ECONOMIC SNAPSHOT

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Lenders and Borrowers

Online Lending

Consumer demand for short-term, small-dollar loans has declined 63% since February 23 as consumers purposefully avoid taking on new debt during the current health and economic crisis. At the same time, lenders have tightened their credit underwriting models in light of the current economic environment. New customer accounts have decreased by 77% while approval rates for new customers have declined from 25% to 17% over the last several months.

**COVID Impact: 2020 Credit Market for New Customers**
(Index, Feb 23 = 100)

In 2019, loan demand dropped in early March but rose quickly in April and May as consumers gravitated towards safe and affordable short-term, small-dollar credit options. In 2019, lenders kept approval rates steady, and even tightened their underwriting standards in early April.
Loan Performance

MicroBilt has put together several graphs showing loan performance based on a sample of loans reported. “Good Loans” represent loans that have been paid in full. “Bad Loans” represents an aggregation of loans in collections, discharged, past due, or written off. “Bad Loans” have declined at a faster rate (90%) than “Good Loans” (55%) as lenders halt collection efforts to help consumers. Data for the last two weeks have been removed due to a lag in reported data.

Consumer Concerns

According to TransUnion, consumers are most worried about their ability to cover their credit card bills, utility bills, phone bills, and their rent payments during the current crisis. Of available options, consumers felt the least concern over personal loans.
Household Impact

A TransUnion report shows that “56% of Americans said their household income was negatively affected by the virus.” Of those that were not impacted yet, 8% said they will be impacted in the future; 15% was not sure; and 21% said no.

More than two-thirds of adults are concerned about their ability to pay their current bills or loans. More than half say they will be unable to pay their bills or loans in the near future.

- 66% of adults are concerned about paying their bills or loans.
- $1,030.70 is the average budget shortfall expected by adults impacted by COVID.
- 6.1 weeks is when the average adult impacted by COVID-19 will not be able to pay their bills or loans.

Nearly a majority of all consumers have reached out to companies to discuss payment options for bills and loans.
State Activity

State Legislative Sessions

COVID has substantially impacted state legislatures, interrupting some legislative sessions (i.e. Colorado, California, and New York) while other legislatures have adjourned sine die (i.e. Virginia, Florida, and Oregon). Conversely, some legislatures are in regular session (i.e. California, Ohio, and Colorado). MultiState’s legislative map below reveals the various impacts of COVID on state legislatures.
Social Distancing

State governments are reviewing and, in some cases, modifying their social distancing measures as they adapt to the unique challenges of COVID-19. The vast majority of states have eased social distancing measures, while others are taking a more cautious approach (source: Kaiser Family Foundation).

Stay at Home Orders

Many states are not only modifying their social distancing measures but easing their “stay at home orders.” About 20 states have lifted them altogether while a few states have rolled those orders back so that they only apply to high-risk groups (source: Kaiser Family Foundation).

Non-essential Business Closures

States are reviewing their “non-essential business closures.” Some states, like California and Florida, have begun allowing some non-essential businesses to reopen while others, like Iowa and Wisconsin, are allowing all non-essential businesses to reopen. Many of these businesses will have to operate under new laws or regulations aimed at reducing large gatherings (source: Kaiser Family Foundation).
Initial Unemployment Claims

The Department of Labor reported 2.1 million unemployment claims last week. Since the beginning of the economic quarantine, unemployment claims have totaled more than 40 million. Although numbers are still high, weekly unemployment claims are declining.

Unemployment Rate

The Department of Labor announced that the U.S. unemployment rate for April reached 14%. DOL obtains this information via a survey during mid-month, which is why the official unemployment rate for March appeared smaller than expected (i.e. the March survey caught only the beginning of the COVID impact).
Jobless Risk Index Map

Experian provides a state-by-state risk index map, which shows which states are most negatively impacted by COVID-19. The risk index is based on COVID-19 cases, the S&P 500 index, a volatility index, jobless claims, labor statistics, bank and credit union data, and population.

Regional Perceived Financial Impact

TransUnion’s regional perceived financial impact map shows that the number of individuals in states that have partially reopened claim less of a financial impact than those in states that have yet to reopen.