

CELENT

Solution Brief

EXPERIAN VERIFY

Real Time Customer Verifications Accelerate Loan Origination,
Lower Costs, and Improve Risk Assessment

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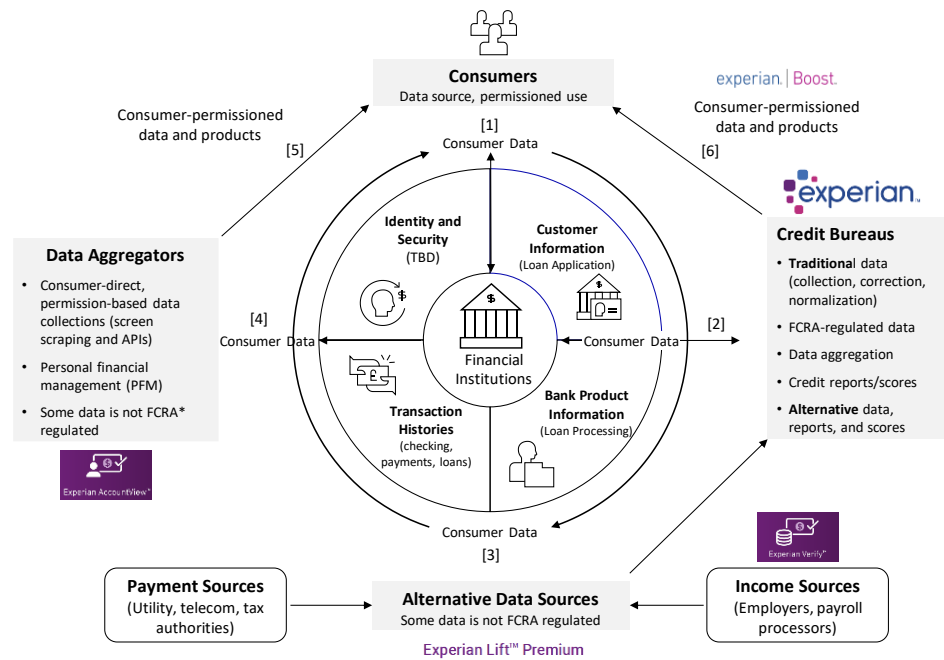
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WHY IT MATTERS

Competition in retail account origination continues to demand real time access to many types of data to create faster processes at lower cost, increase customer satisfaction, and sustain competitive differentiation. To meet this need, data platforms and data aggregation services are providing financial institutions (FIs) with new data and analytics to increase back office efficiency and speed—improving the customer experience at lower cost.

Experian has developed a series of verification services used in retail consumer and mortgage loan processing. These are Experian Verify, a new solution, and AccountView. Figure 1 shows these solutions within a broader picture of how retail consumer loan, payment, and public record data is aggregated by FIs from consumers and shared with credit bureaus which then aggregate the data to create credit information products. Experian’s products, combined with workflow automation, enable FIs to more quickly import data necessary to process loans, which is a significant improvement from current practices.

Figure 1: Consumer Data Sources, Aggregation, and Products in Retail Lending



*FCRA: Fair Credit Reporting Act
Source: Celent, Experian

In retail lending, data aggregation has been highly developed in the credit reporting industry for decades, where credit bureaus collect, normalize, aggregate, and create products from positive and negative retail consumer loan information from individual FIs (Figure 1, processes [1] and [2]). In particular, the use of data aggregation is further established in the secured automobile, home equity, and mortgage lending asset classes. Credit bureaus have contractual relationships with lenders and receive a (typically) regular stream of huge transaction volumes with multiple data elements.

Figure 1 also shows that consumer data collection and usage in retail banking has expanded dramatically beyond what financial institutions traditionally collected and utilized (process [3]). Lenders are now using alternative data sources to create more robust and new consumer scoring models—and to expand the universe of consumers for whom they can provide a credit report using nontraditional credit data, and produce a credit score for using a combination of traditional and expanded FCRA-regulated data from a range of alternative data sources. These sources may be created or managed by credit bureaus or other entities focused on consumer data. Data aggregators have also emerged in the past decade with a consumer-permissioned data model (process [4]). Data aggregators would obtain consumer login credentials, “screen scrape” consumer data from banks, and then aggregate it to create personal financial management (PFM) and other products (process [5]). Finally, credit bureaus have been selling consumer-permissioned products since the early 2000s (process [6]). The bottom line is that financial institutions have more consumer data choices and the ability to more finely evaluate customers and prospects than ever before.

