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Profitable credit card lending to the underserved market: Bringing the underserved into the mainstream

Experian

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Introducing:

- **Marla Blow**
  Fenway Summer
- **Michele Raneri**
  Experian

Experian

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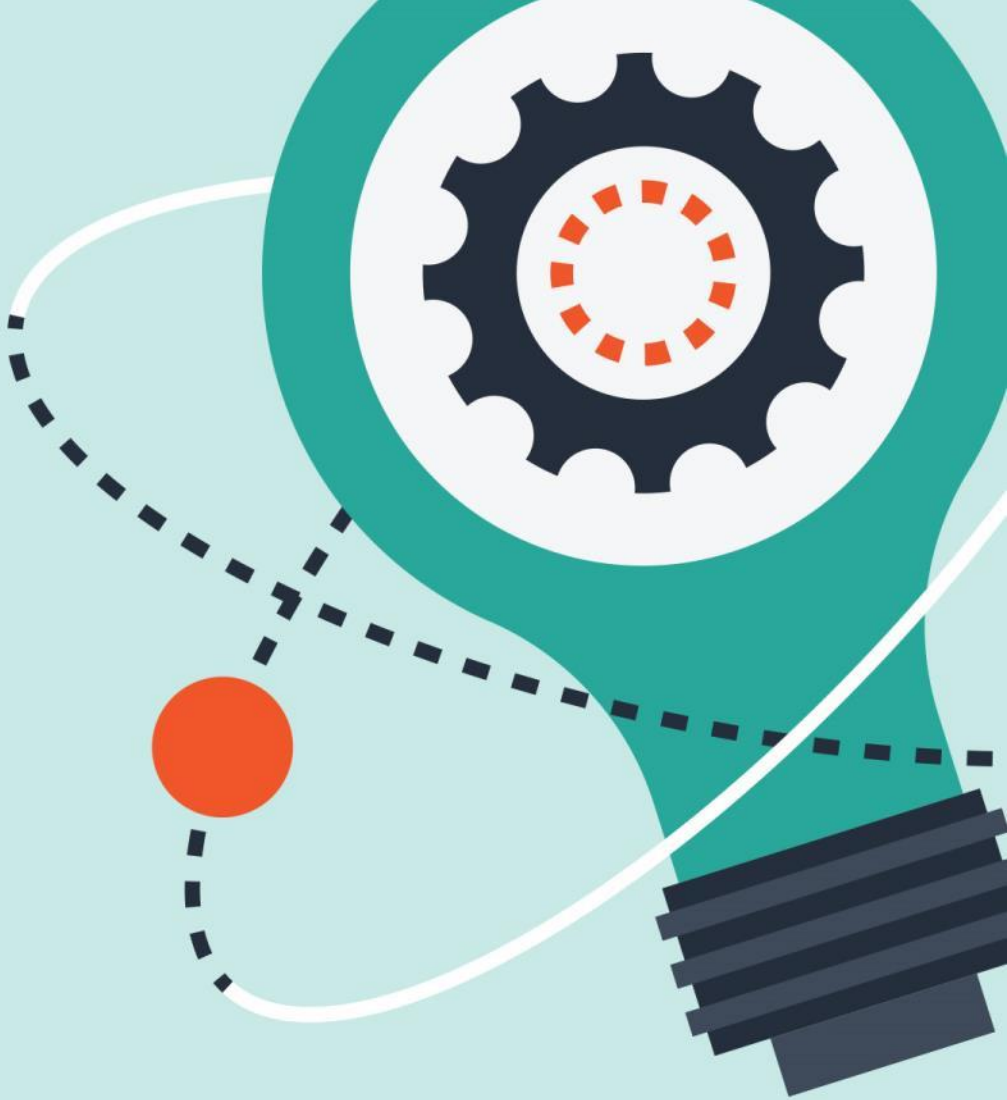

“Credit gives people a greater ability to weather shocks and take control of their finances.”

New York Times Magazine
“How Credit Card Debt Can Help the Poor”
February 16, 2014

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Subprime market analysis

Michele Raneri

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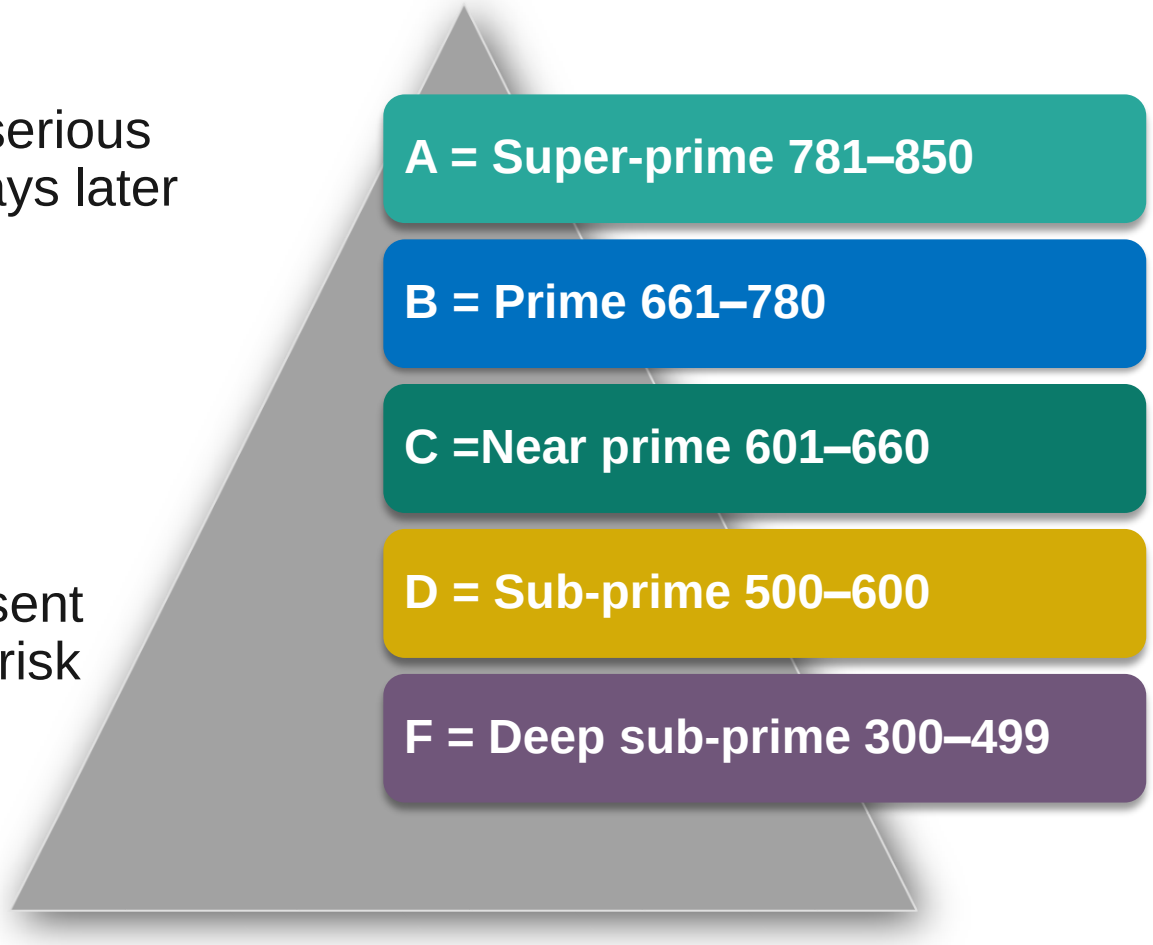
VantageScore® 3.0
Model overview

- Predicts risk of borrower
  - Likelihood of future serious delinquencies (90 days later or greater)
  - Any type of account
- 24-month performance
- Score range of 300–850
  - Higher scores represent a lower likelihood of risk
  - Lower scores are higher risk



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Subprime analysis

What is the subprime bankcard landscape?

Consumers with bankcards

- US: 170 million
- Subprime:16 million (9%) consumers

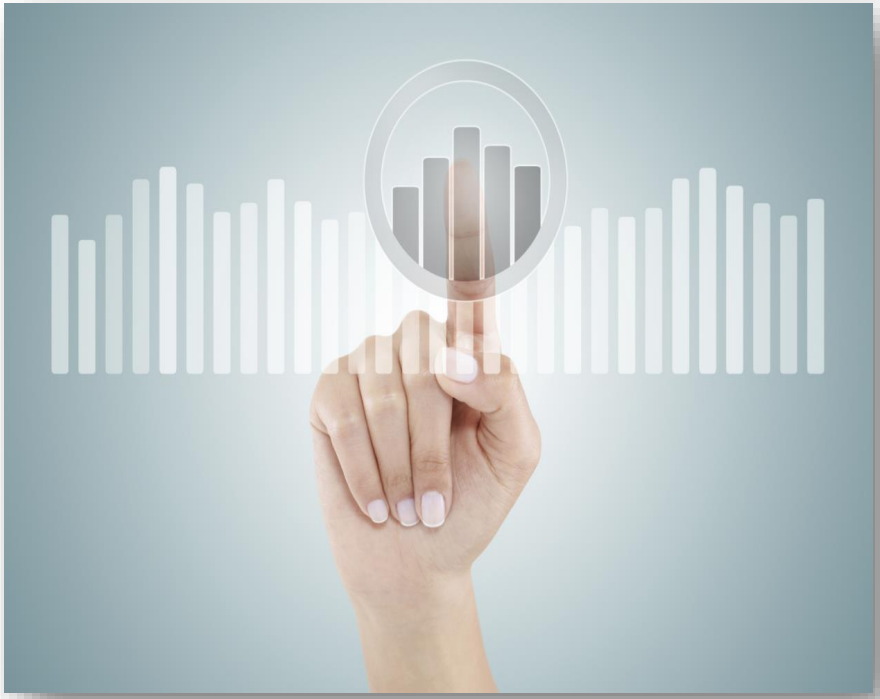
Existing balances

- US: $671 billion
- Subprime $75 billion (11%) balances

Average balances

- US: $3,954 per consumer
- Subprime: $4,807 per consumer

How are you targeting subprime?



