2024 The Year of Subprime Financial Offers for Affiliates

By LeadsMarket.com

INTRODUCTION

As we step into 2024, the financial landscape is undergoing a significant transformation, marked by shifting consumer behaviors and economic pressures. Amidst these changes, an opportunity emerges for affiliates in the financial sector, particularly within the realm of subprime financial offers. This white paper delves into the factors contributing to the growing importance of subprime offers, examining consumer trends, economic indicators, and the resulting opportunities for affiliates.

1. Changing Consumer Purchasing Power

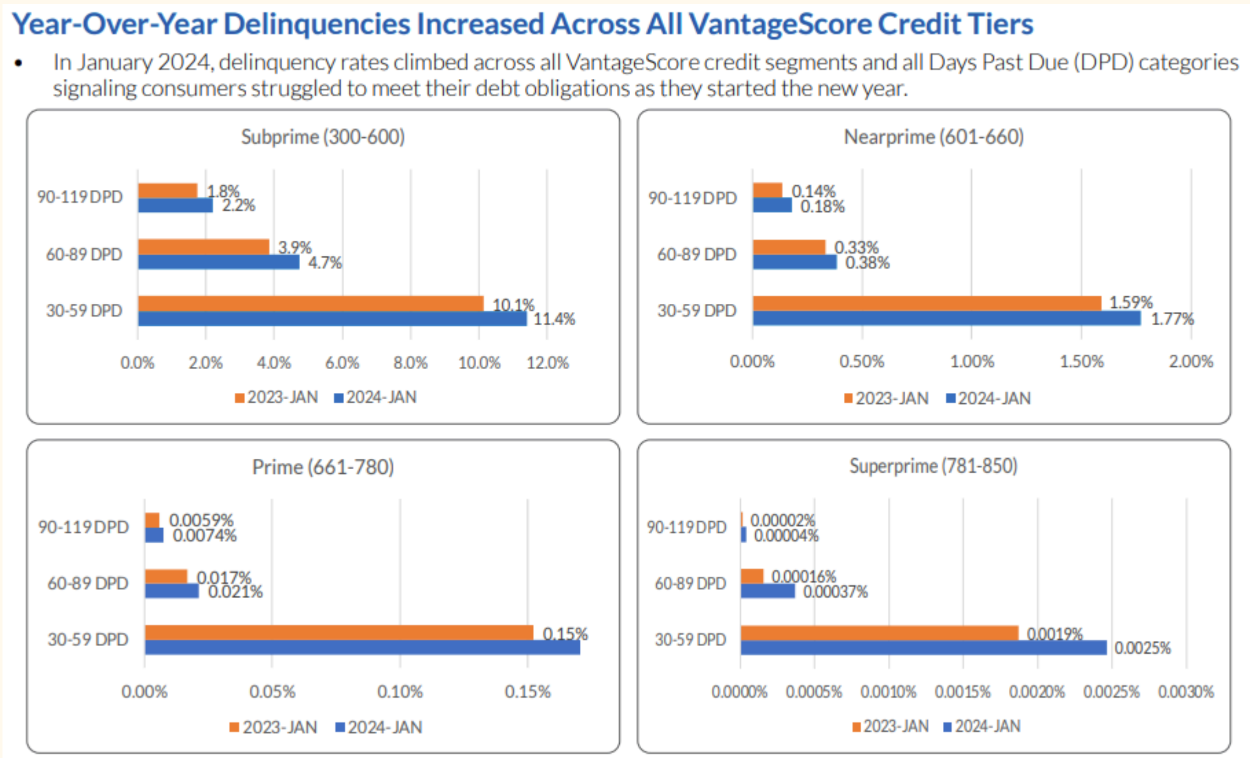
The Rise in Delinquencies

In an alarming development that underscores the economic challenges faced by many Americans, VantageScore reported a spike in consumer delinquencies in January 2024[1].

