

A NEW LENS ON CREDIT ASSESSMENT Driving responsible portfolio growth through financial inclusion

200% of U.S. consumers have little to no credit footprint<sup>1</sup>

**Traditional credit data may not give a detailed-enough picture** to assess risk for consumers with little to no information in their credit file.

The traditionally unscorable consumer population (including 25 M credit invisible or no-file consumers and 28 M thin file consumers) equates to **the total population of the top 50 largest U.S. cities combined**<sup>2</sup>





Gen Z Millennial Gen X Baby Boomers

**Credit invisibles are a diversified group.** They are property owners, immigrants, and widowers — all with varying degrees of education.<sup>1</sup>

## Disproportionate representation<sup>1</sup>

African American and Hispanic populations have a substantially lower rate of credit visibility using traditional credit scores.



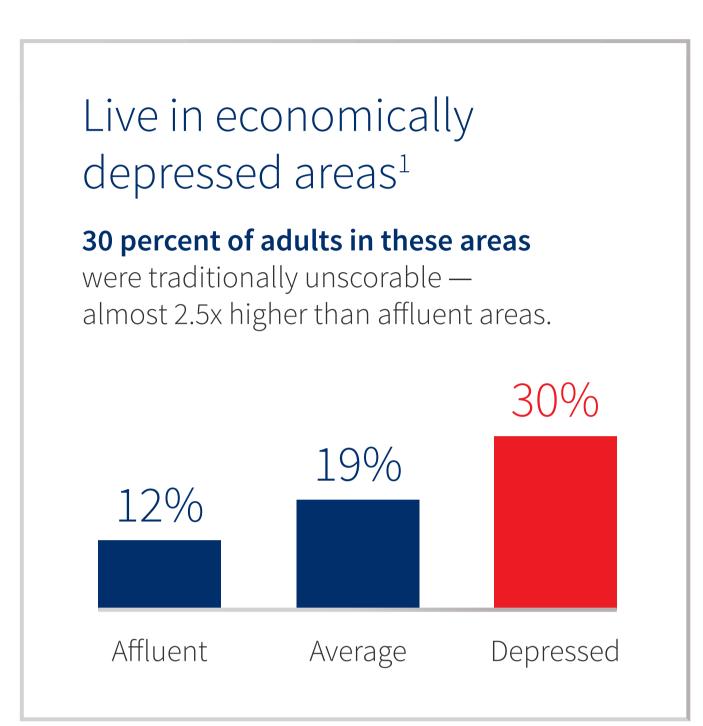
**32%** of African Americans and

**27%** of Hispanics are traditionally unscorable

## Found in rural and urban areas<sup>3,4</sup>



**Highest proportional incidence is found in rural areas,** while over two-thirds of credit invisible adults (25 and older) reside in metropolitan areas.



## Data and analytics can fix the credit cycle dilemma.

A broad universe of insights exists which strongly predict the willingness, ability and stability of a consumer to borrow responsibly.



### **CHALLENGES:**

#### **OPPORTUNITIES:**





Nearly 50% of lenders have lost confidence in traditional credit data scores (11% far less confident, 37% somewhat less)<sup>5</sup>



**Hispanics (82%) and African Americans (81%)** especially want another way to prove themselves with other data outside the standard credit score<sup>6</sup>



#### Lack of visibility

At the heart of the pandemic shutdown (July 2020), **nearly 1 in 4 applicants** couldn't be assessed with traditional scoring data<sup>1</sup>



#### **Better visibility**

With our proprietary alternative credit scores, LexisNexis<sup>®</sup> Risk Solutions could still score **more than 95% of applicants** throughout 2020<sup>7</sup>



#### Lack of reliability

Even with record-high unemployment, individuals aren't showing typical signs of distress due to forbearance. Data points, like delinquencies, are often used to assess creditworthiness. **The lack of reporting can leave blind spots in traditional credit scores.** 



#### **Higher activity**

This year, we saw **35% YOY (Jan. 2020 to 2021) increase** of traditionally unscorable consumers seeking financial services — a large, young population that may include high lifetime value customers for your institution<sup>8</sup>



### SEEING AND SCORING CREDITWORTHY INDIVIDUALS ACROSS THE CREDIT SPECTRUM

**Traditional credit data may overlook or not capture the full perspective of many consumers.** The pandemic revealed a need for lenders to obtain a more robust view of consumers' positive credit indicators. Alternative data can score nearly every applicant with a strong degree of predictive strength — that's essential to evaluating their creditworthiness and fostering financial inclusion.

## BY LEVERAGING ALTERNATIVE DATA, YOU CAN $\dots^1$

Say **"yes**" with confidence to more consumers:



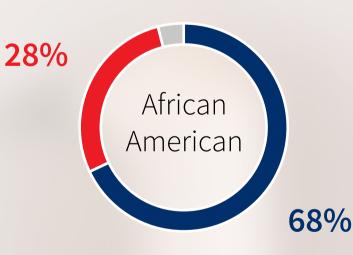
**Up to 25%** of credit invisibles may qualify for prime or near-prime products



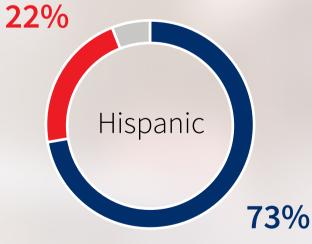
**30 to 40%** of traditional near-prime can be also upgraded to approvable<sup>9</sup>

# **Secure higher approval rates** — while managing default risk — for historically underserved communities:

28-point percentage increase in scoring for African Americans, leading to a 33% increase in approval rates, **with only a 0.7% increase in default rate** 



22-point percentage increase in scoring for Hispanics, leading to a 20% increase in approval rates, **with only a 0.3% increase in default rate** 



Traditionally Scorable

Incremental LexisNexis® RiskView<sup>™</sup> Scorable Credit Invisible

Empowering these communities through financial inclusion can change lives and create new business opportunities. **And it's powered by alternative data.** 



Underserved consumers are often forgotten as potential growth opportunities. Using alternative data from LexisNexis<sup>®</sup> Risk Solutions, you can:

Assess nearly every credit invisible applicant

Use non-tradeline credit data to better understand their credit stability and ability to pay

Sign up new creditworthy customers while managing credit risk standards

# Learn more about our approach to alternative credit scores and our commitment to financial inclusion by visiting risk.lexisnexis.com/creditrisk



#### About LexisNexis<sup>®</sup> Risk Solutions

LexisNexis Risk Solutions harnesses the power of data and advanced analytics to provide insights that help businesses and governmental entities reduce risk and improve decisions to benefit people around the globe. We provide data and technology solutions for a wide range of industries including insurance, financial services, healthcare and government. Headquartered in metro Atlanta, Georgia, we have offices throughout the world and are part of RELX (LSE: REL/NYSE: RELX), a global provider of information-based analytics and decision tools for professional and business customers. For more information, please visit www.risk.lexisnexis.com and www.relx.com.

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