Data Q4 2015 Experian IntelliView℠; Subprime defined – VantageScore® 3 601-660

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Subprime analysis overview

Dec 2013

Selected consumers VS3=550-650, or not scoreable

Dec 2014

Limit to consumer those who opened bankcard in 2014

Dec 2015

Pulled performance as of Dec 2015 ever 60DPD in 12 months

- Thick credit file >4 trades
- Thin credit file =<4 trades
- No trades

VS3 = VantageScore® 3.0

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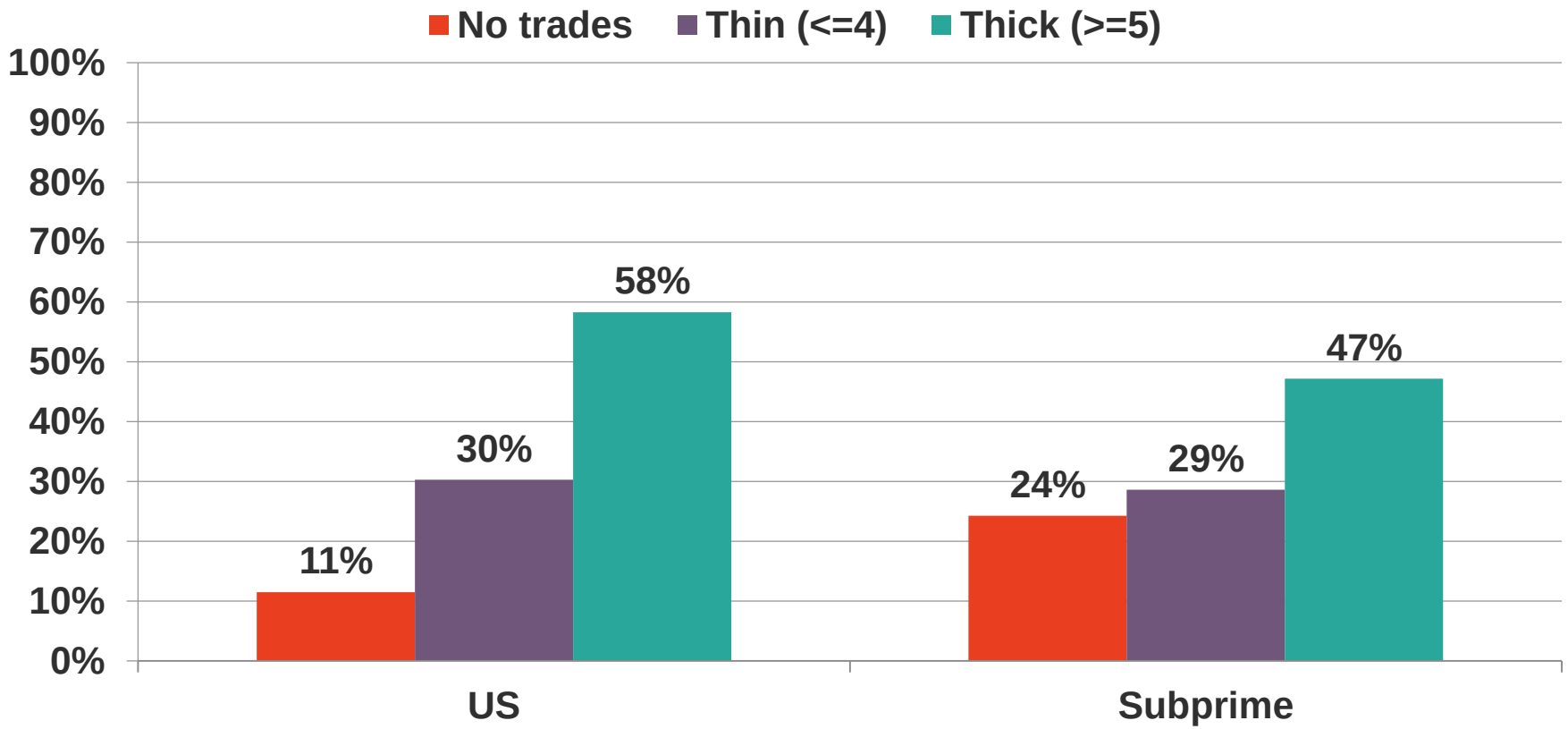
Credit metric comparison

Distribution of consumer by file thickness



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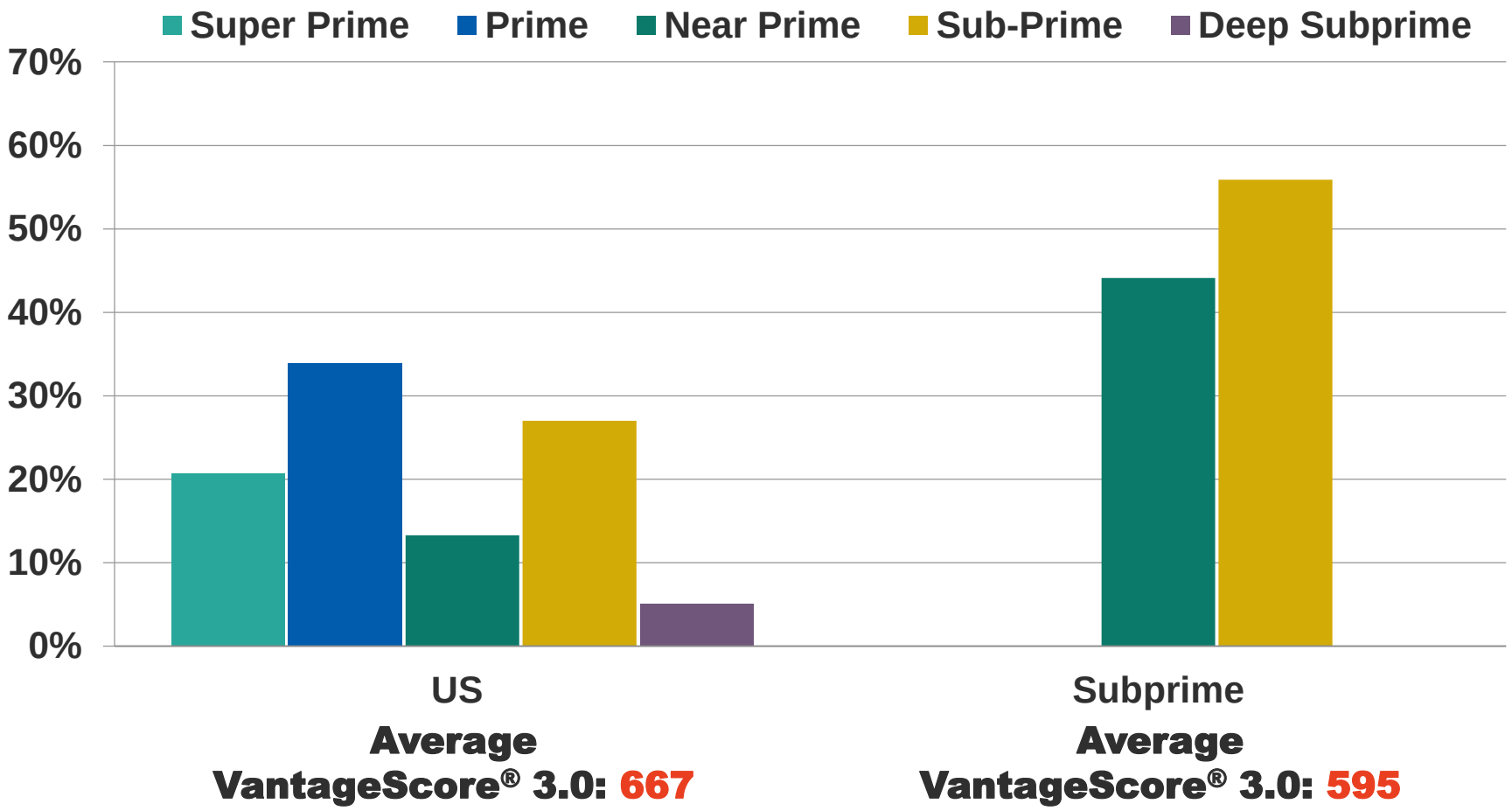
VantageScore® breakouts

