

TO: Distribution
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Background

This represents the latest monthly summary and analysis of the major indices of consumer confidence, both current and future.

Please feel free to share this information with your issuer and merchant clients.

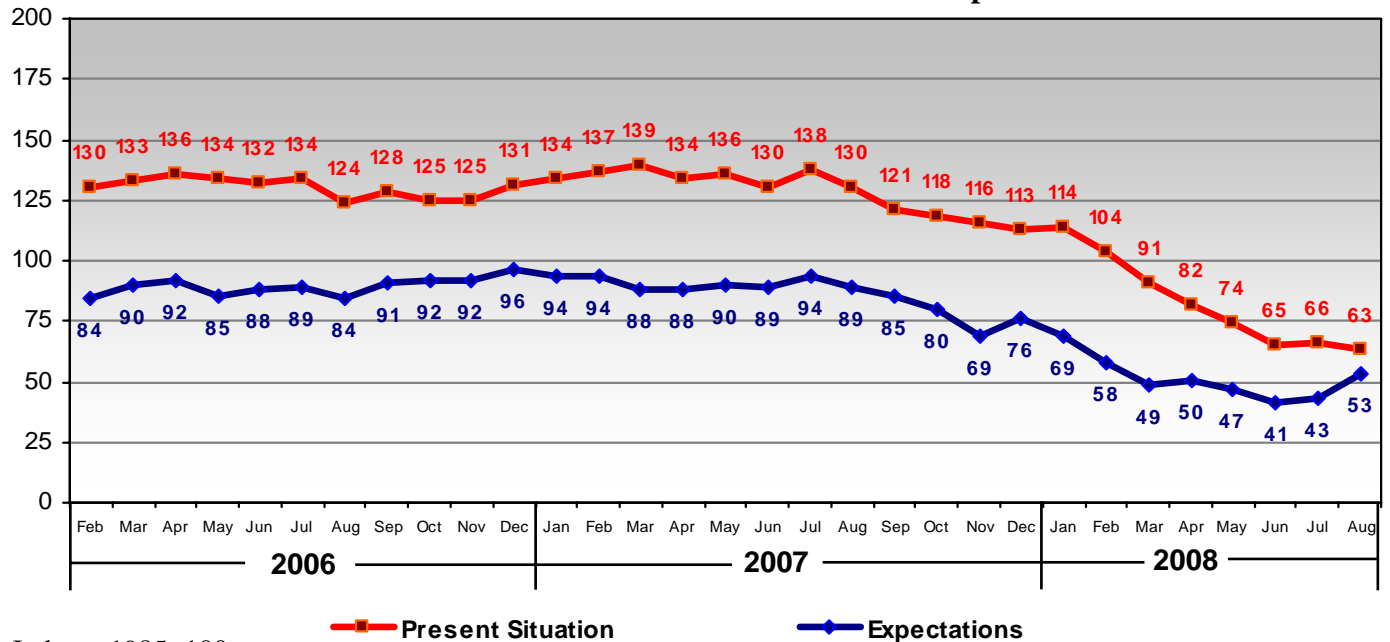
Summary

- Consumer confidence rose for the second consecutive month driven by gains in future expectations confidence.
- Business conditions also registered notable gains.
- Consumers are shifting their prioritization of debt repayment to focus on those debts related to secured assets.

Findings

Consumer confidence rose modestly for the second consecutive month driven by a sharp rise in future expectations confidence. While consumers remain pessimistic on current conditions, represented by a drop of three points in present expectations confidence, future expectations confidence rose 10 points, the largest jump in three years. This may be the beginning of a pattern that is the 180 degree opposite of that a year ago when consumers were not confident about the future while feeling their present condition was OK. Now the present conditions are bleak but the future holds some promise for improvement.

