

## BEYOND A SNAPSHOT

# The latest trend in lending? Knowing your borrowers better.



Why socially responsible lending starts with more visibility.

Borrowers are people,  
and people are  
complicated.

**That's why you need to  
understand them better.**

A core goal for any socially responsible lender is empowering their customers. Access to the right credit products can give borrowers the financial freedom to start a new business, live out a lifelong dream, or just better manage their day-to-day finances. However, it's important to remember that borrowers are people — complicated beings who are so much more than just a credit score.

Just as it takes more than a single photo to sum up a person's life, a traditional credit score may not sum up their complete financial picture. And recent data from the Consumer Financial Protection Bureau (CFPB) shows that consumers have become less financially stable in the last year.<sup>1</sup> But, with a better understanding of a borrower's income, employment, and debt-to-income-ratio, lenders can gain a more comprehensive view of the borrower's qualification for a loan. This additional context can be a key part of promoting more socially responsible lending practices, presenting lenders with opportunities to:

- Set borrowers up for sustained financial success
- Better serve unconventional borrowers
- Verify income to provide appropriate loan terms
- Identify struggling borrowers who might need support



Potentially set borrowers up for sustained financial success.

**Better visibility is the foundation of better support.**

In the third quarter of 2022,

**total U.S. household debt rose to \$16.51 trillion<sup>2</sup>**



**\$16.51T**  
Q3 '2022



**\$16.15T**  
Q2 '2022

**\$351B increase<sup>3</sup>**

U.S. borrowers are relying more on credit as they navigate challenging economic conditions. The question becomes:

How can lenders best serve these borrowers while helping them keep their debt in check?



Having a clearer view of a borrower's financial profile is the first step in supporting their sustained financial success — especially when also keeping in mind:



### It's not just about access:

It's about providing access to the right credit products and terms that fit within someone's lifestyle and budget.



### Risk assessment helps potential borrowers, too:

Increasing the depth of risk profiles can grant lenders better overall visibility into an applicant's finances and their capacity to take on new debt.



### Less unpaid debt means more sustained success:

Potentially reduce the amount of unpayable debt by helping to ensure that customers won't be overburdened if they accept your offer

By ensuring that the view of someone's employment history is as detailed as possible, lenders can extend more informed offers and better prioritize their long-term success.

Better serve  
unconventional  
borrowers.

**If people are working  
differently, so should  
lenders.**



By 2030, **Gen Z** will make up a  
third of the U.S. labor force<sup>4</sup>

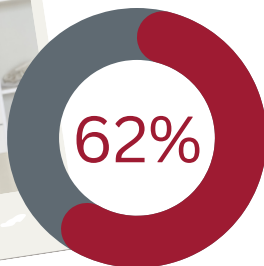


Boomers,  
Millennials  
& Gen Xers



That means lenders will need to pay attention to their unique approach to work, including their propensity for entrepreneurship. Plus, this young and diverse set of workers is more likely to take advantage of the gig economy as their primary or secondary source of income.

Meanwhile, employment habits for older Americans are also changing. Many are working later in life or returning to work after retirement, while others continue to draw income from pensions or retirement accounts.



62%  
of Gen Z respondents  
indicated they plan to start  
or have started a business<sup>4</sup>

Gig workers are younger, more  
diverse, and historically underserved.  
**Most gig workers are under 50, and:**



**34%**  
are Hispanic<sup>5</sup>  
**27%**  
are Black<sup>6</sup>



**In the past year,  
1.5 million**  
retirees reentered the  
workforce<sup>7</sup>

These trends have created a larger group of potential borrowers with multiple and/or non-traditional income streams. By having additional visibility into their employment history, lenders can help ensure borrowers are being matched with the right credit offers and reduce the chances that they become overburdened by unpayable debt.

4. Tossi, Mitra. A look at the future of the U.S. labor force to 2060. September 2016. Accessed January 10, 2023. [bls.gov/spotlight/2016/a-look-at-the-future-of-the-us-labor-force-to-2060/home.htm](https://bls.gov/spotlight/2016/a-look-at-the-future-of-the-us-labor-force-to-2060/home.htm)  
5. WP Engine. Generation Influence: Reaching Gen Z in the new digital paradigm. December 9, 2022. Accessed January 10, 2023. <https://wpengine.com/resources/gen-z-2020-full-report/>  
6. Racial and ethnic differences stand out in the U.S. gig workforce. Pew Research Center, Washington, D.C. (DECEMBER 15, 2021). Accessed January 10, 2023.  
7. Bunker, Nick. 'Unretirements' Continue to Rise as More Workers Return to Work. April 14, 2022. Accessed January 10, 2023. [hiringlab.org/2022/04/14/unretirements-rise/](https://hiringlab.org/2022/04/14/unretirements-rise/)



Verify income to provide appropriate loan terms.