US vs. Subprime



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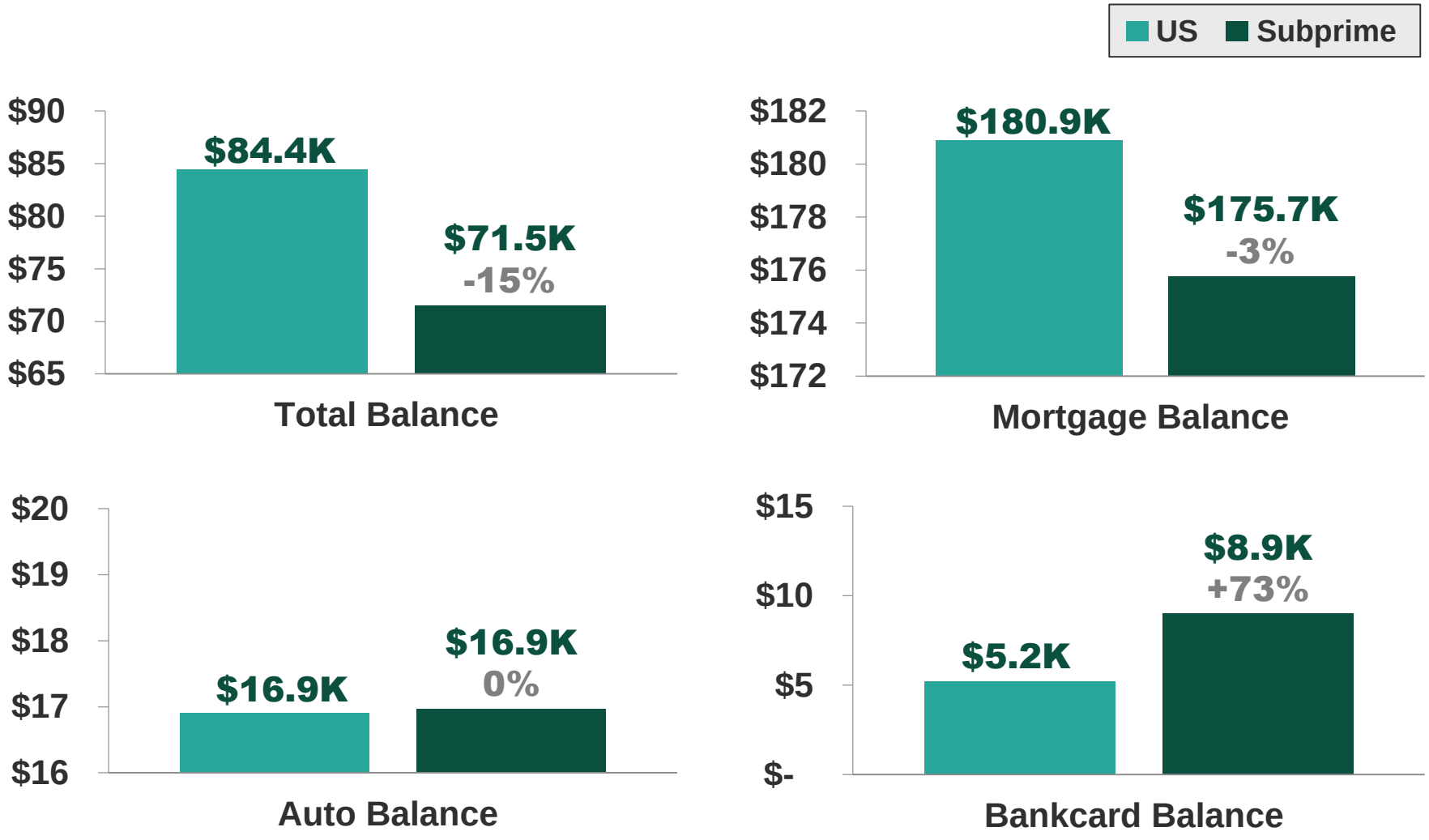
Credit metric comparison

US vs. Subprime



Subprime defined VantageScore® 3.0: 550-650 (from data sample)

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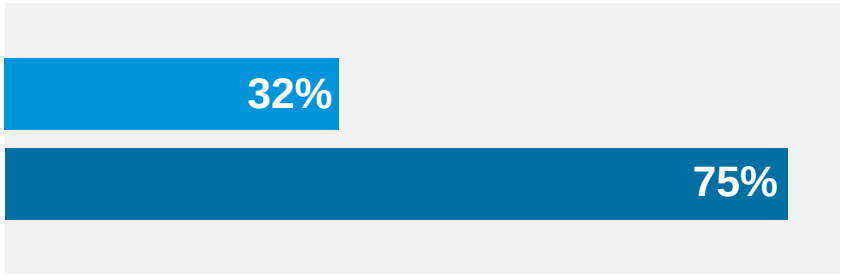
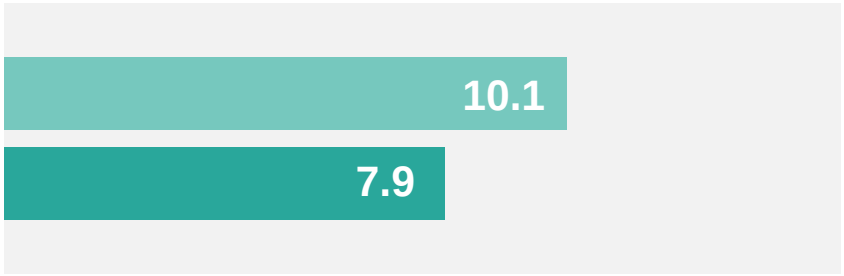
Credit metric comparison

US vs. Subprime

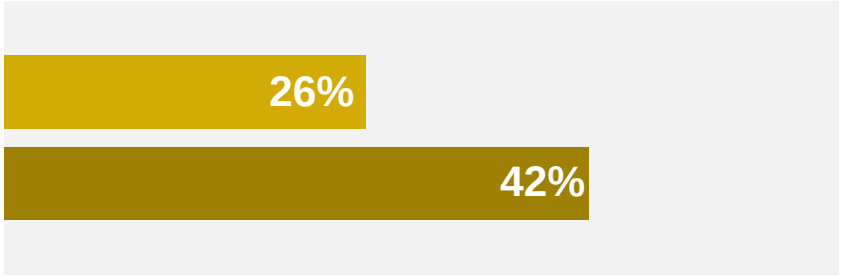
Bankcard utilization rate



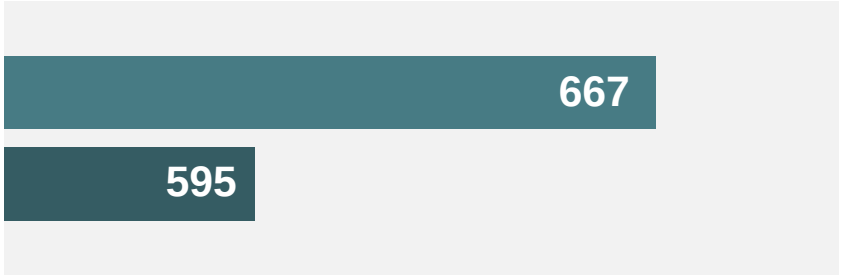
Average number of trades



Percent trades ever derog



Average VantageScore®



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Improving decisioning

VantageScore®	Income Insight℠	Extended View℠	Premier Attributes℠
Predicts the likelihood of a consumer becoming 90 days delinquent or worse on any trade within 24-months	Estimates the wage income of a consumer	Credit score designed to assess the creditworthiness of underserved consumers who have limited or no credit history *EVS Scored:* *99% thins* *91% no trades*	Comprehensive set of credit attributes updated perpetually which enable strategic and data driven decisions

EVS = Extended View℠ score

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Predicting risk

VantageScore®

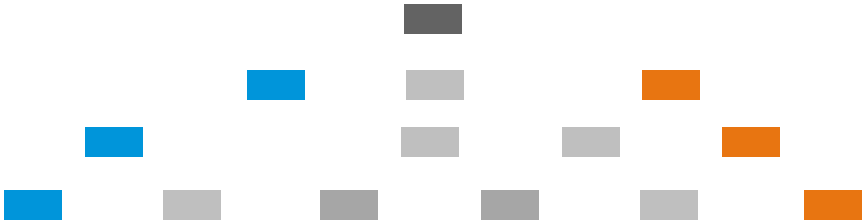
Income Insight℠

Extended View℠

Premier Attributes℠

CHAID analysis

LOW likelihood of bad



HIGH likelihood of bad

Observation → **December 2013**

Performance → **December 2015**

Bad definition → **60 DPD**

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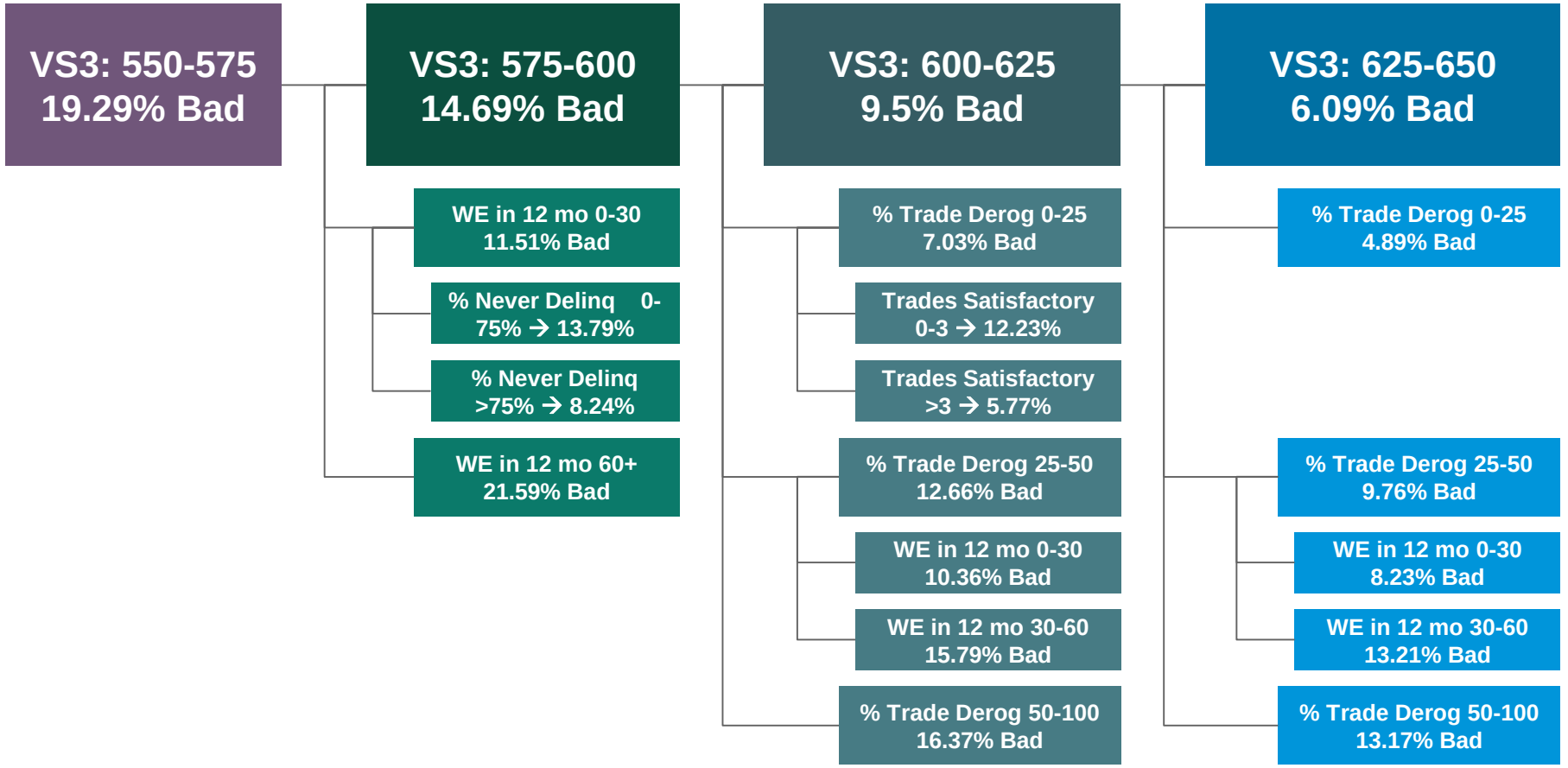
Thick records (>4 trades)