Figure 1 also shows Experian’s business and product locations across this retail consumer information ecosystem, and its key income and employment verification products that are the focus of this Solution Brief. Experian’s strategy is to provide FIs an integrated source of information and analytics with which to make decisions. It is no longer about simply connecting financial institutions to new sources of customer data. FIs need to use this data, analyze it, assess risk, determine prices, and make product offers. They therefore need to utilize these disparate data sources more easily, quickly, and inexpensively.

Context

On March 31, 2021, Experian briefed Celent on its new Experian Verify offering and its related Experian AccountView product. Celent spoke with:

- Michele Bodda, President, Experian Mortgage and Employer Services and Verification Solutions
- Stan Baldwin, SVP, Head of Market Engagement, Mortgage, Verifications Solutions, and Employer Services

This Solution Brief assesses Experian Verify in the context of the need for financial institutions to more accurately and quickly acquire and analyze new sources of customer data, to more completely and accurately analyze data, to make decisions on loan underwriting and pricing, to monitor loan portfolios, and to sell new products and grow customer relationships.

Celent found that Experian is a large, global enterprise solutions provider that continues to innovate and diversify through a combination of careful opportunity assessment, sandbox internal development, and selective acquisitions. In addition, the Experian Verify product further enhances the company’s comprehensive set of data products, analytics, and technology systems that anticipate what financial institutions need today and into the future.

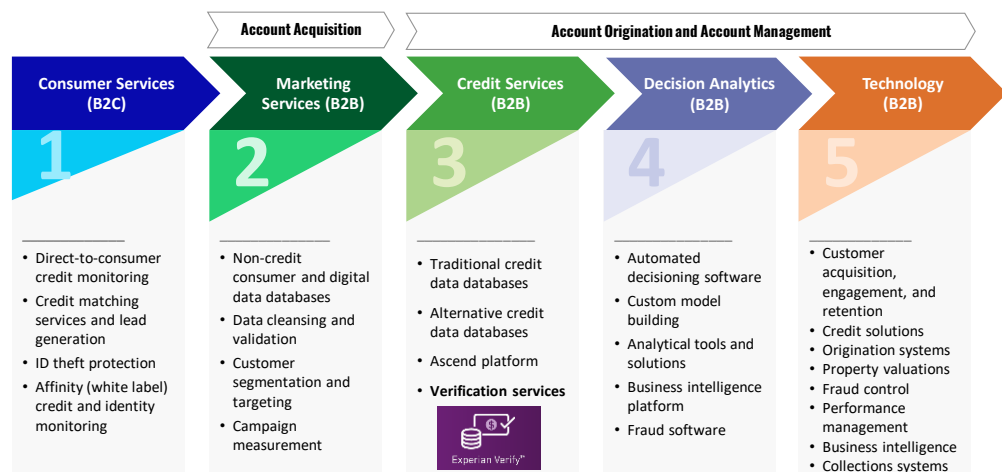
Company Overview

According to a summary of Experian’s company profile on Celent’s [VendorMatch](#),

“We help organizations around the world lend responsibly, more fairly, and quickly to people and businesses. We help them to minimize the risk of fraud, deliver a better customer experience, and identify new business opportunities. We help businesses make smarter, faster decisions by unlocking the power of data to help people understand their finances and take control of their credit. We help our clients minimize the risk to their organization while delivering the sort of customer experience that people expect. We help them to lend effectively, to detect and minimize fraud, and to comply with legal requirements. We help them identify new opportunities, including more efficient ways to run their business and better ways to cross-sell their products.

Figure 2 summarizes the product categories and solutions that Experian sells to FIs.

