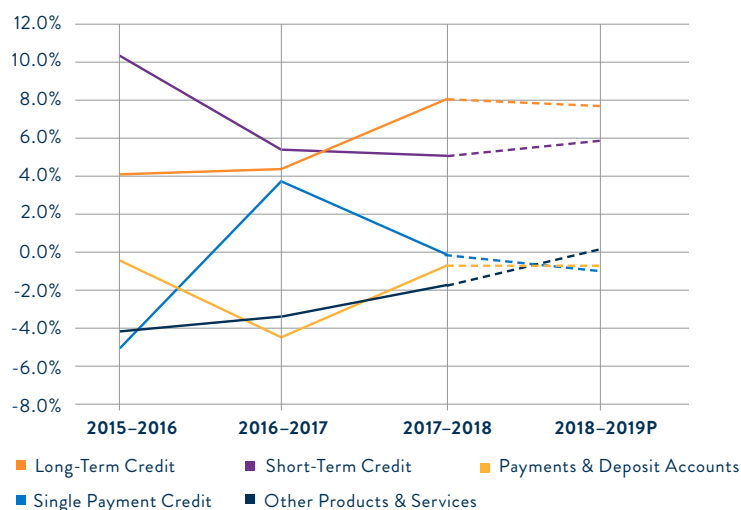


### Key Market Share & Growth Facts

- Credit products continue to dominate spending on fees and interest by underserved consumers, collectively accounting for 87% of total market revenue (Short-Term Credit: 35%, Long-Term Credit: 31%, Single Payment Credit: 21%).
- Fees for Payments & Deposit Accounts and Other Products & Services, e.g., tax preparation and retirement plan leakage fees, represent the remaining 13% of the market.
- Beyond representing the largest market shares, Short-Term Credit and Long-Term Credit have driven overall market growth. Short-Term Credit grew 5.2% in 2018 and at a 6.9% CAGR since 2015. Long-Term Credit experienced 8.0% growth in 2018 and a more moderate CAGR of 5.4% since 2015.
- In contrast, Single Payment Credit (-0.2% growth in 2018, -0.6% three-year CAGR), Payments & Deposit Accounts (-0.9% growth in 2018, -2.0% three-year CAGR), and Other Products and Services (-1.8% growth in 2018, -3.2% three-year CAGR) have all had flat to negative growth.



*Underserved Product Categories Revenue Growth*



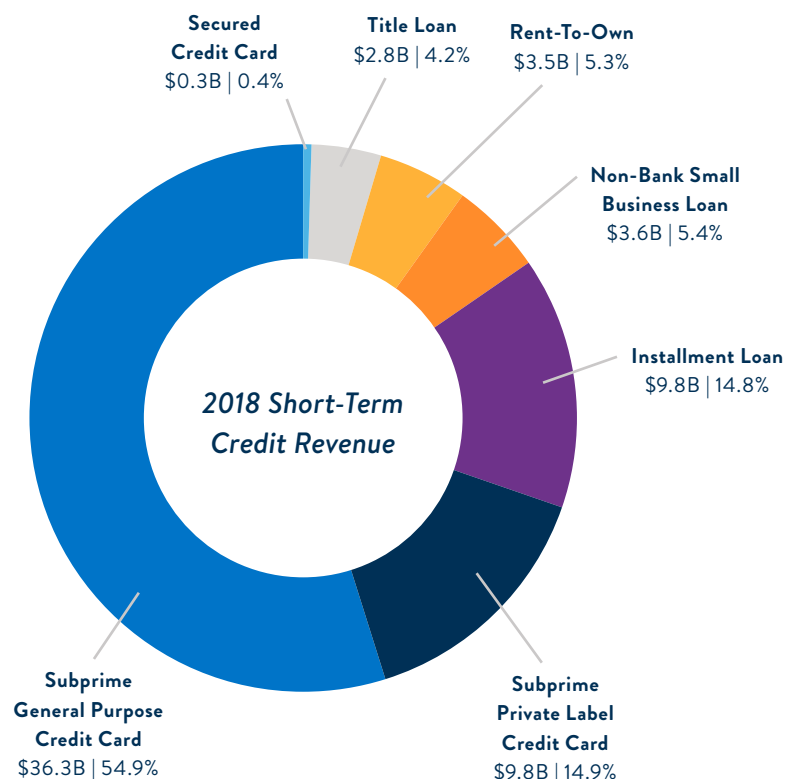


## SHORT-TERM CREDIT CONTINUES ITS GROWTH TO \$66.1 BILLION.

In 2018, underserved consumers spent \$66.1 billion on fees and interest for Short-Term Credit products, representing 5.2% growth over the previous year. These products function either on an installment basis with terms from several months to two years or as a line of revolving credit. Their growth in the past year reflects a longer-term upward trend in the Short-Term Credit category. Short-Term Credit has experienced a 6.9% CAGR since 2015. Growth is projected to continue at a rate of 5.8% in 2019.

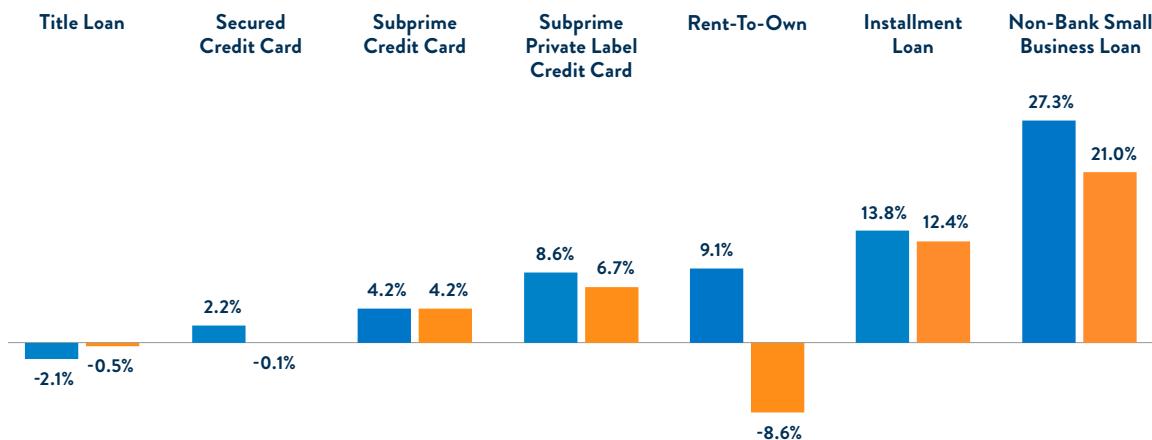
### Key Market Share & Growth Facts

- Subprime General Purpose Credit Cards account for over half of the Short-Term Credit revenue, growing by 2.8% since 2017. Higher fees, interest rates, and average revolving balances contributed to this upward trend.
- Non-Bank Small Business Loans and personal Installment Loans have fueled Short-Term Credit category growth, each with compound annual growth rates over 10% over the last three years.<sup>11</sup>
- In fact, Non-Bank Small Business Loans, with a CAGR of 27.3% from 2015 to 2018, have had the highest growth rate of all 29 products evaluated. We expect to see a continuation of growth rates above 20% as marketplace lenders continue to meet the high demand for small business credit access.
- Installment loan revenue had a 2015-2018 CAGR of 13.8%, a strong uptick that was likely supported by a broader transition in the small-dollar credit markets away from payday loans toward installment loans.<sup>12</sup>



### Short-Term Credit Revenue Growth

HISTORICAL 2015-2018 CAGR • PROJECTED 2018-2019



<sup>11</sup> We define non-bank small business loans as loans offered by non-bank institutions, almost exclusively through online channels, to fund small business needs. See Appendix for full list of product definitions.

