LexisNexis

ALTERNATIVE CREDIT DECISION TOOLS— STUDY OF AUTO AND CREDIT CARD LENDING

Alternative Credit Decisioning Tools (ACDTs) leverage consumer information that does not appear on credit bureau reports to predict creditworthiness, including public record information such as property values, professional licenses, and other consumer data.
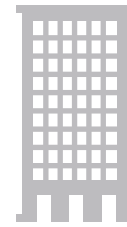
$3.6 Billion

would be generated using ACDT tools for just 2 industries — credit card issuers and auto lenders in 2012

$1.9B

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$1.7B

"Increased approvals of this group (thin and no-file customers) from about 8% of booked loans to close to 15%."

large auto lender

CONSUMERS ARE COMFORTABLE WITH ALTERNATIVE CREDIT FACTORS

nearly **9** out of **10** applicants for loans or credit cards provide non-traditional information

3 out of **5** consumers believe lenders rely on traditional and alternative factors to calculate credit score

UNDERBANKED[1] CONSUMERS THAT COULD BENEFIT FROM ACDT

Underbanked consumers represent a segment that seeks credit at a higher rate than the general population, however they are more difficult to evaluate through traditional methods and encounter greater obstacles obtaining credit than other consumers.

apply for more credit cards*

44%
underbanked

33%
all consumers
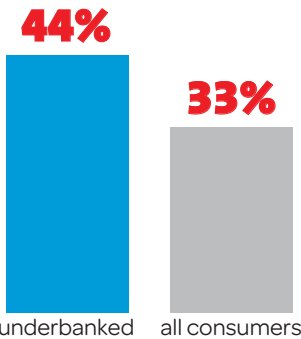
find the loan process more difficult

29%
underbanked

18%
all consumers
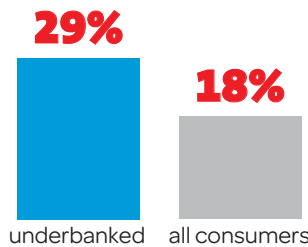
are asked to provide more information during the underwriting process*

underbanked **6**

all consumers **3**

number of information items

*applied for a credit card within the past 12 months

* such as duration at current job, pay stubs, bank statements, etc.

[1]The Federal Deposit Insurance Corporation (FDIC) classifies consumers as underbanked if they hold a checking or savings account and have also gone outside the traditional banking system to use an alternative financial service (AFS) at least once in a 12-month period.

This study was conducted for LexisNexis by Javelin Strategy & Research to explore lender, consumer and regulator attitudes on the use of alternative credit decisioning tools to evaluate consumer creditworthiness.