



Capture the growth potential of a market in motion.
Discover key insights into the underbanked market.

The Population Dynamics and Credit Quality of the Underbanked Market

Study Results by LexisNexis®

The nine key characteristics of the underbanked market

LexisNexis® conducted two research studies aimed at quantifying and understanding the credit performance of the underbanked population. The results revealed large, untapped segments that are favorable for expanding your lending universe.

Q: Who makes up the underbanked population?

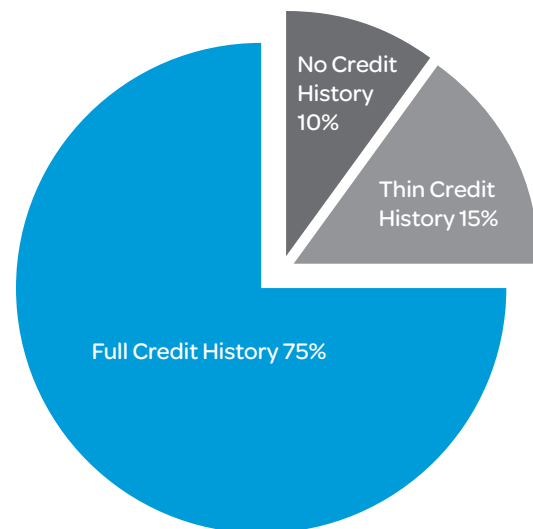
A: LexisNexis can show you.

Over the past 10+ years, lenders have competed for the same set of customers covered by traditional data sources, resulting in saturated markets and eroding profit margins. But now we know that about 25 percent of U.S. adults (as many as 70 million individuals*) aren't covered by traditional credit scoring because they can't be accurately evaluated due to a lack of credit information. These thin-file and no-file populations have been overlooked for lending opportunities simply due to a lack of credit history and could potentially be very profitable customers. Lenders are actively seeking these underbanked populations as a source of continued growth.

*Source: Schneider, Rachel and Arjan Schütte. The Predictive Value of Alternative Credit Scores, The Center for Financial Services Innovation, November 2007.

"Thin-file and no-file Americans, traditionally marginalized or shut out of the credit system due to lack of information about their credit histories, are now in an unusual role. They are suddenly sought after..."

– Collections & Credit Risk



Source: Nielsen Report #868, November 2006.

Q: What is the size of the underbanked population?

A: Estimates for the size of the underbanked population vary from 35 million to 70 million.

- Experian estimates 35 million adults are not credit active.*
- Fair Isaac estimates 54 million adults have insufficient credit history to be scored.*
- The National Credit Reporting Association estimates there are 70 million adults with no credit history or with understated credit scores based on lack of history.*

LexisNexis has active data files on:

- ~37 million individuals with no credit history.
- Additional ~35 million individuals with credit history less than 18 months old.

*Source: Jacob, Katy and Rachel Schneider. Market Interest in Alternative Data Services and Credit Scoring, The Center for Financial Services Innovation, December 2006.



“With more than 40 million American households that don’t use banks or credit unions for their day-to-day financial transactions—amounting to \$1.1 trillion in buying power—helping the underbanked establish traditional accounts has long been in the interest of the financial sector.”

– David Munns
blogs.creditcards.com/davidm



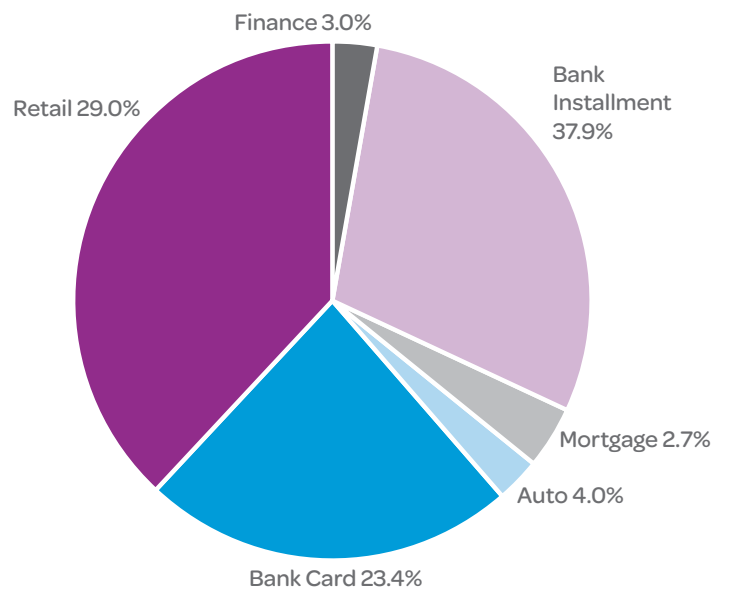
Q: Is the underbanked population constantly fluctuating?

A: Yes.

LexisNexis has identified that each month there are approximately 1.7 million new underbanked consumers and approximately 700,000 existing underbanked consumers that have moved into the traditional credit universe—making the underbanked population highly dynamic.

Q: What credit trade lines are the first opened by the underbanked population?

