

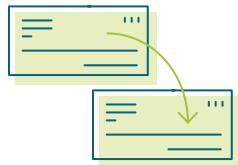


# Unlocking smarter growth

How short-term consumer lenders can  
scale portfolios without increasing risk.



# A growth problem in disguise



**More than 50% of U.S. consumers **live paycheck to paycheck** including 30% of high-income earners**

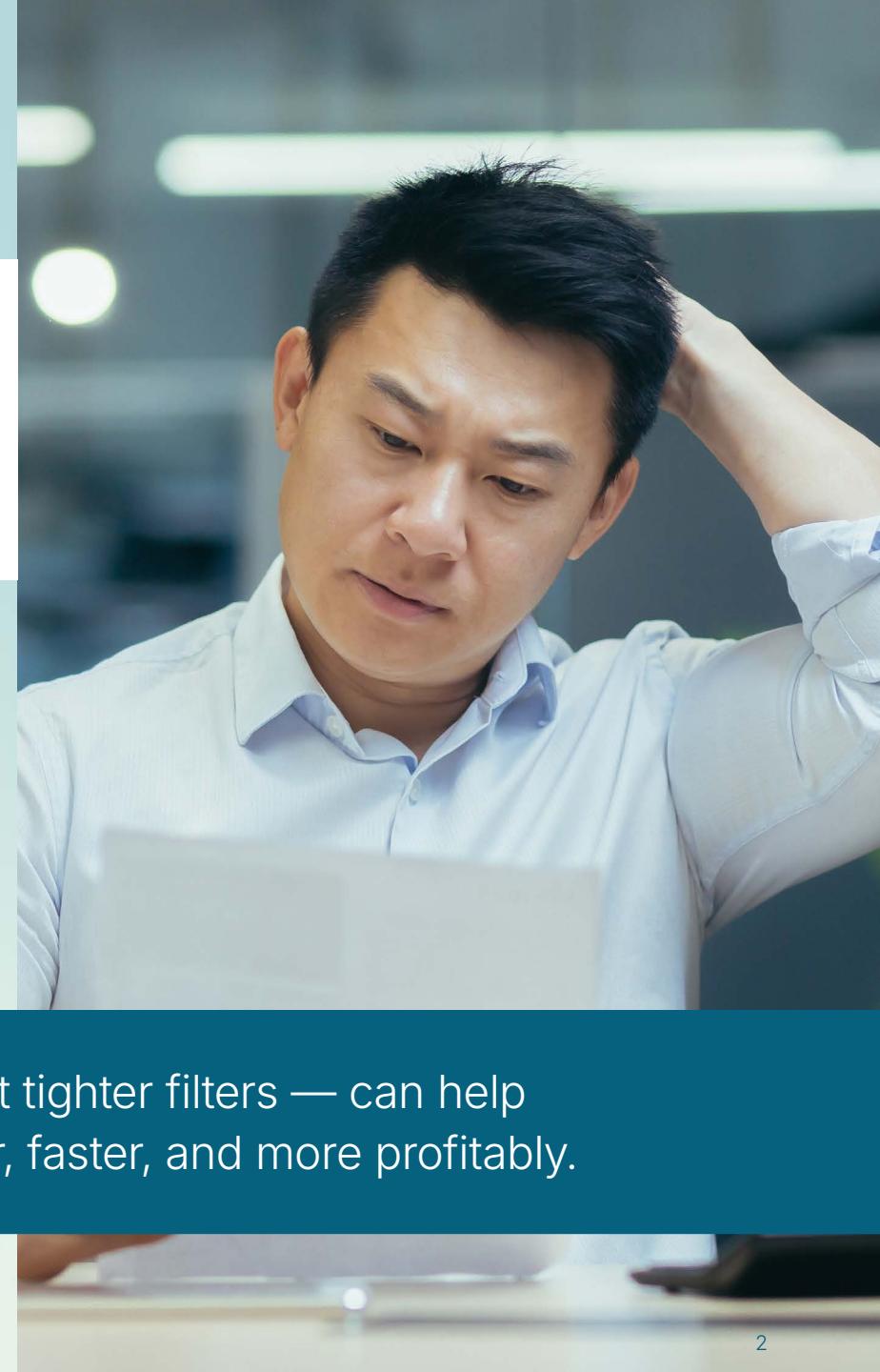
PYMNTS Report 2024

Short-term consumer lenders are finding it increasingly difficult to grow portfolios without spiking key risk metrics like first-payment default (FPD), delinquency, or never pay.

