

Leveraging Alternative Data: Expanding Access to Credit

Joanne M Gaskin
Senior Director, Scores and Analytics
FICO

Challenge: Millions of consumers that lack credit history have difficulty obtaining credit from mainstream financial institutions

Observations: Two change dynamics impacting consumer lending

- Some alternative credit data sources have developed to a scale that support inclusion into a national FICO® Scoring system
- Lenders are seeking opportunities to extend credit to more borrowers, including traditionally underserved and underbanked consumers

Findings: FICO's research explores the opportunity to extend responsible risk assessment to a broader consumer population



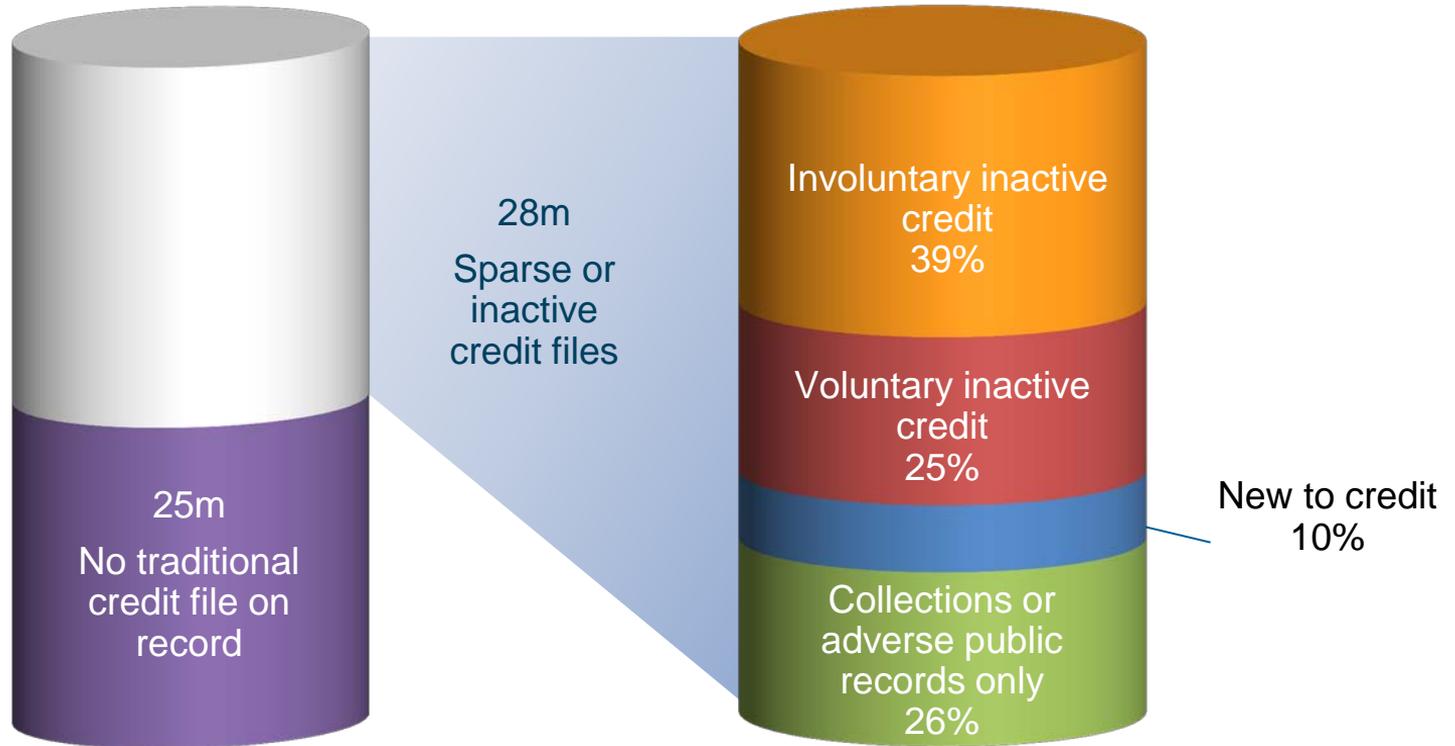
What Drives a FICO® Score?