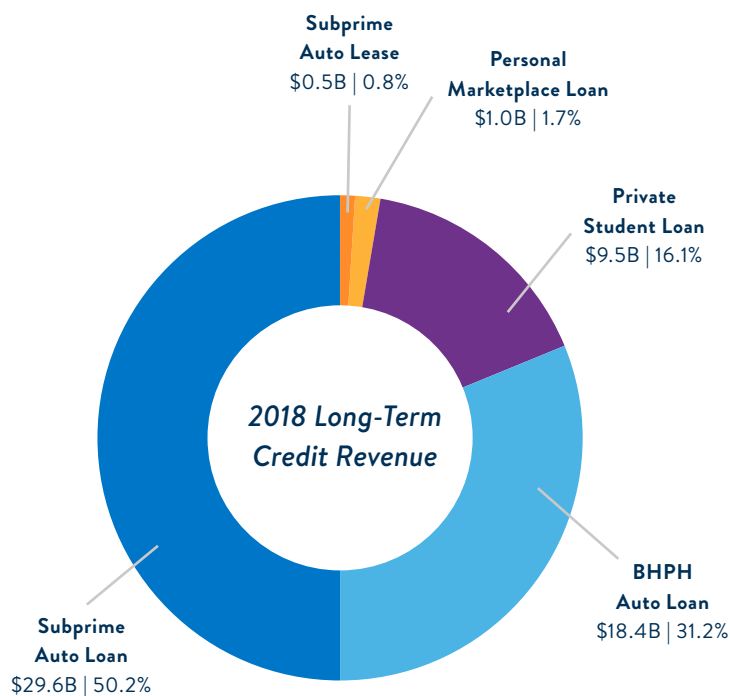
<sup>12</sup> Hecht, John, "Short Term Lending Update: Moving Forward with Positive Momentum," CFSA 2018 Conference & Expo, April 18, 2018.

## LONG-TERM CREDIT SPENDING GROWS TO \$59.0 BILLION.

In 2018, financially underserved consumers spent \$59.0 billion on fees and interest for long-term credit products. These loans function on an installment basis with typical terms of two years or more. This market segment experienced 8.0% growth since 2017 and a more moderate CAGR of 5.4% since 2015. Growth in 2019 is projected to slightly outpace the three-year trend at a rate of 7.7%, given continued long-term credit product trends:

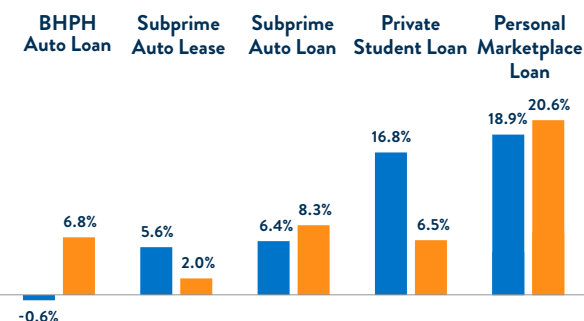
### Key Share & Growth Facts

- Subprime Auto Loan revenue, which grew at 9.7% in 2018, is projected to continue to grow at an 8.3% rate in 2019, maintaining its majority share of the segment.
- Buy Here, Pay Here (BHPH) Auto Loans showed a moderate growth rate of 3.5% in 2018, which is expected to accelerate to 6.8% in 2019, given an increase in BHPH interest rates.
- Growth in Subprime and BHPH Auto Loans may be attributed to the loosening of Obama-era consumer auto protections and financing standards, as well as technological advances, such as GPS chip technology, that streamline dealer repossessions.<sup>13</sup>
- Private Student Loans experienced growth of 10.7% in 2018 and a 16.8% CAGR since 2015, and are projected to continue growing, albeit at a slower rate in 2019.
- The growth in Private Student Loans may be attributed to an increasing demand for gap financing due to rising college costs in conjunction with increased marketing by private student lenders.<sup>14</sup>
- Personal Marketplace Loans experienced the highest rate of growth at 20.6% in 2018 and are projected to continue to grow at the same rate in 2019 as fintech lenders continuously attract more borrowers across all credit tiers.
- Growth in Personal Marketplace Loans will likely continue as older generations begin to adopt personal marketplace loans in lieu of traditional lending.<sup>15</sup>



### Long-Term Credit Revenue Growth

HISTORICAL 2015-2018 CAGR • PROJECTED 2018-2019



<sup>13</sup> Bliss, Laura, "If the Economy Is So Great, Why Are Car Loan Defaults at a Record High?," City Lab, February 15, 2019; "Buy Here, Pay Here Industry Benchmarks/Trends," Subprime Analytics, 2019.

<sup>14</sup> Brown, Mike, "State of Private Student Loans Report 2019," LendEDU, July 16, 2019.