Consumer Confidence—Present Situation and Expectations

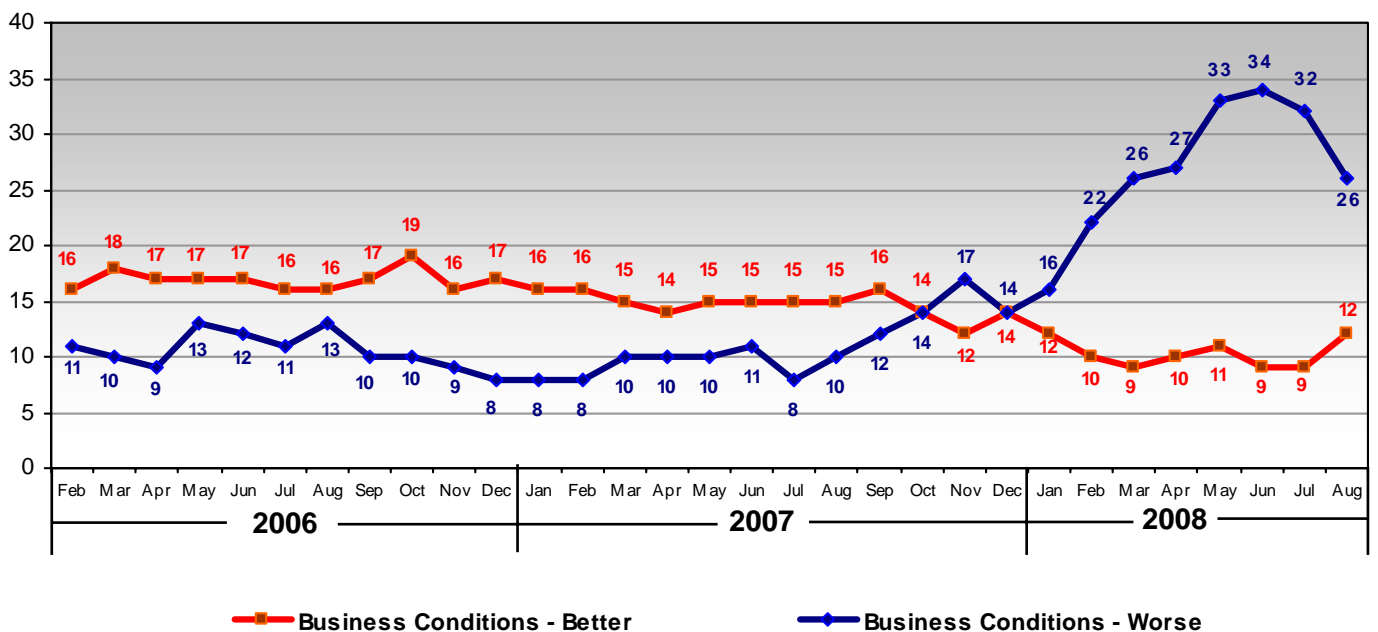


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Source: Conference Board—Consumer Confidence Survey

The business conditions measure also rose for the second consecutive month. Those who felt conditions would improve rose three points, and the percentage who felt conditions would worsen fell six points. This places the net position at -14, poor, but the best showing in six months.

Business Conditions—Next Six Months



Source: Conference Board—Consumer Confidence Survey

In the current economic environment one major concern among issuers is the likelihood that their customers may not repay credit card debt. In fact, any entity that makes loans today is concerned about repayment. One key question that lenders have today is where does their loan type fall among all loan types in consumers likelihood to pay. In other words, faced with numerous loan types held, which ones will the borrower most likely strive to keep current.

The table below shows that there have been some shifts by consumers since 2006. As in 2006 mortgage debt expectedly remains the number one most important obligation to pay. However, there has been a shift in other loan types. Today, the second most important loan type to keep current is the car loan (up from fifth position in 2006), and the primary credit card, which was second in 2006, has fallen to fourth position today. Repayment of other credit cards remain in eighth position.

Importance to Repay Loans

Loan Type	Mean Rating*			
	June 2006	2006 Priority	June 2008	2008 Priority
Mortgage	2.6	1	2.6	1
Car (or other vehicle) Loan	5.1	5	4.2	2
Home Equity Loan	4.8	4	4.7	3
Most Frequently Used Credit Card	4.5	2	5.0	4
Home Equity Line of Credit	5.7	7	5.3	5
Personal Loan	4.8	3	5.4	6
Personal Line of Credit	5.4	6	5.9	7
Secondary Credit Card (not the most frequently used)	6.1	8	6.8	8
Private-label (merchant-specific) Credit Card	7.3	9	7.3	9
Student Loan	8.0	10	7.4	10

* Scale of 1-10 where "1" being first loan and "10" the last loan would pay

Source: Cardbeat June 2008

The current data show that consumers have become more protective of commitments that involve secured property (home and/or car) and less likely to be as protective of unsecured loan types. In other words, there is more interest in protecting property than protecting credit scores among consumers today.