“The Five Information Zones”

IDENTIFYING (PERSONAL) INFORMATION						
I. Wishfor Credit 805 Main St. Anytown, America 77777		12 Lost Lane Somewhere, USA 66666 Date of Birth 1-25-45 SSN 888 88 8888		Sam's Gas & Oil Attendant		
PUBLIC RECORD (LEGAL ITEMS)						
9-07 Judgment \$1,000		Satisfied 3-08				
COLLECTION ITEMS						
7-06 Collection \$500						
TRADE LINE (ACCOUNT) INFORMATION						
Industry	Date Reported Rating	Date Opened	High Credit	Balance	Current	Historical Rating
Bankcard	2-11	3-90	\$5,000	\$0	Current	120+, 6 yrs ago
Auto loan	2-11	7-08	\$8,000	\$1,500	Current	
Retail	12-10	6-04	\$1,000	\$200	30 days	
INQUIRIES						
Date	Industry	Date	Industry			
7-01-10	Bank	6-01-10	Auto finance			
6-15-10	Oil company	2-07-10	Retail			

- Approximately 170–200 million consumers have credit files to support a FICO® Score
- FICO minimum scoring criteria is a single recent and updated trade line (at least 6 months old and updated within the last 6 months)
- Over 28 million consumers lack this minimum criteria in their credit files, another 25 million have no file on record
- “Alternative credit data” is defined as information outside the traditional credit file

The Key Segments of Unscorable Population



Ensuring Safety and Soundness

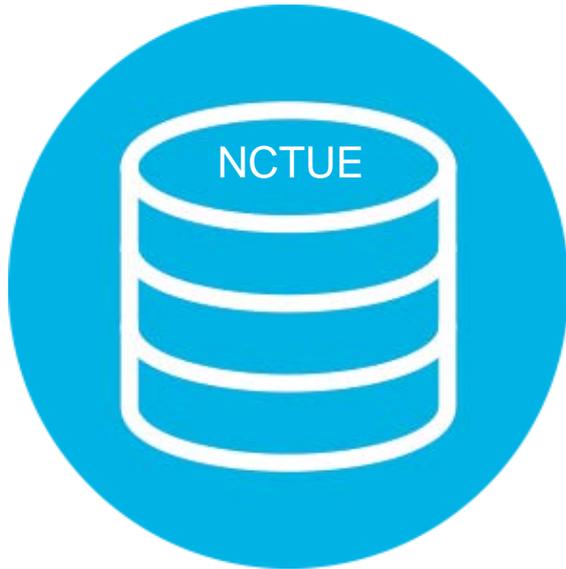
FICO's Alternative Data Selection Guidelines

Regulatory Compliance	The data source must comply with all regulations governing consumer credit evaluation.
Depth of Information	Data sources that are deeper and contain greater detail are often of greater value.
Scope & Consistency of Coverage	A stable database covering a broad percentage of consumers can be favorable.
Accuracy	How reliable is the data? How is it reported? Is it self-reported? Are there verification processes in place?
Predictiveness	The data should predict future consumer repayment behavior.
Orthogonality	Useful data sources should be supplemental or complementary to what's captured by other data sources.

Alternative Data Sources Showing Most Promise

Telco and Utility Data

- Payment information has similar characteristics to traditional credit file data
- Sourced through Equifax[↑] and the National Consumer Telecom & Utilities Exchange[↑]

