With delinquency rates on the rise, many lenders are seeking new solutions to recognize potentially troubled accounts earlier.

**RESULTS**
Delinquency alert off-client identified almost 8x more accounts that actually went 30 DPD delinquent and a utilization alert off-client identified over 30% of low credit score accounts that moved to a higher utilization tier, while durability measure helped differentiate and categorize seemingly like accounts.

**SOLUTION**
Identify accounts at higher risk of delinquency earlier by using alerts to flag consumers with changes in delinquency, utilization, or other activities, in conjunction with a measure of financial durability to categorize accounts for action even in the same credit score band.

**CHALLENGE**
How to proactively identify potential delinquencies — especially in an environment of economic uncertainty
**Challenge**  
Proactively identify accounts that are more likely to become delinquent

Many lenders are concerned about the higher rates of delinquencies across their portfolios. With increased uncertainty in the economy, customers' financial situations can change rapidly, and quarterly or annual account reviews may have too much lag to pick up new risks fast enough. Visibility into “off brand” delinquencies may be lacking. At the same time, the uncertainty of student loan debt could have a huge impact on delinquency rates across all lending segments. In addition, credit scores may not reflect a customer’s ability to meet financial obligations.

Challenges include:

- How to recognize delinquency risk and act fast. For example, if a lender suddenly finds out that a customer is newly 60 DPD on a bankcard held with another firm, what would be the response and could they respond quickly?

- How to get notifications of changes in a customer’s credit file — changes that could impact the likelihood of delinquency.

- How to differentiate customers by their financial resources and resilience to meet credit obligations.

- How to avoid missing out on other pieces of the consumer wallet — resources that consumers have available for paying bills.

Lenders are seeking new solutions that will allow them to recognize potentially troubled accounts earlier, enhance their account management, and better manage risk.
Solution
Use alerts and a measure of financial durability to spot accounts at higher risk of delinquency earlier

There are two key solutions that lenders can use to identify accounts at higher risk of delinquency earlier:

**Smart Alerts**
Provides alerts to changes in customers' credit behaviors.

**Financial Durability Index™**
Provides a non-FCRA view of a household’s likely ability to spend and meet current and future financial obligations, even when under financial stress. It examines households by a combination of affluence, estimated income, spending power, and aggregated credit.

How lenders can respond to Smart Alerts:

- **Shift customers to a higher risk group**
- **Monitor for near-term delinquency at home firm**
- **Deliver a service call to discuss loan terms or assistance**

What lenders can learn from Financial Durability Index:

- Which accounts are likely to be able to keep spending
- Which accounts are likely to be able to meet current and future financial obligations
- Which accounts with higher credit scores may have increased risk of delinquency
By combining the power of these two solutions, lenders can react quickly to changes in customers’ financial circumstances and minimize potential delinquencies.

Results
Both Smart Alerts and Financial Durability Index can help identify potential delinquencies

The analysis showed that Smart Alerts and Financial Durability Index can identify accounts at higher risk of delinquency.

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<th>Key findings for Smart Alerts — delinquency alert</th>
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<td>The early delinquency alert off-client identified almost 8x more accounts that actually went 30 DPD delinquent compared to non-triggered accounts.</td>
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<td>The utilization alert off-client identified over 30% of low credit score accounts shifted to a higher utilization tier — a much higher percentage than high credit score accounts. The low credit score accounts are maxing out available credit at a higher rate than high credit score accounts.</td>
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<td>Financial Durability Index differentiated accounts that went delinquent, even within the same credit score band. Those accounts could be moved to a higher risk level treatment group to minimize future delinquencies.</td>
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Action step for lenders
Smart Alerts and Financial Durability Index can be used together to better identify potential delinquencies.

Once accounts receive Smart Alerts delinquency or utilization notifications, Financial Durability Index can be used to further enhance segmentation for follow-up risk monitoring based on accounts’ likely ability to meet financial obligations.

Contact us to learn more about how your firm can use Smart Alerts and Financial Durability Index to proactively identify and act on potential delinquencies.

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