




EQUIFAX[®]

Instant Income and Employment Verification:

Value Throughout the
Credit Card Lending Lifecycle

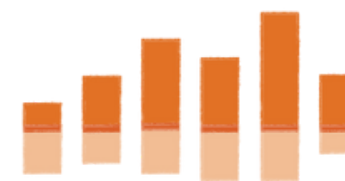


**The Work
Number[®]**

Over the past few years, credit issuers have contended with a worldwide pandemic, fluctuating markets, regulatory pressures, and new competition. In addition, consumer expectations continue to evolve—fueled somewhat by the demand for seamless online experiences. Trends show consumers are increasingly changing how they seek out and utilize credit. For financial institutions, a demand for more flexibility, greater financial inclusion, and evolving fintech lending models escalate the need to accurately assess creditworthiness — especially when unexpected economic disruption has complicated risk assessment.



Credit issuers need access to data that offers a more complete view of a borrower's income to help build a "top-of-wallet" relationship with tomorrow's best customers.



Instant income and employment data can help credit issuers address these four dynamics:

- 1** Consumers want to be seen as more than a three-digit credit score when it comes to credit decisioning.
- 2** Over 77 million consumers have thin credit files or are invisible.¹ Yet, traditional credit decisioning models may not consider that many of these consumers have the income and employment status that make them qualified borrowers.²
- 3** Credit issuers are seeking to capture lifetime customers and will need to adapt business models to support evolving consumer demands.
- 4** Credit issuers want to holistically assess risk, applicable for today's economic landscape.

¹Equifax data study, 2022

²Equifax data study, 2022





Many variables affect a consumer's ability to meet existing financial obligations or take on new credit, including job changes, accommodations, inflation, and other economic impacts.

While credit scores serve as a solid foundation for predicting a consumer's propensity to pay financial obligations, there may still be significant gaps in the insights provided by consumers' credit files. As a result, issuers should leverage alternative data for a more complete view of a consumer's financial situation and creditworthiness.

For example, instant income and employment data can help:

- **Improve lender confidence for credit decisions and credit line optimization**
- **Increase credit approvals across all credit bands**
- **Speed up the credit application process, providing a seamless borrower experience**
- **Improve credit terms for credit card applicants**
- **Support credit portfolio growth**
- **Show employment and income trends or changes that may indicate risk or credit line increase opportunities**

If an issuer is only looking to determine line affordability, asking the applicant to provide their income seems most efficient and effective. However, lenders expose themselves to other risks when relying solely on applicant-provided information.

The process of stated income decisioning is one in which a credit issuer does not verify an applicant's income. Instead, applicants are asked to state their income and are taken at their word. This method of credit decisioning has come under fire in recent years, as it can lead to borrowers taking on more debt than they can realistically afford. This method can also expose issuers to risk, as it's not uncommon for consumers to overstate (and sometimes even understate) their income on credit and loan applications. Trusted income and employment data, directly from employers and payroll providers, can also help mitigate the line affordability and integrity issue caused by inaccurately stated income information.

Mitigate line affordability and integrity with trusted income and employment data directly from employers and payroll providers.



Income and employment data, layered with the traditional credit score, can provide a holistic view for insights, faster decisions and enable a simplified customer experience, with reduced risk –

across the credit card lending journey.

APPLICATION PROCESS

Make more informed decisions faster



PORTFOLIO REVIEW & ACCOUNT MANAGEMENT

Nurture relationships, extend credit line increases and improve decisions, while mitigating risk



APPROVAL & LINE ASSIGNMENT

Improve conversion and optimize line assignment



RECOVERY STRATEGY

Mitigate the risks of default and foreclosure





Application Process

Better Visibility: Dig a little deeper to lend to consumers you may not have considered before

Over 77 million consumers have thin credit files or are credit-invisible.³ Yet, traditional credit decisioning models may not consider that many of these consumers have the income and employment status that make them qualified borrowers.

“Credit-invisibles”, and those without a usable credit score, can face many barriers when attempting to access credit. In addition to more expensive terms, these populations ultimately may have less overall opportunity for big purchases.

But they’re savvy. They understand that frequent hard inquiries may negatively impact their traditional credit score and work hard to protect it. And some intentionally seek out lenders that use alternative information in their decisioning processes.

