Card Issuer Case Study

Reaching More Consumers with Banking and Payment Data

A Use Case From A Card Issuer Client Using PI Risk Score To Reach More Consumers

A prominent card provider with over 1,000,000 customers was looking for a new way to accept more applicants. The majority of their applicants were scored using traditional credit reports with a FICO score. However, a significant population, nearly 20% of the applicants, were not scoreable. Meaning they either did not have a credit score or there was such limited information in their credit report that the score did not provide enough confidence to be used. The secured card company evaluated several options, including ValidiFI's **Payment Instrument (PI) Risk Score**.

The **PI Risk Score** is ValidiFI's primary credit and risk score, derived from banking and payment data not the traditional data sources used by the big three credit bureaus. The credit bureaus primarily rely on credit cards, auto, mortgage, and personal loans. Yet many new to country, millennials, and underserved consumers lack a credit score or derived from limited information. The **PI Risk Score** leverages transactions from hundreds of thousands of bank branches and several hundred thousand merchants that process ACH payments, all sources that no-file and thin-file consumers typically use for their personal financial transactions. The PI Risk Score provides insights to these financial behaviors and patterns where the traditional credit score cannot.

Approach

The client conducted a proof of concept to determine how many additional consumers could be reached and the efficacy of the **PI Risk Score**. The study added an additional step to the company's online application process. Their application process collects name, address, social security information, amongst other requirements, and uses these to run a credit check with one or more credit bureaus. One credit bureau was able to return a viable score 70% of the time. The remaining 30% is sent to another credit bureau who was able to return a viable score an additional 10% of the time.

Results

Historically, the remaining 20% of the applications were denied by the secured card company simply because a score was not available. Under the test, however, the company presented the remaining 20% of the applicants with the opportunity to enter their bank account information, which is all that was necessary to generate a viable **PI Risk Score**. While not every applicant was willing or able to enter their bank account information, nearly 75% were able to provide the necessary information. Of those applicants that submitted their additional bank account information 50% of them received a **PI Risk Score** that was acceptable to the secured card company.

Conclusion

Incorporating this new process and **PI Risk Score** proved to be extremely successful for the secured card company. Applications that were previously disregarded now presented opportunities. The secured card issuer is now reaching an additional 7.5% of their applications that they could not monetize on in the past.

30%

Over a quarter of consumers were not covered by a single bureau, requiring a multi-bureau approach

20%

Two out of ten consumers are rejected solely on their lack of credit scores

75%

Three out of four consumers who would've otherwise been rejected are willing to provide bank account information for a second chance

7.5%

The amount of customers they were able to convert and monetize that would've previously been thrown out

For more information, or if you would like to schedule your own data study, please email info@validifi.com or call us at 844-562-6678.

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