



## The Imperative of Portfolio Reviews: Mitigating Risks for Sustained Growth

The lending landscape is fraught with risks that can lead to significant financial losses and reputational damage. Among these risks is credit risk, which can arise from a borrower's default on a loan. A lack of proactive portfolio management and addressing of these risks can exacerbate their impact.

**Portfolio reviews can help lenders stay agile and responsive to fluctuations in the market and consumers' finances.**

A myriad of factors can escalate credit risk in lending. Market volatility, fluctuating interest rates across several industries, inflation, and changing economic conditions can all affect a borrower's ability to repay loans. Additionally, individual circumstances, such as changes in a borrower's income or employment status, may be something lenders need to consider throughout the lifecycle of the loan.



### Equifax Market Pulse: Total Consumer Debt Increases as Reliance on Credit Cards and Personal Loans Rise

**8%**  
Increase

Total consumer debt has increased, marking an eight percent increase compared to the same period last year.\*

**18.4%**  
Increase

In a notable rise, outstanding bankcard balances have escalated to \$917.1B, an increase from \$906.6B in May 2023 and a significant 18.4% surge compared to the same period last year.\*

**18.9%**  
Increase

Bankcard utilization remains steady at 20.4% compared to May 2023, yet it reflects an 18.9% uptick from the previous year.\*

**6.3%**  
Increase

Year-over-year balances have seen a 6.3% growth, reaching \$1.589T, a slight increase from last month's \$1.585T.\*

\*Equifax U.S. National Consumer Credit Trends Report: Portfolio, June 2023.



**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:**



#### Delays in car payments

More young Americans are late paying their car loans – approaching levels not seen since the Great Recession, according to a report from the New York Fed.



#### Serious Delinquency

In the last quarter of 2022, 4.6% of borrowers under 30 transitioned into serious delinquency – meaning they were at least 90 days overdue on an auto loan payment.



#### Changes in auto loan volumes

Across all ages, the number of new auto loans and leases totaled \$162 billion last quarter, down from last year but an increase from the volume before the pandemic. Of all borrowers, 2.3% were at least 90 days overdue on making their auto loan payments.





# The Power of Portfolio Reviews

## Portfolio Reviews Can Help Consumers, Too.

Lenders who use a consistent portfolio review strategy can:

- Better identify and segment consumer accounts to proactively take action to help the consumer.
- Provide customers lifetime value by determining account treatment strategies, including Credit Line Increase programs

Portfolio reviews offer an effective strategy for lenders to manage and minimize these risks. These reviews allow lenders to leverage key data, including current income and employment data for borrowers, to identify potentially problematic accounts before they default. Additionally, portfolio reviews can be customized to help make a quick determination based on your segmentation and treatment strategy. Depending on the risk profile of the portfolio, an annual, bi-annual, or quarterly review may be the right fit.

**This early identification can help lenders take proactive measures, such as restructuring loans and tightening lending criteria for that industry, thereby helping to limit their potential losses.**



Equifax delivers income and employment insights to support more effective segmentation, proactive portfolio management and confident credit and lending decisions.

**When was your last portfolio review?**

## Establishing Portfolio Review Procedures

**To harness the full benefits of portfolio reviews, lenders should consider the following best practices:**



**Create Cross-Functional Teams:** Assemble a team consisting of members from risk management, credit analysis, and business units to oversee portfolio reviews. This promotes diverse perspectives and comprehensive analysis.



**Develop Data Interpretation Tactics:** Train your team to interpret key data effectively. This includes understanding how variables like market trends, interest rates, and borrower information influence credit risk.



**Utilize Borrower Income and Employment Insights for Decisioning:** Leverage key indicators that may indicate a borrower's likelihood to afford their debt obligations, thus informing account management strategies, loan or payment modification plans, account treatment strategies, and credit reissuing. Indicators may include:

- Income and employment information directly from employers
- Payment-to-income ratios





# Portfolio Review and Account Management

Most financial institutions consider consumer credit attributes important for account review, including proactive credit line increases, segmentation, and account treatment processes. In today's ever-changing economic climate, trusted income and employment verification should also be considered crucial to these processes. Credit data gives financial institutions the foundation they need to establish 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. The Work Number® offers a streamlined process to obtain instant income and employment verifications to assess the appropriate structure for an individual's open credit account.

## About The Work Number

The Work Number, part of the TotalVerify™ data hub, from Equifax delivers instant and secure digital income and employment verifications to credentialed verifiers with permissible purpose through automated systems and integrations. With more than 631 million current and previous employment records from 2.8 million employers, The Work Number can provide lenders with a more holistic view of applicants to help enable informed lending decisions done more quickly and with less friction.

**Ready to better manage risk and grow your portfolio with The Work Number? Visit [www.theworknumber.com](http://www.theworknumber.com) to get started.**

The Work Number database 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 that can be stale or over or under reported by the cardholder.

