

ALTERNATIVE CREDIT DATA

Q. What kind of revealing activities in non-traditional data would you consider as a negative indicator for lending transactions?

Experian believes that alternative data plays a key role in facilitating first and second chances: identifying consumers who have a stronger credit “character” than traditional data alone may imply. There are also opportunities to leverage alternative data to identify consumer risk that would otherwise go unseen, until it had a negative impact on a client’s book of business. As an example, Clarity information can be used to identify consumers who have strong, established, positive credit history but who may be engaging in risky financial (repayment) behaviors in areas unseen by traditional credit scores. For instance, a prime consumer who may be experiencing payment stress may still have a 750 credit score, but could be utilizing payday lending services, which would portend major liquidity issues in the short term – again, completely unseen by traditional credit. Many clients leverage Clarity data as an early warning sign of impending payment stress; when Clarity “hits” are found on a consumer file, that can trigger various actions, including line management updates, courtesy calls and in some cases, loan declination.

Trended data can play much the same role. By identifying recent trends affecting repayment history, delinquency, account volume and even utilization, lenders can (pre) identify consumers with potential payment stress and take appropriate action.

Q. Have you seen a rise in delinquencies resulting in lower credit scores since the COVID-19 pandemic started?

Generally speaking, there has been very little evidence of rising delinquencies or lower scores immediately following the pandemic. In fact, in some areas, credit scores have risen. This is likely due to the CARES Act, which “suppressed” the negative impact of many reported accounts after March 27, 2020. Additionally, because there has been a sharp rise in forbearances, accounts that may have otherwise gone delinquent have not. As a result, Experian strongly advises the usage of early warning signs, such as Trended Data and Clarity information to help identify latent risk, which may rise significantly once the CARES ACT expires.

Q. What similarities in data has Experian seen from the 2009 recession and the current state we are in?

There are few similarities between the Great Recession and now. While both periods suffered from the same types of macroeconomic shocks – spikes in unemployment, higher lending standards and negative consumer sentiment, the credit-related realities are (as of this email) quite different. Specifically, compared to the 2007 – 2009 crisis, the current situation has seen:

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- i. No appreciable rise in delinquencies
- ii. No significant drop in credit scores (in fact, some areas have seen credit increases)
- iii. Huge spikes in the number of loan forbearances and modifications

Still, data would show that lenders are broadening their lending horizons to include more analytics, account review and reliance on events-based consumer triggers.

For a full overview of the current state of consumer data, please contact Experian; we can provide Premier Aggregated Credit Statistics of the current macroeconomic trends – as well as a free report, speaking to changes in the industry.

Q. How concerned are you about the differences in the ways creditors are reporting deferments, skips, and other payment accommodations?

Experian is very cognizant that much of the burden of “properly” reporting consumer data falls squarely on the lender. That said, Experian has worked directly with the major credit risk scoring providers (e.g., FICO® and VantageScore, LLC) to ensure compliance with the March 27, 2020 CARES Act, as well as ensuring the proper treatment of consumer modifications and comment codes, including:

- i. AW – Declared Natural Disaster reporting
- ii. CP – Forbearances
- iii. Loan Modifications
- iv. Loan Deferment

While theoretically, the fact that negative payment information logged on/after March 27, 2020 may be suppressed throughout the CARES Act period could make it more difficult to accurately assess consumer risk, Experian’s alternative data provides a layer of protection, and ability to identify risk even without this information. Trended Data (which can look back 24 months and identify payment, balance, volume/usage and utilization trends) provides clients with the tools necessary to (continue) to assess and pre-identify delinquency risk. Clarity data also provides an additional layer of coverage, identifying payment stress amongst consumers using payday, title and sub-prime lending channels, as well as helping confirm strong repayment behaviors even during the current economic environment.

Q. What is the source of licensing and educational data and how frequently it is updated?

Education and professional licensing data come from Lexis Nexis – specifically, their RiskView 5.0 credit model. This model leverages FCRA-regulated data and is a significant component of Experian Lift Premium, Experian’s flagship risk model designed to provide coverage and unparalleled performance across the entire “full file” of the US credit-age population. Lift Premium features trended data, Clarity attributes (alternative financial data) and Lexis Nexis RiskView 5.0 data, in addition to Experian’s industry-leading Premier Attributes – traditional credit data.

The RiskView 5.0 data is updated real-time, as new data becomes available.

NOTE: Batch models leveraging RiskView 5.0 data may be updated 1-3 times weekly.

Q. Is Experian Lift a score or raw attributes? How is it consumable in the Sandbox?

Experian Lift attributes are indeed available in raw attribute form:

- i. Premier Attributes
- ii. Trended 3D 1.1

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iii. Clarity ClearView Attributes

iv. RiskView 5.0

Lift will be placed into Sandbox by December 2020.

Q. How far back in time do the expanded data sources go if we were interested in an archive purchase?

Typically, all forms of Expanded FCRA-data are available as far back as May 2012.

Contact us

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