This surge, the highest in nearly four years, highlights the financial stress exerted by inflation and other economic pressures, leading to a significant number of consumers transitioning from Prime to Subprime credit status.

Borrowers across all credit products demonstrated a higher level of economic stress in January, in part a result of sustained inflation and moderately worsening employment levels.

The diagrams listed in this PDF are from the CreditGauge January 2024 report by VantageScore[2].



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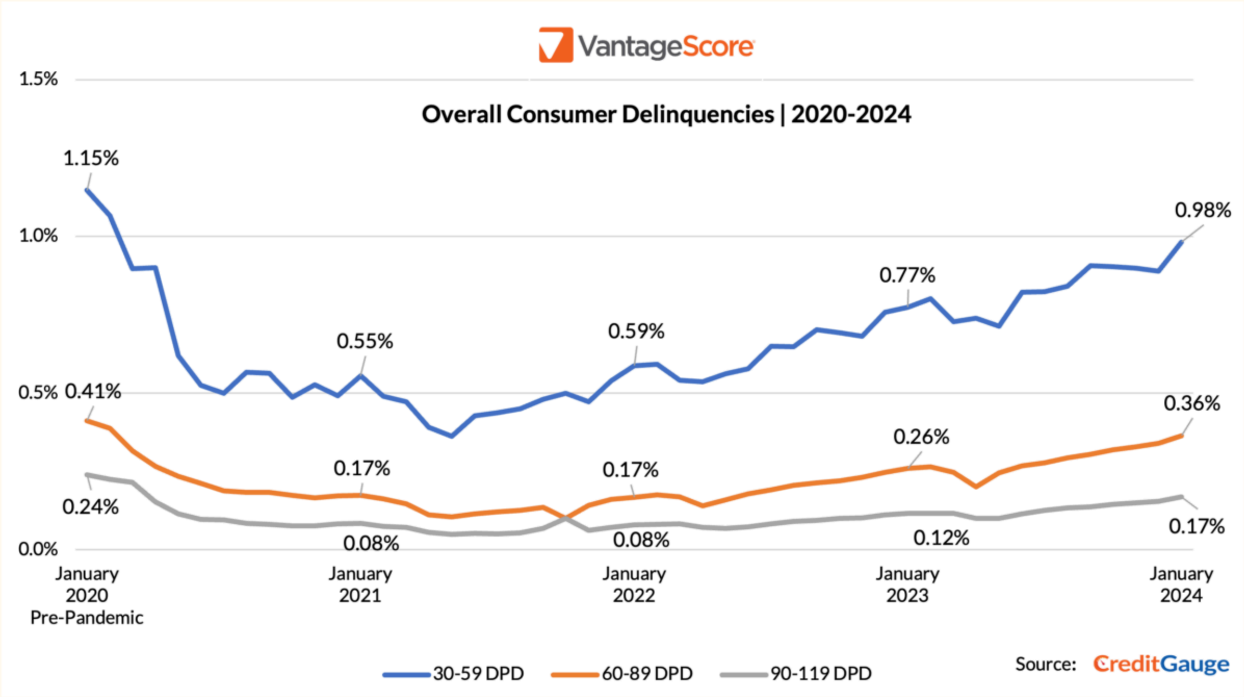
1 https://www.vantagescore.com/press_releases/vantagescore-creditgauge-january-2024-consumer-credit-delinquencies-climbed-in-january-as-more-consumers-dropped-to-vantagescore-subprime-credit-tier/

