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LEXISNEXIS RISK SCORE FOR SUBPRIMES

The largest untapped market for new credit card customers in the United States are the 50 million consumers with inadequate credit-bureau data to generate a desirable FICO score. They are immigrants, young adults, people who were recently widowed or divorced, and consumers who rely on cash. Only about 50% of them have credit cards compared with 90% saturation among the prime and high-prime consumers. But in order to approve them, issuers must have some method for evaluating their risk. LexisNexis has developed an alternative score called RiskView that complies with the Fair Credit Reporting Act. RiskView is based on the LexisNexis database of over 300 million individuals (including deceased) drawn from public records and other sources it describes as nontraditional. Scores range from 250 to 999, and they describe the likelihood that an account will become seriously delinquent within the first two years of activation. The higher the score, the lower the credit risk.

Issuers provide LexisNexis with data generated by credit card applications. LexisNexis can then verify individual pieces of data on the application, validate that they are connected to the same individual, and then authenticate the individual using pieces of information such as address history, utility payments, and audits. Providing a RiskView score is an additional step. Costs are assessed on a transactional basis. Tom Brown is VP of Financial Services Solutions at LexisNexis in Boca Raton, Florida, (561) 999-4422, thomas.brown@lexisnexis.com.

RiskView Scores & Risk Assessment

Sample Results Based on 249,368 Prospects

Score	Prospects	Bad	Bad Rate	Odds Ratio
501-540	1,170	506	43.2%	1.3:1
541-580	6,168	1,836	29.8%	2.4:1
581-620	20,748	4,535	21.9%	3.6:1
621-660	33,957	3,986	11.7%	7.5:1
661-700	31,426	1,959	6.2%	15.0:1
701-740	41,950	1,561	3.7%	25.9:1
741-780	60,267	1,206	2.0%	49.0:1
781-820	41,082	312	0.8%	130.7:1
821-860	11,709	71	0.6%	163.9:1
861-900	891	3	0.3%	296.0:1
Total	249,368	15,975	6.4%	14.6:1

SOURCE: LexisNexis Risk Management

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