Equifax Risk Score® 2.0

Better intelligence for better decisions.

Putting your stamp of approval on creditworthy consumers could be risky business. Risk managers need to predict, assess and manage risk in an objective manner to positively impact revenue and reduce losses.

Equifax Risk Score is our most advanced and most accurate solution available for predicting the likelihood of your customers or prospects going 90 days past due or worse in the next 12 months. It identifies the predictive characteristics of delinquency in the post-recession period.

Identify Thin Files

Consumers with good but short payment histories may be considered low risk for continuing payments with the credit that they already have, however may be considered high risk if they were granted new credit. They may be able to handle payments on their existing accounts, but introducing a new credit product would require new payments, and these consumers have yet to provide proof of their ability to handle these additional responsibilities.

An Equifax Risk Score report delivers a three digit numeric score along with four reason codes to explain why a consumer credit file obtained the specific score. Reason codes correspond to the attributes that have values that lower the score, such as missed payments or high balances. The first three reason codes correspond to the three attributes from the credit file whose values have the biggest impact on the score. The fourth reason code denotes the scorecard indicator which may indicate that a credit file has limited credit information and is considered a 'thin file'.

Key benefits

- **Ensures consistent decisions**
  Automatically approve applicants with the lowest risk of delinquency.
- **Provides faster decision-making**
  Risk scores provide lenders a fast, impartial view leading to a more efficient approval process.
- **Enables policy enforcement**
  The scorecard indicator can help businesses design and implement differentiated risk policies that deal with consumer behaviour at various levels of the credit lifecycle.

Score More to Help Approve More

Equifax Risk Score has expanded the criteria that qualify a consumer for scoring. Consumer files containing a trade and credit activity within 24 months will receive an Equifax Risk Score score. With more files being scored, companies using Equifax Risk Score 2.0 can confidently assess risk and approve many of these additional scorable applicants.

SCENARIO

- 1,000,000 applicants
- Each with $500 in outstanding balances
- Approve 80% of applicants (score above 680)

Equifax Risk Score returns a score for 19,800 more applicants — nearly a 2% lift

If you approve 80% of applicants, this represents an incremental $7.9 million in balances.

Increased Predictability

Equifax Risk Score is designed using the latest regression techniques. Its improvement in predictability has been verified through regression testing using real data to validate the enhanced results. This enables risk managers to predict delinquency with greater accuracy.

Predicability Summary	Delinquencies captured in lowest scoring 10%	Delinquencies captured in lowest scoring 20%
EQUIFAX RISK SCORE	18,398	23,296
BENCHMARK	16,734	21,688
LIFT	9.9%	7.4%

SCENARIO

- 1,000,000 applicants
- Each with $500 in outstanding balances

Equifax Risk Score correctly forecast delinquency on 1,664 more accounts — a 10% lift

With Equifax Risk Score, there is the potential to correctly identify and avoid $832,000 more in delinquent balances.

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