LexisNexis® RISK SOLUTIONS

A NEW LENS ON CREDIT ASSESSMENT

Driving responsible portfolio growth through financial inclusion

20%
of U.S. consumers have little to no credit footprint[1]

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[2]**

A CLOSER LOOK AT TRADITIONALLY UNSCORABLE CONSUMERS
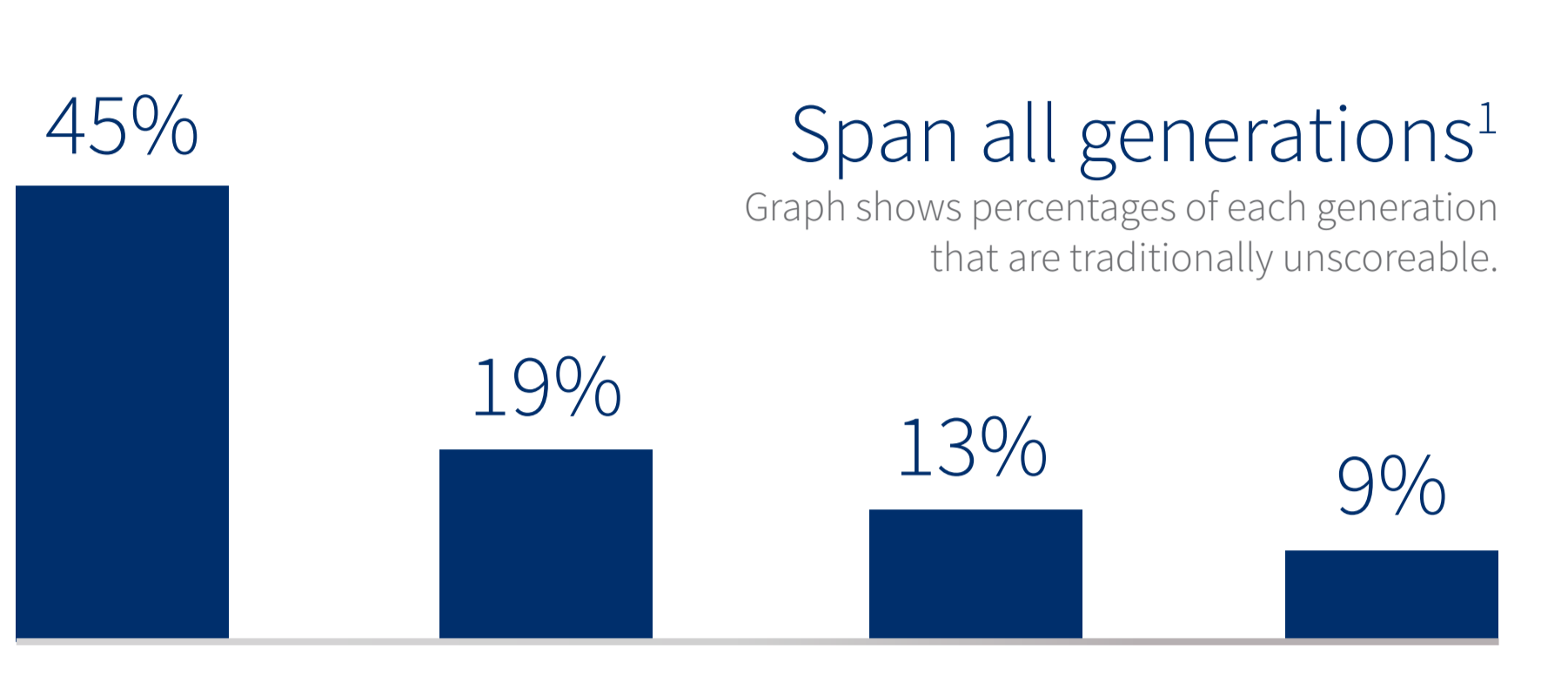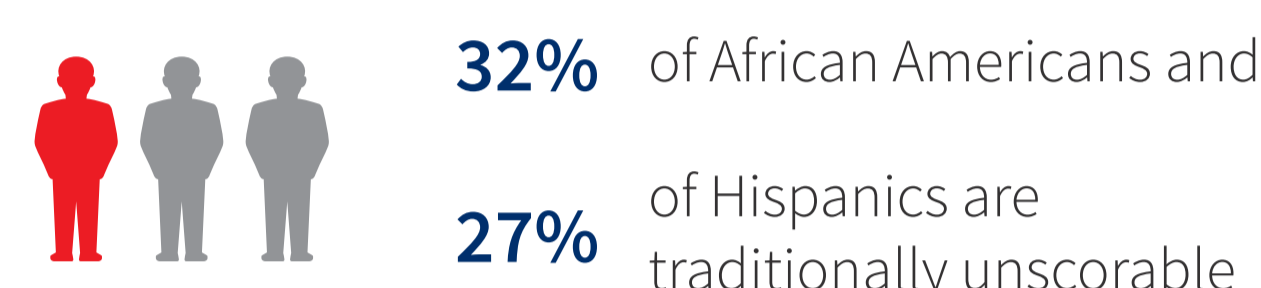
Span all generations[1]
Graph shows percentages of each generation that are traditionally unscorable.

