



Case Study

How to blow past the status quo in credit risk analytics and craft predictive, market-defining strategies

A boutique credit risk advisory firm shares how it doubled down on its data and analytic speed in one simple move.



At a glance

Big data, advanced analytics, and machine learning techniques have forever changed the credit risk decision-making landscape, drastically improving the precision, predictiveness, and inclusiveness of consumer credit risk models. There's one problem — many financial institutions are still playing catch-up because they lack the right data and analytic expertise, resources, and strategies.

This begins the story of the credit risk advisory firm 2nd Order Solutions (2OS) and how its partnership with Equifax is sparking market-defining innovation by bringing next-generation data analytics, modeling techniques, and decisioning strategies to the financial industry... one bank, lender, and Fintech start-up at a time.



The situation

Committed to modernizing credit risk decisions for all financial institutions.

2OS was created in 2008 by a former Senior Credit Officer from a top 10 bank to help address the need for more advanced analytic and modeling solutions in credit risk. And not just in the origination and underwriting processes, but across the entire credit lifecycle, including things like customer acquisition and management, adjusting credit limits, fraud mitigation, and collections.

To meet the need for more complete and timely credit data trends in the industry, the team at 2OS — a whip-smart group of experienced credit experts, analysts, and data scientists — produces a series of highly anticipated reports, white papers, and exclusive market research pertaining to consumer credit risk. The firm advises its clients on a variety of growth and market strategies throughout the lending lifecycle. It also provides trailblazing data analyses and modeling techniques that help its clients drive better economic outcomes and sustainable competitive advantages.

The challenge

Accessing “more and better data” and getting to market, faster.

Nearly every service offered by 2OS — its reports, recommendations, and model builds — hinges on one thing: Data. And while it can get timely and accurate data from their clients, they still have a need to analyze credit trends across all lending, products, and segments.

However, 2OS wanted more and better data, for good reasons. Their client data is confidential, which means 2OS can't use it externally. Public data sources are often slightly dated and lack the granularity that 2OS needs to tease out trends, consumer behaviors, and growth trajectories for its clients and the larger market. Also, 2OS can't customize the data and dig deep into sub-segments to help its clients answer burning questions about niche consumer groups or the impact of new regulations, laws, or sudden economic shifts.

Speed to market was another issue. Simply procuring and prepping the right mix of data from disparate sources might take months. If the team had questions about the data, their inquiries could easily get lost in a “black hole” with little to no response or assistance. After all, their public data wasn't coming from true partners; they were just sources.

As a result, it could take a month or longer to produce a single thought leadership research paper on a hot industry topic, and would delay or dilute its client recommendations.

Ultimately, 2OS was seeking more and better data and the ability to get its content, recommendations, and solutions to market, faster. Soon enough, the firm would get all that and much more.

“We ensure that the strategies we design and recommendations are both realistic and actionable. We help our clients acquire and develop the internal capabilities required to be successful long after we are gone.”

- 2nd Order Solutions | World Class Lending Solutions to Financial Institutions (2os.com)

The solution

Equifax Ignite® offers more data (and everything else) “under one roof.”

Through an existing relationship with Equifax, 2OS was introduced to the Equifax Ignite analytic ecosystem. Equifax Ignite is a cloud-based data and analytics solution that provides one-stop access to multisource data from Equifax and third-party sources, the latest analytics tools and techniques, a secure sandbox environment for experimentation, and a machine-learning feedback loop that aids in optimization.

Essentially, everything 2OS needs to perform time-sensitive industry research, data analyses, and more is now located “under one roof” within Equifax Ignite. It’s inherently efficient, alleviating common production delays and bottlenecks, especially those related to painstaking data prep since all the data is preloaded within the solution. Everything is streamlined, up-to-date, and ready for the 2OS team to immediately dive in, analyze, experiment with, and use in their model builds and recommendations.

The team also gets direct access to expanded data types via Equifax Ignite (with more data being continuously added over time) including:

- **Alternative data** to help the firm better understand and confidently score consumers who lack traditional credit. This data includes account payment data for cable, utility, and cell phone bills, which is typically not included in a traditional credit file, yet it can be highly predictive of future payment performance. 2OS can also access other types of alternative data within Equifax Ignite.
- **Traditional credit data** spanning credit accounts, public records, collections, and more.
- **Open banking data**, which is known to increase model performance by introducing numerous affordability metrics such as cash flow insights, NSF trends, and repeating borrowing patterns.
- **Wealth and lifestyle insights** on employment, income, assets, consumer preferences, and more which provide more holistic, “all angles” views of consumers to support more nuanced decisioning.