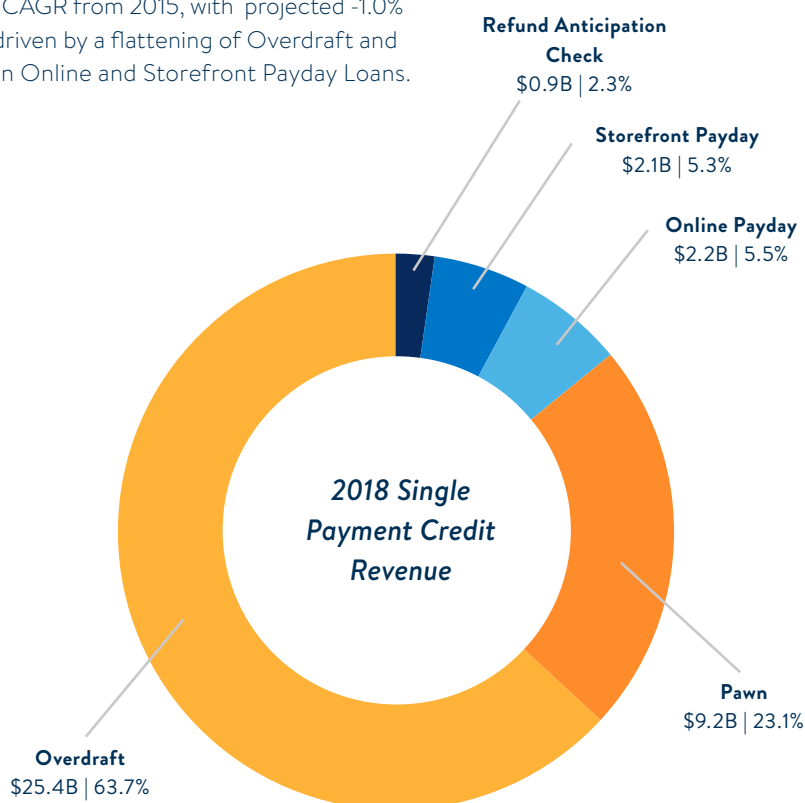
<sup>15</sup> "Fintech vs. Traditional FIs: Trends in Unsecured Personal Installment Loans," Experian, 2019.

## SINGLE PAYMENT CREDIT DECLINES SLIGHTLY TO \$39.9 BILLION.

In 2018, underserved consumers spent \$39.9 billion on fees and interest for Single Payment Credit products, which are loans due in one lump sum, typically with terms of one month or less. This represents an annual growth rate of -0.2% and -0.6% CAGR from 2015, with projected -1.0% growth in 2019. The decline of Single Payment Credit is driven by a flattening of Overdraft and Pawn revenue growth and continued revenue declines in Online and Storefront Payday Loans.

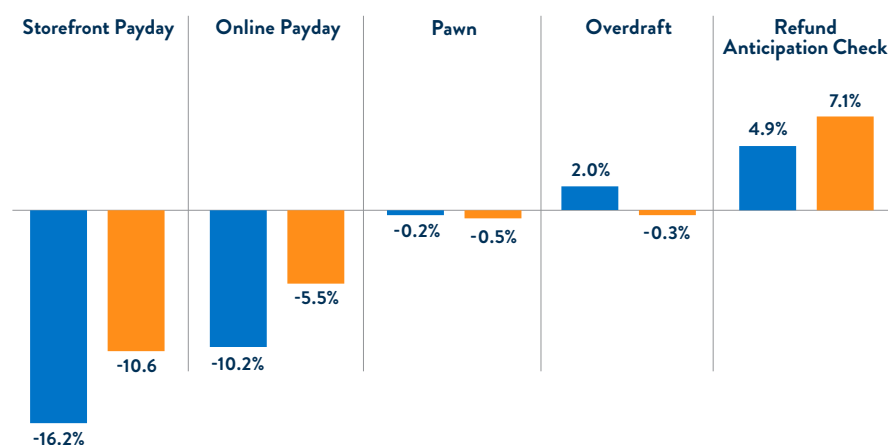
### Key Share & Growth Facts

- While both Online and Storefront Payday Loan revenues are decreasing, Storefront Payday revenue is falling at a faster pace, with a CAGR since 2015 of -16.2% compared with online payday's -10.2% decline.
- Storefront Payday Loan revenue has declined since 2015, and the number of storefront locations has also declined since 2015.<sup>16</sup>
- As mentioned in Short-Term Credit, this Payday decline reflects the broader transition in small-dollar credit markets away from payday loans toward installment loans.<sup>17</sup>



### Single Payment Credit Revenue Growth

HISTORICAL 2015-2018 CAGR • PROJECTED 2018-2019



<sup>16</sup> Hecht, John, "Short Term Lending Update: Moving Forward with Positive Momentum," CFSA 2018 Conference & Expo, April 18, 2018.

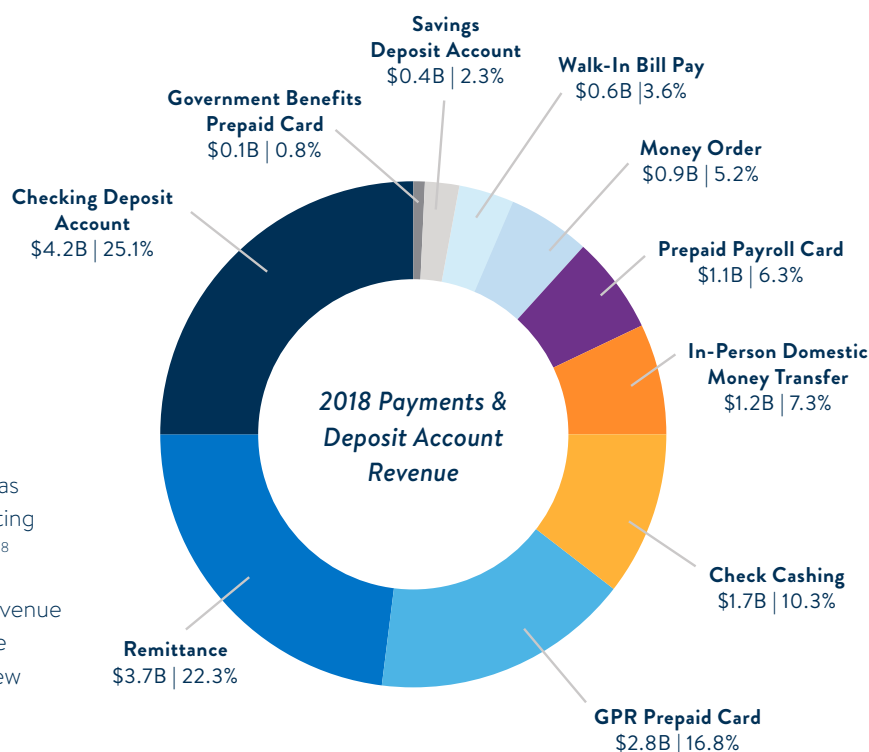
<sup>17</sup> Ibid.

## PAYMENTS & DEPOSIT ACCOUNTS DECLINE TO \$16.7 BILLION.

In 2018, underserved consumers spent \$16.7 billion on fees to transact, convert, send, receive, deposit, and hold funds. This represents a -0.9% growth since 2017, which is a slight moderation from the three-year CAGR of -2.0% since 2015. Spending on fees is projected to continue to decline, with a -0.7% growth rate in 2019.