2 https://www.vantagescore.com/lenders/credit-gauge/

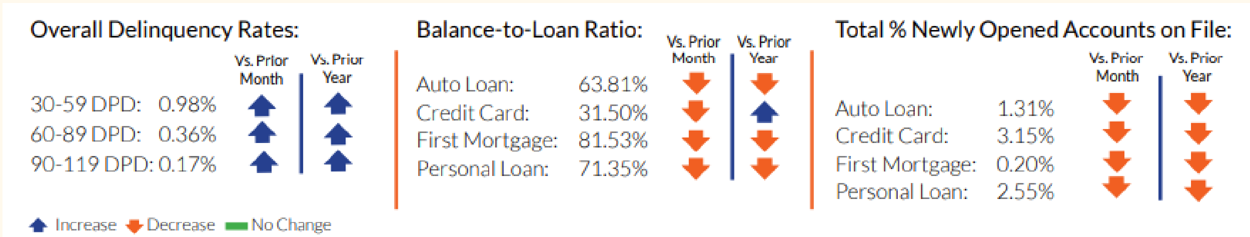
This shift not only affects the individuals' financial stability but also signals a broader economic adjustment to these stressors.



Delinquencies climbed across all credit tiers and products in January 2024 (Auto Loan, Credit Card, Mortgage, and Personal Loan). This increase in delinquencies was the second-largest monthly increase in the last four years to the highest level since February 2020.

"*Consumers are struggling with higher credit balances and falling behind on paying their bills, in part due to sustained inflation*," said Susan Fahy, Executive Vice President and Chief Digital Officer at VantageScore.

New account originations declined across all products in January 2024 compared to December 2023. New account originations also declined across all products year-over-year.



Impact of Inflation

Inflation has played a pivotal role in diminishing consumer purchasing power, with prices of goods and services rising at a pace that outstrips income growth for a significant portion of the population.

This discrepancy has forced many consumers to reassess their spending habits, prioritize essential expenses, and, in many cases, rely on credit to bridge their financial gaps, further exacerbating the delinquency rates.

2. Waning Consumer Confidence

Economic Outlook Concerns

February 2024 witnessed a notable decline in US consumer confidence, as reported by Bloomberg[3]. This downturn reflects a growing unease about the future of the economy, job security, and personal financial situations.

You can see the results of the University of Michigan U.S. consumer sentiment survey at http://www.sca.isr.umich.edu/

Consumer sentiment was down 2.7% from January 2024.

Such sentiment is a critical indicator of the economy's health, influencing not only individual spending decisions but also broader economic engagement, including investment and savings rates.

"The decline in consumer confidence in February interrupted a three-month rise, reflecting persistent uncertainty about the US economy," said Dana Peterson, Chief Economist at The Conference Board[4].

Peterson added: "February's write-in responses revealed that while overall inflation remained the main preoccupation of consumers, they are now a bit less concerned about food and gas prices, which have eased in recent months. But they are more concerned about the labor market situation and the US political environment."

[3] https://www.bloomberg.com/news/articles/2024-02-27/us-consumer-confidence-decreases-for-first-time-in-four-months

[4] https://www.conference-board.org/topics/consumer-confidence

Assessments of the present situation weakened in February, as consumers' views of both business conditions and the employment situation became less favorable. Furthermore, consumers' assessments of their financial situation (a measure not included in calculating the Present Situation Index) also weakened.

The monthly Consumer Confidence Survey®, based on an online sample, is conducted for The Conference Board by Toluna, a technology company that delivers real-time consumer insights and market research through its innovative technology, expertise, and panel of over 36 million consumers. The cutoff date for the preliminary results was February 19. Below are some highlights of this survey[5]:

Consumers' assessment of current business conditions fell slightly in February.

- 21.2% of consumers said business conditions were "good," down slightly from 21.3% in January.
- 17.1% said business conditions were "bad," up from 15.3%.

Consumers' appraisal of the labor market was also less positive in February.

- 41.3% of consumers said jobs were "plentiful," down from 42.7% in January.
- 13.5% of consumers said jobs were "hard to get," up from 11.0%.

Expectations Six Months Hence

Consumers were, on balance, more pessimistic about the short-term business conditions outlook in February.

- 14.8% of consumers expect business conditions to improve, down from 16.7% in January.
- 15.5% expect business conditions to worsen, down from 16.0%.

Consumers' assessment of the short-term labor market outlook was more pessimistic in February.

