


NARPM Convention
Dallas, TX
October 2011

©2011 TransUnion LLC All Rights Reserved. CONFIDENTIAL - FOR INTERNAL USE ONLY

AGENDA

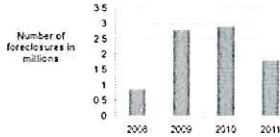
- The Great Recession and its effect on consumers
- Rental Housing Marketing Trends
- The New Renter Demographic
- Managing Risk with Applicants
- TransUnion Rental Screening Solutions

©2011 TransUnion LLC All Rights Reserved. CONFIDENTIAL - FOR INTERNAL USE ONLY




The Great Recession of 2008 was tough on a large part of the U.S. population

- 55% of adults in work force experienced a job loss, pay cut, or less hours
- Median household income decreased by 19% from 2007-09
- 62% report they have cut back on household spending
- Largest number of bankruptcy filings in 2010 since bankruptcy law was overhauled in 2005 - 1.5 million
- 24% of adults aged 18-29 moved back in with their parents

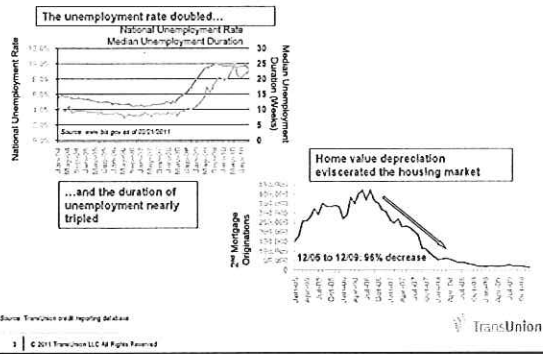


Source: The Federal Reserve, RealtyTrac, HUD, Zillow, JPMorgan

©2011 TransUnion LLC All Rights Reserved. CONFIDENTIAL - FOR INTERNAL USE ONLY



The forces exerted on consumers were quite severe



The resulting environment caused unusual behavior. TransUnion tested two related hypotheses accordingly.

1. Defaulting on a mortgage causes temporary excess liquidity. This excess liquidity masks the true risk of the consumer as he goes through the foreclosure process.
2. Certain consumers who defaulted on a mortgage in the recent recession only did so because of the recession—they are otherwise good credit risks.

The ability to identify "life event" mortgage defaulters versus chronic defaulters can open up profitable, low-competition target segments

However, changes in consumer credit behavior as a result of the recession are not as risky as initially thought

- Consumers who were delinquent on mortgages but stayed current on their credit cards reached 30.4% in Q4 2010
 - At the same time, consumers who were delinquent on credit cards but current on mortgages went down to 12.3%
- Consumers with mortgage-only defaults performed better on new loans than those with multiple delinquencies
 - Consumers prioritized their payments on product preference when financially constrained
 - Overall, these consumers are considered to be good credit risks
- Average credit card debt has declined over past few years:
 - Between Q1 2009 and Q1 2010, average debt declined \$600 from \$5776 to \$5165
 - Q1 2011 average debt stood at \$4679, a 10-year low

A snapshot of the Rental Housing Market then and now

	Then	Now
National vacancy rate	10.7%	9.2%
Home ownership rate	69%	65.9%
Renter households	33.5 m	37 m*
Rent growth	Falling rents with concessions	Rent increases of 4.1% (10% in major cities)
Seniors (age 65-80) downsizing	20% renting	59% renting
Renter affordability	41% paying rent at > 30% of income	47% paying rent at > 30% of income

* Increase of 3.5 million households since 2008

Source: REIS, US Census, NBER, TransUnion, Just Data for Housing

© 2011 TransUnion LLC All Rights Reserved

CONFIDENTIAL - FOR INTERNAL USE ONLY



Renter demographics have changed over the last few years with an emphasis on renting over home ownership

- 80 million echo boomers (those born between 1980-95), the prime renter age, will enter the market this decade
- One million legal immigrants enter the U.S. every year; 90% of them rent for the first 5-7 years
- 30-40 year olds are less likely to buy – home ownership not a priority and they want flexibility in today's uncertain job market
- Seniors are renting because they want to live in urban areas and don't want to risk retirement funds on home ownership