³Equifax Internal Study of The Work Number Database, Jan-Nov 2020. Results may vary by customer.

Instant income and employment data can help better evaluate the credit risk of borrowers – including credit invisibles – to expand approvals and increase revenue opportunities.

Some credit issuers use a waterfall approach for portfolio management and credit decisions. In most cases, this approach means an issuer uses a network of data and vendors to assess a borrower's risk profile, rather than relying on a single source for credit decisioning. This decisioning model is referred to as a waterfall because the loan application cascades behind the scenes from one data source to another to identify the best-fit option for a given consumer. With its depth and breadth of data, Equifax can complement this process and help drive efficiencies all **throughout the credit card lending lifecycle.**



DID YOU KNOW?

The Work Number® income and employment platform represents 12% of thin-file consumers, 40% of near-prime consumers, and 47% of consumers with a vantage score higher than 680+4. For these prime alternative applicants, both credit and income data are crucial for credit line optimization decisions.

⁴Equifax Internal Study of The Work Number Database, Jan-Nov 2020. Results may vary by customer.

12%

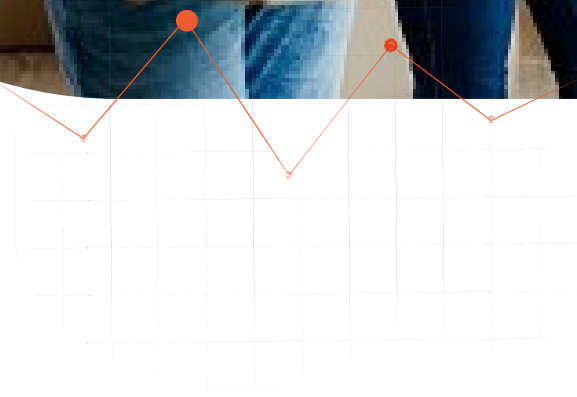
Thin-File Consumers.

40%

Near-Prime Consumers

47%

Consumers with Vantage Score Higher than 680+





Approval and Line Assignment

Instant income and employment data enables a seamless, instantaneous, and convenient experience for lenders and borrowers.

Many borrowers demand the same speed when applying for a line of credit as when they make purchases with large online retailers. Automating credit origination tasks and processes allows for a fast, flexible, low-friction application process that feels easy and convenient. Instant income and employment data can help reduce the number of steps consumers may encounter when applying for or expanding credit. A slow credit application and funding process can wreak havoc on an issuer's bottom line. For issuers, the benefit of automated workflows is quicker processing of approvals for online and in-store application, potentially with better rate options for qualified customers. Building in decisioning criteria could bring issuers toward an environment where every loan decision is seamlessly and consistently backed by data.





Portfolio Review & Account Management

Most financial institutions view consumer credit attributes as important for account review, including proactive credit line increase, segmentation, and account recovery processes. In today's ever-changing economic climate, trusted income and employment verification should also be crucial to these processes. Credit data gives financial institutions the foundation they need to identify credit accounts, but knowing a borrower's income and employment helps issuers quickly identify borrowers that may need other payment arrangements, and also identify opportunities for credit line optimization. For example, The Work Number offers a streamlined process to obtain instant verifications of income and employment to assess the appropriate structure for an individual's open credit account.

The Work Number platform instantly returns records provided directly by employers and payroll providers, updated each pay cycle—which allows for improved credit line optimization instead of relying on stated income, which may be stale or over or under-reported by the cardholder.

Lenders using The Work Number for Credit Line Increase (CLI) realize 27% more of an increase in their proactive programs compared to lenders who do not.⁵

⁵Equifax Internal Study of The Work Number Database and Equifax credit database, Jan-Jun 2020. Study consisted of a subset of lenders using The Work Number data for CLI programs vs lenders not using The Work Number data for CLI programs.

Keep Pace With Changing Employment Trends

Volatility in the market and a changing workforce have made a risky landscape even more challenging. There is a heightened need to evaluate a borrower's prior earnings to demonstrate the likelihood that they will continue to receive their income. The Work Number data gives a more complete picture of a borrower's ability to pay.