Figure 2: Experian Family of Products and Services



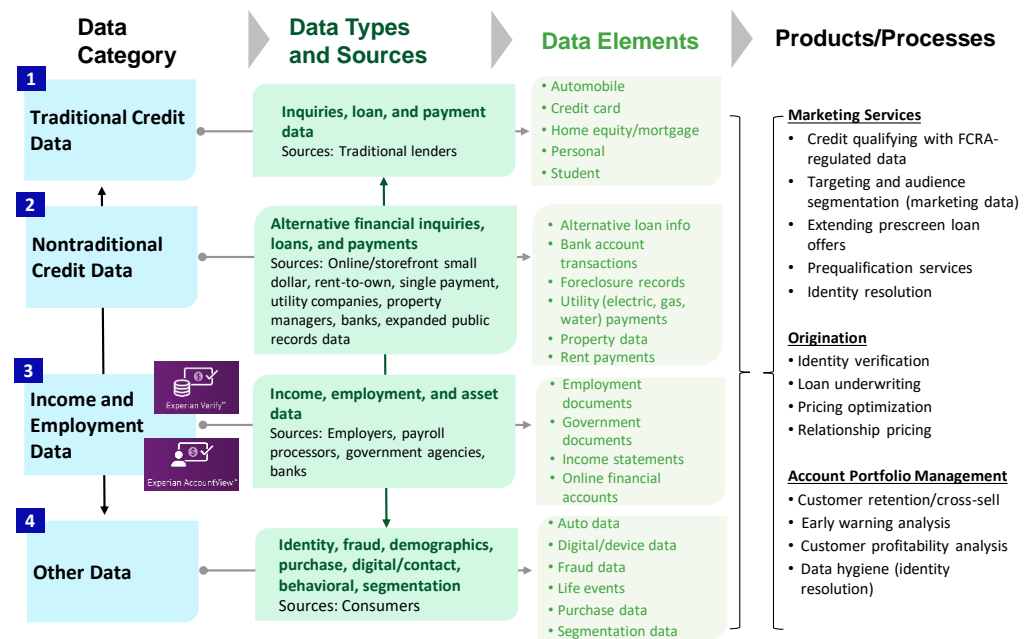
Source: Celent, Experian

EXPERIAN VERIFY

A key ingredient for financial institutions when originating a loan is the ability to import consumer income and employment data on a real time basis directly into the loan processing and underwriting work stream. This accelerates the lender’s ability to provide an answer to the loan application quickly and before the consumer considers applying for the loan elsewhere. Moreover, if real time data isn’t available for a specific customer, then the lender review should automatically cascade to the next data source without a significant time lag.

Figure 3 depicts Experian Verify within the ecosystem of consumer data and shows the lending processes in which it can be used. By providing the real time data ingredients needed for a fast loan decision, the product enables many lenders to say yes to more loan applicants more quickly compared with their current processes.

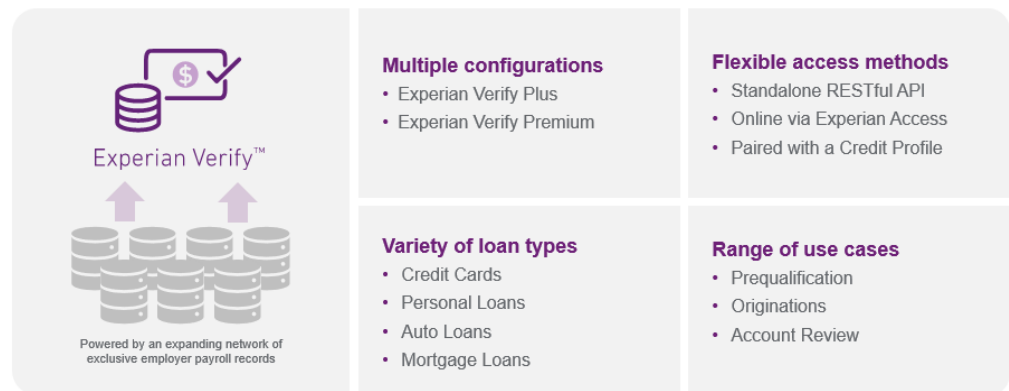
Figure 3: Income/Employment Data Enables Numerous Products and Processes



Source: Celent

Retail lending used to require many loan applicant data verification documents to process and underwrite the loan. Receiving digital or even paper documents is one option, but receiving the data directly using Experian Verify is better, faster, and cheaper. Lenders use Experian Verify primarily to process and underwrite retail consumer and mortgage loans. Figure 4 provides a product overview, including the two Experian Verify product configurations (products), loan types supported, data access methods, and the range of use cases.

