1. Research background:

Alternative credit data drives meaningful business impacts

Financial institutions are increasingly aware of the competitive advantages presented by alternative data across the credit lifecycle.

Financial institutions include banks, credit unions, non-bank lenders, and FinTechs.

Most FIs use third-party sources to update customer data weekly, but few leverage leading providers in the space — and evolving industry knowledge will likely help encourage more widespread utilization across a wider range of business cases in the next phases of alternative credit data use.

LexisNexis Risk Solutions helps lenders improve their ability to evaluate and say “yes” to more applicants by leveraging industry leading alternative data sets to provide a more complete picture of the consumer.

While some pain points still exist in alternative credit data adoption, trust issues have been addressed by the leading providers in the space — and evolving industry knowledge and best practices help encourage more widespread adoption across a wider range of business cases in the next phases of alternative credit data use.

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Find out more at risk.lexisnexis.com/creditimpact

Alternative Credit Data Impact Report

A study of the adoption, utilization and impacts of alternative data

Key drivers of alternative credit data

While a majority of financial institutions perceive themselves as fast followers, a significant portion identify as adoption leaders — specifically banks with portfolios exceeding $1B.

Financial inclusion, increased risk visibility and improved segmentation drive adoption of alternative credit data.

Improved adoption of alternative data

Top business drivers for advantage of using alternative data

62% of FIs leverage alternative credit data of 75% or more applications, with over half of lenders now using these signals on prime applicants.

Use of alternative credit data by customer credit segment

Enriching evaluations to fine-tune offer strategies at account opening or during account life is a fast-growing application of alternative data.

Alternative credit data drives meaningful business impacts

Financial institutions are increasingly aware of the competitive advantages presented by alternative data across the credit lifecycle.

Top business drivers for adoption of alternative data

• Improved pricing strategy
• Financial inclusion

Impact of alternative data on revenue growth

Impact of alternative data on reported revenue

22% reported over 25% increases over 50%

44% ranked ability to reach previously underserved markets as the top advantage of using alternative data

To actively reveal opportunities and better evaluate risk when engaging with underserved consumer segments.

Alternative data satisfaction is high but challenges remain

Many financial institutions see the value of alternative data for credit, and marketing, though there are barriers to widespread adoption.

44% of respondents use alternative credit data in prime and prime prospects and customers.

68% of respondents use alternative credit data in near-prime consumers and customers.

61% of credit unions said compliance concerns around specific alternative data types are a primary barrier.

Compliance concerns around specific alternative data types

Outsourced data management systems and poor data quality

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About LexisNexis

LexisNexis® Risk Solutions helps lenders improve their ability to evaluate and say “yes” to more applicants by leveraging industry leading alternative data sets to provide a more complete picture of the consumer. For more information, please visit www.risk.lexisnexis.com and www.relx.com.

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