While macroeconomic pressures like inflation, wage stagnation, and rising consumer debt contribute to stricter underwriting, two issues stand out:

- **A surge in fraudulent leads**
- **A heavy reliance on undifferentiated underwriting data**

By exploring differentiated inquiry data and loan performance insights, readers will discover how to leverage unique advantages over traditional bank and payment data alone, enhancing their decision-making and driving more successful lending outcomes.



Better data — not just tighter filters — can help lenders grow smarter, faster, and more profitably.

# The fraud funnel: Where the money goes

Fraud isn't just costly — it's smarter than ever

Lenders report a significant decline in lead quality over the past five years. One of the biggest culprits? **Third-party fraud** — when someone uses another person's identity or bank credentials to open or take over an account.

Fraudsters are getting more sophisticated, and unfortunately, they all want access to the same thing: the bank account. **That's where loans are funded. That's where they strike.**

That's why bank account verification is more than a step in onboarding — it's a critical defense layer.

## Third-party and synthetic identity fraud losses exceeded \$4.5B in 2023.\*



Fraudsters all want the same thing:  
**the bank account**



\*Javelin Identity Fraud Study Summary

# Instant account verification: The hidden hero

## Don't just validate — verify smarter and stop fraud at the root

Many verification tools confirm whether a bank account exists — but that's just the beginning.

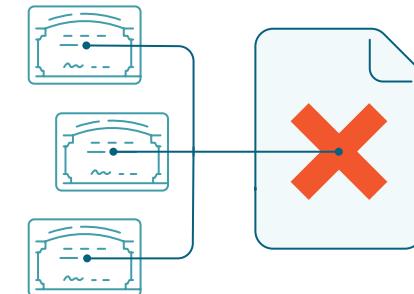
Best-in-class solutions from **ValidiFI** go further, offering instant verification that includes ownership, status, and risk indicators.

Smart lenders are adopting more sophisticated account intelligence to uncover risks, such as:

- **Recent account opening** (<7 days old)
- **Multiple identities** tied to the same account
- **Recycled or inactive accounts** used for synthetic fraud

Importantly, consumers also want a choice in how they link their accounts — either via online banking credentials (open banking) or by entering account/routing numbers manually. **ValidiFI** supports both with near-instant results.

Accounts with 3+ Social Security Numbers (SSN) linked within a 90-day period are **60% more likely to be tied to a fraudulent loan application.\***



- **Eliminate up to 95% of microdeposit-based drop-off**
- **Instant enrollment, reduced friction**
- **Consumer choice: open banking or manual entry**

# The real problem: Sameness in underwriting

## Most lenders use the same scores, rules, and vendors — that's a problem

Strikingly, fraud isn't the top concern among lenders — it's the lack of conversion-ready applicants that's limiting growth.

The reason? Most lenders use the same tools (fraud filters, credit scores, and data sources), follow the same score thresholds, and make the same approve/deny decisions.

This leads to:

- **Higher lead acquisition costs**
- **Fierce bidding wars** for the same 'safe' leads
- **Low portfolio differentiation**

Without differentiated data, lenders either overpay for limited leads or loosen standards and increase risk. If everyone is playing by the same rulebook, it's nearly impossible to win.

That's why lenders need a true alternative to legacy credit bureaus — one that includes unique inquiry data, alternative loan performance data, and modern bank-level intelligence.

Lenders that use advanced data analytics and alternative data sources can **reduce their lead acquisition costs by up to 30%** compared to those relying solely on traditional credit scoring methods.\*



\*American Bankers Association

# Differentiated data in action

## More data = more opportunity (If you know where to look)

To break out of this cycle, lenders need to use alternative data sources that go beyond the traditional credit file.

**ValidiFI's** alternative data — based on payment history, account behavior, and identity signals — adds predictive power that surfaces creditworthy consumers others overlook.

But we don't stop at bank and payment data. Our approach includes differentiated inquiry and loan performance data that gives lenders visibility into financial behavior ignored by traditional bureaus — making **ValidiFI** a true alternative credit bureau.

For instance, vCredit, **ValidiFI's** alternative credit risk model, uses real-time bank transaction data, repayment behavior, account longevity, as well as inquiry and loan performance data to create FCRA-compliant scores and attributes.

This combination of bank, payment, loan performance, and inquiry data provides our customers with a competitive advantage by helping lenders:

- **Identify new, low-risk populations** previously filtered out by traditional models
- **Improve conversion rates** while lowering FPD
- **Reduce cost per funded (CPF) loan**



Predictive, alternative data **surfaces** creditworthy consumers others overlook.