Figure 4: Experian Verify Product Overview



Source: Experian

By being able to obtain this critical underwriting information instantaneously, lenders can complete automated underwriting processes faster, make a decision, and notify the loan applicant more quickly. Data delivery options are as important as the data content. Experian's API service enables RESTful APIs that provide real time access to the Experian Verify report for integration into a client's internal or external user experience. Lenders can also access the data online using Experian Access, a web-based portal providing access to credit management tools in one central, online location.

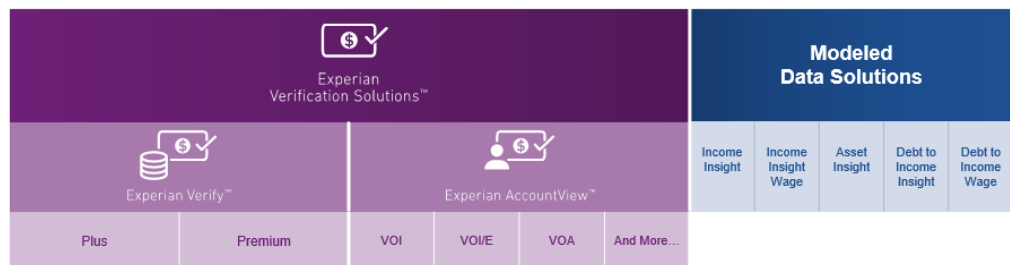
The value of verification of income (VOI) and employment (VOE) data is evident across the entire credit cycle. While newer fintechs focus their efforts solely on account origination, Experian has multiple loan account review solutions.

It is important to note that the lender doesn't have to execute an extra step to obtain the verification data in addition to the standard credit report. A single API call can return both a credit report and an Experian Verify report.

Experian Verify in the Experian Verification Product Portfolio

Figure 5 shows that Experian Verify is not the company’s first income and employment data solution. However, Experian Verify is the fastest solution for verification by providing real time data, and it complements the Experian AccountView product. Experian offers other income and employment solutions that may be more suitable for a range of other use cases across the credit lifecycle and is currently working on additional innovations in this space.

Figure 5: Experian Verify Expands Experian’s Income and Employment Data Solutions Portfolio



Source: Experian (Note: existing Finicity solutions have been rebranded as Experian AccountView)

Experian Verify™ Plus: Typically used for unsecured credit products (credit cards and personal loans), this product version provides a consumer’s most recent payroll record from active employer(s), with a number of additional employer, employee, and employment status-related data elements.

Experian Verify™ Premium: Typically used for secured credit products (auto, home equity, and mortgage), this product version provides a consumer’s two most recent payroll records from any active employer(s) and the last payroll record from any inactive employer(s) over the past 24 months. It also provides additional employer, employee, and employment status-related data elements, including more detailed pay and tax data.

In addition, Experian has a healthy innovation roadmap and will be adding a number of additional Income and Employment solutions to its portfolio of options over the coming months.

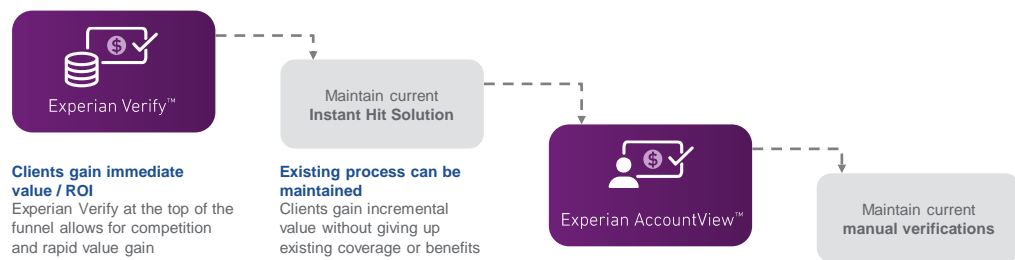
Experian Verify Cascades Into Existing Processes for Greater Efficiency

Experian Verify covers a growing percentage of the total US employment market, however there will be occasions where there isn’t a real time data hit for some loan applicants. Experian Verify complements Experian AccountView, which provides similar data in a near-real time as it is pulled from a consumer’s financial account provider. In this case, the lender can choose to have Experian’s system automatically use Experian AccountView for the same (and some additional) information. Experian

AccountView (a private-label version of Finicity’s consumer-permissioned data verification of income product) includes approximately 95% of consumer accounts at financial institutions. The Experian VOI Report has 12–24 months of categorized transaction history.