- 14.7% of consumers expect more jobs to be available, down from 15.6% in January.
- 17.3% anticipate fewer jobs, up from 16.7%.

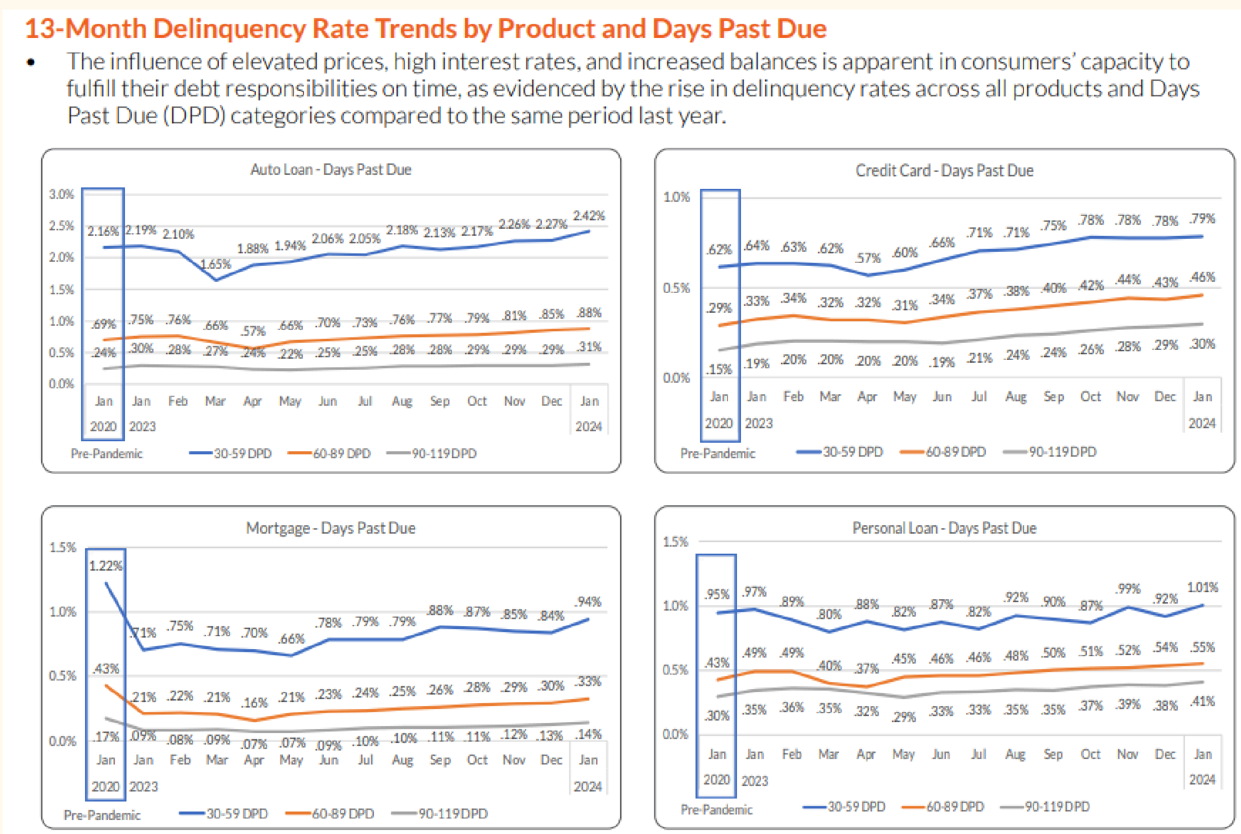
[5] https://www.conference-board.org/data/datadetail.cfm?dataid=consumerconf

Assessment of Family Finances and Recession Risk

- Consumers' assessment of their Family's Current Financial Situation was less positive in February.
- Consumers were a bit less optimistic about their Family's Financial Situation going forward.
- Consumers' Perceived Likelihood of a US Recession over the Next 12 Months ticked up in February.