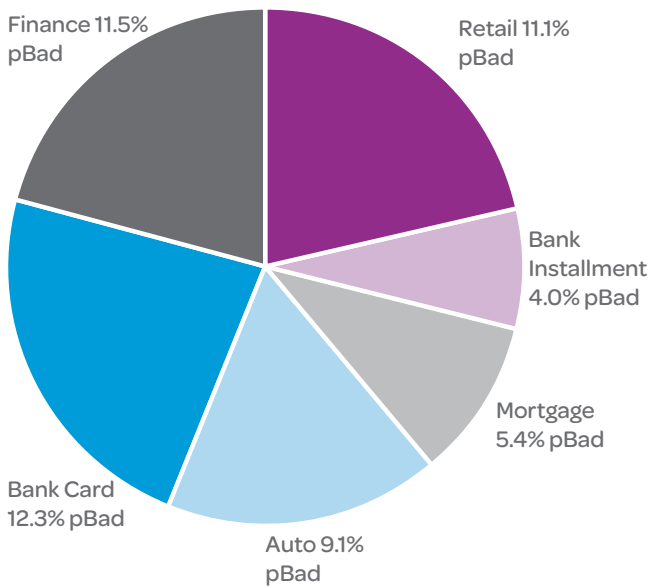
A: Bank installment, retail card, bank card and auto, respectively.



Q: Do the first opened credit trade lines of the underbanked population perform differently?

A: Yes.

Our studies show that bank and retail cards have higher loss rates.



Data indicates the loss rate of the first trade opened for accounts with at least 18 months of seasoning. Overall bad rate of 8.5%.

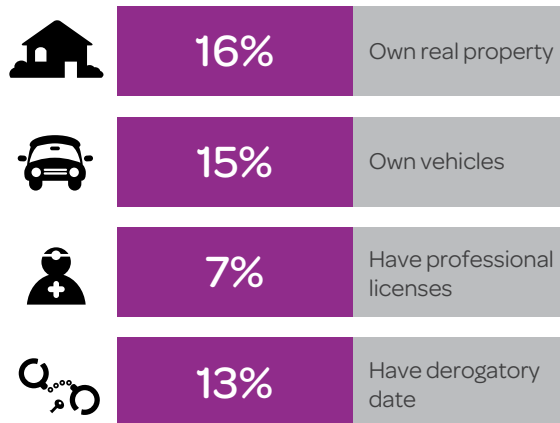
Q: What behavioral attributes can be used to predict creditworthiness?

A: Address change, asset change, derogatory public records, occupational and business records, and transient person attributes.

- Home owners perform better than renters.
- Voters are lower risk.
- Professional license holders are lower risk.
- High-end housing dwellers are lower risk.
- Bankruptcy poses a high risk.
- Disconnected phones are a high risk.
- Unreleased liens pose the highest risk.
- Felony convictions pose the second highest risk.

Q: What are some characteristics of scoreable no-file consumers?

A: Characteristics of the 24 million no-file consumers include:



Q: How many creditworthy no-file and thin-file consumers can potentially meet my pre-screen criteria?

A: 29.5 million.

LexisNexis can score approximately 29.5 million possible no-file and thin-file customers who have a credit quality of an "A," "B" or "C." You can determine the risk that makes most sense to your organization.

Q: What solution can help me identify creditworthy consumers within the underbanked population?

A: LexisNexis® RiskView™.

The underbanked population represents an untapped opportunity to expand your lending universe. Call 866.858.7246 to find out more about credit risk management solutions from LexisNexis.

Credit Quality	No-File Pre-Screen Credit Quality			Thin-File Pre-Screen Credit Quality		
	RiskView Score	Bad Rate	Names Available	RiskView Score	Bad Rate	Names Available
Credit Quality "D"	501-600	19.9%	7,397,600	501-600	27.5%	4,608,600
Credit Quality "C"	601-620	14.3%	8,774,300	601-620	15.4%	5,973,600
Credit Quality "B"	621-640	9.1%	5,543,600	621-640	9.1%	5,345,300
Credit Quality "A"	641+	4.1%	2,275,400	641+	3.8%	1,615,800
Credit Quality "A-C" Total			16,593,300			12,934,700

Q: How can I identify creditworthy individuals in underbanked populations?

A: RiskView.

Approve more loans. Look beyond traditional credit scores. Create new revenue opportunities.

LexisNexis® RiskView™ is a powerful model-driven risk assessment score that predicts creditworthiness utilizing alternative data sources. Confidently approve more loans for consumers with little or no credit history and improve risk stratification across all scoring segments. Let us show you how RiskView and non-traditional data can help you make better credit risk decisions.

For more information:

Call 866.858.7246 or visit
lexisnexis.com/risk/credit-risk-management

About LexisNexis Risk Solutions

LexisNexis Risk Solutions (www.lexisnexis.com/risk) is a leader in providing essential information that helps customers across all industries and government predict, assess and manage risk. Combining cutting-edge technology, unique data and advanced scoring analytics, we provide products and services that address evolving client needs in the risk sector while upholding the highest standards of security and privacy. LexisNexis Risk Solutions is part of Reed Elsevier, a leading publisher and information provider that serves customers in more than 100 countries with more than 30,000 employees worldwide.



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