Figure 6 shows how this cascading data sourcing process works. In the minority of cases where data is not found with Experian Verify or AccountView, the loan processor will initiate a manual verification by contacting employers directly. However, by using this cascading process, the lender has benefitted by automating this activity for many of its loans, without losing valuable time while seeing if automated data is available.

Figure 6: Cascading the Data Sourcing Process Compresses Timelines



Source: Experian (Note: existing Finicity solutions have been rebranded as Experian AccountView)

Uses and Benefits

In addition to the real time loan processing and underwriting process described above, Experian Verify has the following uses and benefits:

Prequalification: Lenders can integrate Experian Verify into the loan prequalification process, which may occur via an agent-assisted or self-service digital channel.

Paperless processing: Experian Verify reduces the use of slow-to-acquire and expensive-to-store paper proof documentation

IMPLICATIONS FOR FINANCIAL INSTITUTIONS

Experian Verify supports financial institutions by addressing numerous pain points and customer service, cost, and competitive issues. Celent's perspective on the loan origination market is that:

Borrower situations are changing. Loan applicants are experiencing higher unemployment, less income security, growing credit/liquidity needs, and a need for faster access to consumer credit. Home buyers also need faster credit access as they compete to secure financing to show creditworthiness when they shop and bid on homes to purchase.

All types of lenders are competing with each other to attract retail customers, process loans at the lowest cost, and provide better customer service. Lenders also need to enhance their loan origination processes and recalibrate their credit risk models in the new environment. Determining income and employment verification, employment and income stability, and the capacity to pay are critical elements for better risk management and a better customer experience.

Celent believes that Experian's solutions are differentiated from many competing verification solutions in that:

Experian provides a one-stop shop for credit data, reports, and scores as well as verification solutions, fraud, and analytics that support retail lending. Lenders can leverage existing Experian relationships quickly to further digitize loan processing, decisioning, and account review. Most other solution providers in these categories only provide a fraction of what Experian offers.

Lenders need flexible data access and workflow as alternative data sources grow. Experian manages scalable databases and has loan origination and decisioning systems that complement income, employment, and other verification solutions. While some competitors have loan origination systems, data, or analytics, few have all three as does Experian.

Celent sees addressable market expansion and new lending sales growth opportunities that are enabled by verification solutions:

Embedded Finance: Digital and brick-and-mortar retail lenders are increasingly adding consumer loan origination capabilities into their product sales and fulfillment processes. Financial institutions can utilize real time verifications to partner with retailers and tap this growing distribution channel.

Digital-First Millennials: Although many millennials need advice and are somewhat willing to wait during slow customer journeys such as mortgage origination, this digital-first age cohort prefers digital for faster, real time verification.

The Unbanked and Underbanked: A key to acquiring and serving these segments is gaining access to alternative credit, verification, and related data at lower cost. The process of verifying unbanked and underbanked consumers is often more manual and expensive. Digital verification solutions can reduce this cost.

The Path Forward

Experian is live with several leading financial institutions across all areas of banking:

- Leading automobile lenders looking to streamline the loan origination process to move cars off the dealer lot and get the keys to drivers faster
- Large credit card issuers looking to improve the effectiveness of their account acquisition and review strategies
- Mortgage lenders looking to modernize their loan origination process and auto-verify more loan applicants to speed underwriting processes
- Banks and credit unions working to reduce the amount of manual loan processing and underwriting while improving credit and fraud risk decisioning

Lending is the main revenue and profit engine of the retail bank. The success of Experian Verify will depend on how well a financial institution can modify its processes, guidelines, employee training, and technologies—and how quickly a bank can change behaviors around its processes, typically a difficult task. In today's digital banking world, leaders and fast followers that adopt real time verification solutions are best positioned to succeed.

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