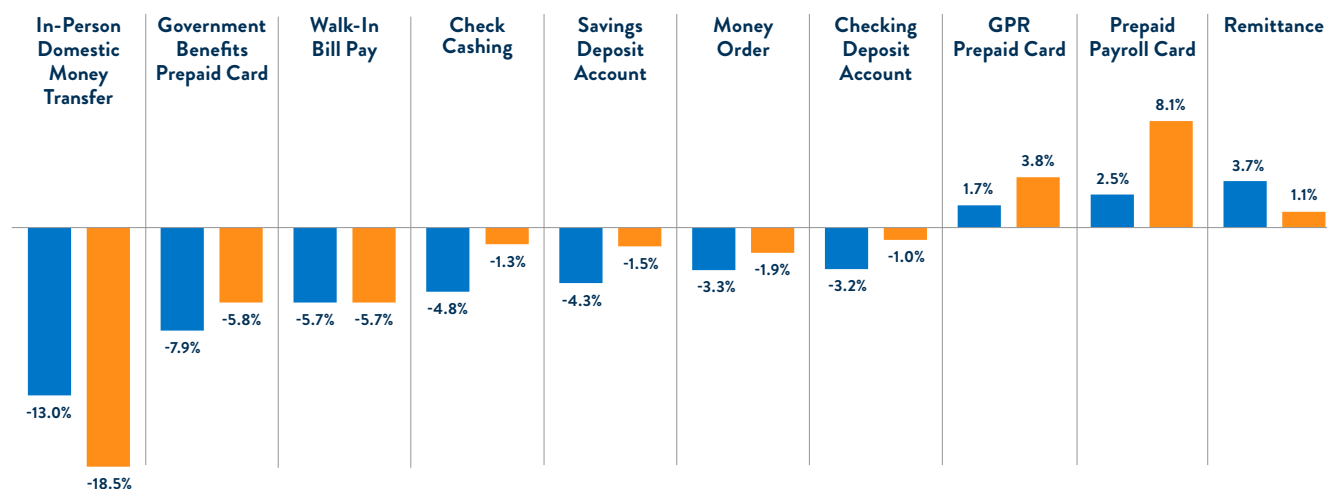
### Share & Growth Facts

- Government Benefits Prepaid Card revenue growth was -15.7% in 2018 and is projected at -5.8% in 2019, reflecting reduced disbursements in state and local programs.<sup>18</sup>
- The decrease in Government Benefits Prepaid Card revenue stands in contrast to robust growth in General Purpose Reloadable (GPR) and Payroll Prepaid Cards, which grew by 3.4% and 4% in 2018, respectively.
- Fee revenue from In-Person Domestic Money Transfer and Walk-in Bill Pay decreased by 0.1% and 5.7% in 2018, respectively, likely because of rising competition with digital services.
- Despite an upward trend in the volume of U.S. outbound remittances, revenue growth slowed to 0.9% in 2018, down from a three-year CAGR of 3.7%, likely because of global efforts to drive down the average price of remittances as well as increased adoption of less expensive digital remittance platforms.<sup>19</sup>



### Payments & Deposit Accounts Revenue Growth

HISTORICAL 2015-2018 CAGR • PROJECTED 2018-2019



<sup>18</sup> "Report to the Congress on Government-Administered, General-Use Prepaid Cards - September 2019," Board of Governors of the Federal Reserve System, September 2019, accessed November 11, 2019.

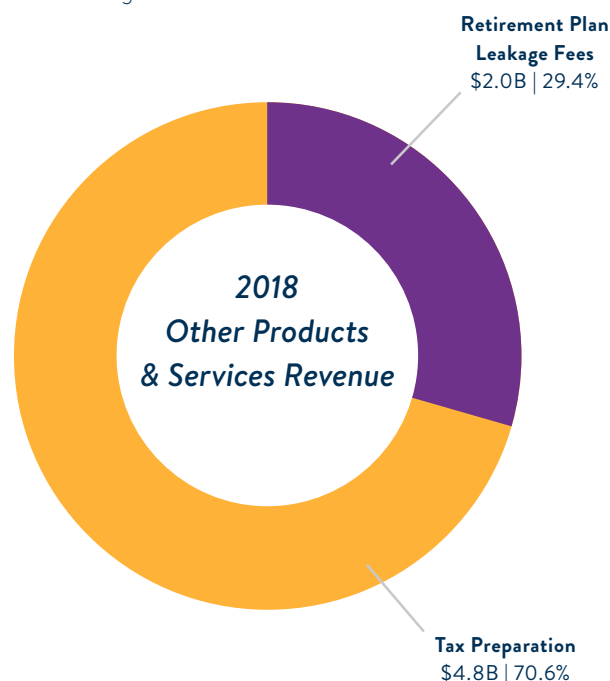
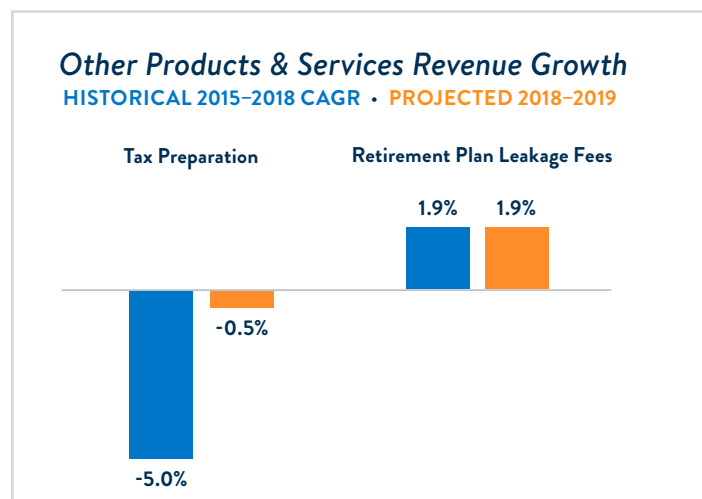
<sup>19</sup> "G20 National Remittance Plan United States," Global Partnership for Financial Inclusion, 2015, accessed November 11, 2019; Nicoli, Marco, Ahmed, Usman, "How digital remittances can help drive sustainable development," World Economic Forum, April 15, 2019, accessed November 11, 2019.

## OTHER PRODUCTS & SERVICES DECLINE TO \$6.8 BILLION.

In 2018, underserved consumers spent \$6.8 billion on fees for financial services to prepare taxes and borrow funds from retirement accounts (included in Other Products & Services). This represents a year-over-year decline of 1.8%, which is about half the average annual decrease of 3.2% since 2015. The decline of Other Products & Services is primarily driven by declines in tax preparation, while retirement leakage fees have continued with moderate growth.

### Key Share & Growth Facts

- Tax preparation revenue for individuals that are eligible for the Earned Income Tax Credit (EITC) has fallen an average of 5% annually since 2015. This trend appears to be driven by a smaller EITC-eligible population, as well as lower rates of paid tax preparer usage.<sup>20</sup>
- In contrast, retirement leakage fees have grown about 2% annually since 2015.



