



Clarity Services Presents: ChexAdvisor® Risk Management Solution from ChexSystems®



Experian's Clarity Services is proud to be a recognized reseller of ChexAdvisor® Risk Management Solution from ChexSystems®.

ChexAdvisor® is available to all Clarity customers. Clarity Services specializes in alternative financial services data and solutions. Clarity's suite of FCRA-regulated reports and scores give lenders visibility into critical non-prime consumer information, including the thin-file and no-file consumer segments.

Clarity's alternative credit data gives lenders a more complete picture of non-prime applicants. Clarity's data and solutions can help align these consumers with the right credit products for their needs while providing a more precise risk assessment for lenders.

Clarity offers real-time reporting with a national coverage of nontraditional data sources that, when combined with Experian's traditional information, provides an unparalleled view of the underserved consumer segment.

Clarity is dedicated to making alternative financing services more accessible, trusted and effective for the clients and consumers it serves.

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When Extending Credit, Don't Overlook the Debit Side of the Story



When making decisions about whether to extend credit to a consumer seeking a loan, many lenders rely solely on traditional credit data information or score from the nationwide bureaus. While that may provide a useful indication of how the consumer has handled their past obligations, it doesn't provide a complete picture of their overall financial stability in today's economic landscape. Many consumers, including the 68 million who fall into the underserved category, don't have enough traditional credit history to provide assurance that the loan won't ultimately become a liability.

Currently, the consumer lending business is robust, but it's also highly competitive, with consumers able to access credit from a number of different sources, bank and nonbank alike. Consumers are being aggressively pursued by nonbank providers tempting them with so-called pre-approved offers and promises of low rates. As financial institutions strive to grow and maintain a healthy consumer loan portfolio, they struggle to find balance between two possible outcomes. If they extend credit to applicants with lower conventional scores across the credit spectrum, they run the risk of taking on bad debt. However, by adhering to higher standards, they may be leaving business – and opportunity – on the table, unable to extend the most competitive offer to the consumer.

The Power of Alternative Data

By augmenting customary credit underwriting with additional information about consumer behavior, financial institutions seek to improve their ability to serve consumers with the best offering within their portfolio of products. For example, the consumer profile can be fleshed out to some degree by looking at public records such as liens, property listings, bankruptcies, lawsuits, criminal activity, evictions and the like. Other examples include payment history related to rent, utilities and cellphones, address and phone history, income and employment, vehicle-related data, payday loan activity and more.

By considering this information when assessing a prospect, lenders can begin to improve their understanding of the applicant. However, they still have a limited view of the individual, and therefore an unreliable forecaster of the likelihood of loan repayment. In addition, they may not have the insight they need to structure the right deal – one that is achievable for the individual and profitable for the financial institution. That's because past management of credit coupled with bill-payment history is still only part of the story.

Completing the Profile: Debit Behavioral History

While 87 percent of the U.S. population has at least some credit data, that leaves 13 percent with none – and that translates into 40 million consumers, any one of whom could turn to your institution for a consumer loan. Despite this absence of credit history, a great deal can be learned about the financial behavior of individuals by looking at their debit history, and that information is available on up to 92 percent of the population. By adding this information to the mix, financial institutions can increase their universe of creditworthy prospects, more accurately assign a statistically meaningful score, make more educated underwriting decisions and structure deals that make sense for both parties.

The most reliable source of debit behavioral information provides a suite of attributes about consumers – information that is gathered from financial institutions, alternative lenders and retailers. Examples include:

- Number of inquiries made by financial institutions about a consumer who has applied for a checking account – The difference between infrequent and frequent opening of new accounts may, when combined with other data, be an indicator of instability, fraud or opportunity.
- Number of inquiries made by alternative lenders about a consumer who has applied for a payday loan – The frequent opening of payday borrowing may, when combined with other data, be an indicator of volatility, overextension or opportunity.
- Check ordering information – Again, frequent vs. infrequent check ordering, along with other data, could provide insight into the individual's financial practices and stability.
- Number and recency of forcible account closures by financial institutions that resulted from the consumer's abuse of accounts
- Retail check-writing history on bank accounts containing insufficient funds, and the status and dollar amount of those bad checks

"The way a consumer manages his or her checking account can tell us a lot about credit worthiness," said Ron Whyte, general manager and vice president for FIS Decision Solutions. "It goes way beyond bounced checks or forced account closures. A debit profile may reveal that an applicant has been a victim of identity theft or has a security freeze on file, either of which would be important for a lender to consider."

Key Attributes to Look for When Searching for an Alternative Data Provider

Regulatory compliance –

The data source must comply with all regulations governing consumer credit evaluation. This includes the need for a process for investigating and resolving consumer disputes in a timely manner.

Depth of information – The deeper and broader the data, the greater the value.

Scope of coverage – A database covering a broad percentage of consumers is optimal.

Accuracy – Alternative data repositories need to have a mature data management process in place to ensure data accuracy.

Predictiveness – The data should predict future consumer repayment behavior.

Orthogonality – Useful data sources should be supplemental or complementary to what's captured in traditional credit reports.

Source: FICO Insights, Sept. 2013

Greater Security, Compliance and Risk Assessment in Consumer Lending

In addition to filling in the gaps about consumer financial behavior, the most advanced providers of debit information offer other valuable services: They verify the identity of applicants by matching Social Security number, name, address and date of birth against robust public data sources; they assess the likelihood that an applicant is who he or she claims to be; and they verify account ownership. They further automatically screen applicants against the most current list published by the Office of Foreign Assets Control (OFAC), which helps the institution comply with Customer Identification Program (CIP) requirements.

"Managing risk, fraud and compliance is an ever-evolving responsibility," said Whyte. "By augmenting traditional credit data with debit behavioral information from a nationwide specialty bureau, lenders can more effectively verify identity, advance their ability to structure appropriate deals and more precisely evaluate the likelihood of repayment."

For more information, contact your FIS representative or visit www.fisglobal.com

Chex Systems, Inc. ("ChexSystems") is an indirect, wholly-owned subsidiary of FIS. ChexSystems is a Fair Credit Reporting Act ("FCRA") §603(f) consumer reporting agency and a §603(x) nationwide specialty consumer reporting agency ("NSCRA") formed in 1971 and currently based in Woodbury, Minnesota.

ChexSystems is committed to complying with the FCRA, a federal statute that regulates the activities of Consumer Reporting Agencies (CRAs), the users of reports, and those who furnish information to CRAs ("furnishers"). Protecting consumer privacy, resolving consumer disputes, ensuring maximum possible accuracy of consumer data and consumer reports, and free annual consumer reports are some of the primary purposes of the FCRA.

With more than 40 years of experience and nationwide coverage, ChexSystems drives a stronger consumer risk assessment based on the depth and accuracy of our data, combined with the actionable insight we provide.