Probability 60+DPD

10.83% overall bad rate



VS3 = VantageScore® 3.0

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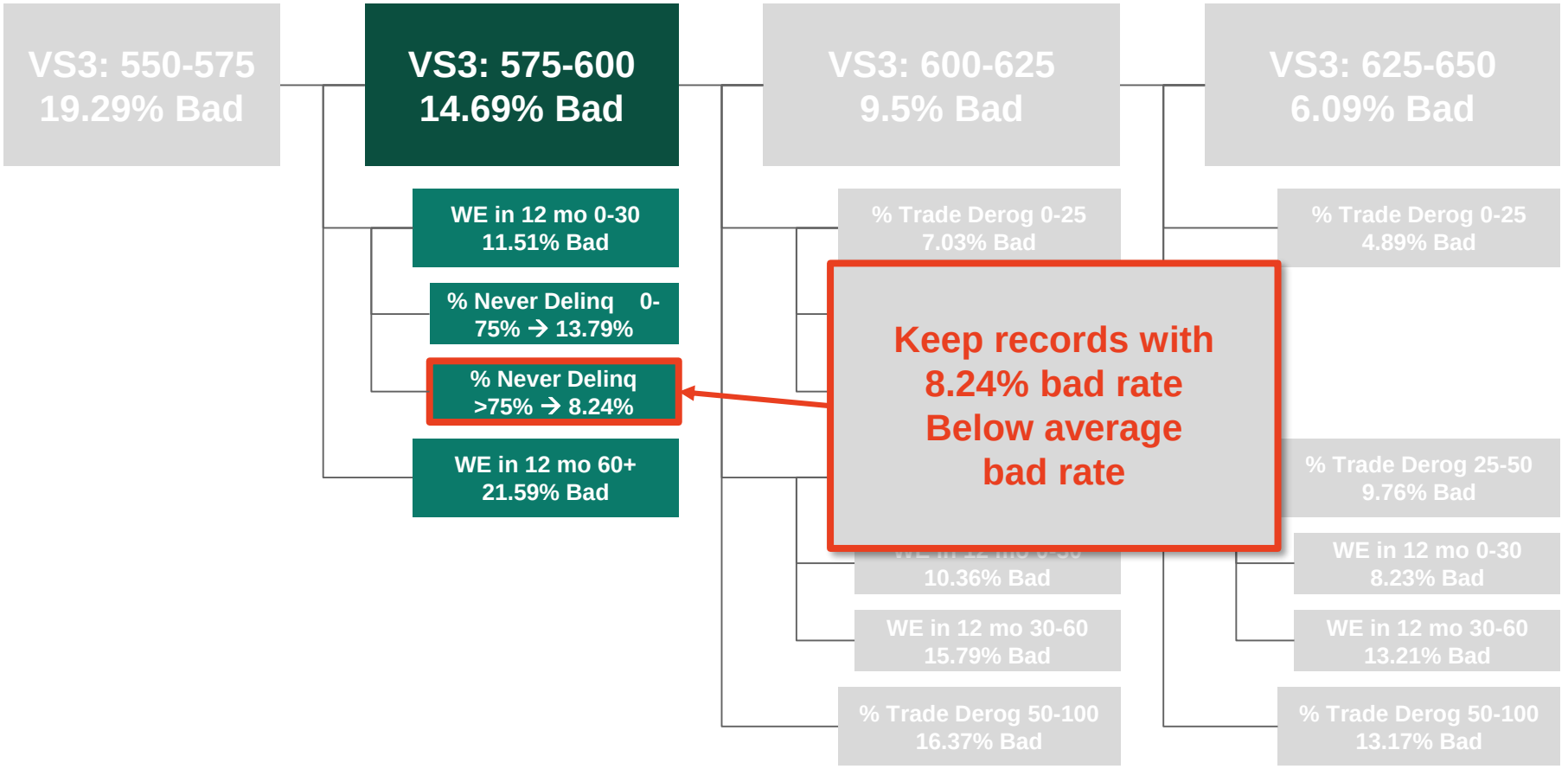
Thick records (>4 trades)

Probability 60+DPD – Needle in the haystack

10.83% overall bad rate



VS3 = VantageScore® 3.0

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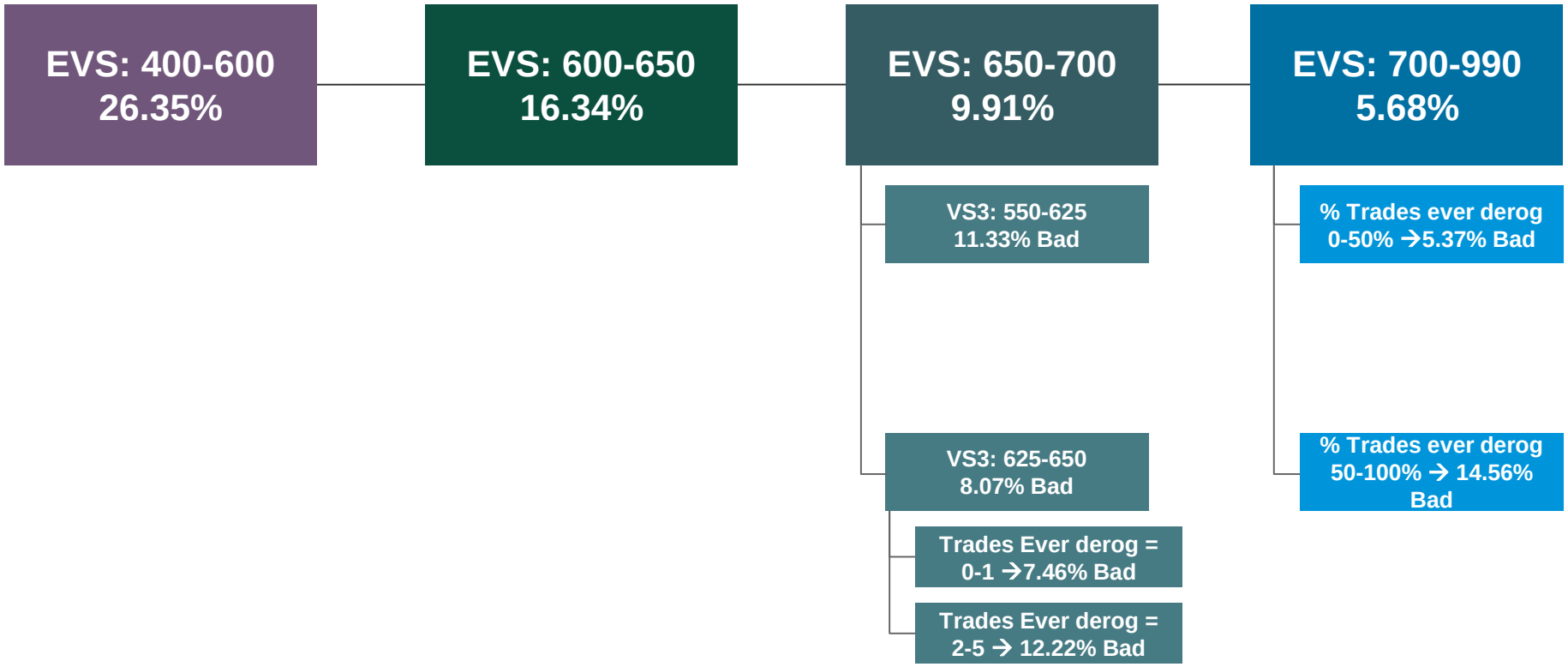
Thin records (<=4 trades)