<sup>20</sup> Calculations of the EITC-eligible population were done using IRS data on EITC participation rates and number of EITC claims. Public data available at <https://www.eitc.irs.gov>.

## CONCLUSION

The size and growth of the financially underserved market continues to highlight the opportunity to develop innovative, high-quality products and services to improve the lives of underserved consumers. Given that financially underserved consumers represent only a portion of Americans who struggle with financial health, it is clear that many stakeholders will have a role to play in improving financial health for all.



## APPENDIX

### Appendix A: Methodology and Data

Market size analysis is an exercise of best estimation for a quantity that is frequently unknowable or has a range of recognized figures. This analysis relies on sources that are credible, consistent with other estimates, and continuous, providing historical figures for reference. In many cases, figures are extrapolated from a selection of data sources to arrive at a final estimate for a given product segment. Sources and key figures are summarized in the Appendix below, and we transparently disclose our level of confidence in the accuracy of each product segment – high, medium, or low – based on the Confidence Level criteria in the table below. We encourage readers with access to further information to share sources or figures that can continuously improve our analysis.

#### Confidence Level

| HIGH  | MEDIUM   | LOW  |
|---|--|--|
| <ul style="list-style-type: none"> <li>Based on surveys or company-specific information</li> <li>Cited by industry leaders</li> <li>Source methodology disclosed</li> </ul> | <ul style="list-style-type: none"> <li>Estimate derived from credible market data</li> <li>Source discloses methodology, but with significant assumptions</li> </ul> | <ul style="list-style-type: none"> <li>Financial Health Network estimate requiring significant extrapolations and assumptions</li> <li>No source methodology disclosed</li> <li>Relies on pre-2015 data</li> </ul> |

All revenue generated by consumer spending is sized in this report for products that constitute alternative financial services typically used by underserved consumers. For product segments in this report that are used more widely across the consumer market, only the portion of revenue generated by underserved consumers or by subprime rate product offerings is sized. Savings and Checking accounts, Overdraft, and Tax Preparation services, as well as prime rate Auto Lease, Auto Loan, and Credit Card products, all generate revenue in this wider market, so spending on these products by consumers who have prime rates or are fully served is not included in this report.

Consumer usage volume refers to dollars borrowed, transacted, saved, or managed through the use of a financial service, exclusive of fees and interest paid to access these products and services. Measurements of volume vary depending on product category. Single Payment Credit products, Title Loans, and Rent-to-Own are sized according

to annual dollars borrowed to reflect the usage of products often extended multiple times during one year; the other Short-Term Credit products and all Long-Term Credit products are sized by average outstanding volume to reflect loans paid in installments or on a revolving basis and balances carried over a longer period; Payments products are sized by annual load or transaction volume; Deposit Account products are sized by average annual balances held in accounts; and the volumes of other financial services, which often generate revenue and fees independent of volume, are sized according to the volume of funds addressed by the service.

| Product Segment                          | Product Definition   | 2017 Revenue (\$B) | 2018 Revenue (\$B) | 2019e Revenue (\$B) | 2015-2019 Revenue CAGR | 2017 Volume (\$B) | 2018 Volume (\$B) | 2019e Volume (\$B) | Confidence Level | Source   |
|--|--|--------------------|--------------------|---------------------|------------------------|-------------------|-------------------|--------------------|------------------|--|
| <b>Appendix B: Single Payment Credit</b> |  |                    |                    |                     |                        |                   |                   |                    |                  |  |
| Overdraft <sup>1</sup>                   | Extension for a checking account holder that enables spending beyond the available balance for a fee to be repaid from the same account. | 25.3               | 25.4               | 25.4                | 2.0%                   | 34.3              | 34.5              | 33.3               | Medium           | Financial Health Network estimate based on portion of total overdraft revenues (Moebs 2011 - 2019), and usage "Data Point: Checking account overdraft," CFPB (2014).   |
| Pawn <sup>2</sup>                        | A short-term loan with amount set and secured based on the value of items provided by the borrower as collateral.                        | 9.1                | 9.2                | 9.1                 | -0.2%                  | 12.8              | 12.5              | 12.6               | Medium           | Financial Health Network estimate based on publicly traded industry leaders' annual and quarterly report data (2009-2019), market share data, and figures reported by the National Pawn Brokers Association.   |
| Online Payday <sup>2</sup>               | Single payment loan offered by non-bank lenders through online channels.   | 2.4                | 2.2                | 2.1                 | -10.2%                 | 12.6              | 11.4              | 10.2               | High             | Financial Health Network estimate based on publicly traded industry leaders' annual and quarterly report data (2009-2019), data from "Short-Term Lending Update: Moving Forward with Positive Momentum" by John Hecht for Jefferies 2018, and statements by John Hecht for Jefferies, Inc., 2015 - 2016. Rollovers counted as discrete volume. |
| Storefront Payday <sup>2</sup>           | Single payment loan offered by non-bank lenders through brick and mortar storefronts.  | 2.4                | 2.1                | 1.9                 | -16.2%                 | 16.2              | 15.2              | 14.4               | High             | Financial Health Network estimate based on publicly traded industry leaders' annual and quarterly report data (2009-2019), data from "Short-Term Lending Update: Moving Forward with Positive Momentum" by John Hecht for Jefferies 2018, and statements by John Hecht for Jefferies, Inc., 2015 - 2016. Rollovers counted as discrete volume. |
| Refund Anticipation Check (RAC)          | Fee-based service that allows tax preparation fees to be paid from the eventual tax refund, rather than at the time of preparation.      | 0.8                | 0.9                | 1                   | 4.9%                   | 5.8               | 6.3               | 6.8                | Medium           | Financial Health Network estimate based on IRS tax return data reported by the National Consumer Law Center (Tax Years 2015-2018); National Society of Accountants data on tax industry typical fees (2015-2018).  |
| <b>Single Payment Credit Total</b>       |  | 39.9               | 39.9               | 39.5                | -0.6%                  | 81.7              | 79.9              | 77.4               |                  |  |

<sup>1</sup> This report only sizes overdraft activity and spending by account holders with a high frequency of overdrafts – more than 10 times in one year – indicating that their need for short-term credit is chronically underserved.

