5 Ways Auto Lenders Can Grow Their Portfolio *in a Highly Competitive Landscape*

The Work Number®

01 Offer More Borrowers Competitive Loan Terms

2020 and 2021 saw abnormal demand for autos caused by stimulus, low-interest record rates, and a preference shift to personal transportation away from public or shared transportation. In addition, people went from living in dense urban areas that are less car-dependent to more rural areas, which boosted demand. Now, demand is softer than pre-pandemic levels, primarily in response to affordability and the absence of stimulus, slowing home sales, and diminishing COVID concerns.

This year, analysts predict auto loan interest rates to remain high. According to a recent 2023 forecast by Bankrate.com, auto loan interest rates are rising at its fastest pace in 40 years in 2022 and continuing to rise this year.

An Opportunity for Lenders

Despite rising interest rates, consumers may still be in the market to refinance their existing auto loans. For borrowers, car loan refinancing can still offer an opportunity to lower their monthly payments, with the need driven by inflation and a shifting economy.

Lenders have the opportunity to offer attractive interest rates to borrowers looking o refinance. For example, through income and employment verification, lenders can assess a borrower's current situation and determine if they're still capable of upholding the commitment of timely repayments - allowing them peace of mind while offering rates tailored to each member's needs. And for consumers, a positive change income may entice lenders to offer better loan terms.

Layering income and employment data with credit data can also help lenders offer more attractive loan terms.

Layering automated income and employment data with credit data can also help lenders offer more attractive loan terms.

02

Integrate technology that supports a low friction, auto refinance experience for members.

Automated income and employment solutions don't only help lenders quickly verify and process applications more effectively and across a wider range of job types — but they may also cut down on time-consuming manual processes that slow the loan approval process that can negatively impact the customer experience.

Decisions based solely on traditional credit scores alone typically require additional information — like pay stubs or W-2s. Tracking down and collecting the appropriate documentation can be a hassle for everyone involved. For members looking to refinance their vehicle on a whim, logging into their employer's intranet to download a paystub creates even more friction.

In addition, using instant income and employment verification, direct from employers, helps ensure you are getting the most up-to-date employer reported information about your loan applicant's circumstances at any given time.

We live in a digital world. Reduce reliance on applicant-provided documentation, alleviating burden on your members.

03

Find more efficient ways to manage risk.

When margins are tight, as a lender, you know that one wrong decision can significantly impact your bottom line. You are constantly looking for ways to help minimize risk, wasted time, and resources to increase profits.

Supplementing traditional credit data with third-party information — like income and employment data from The Work Number® from Equifax® — opens up a world of lending opportunities and helps manage risk.

40% Applicants are 40% more likely to be funded when lenders use third-party income and employment verifications in the decision process.*

Spend more time extending more loans to more members — and free up time to pursue new opportunities.

While it's not uncommon for loan applicants to overstate (and sometimes even understate) their income on applications, you need a way to verify them with certainty and speed. And without having to rely on the information they've provided themselves.

Income and employment data, directly from employers, can also help mitigate the loan affordability issue caused by inaccurate earning information. It's largely becoming a table stake for the industry.

Even when refinancing auto loans for existing members, changing labor and economic trends make it vital for credit unions to incorporate income and employment verification for loan decisioning. With uncertain economic times ahead, some members may experience layoffs. Credit unions must ensure that they have the proper tools to keep up with employment trends and properly evaluate borrowers' financial health.

* Equifax Internal Study of The Work Number Inquiry Data, December 2022. Individual results may vary.

04

Reduce Operational Costs

Digital income and employment verification also help lenders reduce costs. Traditional income and employment verification methods can be time-consuming and require additional staff and resources. Digital income and employment verification is automated and can be completed with a fraction of the resources required for traditional methods. This can help lenders save on labor costs and increase their bottom line.

With access to 604 million records, The Work Number® database instantly returns records, updated each pay cycle, provided directly by employers and payroll providers. Lenders can access The Work Number directly from Equifax OR through our pre-built integrations with over 60 Point of Sale (POS) and Loan Origination Systems (LOS). Utilizing your current POS/LOS could make the integration process seamless, and it's an easy three-step process.

05 Extend more loans and refinance opportunities to more members

When potential responsible borrowers are shut out of the credit process, it's a lose-lose scenario for those borrowers, their potential creditors, and the economy. Building a more inclusive set of financial practices helps bring more consumers into the financial mainstream. Their full participation in the economy and better access to credit means more consumer spending, spurring economic growth.

Lenders can play a key role in breaking the vicious cycle of credit shutouts and removing barriers to financial inclusion.

Lenders can leverage alternative decisioning data sets, such as income and employment data, to give thin or no-file borrowers the opportunity for car ownership. In addition, thanks to technology, the auto lending industry has discovered additional ways to identify qualified members.

In the world of credit, visibility is everything! More than 77 million consumers have thin credit files or are credit invisible* - yet many of these consumers may have the income and employment status that otherwise make them qualified loan applicants. Possessing little or no credit history can prevent consumers from being approved for their next car or modify loan terms for an existing one.

Lenders can play a key role in removing barriers to financial inclusion. Supplementing traditional credit data with third-party information, such as income and employment data, can open up a world of lending opportunities – providing previously underserved consumers access to the credit they qualify for while helping lenders have a more complete financial view of their borrowers.

It's a Better Way to Work

Leverage the data you need through the origination technology platforms you know by connecting to The Work Number.

Simplify the Experience

Automate tasks and shift to paperless by pre-populating data digitally to make it easier for underwriters and quicker for your customers.

Lend Confidently

Focus on increasing capture rate and booking deals with fewer human errors by having access to employer-provided data through your LOS (loan origination system).

Stop the Swivel

Integration with The Work Number through your technology provider eliminates the need for multiple logins, switching platforms, and manual workflows.

Ready to streamline auto purchases and refinancing for your borrowers? Learn more.