Best Practice

Fintech lender can approve more applications and better predict delinquency by using alternative data risk score for underwriting

Fintech

CHALLENGE

Explore if a new alternative data risk score could increase approvals and better manage default risk for underwriting models.

SOLUTION

Test OneScore for Alternative Finance — a multi-data credit score that includes alternative data — to segment default risk.

RESULT

Analysis shows OneScore for Alternative Finance could help increase approvals by 30%+ and achieve 200%+ lift in predicting overall delinquencies.

Challenge

An online fintech lender that caters to subprime consumers wanted to test new data to evaluate if it could improve its underwriting process for new loans. The lender relies on traditional and alternative data from multiple data providers to build custom models. More specifically, the lender wanted to see if new data could help increase approvals and better manage default risk.

Solution

Equifax worked with the fintech lender to test **OneScore for Alternative Finance** — a multi-data credit score that includes alternative data and is designed to better predict the likelihood of consumer default in the first three payments.

OneScore for Alternative Finance goes beyond traditional credit scores to help lenders gain a broader view of consumers' creditworthiness because it:

- Includes exclusive alternative data in a single score:
  - Telco, pay TV, and utilities account payment history gathered by our consortium from 160+ providers
  - Alternative finance data from DataX and Teletrack including payment history for more than 120 million borrowers that use services such as payday loans, installment loans, and lease-to-own
- Is fueled by Equifax AmplifyAI™ which leverages patented machine learning technology and cloud infrastructure to boost performance in predicting delinquency

Equifax worked with the fintech lender to test **OneScore for Alternative Finance** to better **predict the likelihood of consumer default in the first three payments**.

Results

An analysis was conducted to compare OneScore for Alternative Finance to one of the lender's existing origination models. The analysis showed OneScore for Alternative Finance could help the lender:

Uncover new opportunities

Confidently say "yes" to *30%+ more* applications without incurring additional risk.

Better segment consumers by likelihood of delinquency

Gain *200%+ improvement* in KS performance and a *4%+ decrease* in the expected first payment default rate.

Expand coverage

Achieve up to *99%+* coverage, exceeding other data sources

More than 76 million consumers have thin files or are credit invisible. By using OneScore for Alternative Finance, fintechs can use alternative data to gain insight on these and other consumers, thereby allowing companies to more confidently approve more consumers for credit, without impacting risk.

Learn more about how Equifax can help your business make more confident decisions with OneScore for Alternative Finance.

equifax.com/business/product/onescore-for-alternative-finance