<sup>2</sup> The volume and revenue sized for payday and pawn loans are counted per each discrete loan. Ratios of volume to revenue dollars do not reflect aggregate costs paid by borrowers who enter a cycle of debt, commonly referred to as rolling over, stemming from one initial single payment loan.

| Product Segment                      | Product Definition  | 2017 Revenue (\$B) | 2018 Revenue (\$B) | 2019e Revenue (\$B) | 2015-2019 Revenue CAGR | 2017 Volume (\$B) | 2018 Volume (\$B) | 2019e Volume (\$B) | Confidence Level | Source  |
|--------------------------------------|---|--------------------|--------------------|---------------------|------------------------|-------------------|-------------------|--------------------|------------------|---|
| <b>Appendix C: Short-Term Credit</b> |   |                    |                    |                     |                        |                   |                   |                    |                  |   |
| Title Loan <sup>1</sup>              | A loan secured with a vehicle in which the auto title is provided to the lender as collateral. While the majority of loan industry volume is based on auto title loans structured as installment loans, some are also structured as single payment loans. | 2.8                | 2.8                | 2.7                 | -2.1%                  | 4.4               | 4.3               | 4.2                | Low              | Financial Health Network estimate based on state-specific title loan incidence, volume, and revenue data reported by regulatory agencies in CA, IL, NM, TN, TX, and VA (2009-2018 as available); 2016 Revenue Data from the Center for Responsible Lending "Payday and Car Title Lenders Drain \$8 Billion in Fees Every Year," (2017). Rollovers counted as discrete volume. |
| Rent-to-Own                          | Service that allows for the purchase of furniture, appliances, and other big-ticket household items through payments due in regular installments over a period of time. The customer does not own the rented item until all payments are complete.        | 3.3                | 3.5                | 3.2                 | 9.1%                   | 3.3               | 3.7               | 4.8                | High             | Financial Health Network estimate based on market share and gross margin data provided in quarterly and annual public reports from industry leaders Rent-A-Center and Aaron's, (2009 - 2019); market share information sourced from the Association of Progressive Rental Organizations at RTOHQ.com.   |
| Installment Loan                     | A short-term loan repaid over time through a set number of scheduled payments.  | 9.2                | 9.8                | 11                  | 13.8%                  | 28.4              | 30.4              | 33.9               | Medium           | Financial Health Network estimate based on publicly traded industry leaders' annual and quarterly report data (2009 - 2019) and data from "Short-Term Lending Update: Moving Forward with Positive Momentum" by John Hecht for Jefferies 2018.  |
| Secured Credit Card                  | Credit card that is fully or partially backed by funds deposited into the account and used as collateral for the credit available; also used to build credit.   | 0.3                | 0.3                | 0.3                 | 2.2%                   | 0.9               | 1                 | 1                  | High             | Financial Health Network estimate based on account volume and fee data in "The Secured Credit Card Market" (Federal Reserve Bank of Philadelphia, 2016), "CFI in Focus: Secured Credit Cards" (Federal Reserve Bank of Philadelphia, 2019), and interest rate data from WalletHub's "2019 Credit Card Landscape Report."  |

| Product Segment                              | Product Definition  | 2017 Revenue (\$B) | 2018 Revenue (\$B) | 2019e Revenue (\$B) | 2015-2019 Revenue CAGR | 2017 Volume (\$B) | 2018 Volume (\$B) | 2019e Volume (\$B) | Confidence Level | Source  |
|--|---|--------------------|--------------------|---------------------|------------------------|-------------------|-------------------|--------------------|------------------|---|
| <b>Appendix C: Short-Term Credit</b> (Cont.) |   |                    |                    |                     |                        |                   |                   |                    |                  |   |
| Subprime General Purpose Credit Card         | Card-based revolving line of credit, provided to consumers with credit scores below 620, which charge higher interest rates and/or fees than cards issued to consumers with prime credit scores. Includes all general purpose subprime cards.   | 35.3               | 36.3               | 37.8                | 4.2%                   | 67                | 69.7              | 74.3               | Medium           | Financial Health Network estimate based on data from "The Consumer Credit Card Market" (Consumer Financial Protection Bureau, 2019), Equifax (2014), American Bankers Association, CardHub reports, and typical product structure and fees of major subprime credit cards (2009 - 2019).  |
| Subprime Private Label Credit Card           | Card-based revolving line of credit, provided to consumers with credit scores below 620, issued in partnership with a retail outlet, often featuring a lower spending limit and higher interest rate than a prime rate credit card regardless of consumer creditworthiness. Includes only private label cards, which are limited to purchases made at the issuing retailer or retailer group. | 9.2                | 9.8                | 10.5                | 8.6%                   | 25.4              | 27.1              | 29.2               | Medium           | Financial Health Network estimate based on data from "The Consumer Credit Card Market" (Consumer Financial Protection Bureau, 2019), quarterly and annual public records from Synchrony and Citigroup (2009-2019), and market share information from Nilson (2016, 2018) and WalletHub (2012, 2014-2018).   |
| Non-bank Small Business Loan                 | Loans offered by nonbank institutions, almost exclusively through online channels, to fund small business needs, typically using a combination of traditional and alternative data, sometimes including sales volume, to determine risk, interest rates and loan amounts.   | 2.8                | 3.6                | 4.4                 | 27.3%                  | 7.9               | 10                | 12.1               | Medium           | Financial Health Network estimate based on "U.S. Digital Lending Landscape" (S&P Global Market Intelligence, 2016, 2017, 2018), "Survey of Online Consumer and Small Business Financing Companies - 01/01/2010 through 06/30/2015," California Department of Business Oversight (2016); Michael J. Bologna, "States Mull Regulation of Online Commercial Lenders," Bloomberg News, June 13, 2016; and Bryant Park Capital/deBanked Small Business Financing CEO Survey data (2016) on Merchant Cash Advances; MEDICI and FinXTech, "Fintech Intelligence Report: Marketplace Lending" (2017). |
| <b>Short-Term Credit Total</b>               |   | 62.8               | 66.1               | 69.9                | 6.9%                   | 137.2             | 146.2             | 159.6              |                  |   |

<sup>1</sup> For the portion of auto title loans structured as a single payment loan, the volume and revenue sized for payday loans are counted per each discrete loan. Ratios of volume to revenue dollars do not reflect aggregate costs paid by borrowers who enter a cycle of debt, commonly referred to as rolling over, stemming from one initial single payment loan.