# Case study snapshot: vCredit

## Find overlooked opportunities to convert

In a recent study, **ValidiFI's vCredit** solution not only ranked application risk effectively, but also identified a group of consumers most likely to convert.

The highest-scoring 20% of applicants in the **vCredit** model

showed both the lowest default risk and the highest conversion rate from applicants to funded accounts.

These consumers had often been overlooked by traditional models, making them more receptive to offers when presented.



### Score <438

- 105% higher FPD than average (24.6%)
- 6% of funded volume (150)

#### Recommendation:

Implement stricter verification processes for this segment to assess the risk associated with these applicants more accurately.

### Score >627

- 35% lower FPD than average (7.8% vs 12%)
- 30% of funded volume (750)

#### Recommendation:

Streamline the onboarding process. This segment can be a significant source of revenue. Implement automated systems to expedite approvals while maintaining compliance.

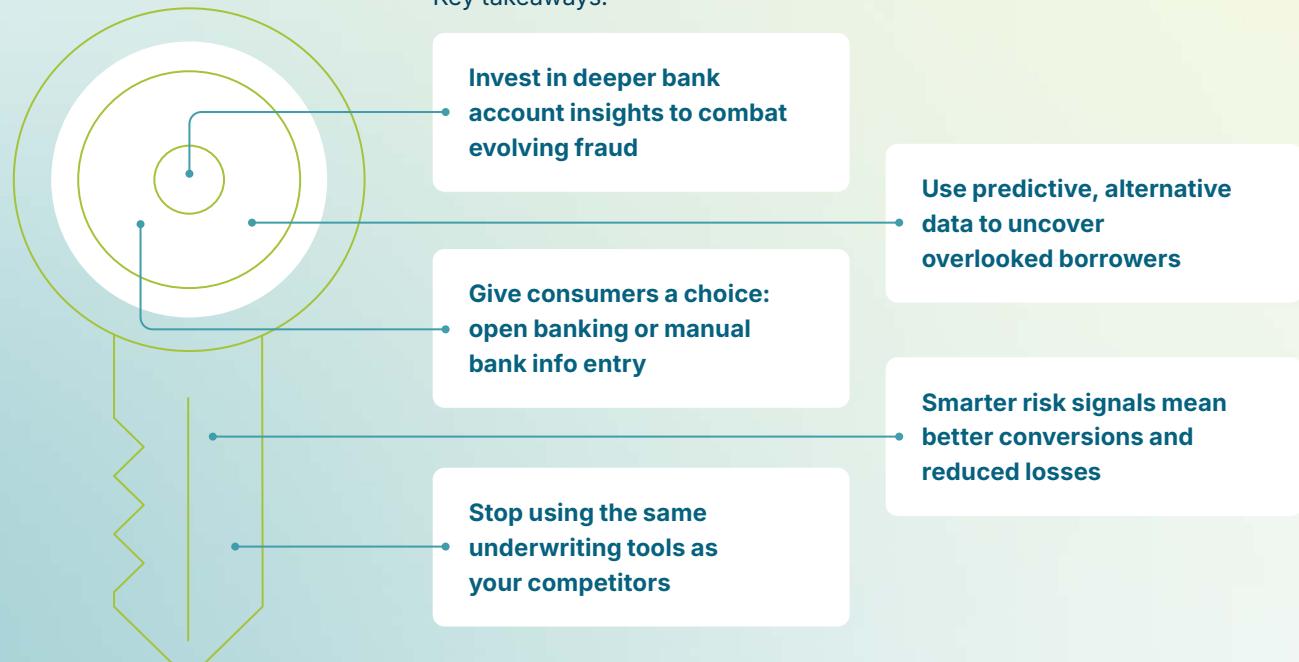
# Unlock growth with better data, not just tighter filters

Short-term lenders don't have to choose between growth and risk mitigation. With the right data and fraud strategies, it is possible to scale safely and profitably.

## In summary:

- **Macroeconomic headwinds** are squeezing borrower eligibility at the top of the funnel
- **Third-party fraud** is eroding lead quality
- **Most lenders rely on identical models**, creating approval bottlenecks
- **Legacy bureaus don't give lenders the full picture.**

To compete, you need an alternative bureau that uses different data — and sees different borrowers



Ready to 'ValidiFI' your lending portfolio to unlock profitable growth? Schedule a personalized demo or portfolio analysis today at **ValidiFI.com**

**ValidiFI**<sup>®</sup>

1.800.736.5123 [sales@validifi.com](mailto:sales@validifi.com)