This shift in borrower employment trends could mean incremental work for credit issuers, but, The Work Number helps provide employment history insights amidst volatile labor markets.

78M
new hires



Over 78 Million new hires have less than one year of tenure with their current employer, driving an increased need for seamless access to both current and previous employment history⁶.



⁶U.S. Department of Labor, Bureau of Labor Statistics, Job Openings and Labor Turnover Survey News Release for May 2022 (published July 6, 2022) available at <https://www.bls.gov/news.release/jolts.html> as of October 3, 2022.

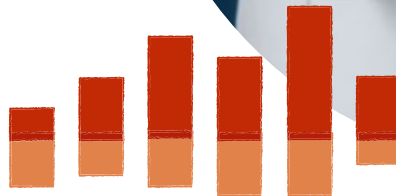


Recovery Strategy

If you can quickly assess the status of an employment record from an independent source, like The Work Number, this insight into a cardholder's full financial capacity to repay a balance allows for greater confidence in segmentation and treatment strategies.

With The Work Number, you'll access the data from the originating source, giving you greater visibility into each cardholder's financial picture. This can help prioritize in-house accounts, determine charge-offs, and strengthen third-party processes.

Understanding employment status and potential changes is critical to managing credit risk while prioritizing consumer accounts.





Safeguarding Consumer Data

The Work Number data comes directly from employers and payroll providers and is given to credentialed Verifiers having a permissible purpose under the Fair Credit Reporting Act (FCRA) without requiring sensitive login credentials from the borrower. Automated and secure access to income and employment data not only reduces friction during origination, it also minimizes security risks.

No Banking or Payroll Credentials Required from Borrowers

With The Work Number, there is no need to collect and store a borrower's payroll provider credentials, which can potentially expose consumers and lenders to risk.

Consumers and issuers should consider where and how borrower data is accessed, transferred, and stored when providing private banking credentials.

In some cases, verifiers may access consumer-permissioned data beyond the loan decisioning period, adding additional risks that could compromise data security.

When sharing and linking private banking credentials, borrowers and lenders should also consider the impacts of data scraping. Fraudsters can scrape systems and sites where consumer data is improperly secured to obtain personal information. This information may be used to complete and submit fraudulent loan and credit card applications. Asking borrowers to share their sensitive payroll/bank login credentials can put both parties at immense risk.

FCRA-Governed

The Work Number is governed by the Fair Credit Reporting Act (FCRA). Why does this matter for consumers? The FCRA requires credentialed Verifiers to have a permissible purpose in order to obtain income and employment data. Under the FCRA, consumers also have transparency into what information is shared with Verifiers and are able to dispute their data.

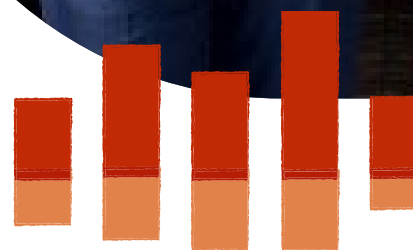
DID YOU KNOW?

Did you know that every consumer can pull their Employment Data Report (EDR) for free to see by whom and when their data was requested through The Work Number? This secure report is a service to consumers provided by The Work Number. To view yours, visit www.employees.theworknumber.com.



EDR

Employment Data Report





Drive Significant Positive Outcomes for Your Business With The Work Number

- Optimize line assignments and say “yes” to more applicants while potentially managing risk.
- Deliver a seamless, quick application experience that meets and even exceeds your consumer’s expectations.
- Improve operational processes and become more consistent.
- Remove the clunkiness and uncertainty of consumer-provided information from the process.
- Gain more confidence because the data you’re using to make decisions hasn’t been modified or changed before it gets to you.
- Find deeper financial capacity insights for applicants and bridge gaps in their financial profile that might have introduced risk or eliminated risk.
- Potentially extend better credit terms to qualified applicants and existing customers

About The Work Number

The Work Number, part of the TotalVerify data hub, from Equifax delivers instant and secure digital verifications of income and employment to credentialed verifiers through automated systems and integrations. With 584 million current and past employment records from 2.5 million employers, The Work Number can provide lenders with a more holistic view of applicants to enable informed lending decisions more quickly, and with less friction.

Get started and get results with The Work Number.

theworknumber.com