

Risk-based Pricing

The keys to compliance? Knowledge and execution.

Lenders need to comply with the Risk-based Pricing Rule. We can help you understand and meet these requirements.

Under the Risk-based Pricing Rule, lenders must provide consumers with a Risk-based Pricing notice when a company grants credit on “material terms that are materially less favorable than the most favorable terms available to a substantial proportion of the consumers.” Lenders include banks, credit unions, mortgage lenders, auto lenders, retailers, public utilities — in essence, any company that uses a credit report or score in connection with a credit decision.

Special circumstances

There are several exceptions to the Risk-based Pricing Notice:

- Prescreened solicitations.
- Adverse action notice.
- Application for specific terms.
- Business credit.

Compliance options

There are two available options for lender compliance:

Risk-based Pricing Notice

This notice is supplied to a specific segment of consumers who apply for credit — only those who did not receive the lender’s most favorable rate.

- To determine which consumers receive a Risk-based Pricing Notice, lenders can use one of the following: Direct Comparison Method, Credit Score Proxy Method or Tiered Pricing Method.

- The notice must be provided verbally, electronically or in writing.
- The consumer must receive the notice after the terms have been set but before the consumer becomes contractually obligated.

Credit Score Disclosure Exception Notice

This notice:

- Must be provided to all consumers who apply for credit.
- Requires lenders to provide consumers with a disclosure that includes the credit score used in setting the material terms of credit along with the corresponding score distribution.
- Must be provided in writing or electronically and in a form the consumer can keep.

Facilitate compliance

Experian® offers a number of Risk-based Pricing Rule products and services to help you meet your compliance obligation. Use our solutions to easily accelerate the compliance process, and leverage our expertise to make informed decisions.

Score distributions — We can provide a distribution of credit scores in a graphical or table format to use as an input to the Credit Score Disclosure Exception Notice. For clients who will be creating their own disclosures, we offer:

- Generic and other national score distributions.
- Custom score distributions.

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Credit Score Disclosure Exception Notice — We can generate two versions of the notice (residential mortgage and general) that include all compliance requirements, ready for immediate consumer distribution.

- This service is ideal for clients who do not want to create their own disclosures and would rather rely on us to generate the exception notice.
- There is an option that can be delivered automatically with a credit report request.
- Also available via Experian's AccessSM website is a format that produces a mailing address for the notice to be inserted into a standard window envelope.

Custom consulting — These services enable us to work with your organization to understand your portfolio and help you gain a competitive advantage, improve portfolio health and enhance profitability to meet your compliance obligations — today and in the future.

Services include one-time portfolio analysis to:

- Determine portfolio cutoff scores.
- Validate scorecard performance.
- Determine which consumers should receive a Risk-based Pricing Notice.
- Create regulatory compliance portfolio reports.

Performance InsightSM — This service provides ongoing portfolio analysis and monitoring. Our consultants perform a thorough review of an organization's scorecards and portfolio to provide:

- Regulatory-compliant monthly or quarterly portfolio reports that assess population stability, scorecard performance and decision management.
- Determination of cutoff scores, risk tier distributions and assistance with determining which consumers should receive a Risk-based Pricing Notice.

- Scorecard validation.
- Assistance with regulatory inquiries.
- Unlimited phone and email support from an assigned Experian consultant.

Risk-based Pricing consulting service — Our consultants provide lenders with precise product pricing strategies to improve portfolio health and profitability:

- Product pricing tier recommendations.
- Guidance for compliance with the Risk-based Pricing Rule.
- An unbiased product pricing approach.
- Patented optimization technology is used to develop pricing programs for up to eight portfolios.
- Unlimited phone and email support through the contract's duration.

Custom consumer services — This customized service offering allows clients to assist consumers with various issues, including, but not limited to, dispute processing.

- Web, email, mail or direct phone customer service support.
- Enhanced consumer experience with dedicated customer support.

To learn more about Experian's Risk-based Pricing products and services, contact your local Experian sales representative or call 1 888 414 1120.

www.experian.com/regulatory-compliance/consumer-information/Risk-based-pricing-rule.html