It's an unfortunate reality that during challenging economic environments, fraud tends to increase. For instance:



**During the height of the recession in 2009,**

**55%** of surveyed fraud examiners

**found that fraud had slightly or significantly increased.<sup>8</sup>**

**In 2021, CoreLogic® found that loan fraud rose by **75%**<sup>9</sup>**

An estimated  
**5-20%**  
of uncollectable  
debt is due to fraud<sup>10</sup>

Incorrect details in loan files may come from an unexpected place, your own customers, or potential borrowers who may:

- Inflate or misstate their income
- Provide forged or inaccurate bank statements or utility bills
- Offer fake or incorrect Social Security Numbers

These types of errors can sometimes be made intentionally, as borrowers seek resources during times of uncertainty — or they may simply be mistakes in the application. Either way, such errors can result in the exact outcome that socially responsible lenders want to avoid: borrowers being offered credit that doesn't fit or empower them.

8. Association of Certified Fraud Examiners. Occupational Fraud: A Study of the Impact an Economic Recession. April 15, 2009. Accessed January 10, 2023. <https://www.acfe.com/about-the-acfe/newsroom-for-media/press-releases/press-release-detail?z=ACFE-Survey-Finds-Increase-in-Fraud-During-Economic-Crisis>

9. Berg, Bridget. Q1 2022 Quarterly Mortgage Fraud Brief. May 16, 2022. Accessed January 10, 2023. <https://www.corelogic.com/intelligence/q1-2022-quarterly-mortgage-fraud-brief/>

10. Daley, Doug; Powers, Rod. Recognizing First-Party Fraud: Why It's More Expensive Than You May Think. September 2010. Accessed January 10, 2023. <https://www.pymnts.com/news/2010/first-party-fraud-why-it-s-more-expensive-than-you-may-think-and-what-you-should-do-about-it/>



Identify struggling borrowers who might need support.

**In tough financial times, be the lender that has their back.**

Socially responsible lending means building a partnership with borrowers. That partnership includes being there for them during rough patches, too.

Tough financial times can sneak up quickly. In a CFPB survey,

**37%**  
of households<sup>11</sup>



reported that they could not cover their expenses for more than a month if they lost their primary income source.

Additionally,

**23%**  
of households<sup>12</sup>



reported an unexpected loss of income in the past year due to unemployment or furloughs that affected them or their household.

That's why more frequent portfolio reviews are key. By keeping your ear to the ground and more regularly reviewing information like job changes, you can better identify consumers who might need support. When armed with that information, lenders can then decide what types of support those borrowers might qualify for such as:

- Negotiated settlements
- New dates for repayment
- Forbearance and longer-term payment plans
- That type of proactive partnership and service during challenging times truly defines the socially responsible lender.

11. Fulford, Scott; Jain Samyak; Li, Greta; Saunders, Elizabeth; and Wilson, Eric. Making Ends Meet in 2022: Insights from the CFPB Making Ends Meet survey. December 2022. Accessed January 10, 2023. <https://www.consumerfinance.gov/data-research/research-reports/insights-from-making-ends-meet-survey-2022/>

12. Fulford, Scott; Jain Samyak; Li, Greta; Saunders, Elizabeth; and Wilson, Eric. Making Ends Meet in 2022: Insights from the CFPB Making Ends Meet survey. December 2022. Accessed January 10, 2023. <https://www.consumerfinance.gov/data-research/research-reports/insights-from-making-ends-meet-survey-2022/>



Socially responsible  
lenders have vision.

**Learn how The  
Work Number®  
can help lenders  
see more.**



Equitable lending has never been about just extending a credit offer. It's about understanding borrowers better. Thankfully, there's a proven way to do just that.

By incorporating The Work Number®, part of the TotalVerify data hub from Equifax, into the decisioning process, lenders can access secure income and employment data directly from employers and delivered 24/7.

The Work Number includes:



**604M**  
employment records from



**2.6M**  
employers nationwide

Helping to:

- Obtain a more accurate view of debt-to-income ratio when combined with traditional credit data.
- Understand a potential borrower's income and employment to better assess risk.
- Gain a broader view of income from pensions and other non-traditional sources.
- Verify borrower-provided data around income and employment.
- Identify struggling borrowers who might qualify for assistance.

**In short, The Work Number gives lenders the visibility they need to lend responsibly and set their customers up for sustainable financial success.**

# Ready to see your borrowers better?



If you're like most lenders, you are continually searching for new ways to better serve your borrowers. We'd be thrilled to keep this conversation going.

**Reach out today, and let's talk about how The Work Number can benefit your lending processes.**

[theworknumber.com](https://theworknumber.com)

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**EQUIFAX**

**The Work  
Number**