Source: Ken Brinkman Research, US Census



Renters today are also depending more on the Internet and mobile information to find properties

- A new dynamic – instant access to property information, unit views, and lease documents has created a hybrid renter
- Traditional media advertising down in favor of online media in marketing budgets in 2010 – 47% vs. 53%
- Use of smart phone applications up 3 times for rental prospecting in past two years
 - Mobile apartment hunters have twice the conversion rate of traditional Internet searching
- Gen Y wants digital communication only – called the "don't call me, I'll text you" attitude

Source: Property Builders National 2010 Marketing Budget Survey, MetLife on Property



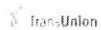
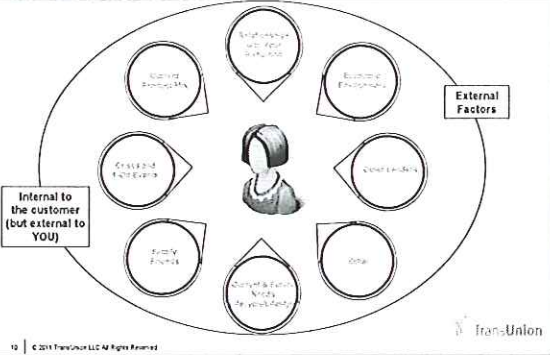
Attracting a quality pool of tenants requires a multi-tiered approach

- Use Internet listing services (ILS) – 85% of people looking for rental properties look online first
- Try a descriptive headline – “Roomy 3 BR house within walking distance to neighborhood shops” instead of “3 BR Home for Rent”
- Use technology to communicate with renters, both as a prospect and a tenant –
 - 67% of leasing activity was conducted online in 2010
 - Provide online photos of your property, both inside and out, so renters can compare views of rentals

Source: Fenton, NHC



Using credit scores as a predictor of risk by evaluating the net impact of forces that act upon the consumer



Given the effect of the recession, there are several things to consider when evaluating credit history

- Credit history considerations:
 - Tight credit over the past few years has made it difficult for many to show creditworthiness
 - Small incidental collections such as cable and phone bills are nominal compared to auto loans or large credit card bills
- Length of employment:
 - Since 2007, 16-24 year olds have experienced an unemployment rate of 18.1%, almost double the current rate of 9.1%
 - 20-34 olds have a current unemployment rate of 11%
- Foreclosure – Mortgage holders who defaulted as a result of the recession have demonstrated that overall they are still a good credit risk

Source: Bureau of Labor Statistics, Federal Reserve



Mitigate your risk with quality credit and criminal screening

- Conduct a thorough screening including credit history and background check
- Use an online screening service for faster turnaround and comprehensive results to avoid keeping good prospects waiting
- When in doubt, consider the following:
 - Request a co-signer – tenants don't want to make things uncomfortable for family members or friends
 - Increase security deposit – a strong incentive for renter to demonstrate reliability
 - Require timely payments as part of the lease agreement

12



CreditRetriever is the enterprise solution for large multi housing family properties

- Proven scoring model aligned with industry best practices to deliver most qualified residents
- Credit screening and comprehensive criminal background check
- Reporting tools to help you with the following:
 - Track marketing decisions
 - Compare your company against others in the region
 - Analyze the effectiveness of property decisions to increase occupancy or lower bad debt
- Dedicated Account Specialist to identify issues and ensure your screening policies are being implemented consistently

13

©2011 TransUnion LLC All Rights Reserved

CONFIDENTIAL - FOR INTERNAL USE ONLY



SmartMove provides unmatched service and is easy to implement and use for small property managers

- Leasing recommendation (with guidance on security deposit)
 - Joint tenant recommendations
 - Same expert scoring model used by the multi-family housing industry
- Reformatted credit report
 - "Masked" social security number, date-of-birth, and account numbers to protect consumer's personal information
- National Criminal Background Check
 - Includes National Sex Offender database
 - OFAC (Office of Foreign Asset Control for terrorist information)
- Easy to use:
 - No membership required
 - Pay only when used with no set-up fee or monthly minimums
 - Choice of who pays for criminal and credit checks – landlord or tenant

14

©2011 TransUnion LLC All Rights Reserved

CONFIDENTIAL - FOR INTERNAL USE ONLY