Probability 60+DPD

15.31% overall bad rate



VS3 = VantageScore® 3.0
EVS = Extended View℠ score

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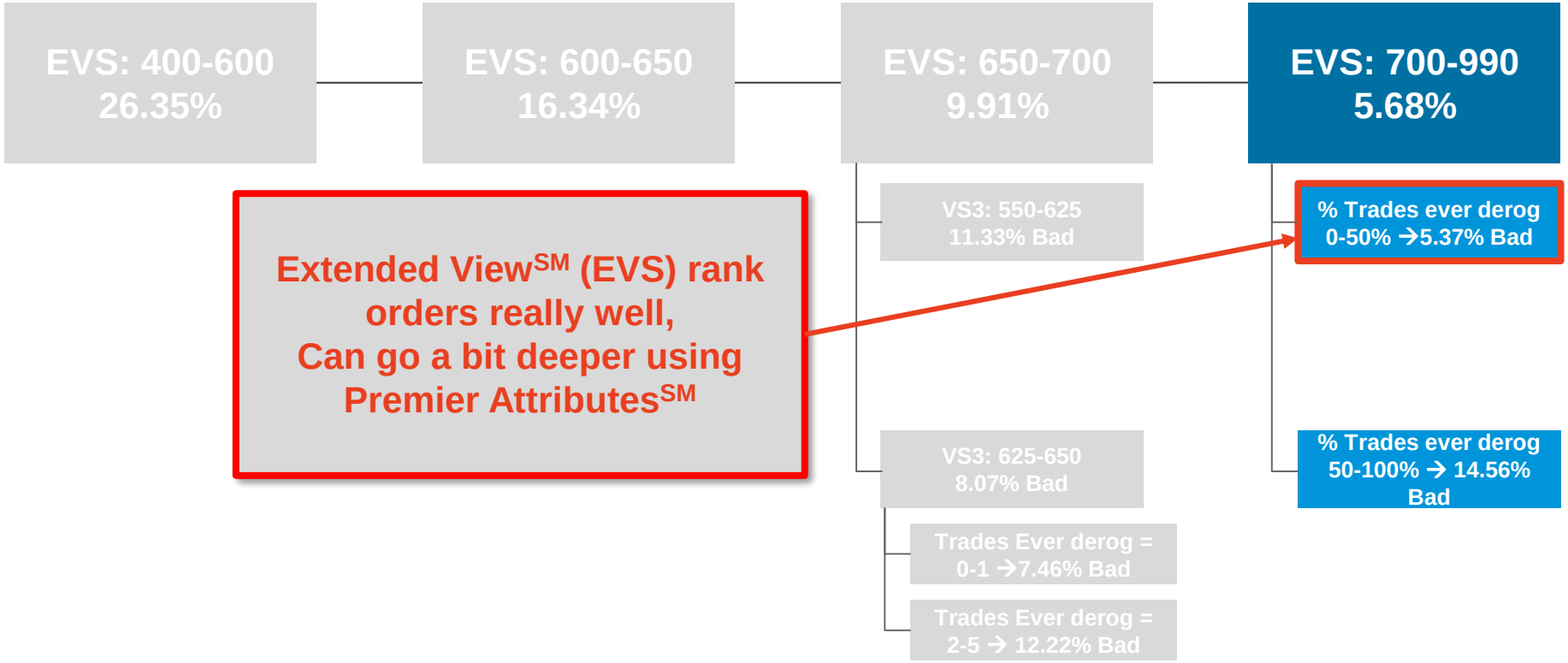
Thin records (<=4 trades)

Probability 60+DPD – Manage to specific strategies

15.31% overall bad rate



VS3 = VantageScore® 3.0

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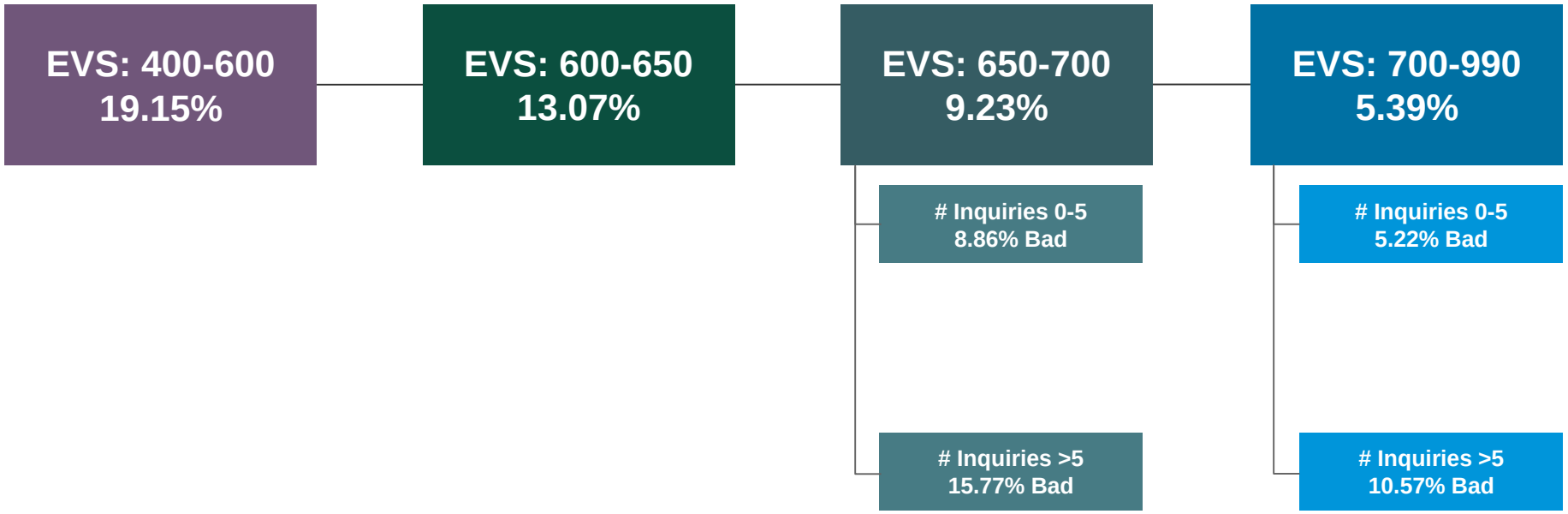
No trades
Probability 60+DPD

12.34% overall bad rate



EVS = Extended View℠ score

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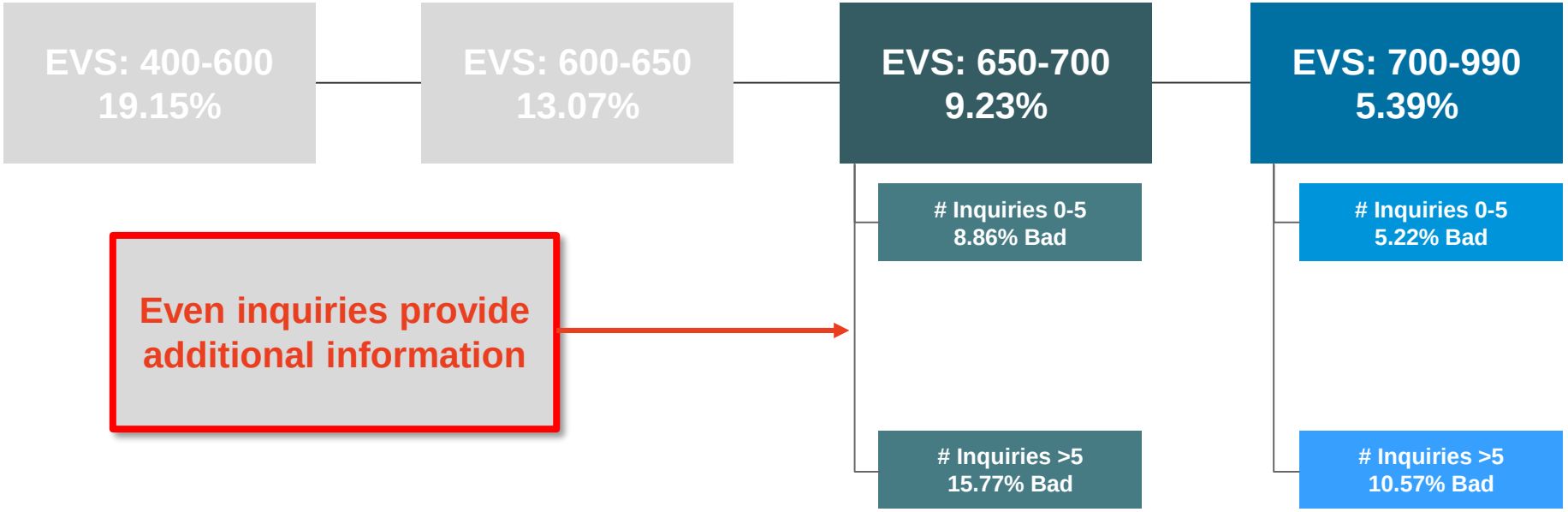
No trades
Probability 60+DPD

12.34% overall bad rate



EVS = Extended View℠ score

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Results interpretation
Subprime study

Utilizing a CHAID methodology provides options to segment populations for quick cuts

Drill down to the most predictive risk segments using Premier Attributes℠ such as:

- Total number of credit inquiries
- Worst ever status on a trade
- Percentage of trades ever derogatory
- Total number of open trades ever derogatory

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FS Card case study

Toby Shum

Experian

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Subprime analysis overview

Dec 2013

Selected records from a sample of FS Card marketing prospects (590,400)

Dec 2014

Limit to consumer those who opened bankcard in 2014

Dec 2015

Pulled performance as of Dec 2015 ever 60DPD in 12mo.

- **Thick credit file >4 trades**
- **Thin credit file <=4 trades**
- **No trades**