“Publicly available data and reports only scratch the surface, but with Equifax Ignite we can unlock new insights with more granular data and tease out emerging trends,” says Raza. “For instance, Equifax Ignite empowers us to pinpoint growth opportunities for lenders by identifying creditworthy prospects who may lack extensive credit histories and would otherwise not be eligible for a lending product. By analyzing alternative data from Equifax, like utility and rental payments, we can enrich consumer profiles and bolster lenders’ confidence. This not only expands consumer credit access, but also drives better outcomes for financial institutions.”

When the team needs more data, it’s no problem. Adding new streams of third-party data to Equifax Ignite or even downloading data from Equifax Ignite to match against a client’s customer base is an easy mouse click. It’s quick, simple, straightforward, and uncomplicated.

Lastly, while the data is certainly the workhorse of Equifax Ignite, there’s a less-talked-about Equifax Ignite capability that’s helping 2OS really stand out in the market. **It’s the built-in machine learning feedback loop.** Model outcomes are automatically fed back into the Equifax Ignite environment. This enables the 2OS team to continuously adjust and optimize model performance and strategies based on ever-changing consumer behaviors and fluid market conditions.

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- Syed Raza, Senior Data Science Manager at 2OS

The results

More granular consumer views and nearly 50% faster analytic timelines.

The 2OS partnership with Equifax and its growing use of Equifax Ignite is already yielding needle-moving results. Not only does Equifax Ignite deliver on the firm's two biggest "wants" — access to more and better data, and faster speed to market — it's also exceeding expectations in other areas, as the firm is still discovering all that's possible with Equifax Ignite. So far, Equifax Ignite has enabled the 2OS team to:



Access alternative data for a more granular, "beyond-the-credit-score" understanding of consumers, especially those who lack traditional credit.

This supports better-informed, more inclusive, and risk-averse, decisioning strategies that directly benefit financial institutions and consumers.



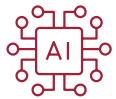
Nearly cut its analytics-to-production timelines in half, enabling it to deploy high-performing risk models to market faster than ever before.

This accelerated turnaround can help its clients capture increased revenue and market opportunities without increased risk. Likewise, the jump in speed and efficiency can boost internal productivity and output to help grow the firm's bottom line.



Produce better, more detailed research papers and reports in half the time previously required.

For instance, the firm recently published an in-depth analysis on the end of student loan deferrals, and the impact it will have on consumers insights around the risk profiles of student loan cohorts, their payment burdens, and the priority of a student loan within a consumer's payment hierarchy.



Stay ahead of the market with more precise and predictive advisory services, analyses, and modeling techniques powered by machine learning.

The outcomes of 2OS analytic projects within Equifax Ignite are automatically funneled back into Equifax Ignite via the solution's built-in feedback loop, which helps to continuously improve and optimize credit risk models. It also helps ensure that the firm's advice on credit risk and fraud is based on the most current trends and patterns.



Experiment with different types of data in a safe, collaborative environment.

2OS data scientists have full access to a "playground" of raw, multisource data where they can build new data attributes, features, and signals. They can follow their curiosity and run 'what if' scenarios and perform reject inferencing. And they have the unbridled freedom to test and build smarter, next-gen approaches that produce extraordinary, best-case outcomes for banks and consumers.



Access market-defining data and technology supported by smart, friendly humans.

"The friendliness, service, and support we get from Equifax around Equifax Ignite has blown away our expectations," says Erol Cultu, head of partnerships at 2OS. That's because, despite the distinct technical advantages of Equifax Ignite, it also comes with high-touch service and customer support. The 2OS team can pick up the phone anytime and speak with an Equifax expert who understands the Equifax Ignite data and technology inside out. They can engage with skilled Equifax analysts and scientists who not only listen, but they're also truly excited to help problem-solve, share their ideas, and collaborate.



The collaboration

As a regular Equifax Ignite business user at 2OS, Raza echoes Erol's praise of Equifax Ignite and neatly sums up the personalized collaboration and support he and his team enjoy from their partnership with Equifax.

"Despite the vast and complex corpus of datasets, their clear documentation and the Equifax analytics team's prompt assistance have made it a great experience. The team is always open to adding new datasets and labeling niche asset classes if needed for a new use case or analysis. The platform is easy to use. We are more than happy with the promptness and support."

If you're looking for a true data and analytics partner that can give you direct access to expansive multisource data (including exclusive alternative data sources), and turbocharge your analytic production timelines, contact Equifax today.

equifax.com/ignite