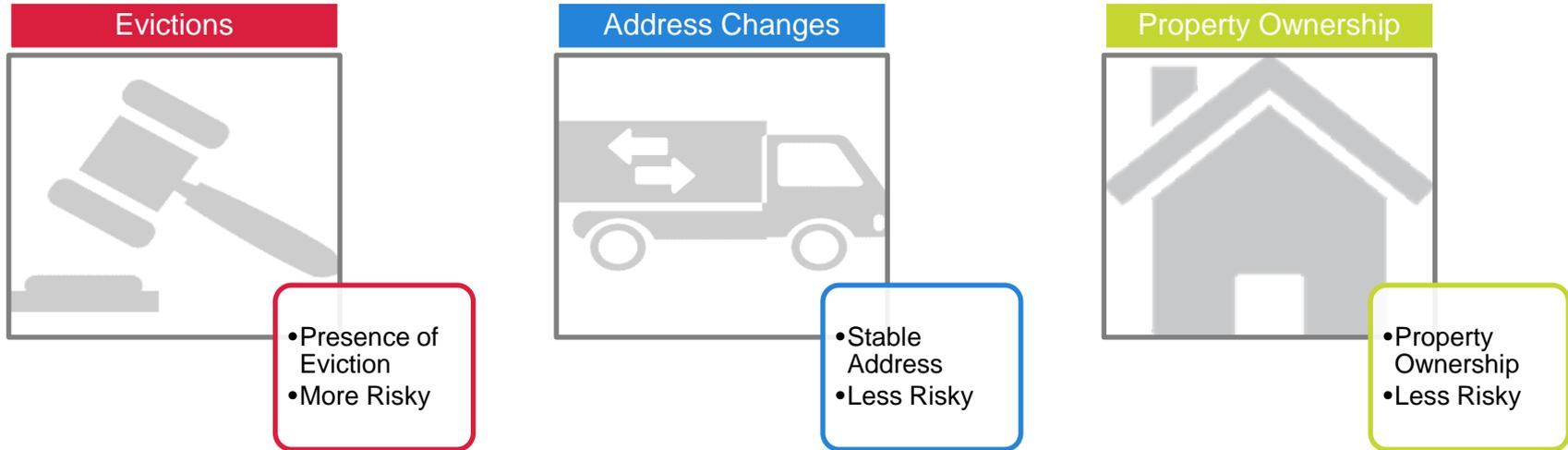


- Consumer payment information in the Telco, Pay TV and Utilities space
- More than 90 Data Contributors (wireless, landline, cable, satellite and utility providers)
- 210 Million Unique Consumers from 415+ Million Unique Accounts
- 2015 growth is > 23%
- Historical data back to May 2010

Alternative Data Sources Showing Most Promise

Public Record and Property Data

- Most inclusive of datasets studied with high coverage rates
- Includes sources from tax and government bodies, e.g. address history
- Sourced through LexisNexis Risk Solutions