| Product Segment                     | Product Definition  | 2017 Revenue (\$B) | 2018 Revenue (\$B) | 2019e Revenue (\$B) | 2015-2019 Revenue CAGR | 2017 Volume (\$B) | 2018 Volume (\$B) | 2019e Volume (\$B) | Confidence Level | Source   |
|-------------------------------------|---|--------------------|--------------------|---------------------|------------------------|-------------------|-------------------|--------------------|------------------|--|
| <b>Appendix D: Long-Term Credit</b> |   |                    |                    |                     |                        |                   |                   |                    |                  |  |
| Subprime Auto Lease                 | Car lease provided to consumers with VantageScores less than 600.   | 0.5                | 0.5                | 0.5                 | 5.6%                   | 1.9               | 1.9               | 2                  | High             | Financial Health Network calculation based on risk segment and annual lease amount reported in "State of the Automotive Finance Market," Experian quarterly reports (2009-2019); Nada and Edmunds data on interest rates, new vehicle sales, percent leased (2009-2019).         |
| Personal Marketplace Loan           | Personal loans offered by online, nonbank institutions, typically on an installment basis, using a combination of traditional and alternative data to determine credit risk and interest rates.   | 0.8                | 1                  | 1.2                 | 18.9%                  | 19.4              | 21                | 22.6               | High             | Financial Health Network estimate based on loan data from NSR Platform (2009-2019) and market share data from SNL, "U.S. Digital Lending Landscape Report" (2016-2018).  |
| Private Student Loan                | Private loans provided to individuals for the pursuit of higher education and related costs.  | 8.5                | 9.5                | 10.1                | 16.8%                  | 118.2             | 119.3             | 123.1              | High             | Financial Health Network estimate based on interest rate data from publicly traded industry leaders (2011-2019); volume data from MeasureOne reports (2013-2019).  |
| Buy Here Pay Here (BHPH) Auto Loan  | Car loans, typically with high interest rates regardless of consumer creditworthiness, for which monthly or biweekly payments are due at the point of sale; often utilized by consumers who lack viable credit scores since credit checks are often not required. | 17.8               | 18.4               | 19.7                | -0.6%                  | 73.4              | 75.6              | 80.3               | High             | Financial Health Network calculation based on risk segment, interest rate and loan volume data reported in "State of the Automotive Finance Market," Experian quarterly reports (2009-2019), and National Alliance of BHPH Dealers Industry Benchmarks (2016-2018). <sup>1</sup> |
| Subprime Auto Loan                  | Car loans provided to consumers with FICO credit scores less than 600, exclusive of Buy Here Pay Here auto loans.   | 27                 | 29.6               | 32                  | 6.4%                   | 192.9             | 195.8             | 208.3              | High             | Financial Health Network calculation based on risk segment, interest rate and loan volume data reported in "State of the Automotive Finance Market," Experian quarterly reports (2009-2019).   |
| <b>Long-Term Credit Total</b>       |   | 54.7               | 59                 | 63.6                | 5.4%                   | 405.8             | 413.6             | 436.3              |                  |  |

<sup>1</sup> Effective January 1, 2018, NIADA purchased the assets and operations of NABD and merged the two organizations.



| Product Segment                                    | Product Definition  | 2017 Revenue (\$B) | 2018 Revenue (\$B) | 2019e Revenue (\$B) | 2015-2019 Revenue CAGR | 2017 Volume (\$B) | 2018 Volume (\$B) | 2019e Volume (\$B) | Confidence Level | Source  |
|--|---|--------------------|--------------------|---------------------|------------------------|-------------------|-------------------|--------------------|------------------|---|
| <b>Appendix E: Payments &amp; Deposit Accounts</b> |   |                    |                    |                     |                        |                   |                   |                    |                  |   |
| Government Benefits Prepaid Card                   | Prepaid card used to access, manage, and spend federal government benefits including TANF, SNAP, Unemployment, Social Security, Disability, etc. for all recipients who do not receive benefits by direct deposit. <sup>2</sup> | 0.2                | 0.1                | 0.1                 | -7.9%                  | 144               | 137               | 129.1              | High             | Financial Health Network estimate based on Federal Reserve Board's annual "Report to the Congress on Government-Administered, General-Use Prepaid Cards," (2011-2019) and "13th Annual US Market Prepaid Cards Market Forecast 2016-2019," Mercator Advisory Group (2016).  |
| Savings Deposit Account                            | Basic bank savings account or equivalent credit union share account.  | 0.4                | 0.4                | 0.4                 | -4.3%                  | 23.8              | 23.5              | 23.1               | Low              | Financial Health Network estimate based on "2017 FDIC National Survey of Unbanked and Underbanked Households," FDIC (2018); typical fees from sample of banks, and account balance survey data from Consumer Federation of America data (2010) as reported in New America Foundation study "Beyond Barriers" (2011); and Low Income Designation Credit Union industry data. |
| Walk-in Bill Pay                                   | Storefront service that converts consumer cash payments to funds sent to billers.   | 0.6                | 0.6                | 0.6                 | -5.7%                  | 28                | 25.6              | 23.4               | Low              | Financial Health Network calculation based on 2009 and 2012 Mercator studies of third party bill pay volume and public industry leaders, 2013 and 2016 Federal Reserve Payments Studies, Atlanta Federal Reserve Board Payments data, and MoneyGram and Western Union revenue and fee information (2009-2019).  |
| Money Order  | A service that converts cash to a paper check equivalent with stated amount of funds guaranteed by the issuing institution.   | 0.9                | 0.9                | 0.9                 | -3.3%                  | 96.4              | 101.1             | 102.6              | Medium           | Financial Health Network estimate based on CFSI's Consumer Financial Health Study (2015), fee data from MyBankTracker.com (2018), US Postal Service Data (2009-2019).   |

<sup>2</sup> All federal government benefits not accessed through direct deposit are legally required to be provided by prepaid cards as of March 2013.

| Product Segment  | Product Definition   | 2017 Revenue (\$B) | 2018 Revenue (\$B) | 2019e Revenue (\$B) | 2015-2019 Revenue CAGR | 2017 Volume (\$B) | 2018 Volume (\$B) | 2019e Volume (\$B) | Confidence Level | Source   |
|--|--|--------------------|--------------------|---------------------|------------------------|-------------------|-------------------|--------------------|------------------|--|
| <b>Appendix E: Payments &amp; Deposit Accounts (Cont.)</b> |  |                    |                    |                     |                        |                   |                   |                    |                  |  |
| Prepaid Payroll Card                                       | An open-loop card that serves as an account for employers to deposit employee salaries, wages, or other compensation on a regular basis for employees to store and spend electronically. | 1                  | 1.1                | 1.1                 | 2.5%                   | 39.7              | 42.1              | 44.6               | High             | Financial Health Network calculation using "13th Annual US Market Prepaid Cards Market Forecast 2016-2019," Mercator Advisory Group (2016) and fee estimate based on NetSpend and Green Dot operating revenue and gross dollar volume reported in quarterly and annual public reports (2009 - 2019).   |
| In-Person Domestic Money Transfer                          | Service that transfers cash funds converted into electronic funds for wire transfer between two private individuals within the domestic United States.                                   | 1.2                | 1.2                | 1                   | -13%                   | 30.3              | 29.6              | 28.9               | Low              | Financial Health Network calculation based on 2013 and 2016 Federal Reserve Payments Studies, Atlanta Federal Reserve Board Payments data, MoneyGram and Western Union fee information (2009-2019), and company specific fee data.   |
| Check Cashing  | A service to quickly convert checks to cash or electronically available funds.   | 1.8                | 1.7                | 1.7                 | -4.8%                  | 62                | 61.2              | 60.4               | Low              | Financial Health Network volume estimate based on average customer usage and fees charged by small providers and franchised or co-located providers sourced from company data and "2013 FDIC National Survey of Unbanked and Underbanked Households," FDIC (2014), "2015 FDIC National Survey of Unbanked and Underbanked Households," FDIC (2016), and "2017 FDIC National Survey of Unbanked and Underbanked Households," FDIC (2018). Revenue estimate from Marketdata Enterprises, Inc. report: "Check Cashing & Money Transfer Services: A Market Analysis" (2013). |