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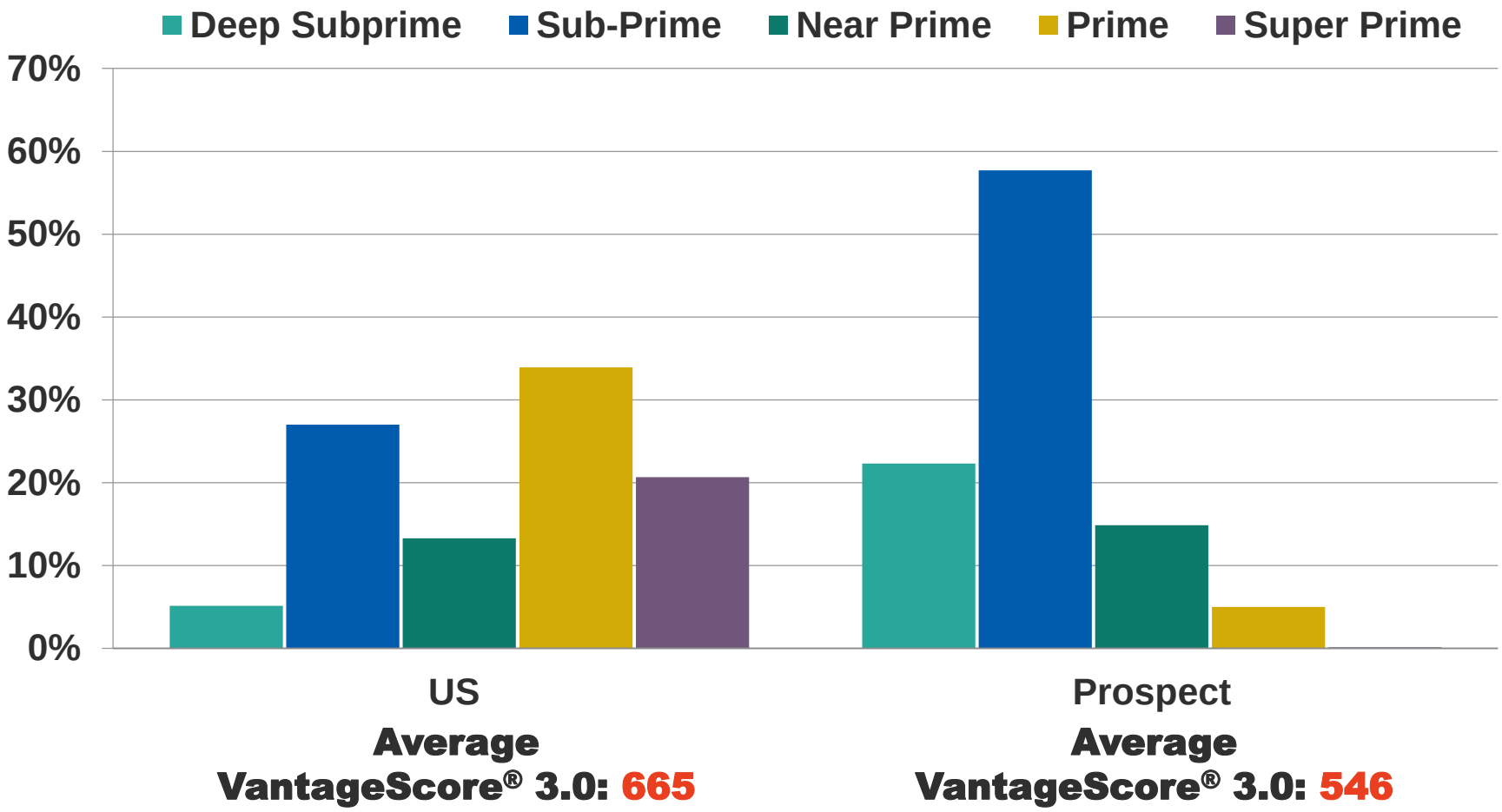
VantageScore® breakouts

US vs. prospect file



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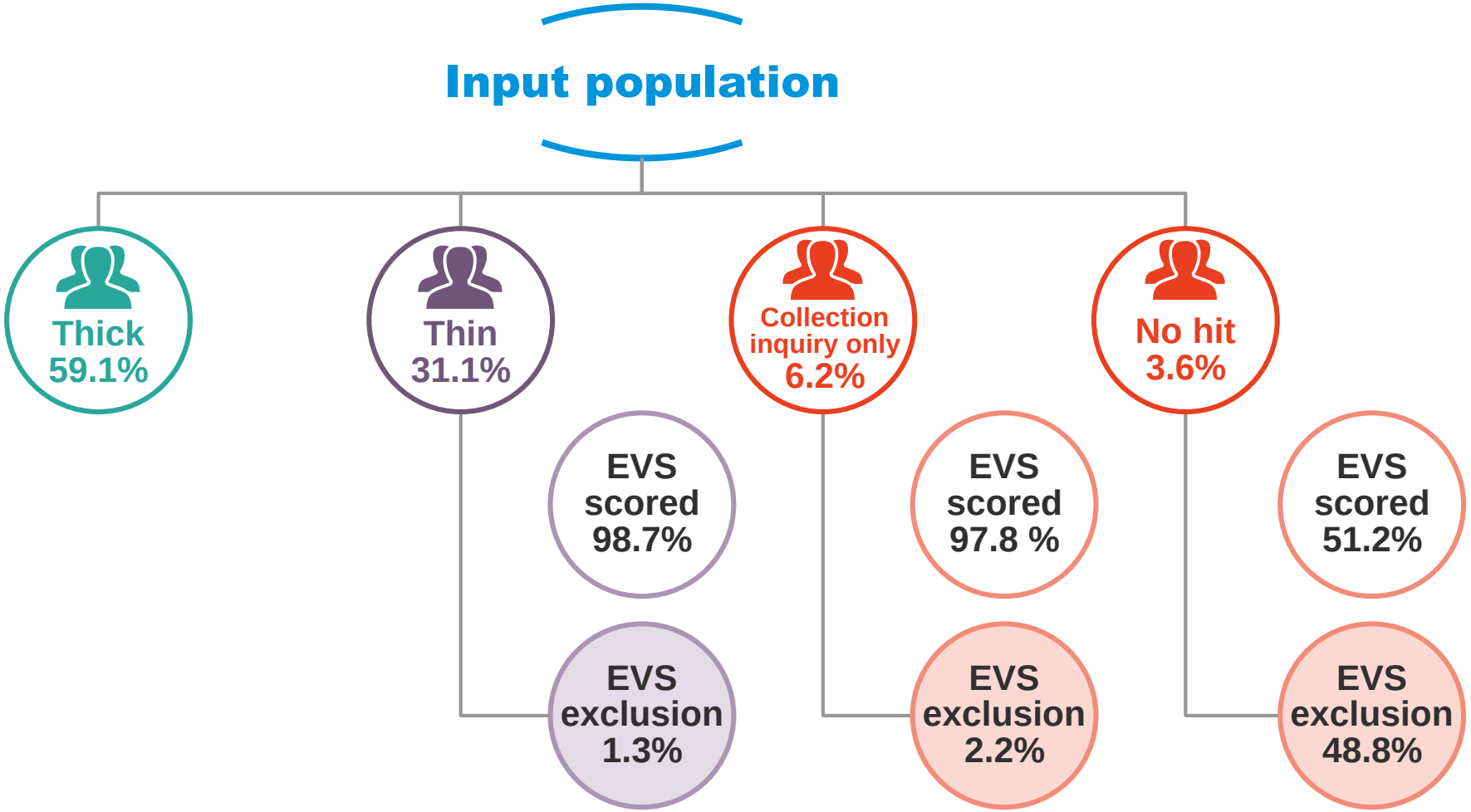
Prospect file detail



EVS = Extended View℠ score

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**Complete list of exclusion definitions in appendix*

Score matrix

Prospect – Thin population

Thin file	EVS Score		
	Not Scoreable	Low Range	High Range
VantageScore V3	No Hit	400-599	600-990
Not Scoreable	0.0%	0.1%	0.1%
Deep Subprime	0.1%	13.1%	1.0%
Sub Prime	0.5%	41.9%	15.6%
Near Prime	0.3%	5.4%	15.4%
Prime	0.1%	0.2%	6.3%
Super Prime		0.0%	0.1%
Total	0.9%	60.6%	38.4%

EVS = Extended View℠ score

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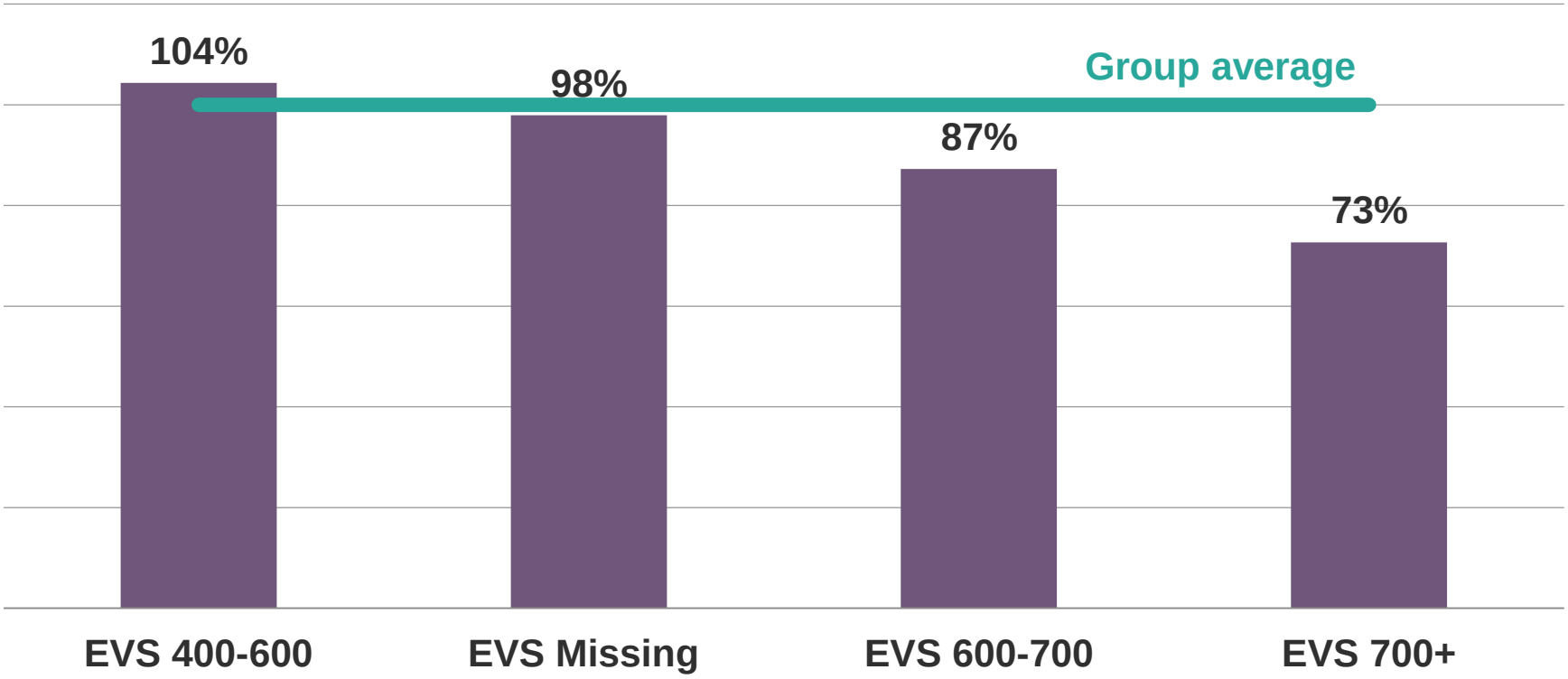
Thin records (<=4 trades)