The Psychological Impact

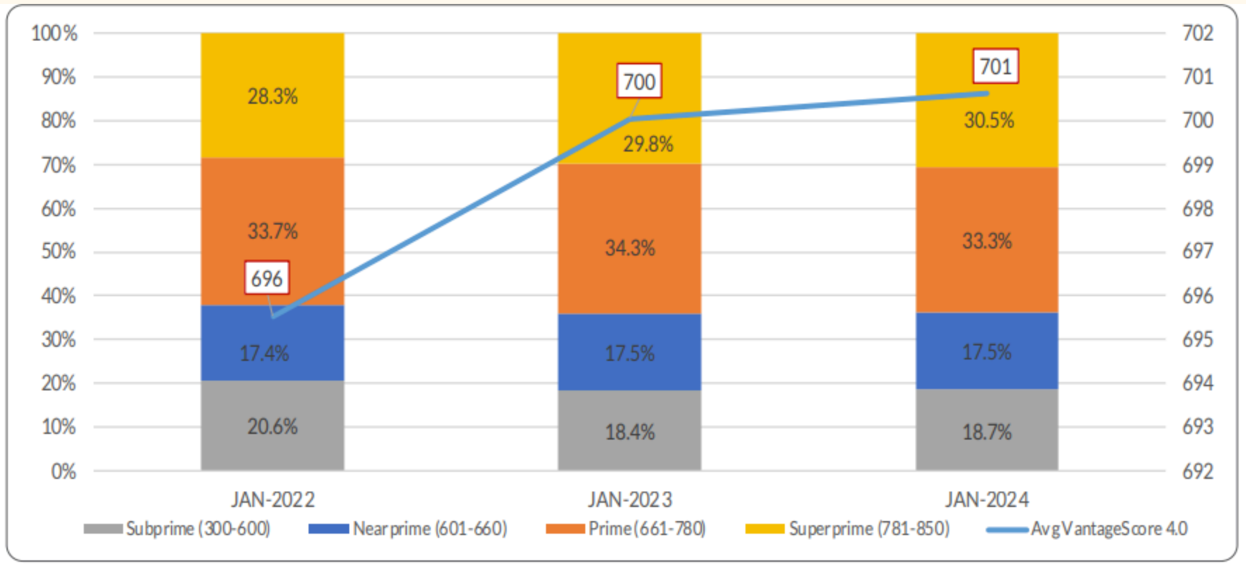
The decline in consumer confidence is not just a numeric indicator; it represents a tangible shift in public sentiment, affecting everything from market trends to policy decisions. As consumers grow more cautious, their reduced spending can lead to a self-perpetuating cycle of economic slowdown, potentially impacting job markets and, by extension, further dampening consumer confidence.



3. Opportunities in the Subprime Market

Expanding the Affiliate Market

The growing subprime consumer segment presents an opportunity for affiliates. With traditional financial institutions often hesitant to serve these consumers, affiliates have a unique opportunity to bridge the gap, connecting potential borrowers with lenders that offer subprime personal loans.



Benefits of Affiliate Programs

Platforms like [LeadsMarket.com]() provide affiliates with comprehensive tools and resources designed to target the subprime market effectively. These programs offer competitive commissions, detailed tracking, and support, enabling affiliates to capitalize on this burgeoning market segment.

Moreover, by promoting subprime offers, affiliates not only stand to gain financially but also contribute to financial inclusivity, assisting consumers in navigating their economic challenges.

Conclusion

The economic shifts of 2024 have undeniably paved the way for a reevaluation of subprime financial offers, positioning them as a crucial element of the financial ecosystem.

For affiliates, this represents a fertile ground for growth, innovation, and profitability.

By understanding the broader economic trends and leveraging specialized affiliate programs, they can effectively connect with a growing demographic in need of financial solutions.

The year 2024 is not just a period of challenges but a horizon of opportunities for those ready to navigate the complexities of the subprime financial market.