Gen Z	Millennial	Gen X	Baby Boomers
45%	19%	13%	9%

Credit invisibles are a diversified group. They are property owners, immigrants, and widowers — all with varying degrees of education.[1]

Disproportionate representation[1]

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[3,4]

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

Live in economically depressed areas[1]

30 percent of adults in these areas were traditionally unscorable — almost 2.5x higher than affluent areas.

Affluent	Average	Depressed
12%	19%	30%
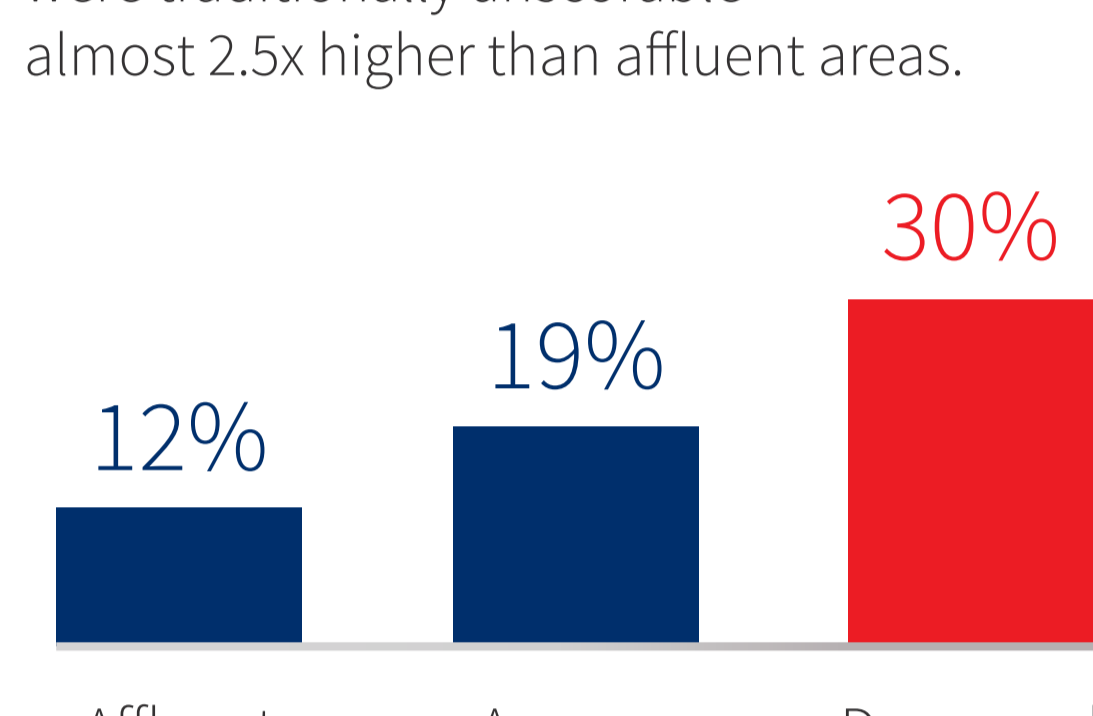
Data and analytics can fix the credit cycle dilemma.
A broad universe of insights exists which strongly predict the willingness, ability and stability of a consumer to borrow responsibly.

CHALLENGES AND OPPORTUNITIES OF THE PANDEMIC

Gaps in information may be found in traditional credit data. Forbearance programs and payment deferrals may have expanded those gaps — clouding lender visibility into consumer credit worthiness. **But with these challenges comes great opportunity.**
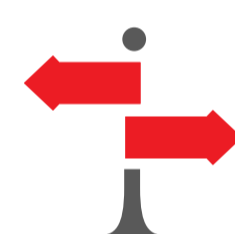
CHALLENGES:

Lack of confidence
Nearly 50% of lenders have lost confidence in traditional credit data scores (11% far less confident, 37% somewhat less)[5]

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[7]

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.**

OPPORTUNITIES:

Open to new avenues
Hispanics (82%) and African Americans (81%) especially want another way to prove themselves with other data outside the standard credit score[6]
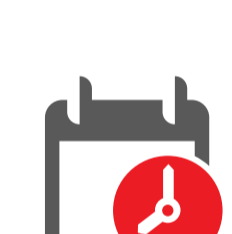
Better visibility
With our proprietary alternative credit scores, LexisNexis® Risk Solutions could still score more than 95% of applicants throughout 2020[7]

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[8]

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 …[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[3]

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**

African American: 28% / 68%

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**

Hispanic: 22% / 73%
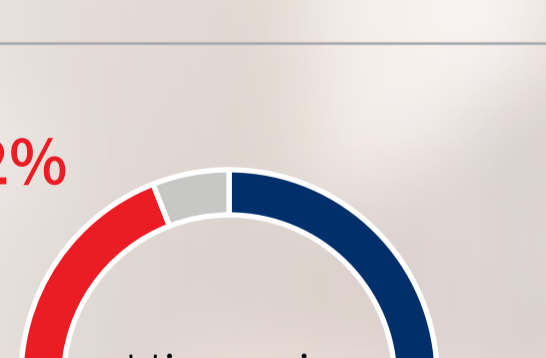
● Traditionally Scorable
● Incremental LexisNexis® RiskView™ Scorable
● Credit invisible

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® 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

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