Relative probability 60+DPD



EVS = Extended View℠ score

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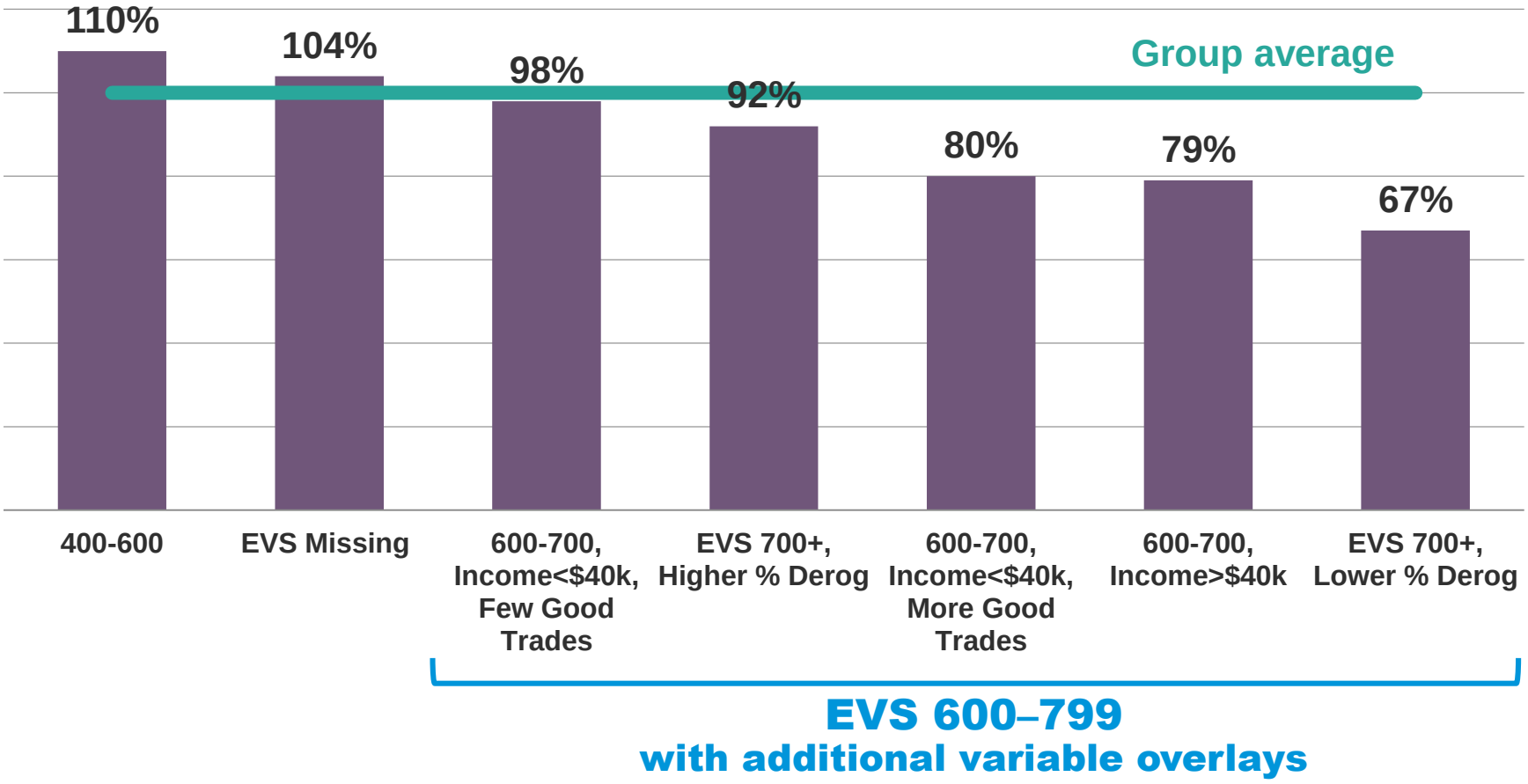
Thin records (<=4 trades)

Relative probability 60+DPD



EVS = Extended View℠ score

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Score matrix

Prospect – No trades on file population

No hit	EVS Score		
	Not Scoreable	Low Range	High Range
VantageScore V3	No Hit	400-599	600-990
Not Scoreable	21%	7.8%	39.2%
Deep Subprime		2.3%	0.1%
Sub Prime	0%	24.1%	5.0%
Near Prime	0%	0.3%	0.2%
Prime		0.0%	0.0%
Super Prime		0.0%	0.0%
Total	21%	35%	44%

EVS = Extended View℠ score

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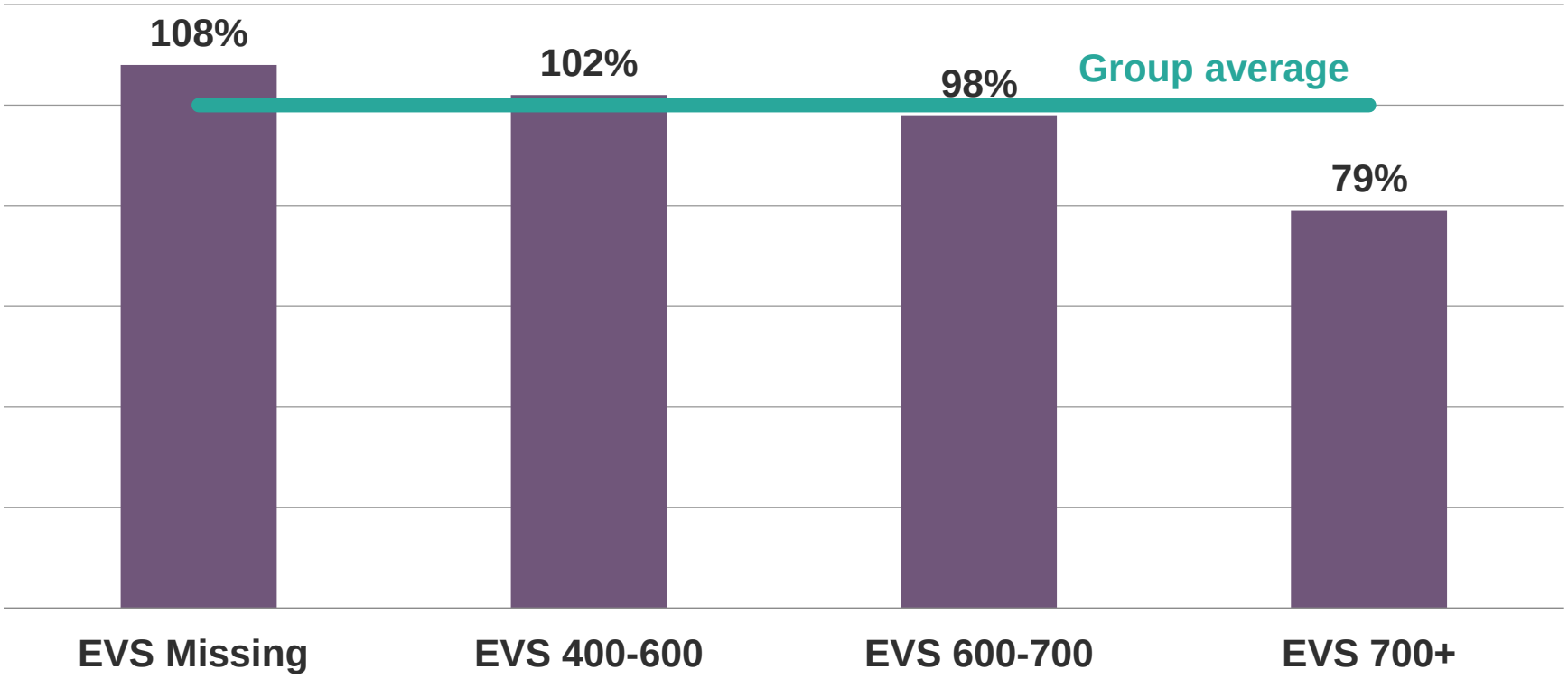
No trades