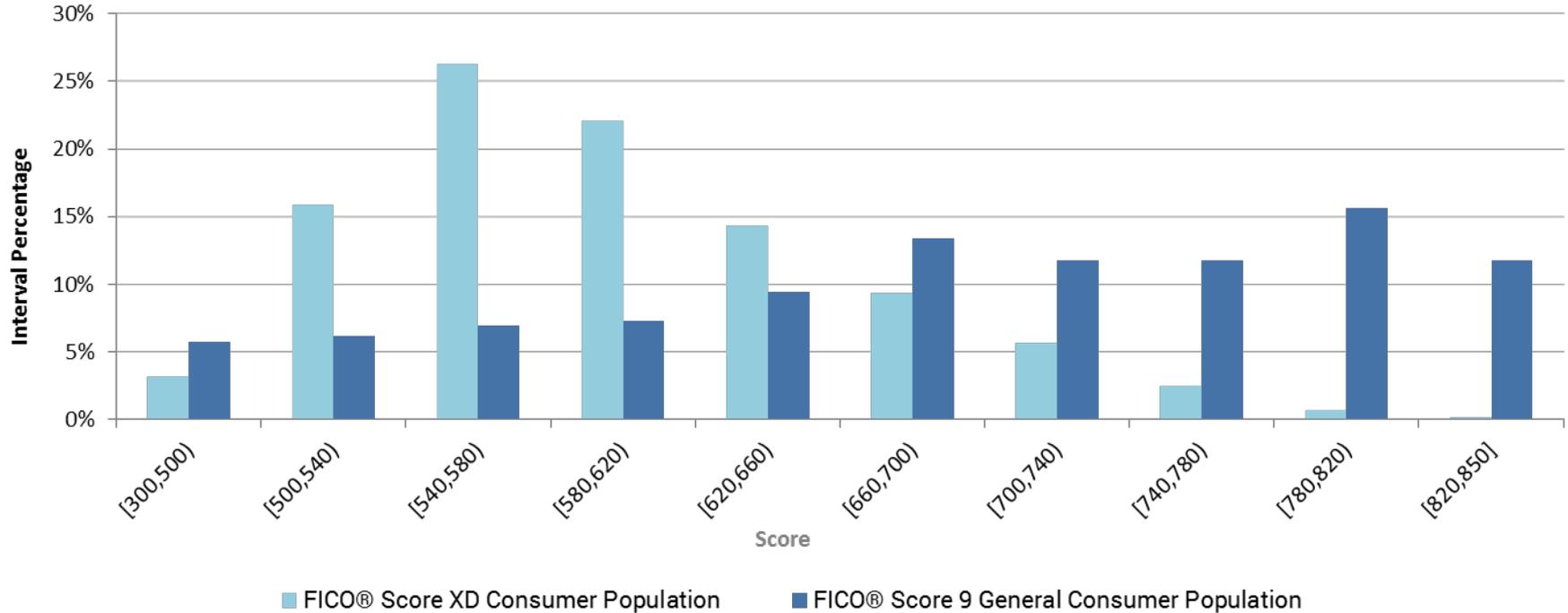


Using Alternative Data Millions More Applicants Are Scorable

Segments	Median Age	Traditional Credit Data Available	Typical Proportion of Applicant Pool	Typical Segment Scorable Rate
Voluntary Inactive	71	Stale — Median time since last update is 4 years	1 – 4%	40 – 45%
Involuntary Inactive & Collections Public Records Only	43	Stale — Median time since last update is 30 months	20 – 30%	45 – 50%
New to Credit	24	Majority amongst applicant groups are inquiry only — most systems will not score	35 – 40%	75 – 80%
No Traditional Credit File	25	No	35 – 40%	50 – 55%

More than 1/3 of the Previously Unscorable, Have a FICO Score XD of Above 620

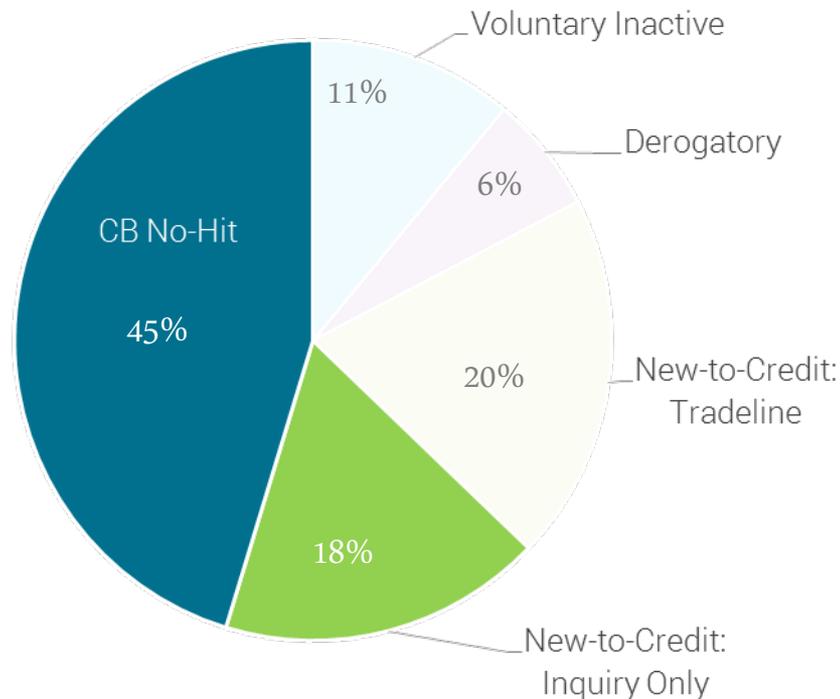
FICO® Score XD: Interval Score Distribution



Credit Invisible Population Largest Segment with Scores above 620

- **Applicants of higher credit quality include many new credit seekers**
- **Over 60% of applicants scoring over 620 are comprised of consumers with no credit file or inquiry only files**
- **Traditional credit data alone is insufficient to assess risk on these sparse/no file applicants**

FICO® Score XD Segments
Applicants with Score \geq 620



Summary

- FICO is committed to generating scores that lenders and consumers can trust to give an accurate, fair assessment of a consumer's likelihood to repay their credit obligation
- Traditional credit data has predictive limitations for consumers with sparse or inactive files
- Alternative credit data, not found in traditional credit files, is effective in reliably scoring millions more consumers; more than half of applicants previously unscorable
- Previously unscorable consumers that score higher with this new approach go on to maintain good credit standing when a traditional credit history is established
- FICO® Score XD has great applicability for unsecured lending and creates a pathway to traditional credit

Thank You

ficoscoreinfo@fico.com

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