| Product Segment  | Product Definition   | 2017 Revenue (\$B) | 2018 Revenue (\$B) | 2019e Revenue (\$B) | 2015-2019 Revenue CAGR | 2017 Volume (\$B) | 2018 Volume (\$B) | 2019e Volume (\$B) | Confidence Level | Source  |
|--|--|--------------------|--------------------|---------------------|------------------------|-------------------|-------------------|--------------------|------------------|---|
| <b>Appendix E: Payments &amp; Deposit Accounts (Cont.)</b> |  |                    |                    |                     |                        |                   |                   |                    |                  |   |
| General Purpose Reloadable (GPR) Prepaid Card              | An open-loop card that serves as an account for consumers to load, store, and spend funds electronically.  | 2.7                | 2.8                | 2.9                 | 1.7%                   | 106.7             | 112.1             | 117.7              | High             | Financial Health Network calculation using “13th Annual US Market Prepaid Cards Market Forecast 2016-2019,” Mercator Advisory Group (2016) and fee estimate based on NetSpend and Green Dot operating revenue and gross dollar volume reported in quarterly and annual public reports (2009 - 2019). Customer usage data sourced from “General Purpose Reloadable Prepaid Cards: Penetration, Use, Fees, and Fraud Risks,” Kansas City Federal Reserve Bank (2014).   |
| Remittance   | Service that transfers cash funds converted into electronic funds between two private individuals across international borders. This study includes only funds remitted from senders in the U.S. to recipients abroad. | 3.7                | 3.7                | 3.8                 | 3.7%                   | 68                | 70.1              | 72.4               | High             | World Bank estimate of remittance inflows, outflows, and fee percent (2009 - 2019); usage by type of provider sourced from “2017 FDIC National Survey of Unbanked and Underbanked Households,” FDIC (2018).   |
| Checking Deposit Account                                   | Basic bank or credit union checking account, exclusive of overdraft.   | 4.4                | 4.2                | 4.2                 | -3.2%                  | 209.2             | 210.5             | 210.2              | Medium           | Financial Health Network estimate based on CFPB (2012); Bankrate account fee reports (2009 - 2019); “2017 FDIC National Survey of Unbanked and Underbanked Households,” FDIC (2018); and “February 2012 Spending & Saving Tracker,” prepared by Echo for American Express (2012), and consumer usage sourced from “Data Point: Checking account overdraft,” CFPB (2014); CFPB checking account usage data; and Branton, Michael and Spaid, Tyler “The Profitability of the Average Checking Account,” BankDirector.com, April 22, 2013. |
| <b>Payments &amp; Deposit Accounts Total</b>               |  | 16.9               | 16.7               | 16.6                | -2.0%                  | 808.1             | 812.8             | 812.5              |                  |   |

| Product Segment                                  | Product Definition  | 2017 Revenue (\$B) | 2018 Revenue (\$B) | 2019e Revenue (\$B) | 2015-2019 Revenue CAGR | 2017 Volume (\$B) | 2018 Volume (\$B) | 2019e Volume (\$B) | Confidence Level | Source  |
|--|---|--------------------|--------------------|---------------------|------------------------|-------------------|-------------------|--------------------|------------------|---|
| <b>Appendix F: Other Products &amp; Services</b> |   |                    |                    |                     |                        |                   |                   |                    |                  |   |
| Retirement Plan Leakage Fees <sup>1</sup>        | Fees charged to release and maintain ownership of funds previously dedicated to a retirement plan as a loan to the account holder.  | 2                  | 2                  | 2                   | 1.9%                   | 275.3             | 268.5             | 272.3              | Medium           | Financial Health Network estimate based on U.S. Department of Labor statistics, Pension Research Council white paper, TransAmerica Center for Retirement Studies "Annual Transamerica Retirement Survey," (2015-2018) and Employee Benefits Security Administration data tables (2009-2018), Vanguard industry data (2015-2019), and data from TIAACREF Survey on Americans taking loans from their retirement plan savings (2014). |
| Tax Preparation <sup>2</sup>                     | Service, typically provided through a storefront point of sale, that prepares and files personal income taxes for a fee, exclusive of Refund Anticipation Check fees (RAC). | 5                  | 4.8                | 4.8                 | -5%                    | 108.2             | 105.4             | 104.9              | High             | Financial Health Network estimate based on IRS Databooks (2009-2018); National Society of Accountants fee data (2009-2018); IRS EITC participation and eligibility data (Tax Year 2009 -2018).  |
|  | <b>Other Products &amp; Services Total</b>  | 6.9                | 6.8                | 6.8                 | -3.2%                  | 383.5             | 373.9             | 377.2              |                  |   |
| <b>Market Total</b>                              |   | <b>181.2</b>       | <b>188.5</b>       | <b>196.4</b>        | <b>3.4%</b>            | <b>1,816.3</b>    | <b>1,826.3</b>    | <b>1,863.0</b>     |                  |   |

<sup>1</sup> Interest payments made on funds borrowed from retirement account are paid back to the account itself and result in no net loss to the consumer. This report measures only the additional fees paid by the consumer to access this loan option.

<sup>2</sup> This report sizes only the portion of tax preparation revenue generated by consumers eligible for the Earned Income Tax Credit (EITC).

## Appendix G: Changes to 2019 Methodology

**Subprime Private Label Credit Card:** This product category is an adaptation of last year's Retail Credit Card. This year, we limited the scope of retail cards to only subprime borrowers, in order to best capture the underserved market segment. We identified subprime cardholders as those with credit scores below 620. Additionally, this product category now only includes private label cards, since co-branded cards are captured in the Subprime General Purpose Credit Card product category.

**Subprime General Purpose Credit Card:** Our prior methodology for this product category, formerly referred to as Subprime Credit Card, calculated revenue by totaling industry average fees and interest for both new originations and existing credit cards. Our current methodology disaggregates general purpose cardholders by their credit risk tier and sums the total fees and interest for all subprime credit card holders at each tier, regardless of card origination status. Additionally, we expand the fees we measure, such as late fees, to better capture revenue earned in the subprime credit card market. As in Subprime Private Label Credit Cards, we identified subprime cardholders as those with credit scores below 620.