Relative probability 60+DPD



EVS = Extended View℠ score

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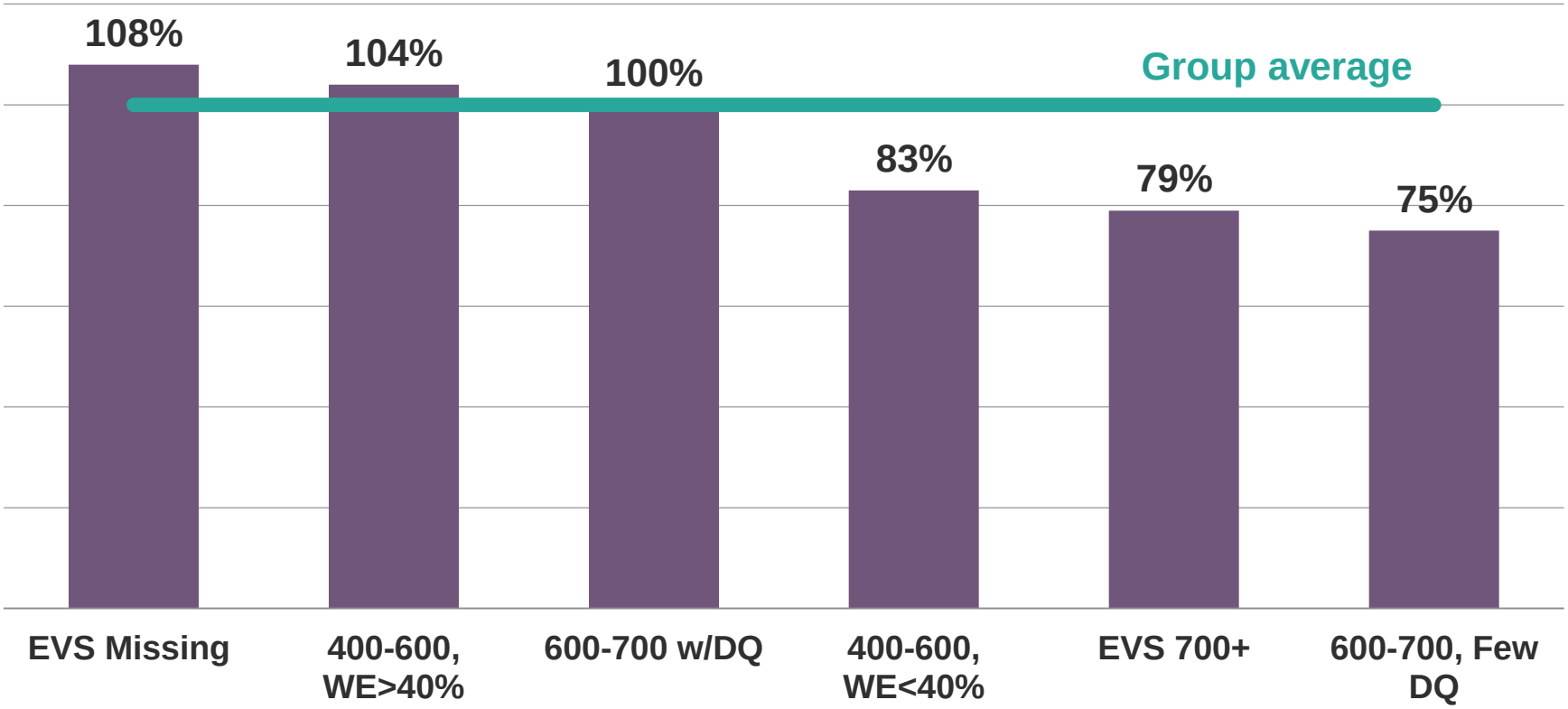
No trades

Relative probability 60+DPD



EVS = Extended View℠ score

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Results interpretation
Prospect file

Extended View℠ score is an effective additional data source for “thin records” and “no file” segments

- Identifies additional **lower risk** marketing prospects
- **Differentiate risk** level within VantageScore® ranges
- Can be further **enhanced** when used in combination with Premier Attributes℠

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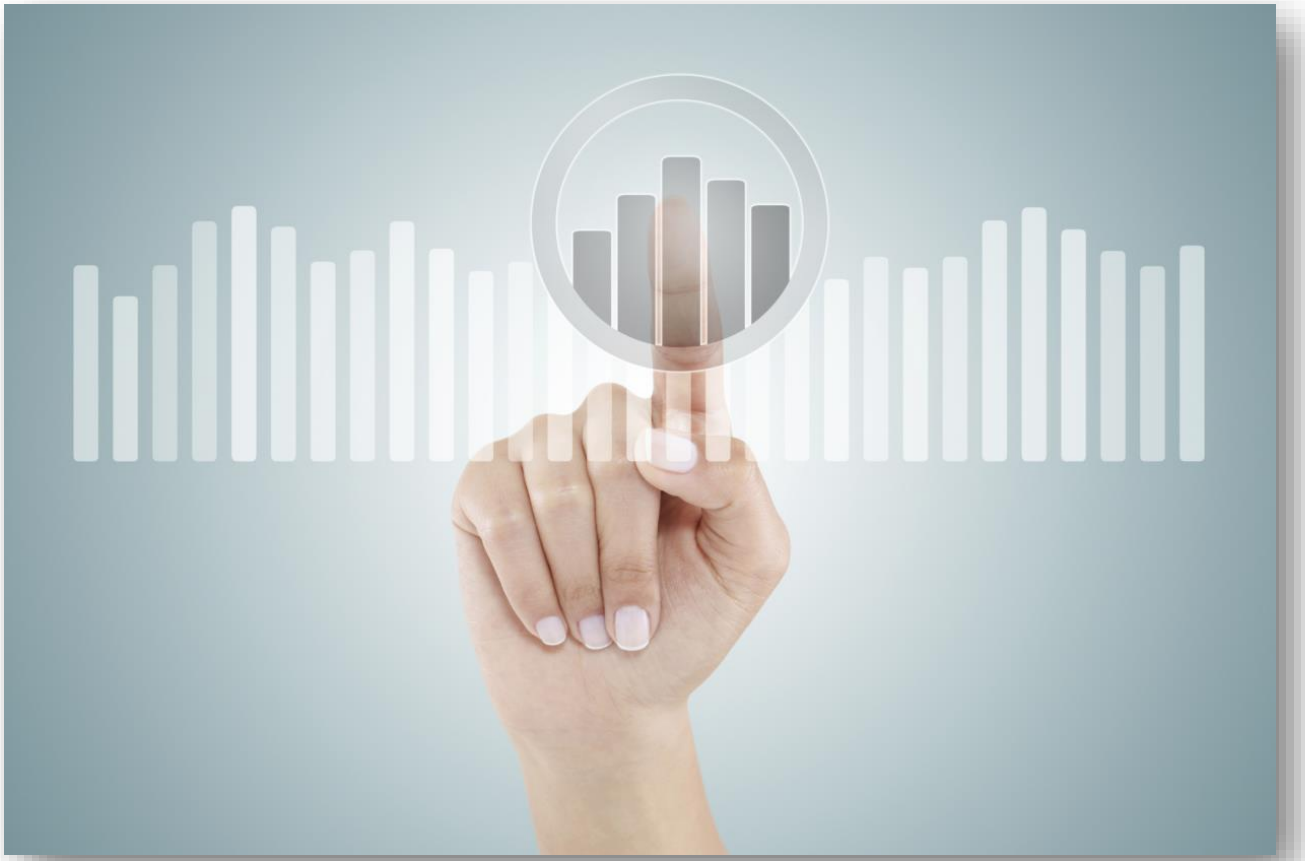
Summary on subprime



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Michele Raneri handle: @MLRaneri
www.linkedin.com/in/michele-raneri-6700787

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Vision Conference
Breakout Session Survey

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1. How would you rate the presenters' knowledge?
☐ Excellent ☐ Above average ☐ Average ☐ Below average ☐ Poor

2. How would you rate the presenters' delivery?
☐ Excellent ☐ Above average ☐ Average ☐ Below average ☐ Poor

3. How would you rate the presenters' time management?
☐ Excellent ☐ Above average ☐ Average ☐ Below average ☐ Poor

4. How useful was the session information?
☐ Very useful ☐ Somewhat useful ☐ Neutral
☐ Somewhat not useful ☐ Not useful

5. How would you rate the session on being current?
☐ Very current ☐ Somewhat current ☐ Neutral
☐ Somewhat not current ☐ Not current

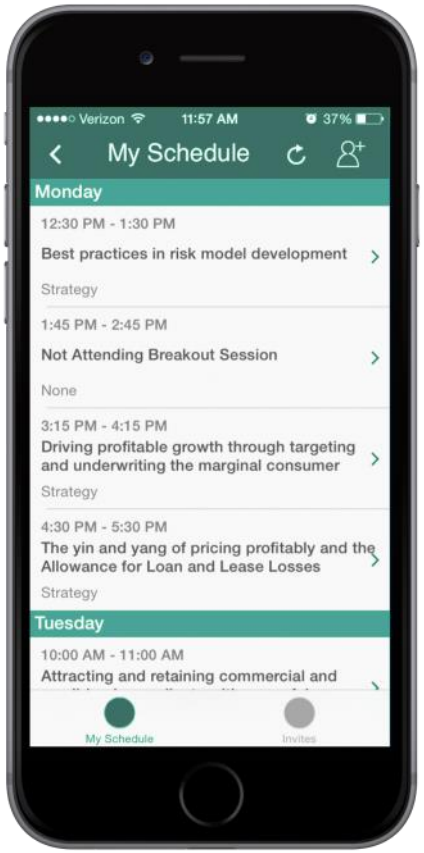
6. How relevant was the session content to the title and description?
☐ Very relevant ☐ Somewhat relevant ☐ Neutral
☐ Somewhat not relevant ☐ Not relevant

7. How would you rate the level of content?
☐ Too advanced ☐ Just right ☐ Too basic

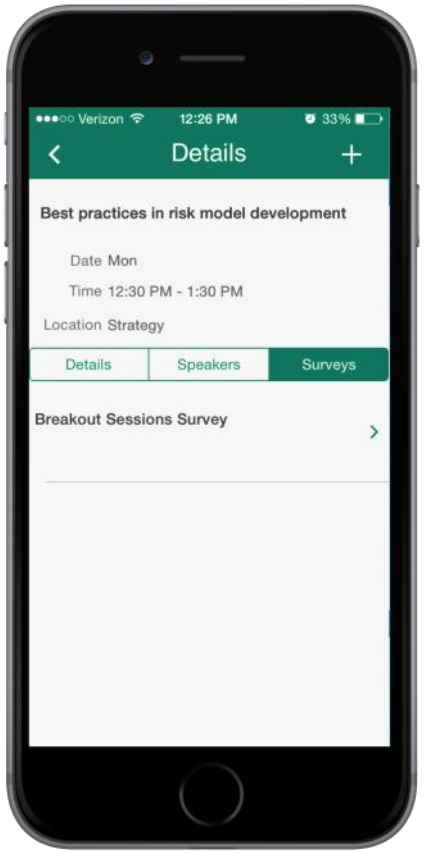
8. Why did you attend this session? (Check all that apply.)
☐ Relates to my business ☐ The presenter(s) ☐ Interest in new product
☐ Compelling session description ☐ Increase product knowledge

9. Do you have any additional comments?

1 Select the Survey button and complete



2 Select the breakout session you attended



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