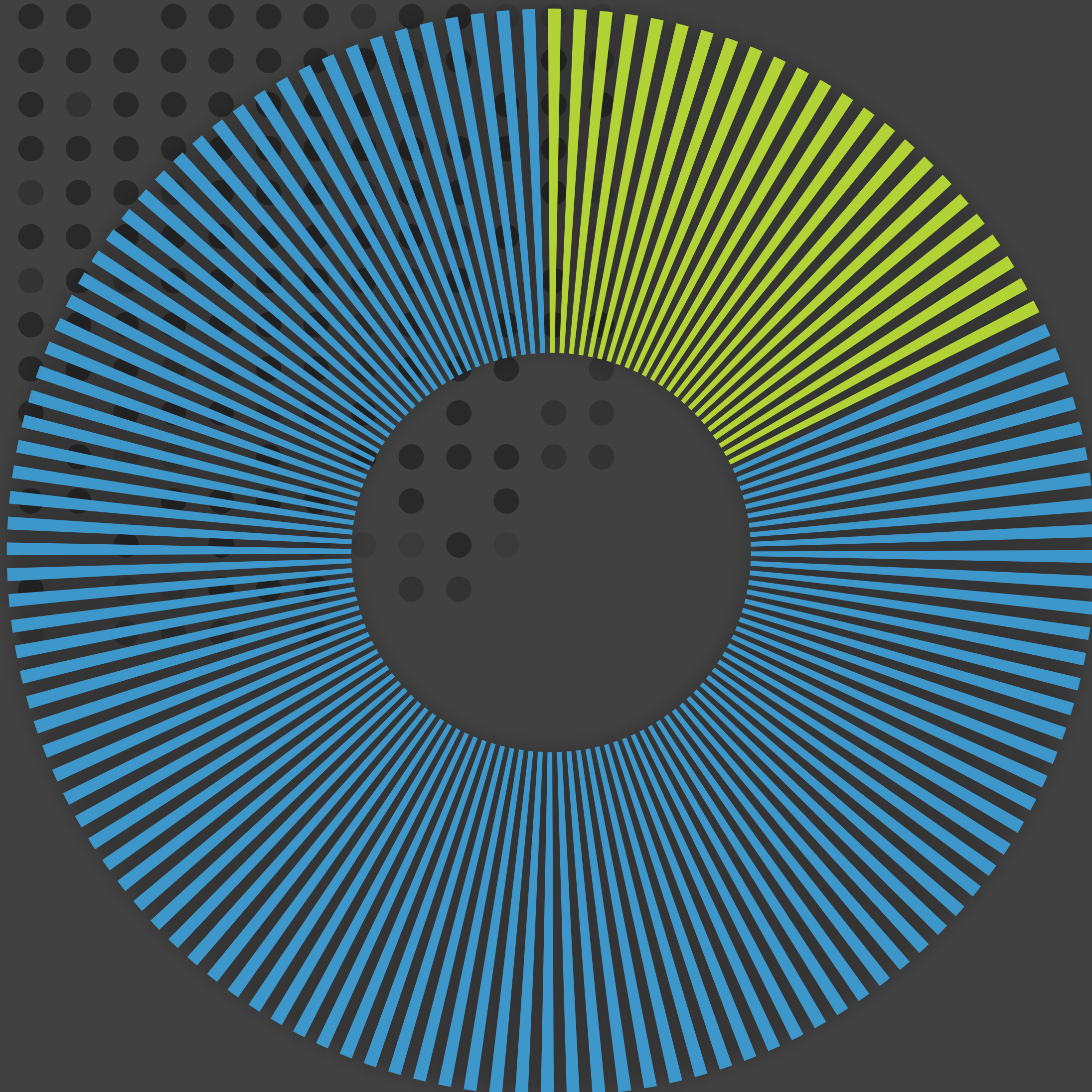


See more.
Accept more.
Grow more.

Five ways artificial intelligence and alternative data answer the needs of a changing credit market.

ACCELITAS™

A new generation of consumers is changing the lending landscape

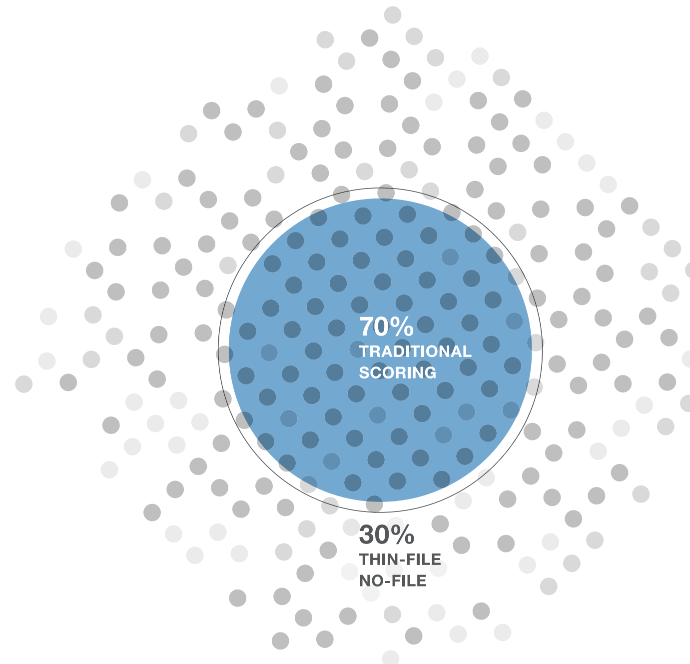
They are the future of your business, the people who can help lenders reach aggressive sales goals in an increasingly tight credit market. They are 70 million strong and loaded with purchasing power. But according to your credit screening, they simply don't exist.

The fact is, as many of 30% of adults in today's credit market are virtually invisible to traditional screening methods. The growing population of digital natives, students, and recent immigrants don't fit neatly into the spending and borrowing habits of previous generations. While they may be buying fewer homes and cars, or prefer Venmo over Visa, millions of these invisible consumers are creditworthy and waiting to be good customers.

But most lending tools don't recognize this massive opportunity.

It's not fair for either borrower or lender.

And that's where artificial intelligence and alternative data come in.



TENS OF MILLIONS OF THIN-FILE AND NO-FILE BORROWERS

Traditional credit scores provide little or no data on tens of millions of consumers. To hit this year's aggressive growth goals, lenders need a new approach to finding and screening consumers.

Now there's a fast, fair, and frictionless way to reach them

One-size-fits-all credit scores are fine for what they do, but generic answers are no longer the solution. If you knew the average temperature of the United States, you still wouldn't know the weather outside your door. Just as micro-climates make real and measurable differences where we live, AI and alternative data can produce a credit score, providing specific information that can help you see more consumers, accept more customers, and grow more profitable.

Best of all, you can get started immediately with the data you already have.

Ready to grow? Start with these five ways AI and alternative data are helping lenders. Then we'll show you how to put them to the test.

SEE AND ACCEPT 20%–30% MORE

New technologies like AI, and alternative data sources, can help lenders identify and access tens of millions of creditworthy customers.

#1

See the thin-file and no-file consumers you've been missing

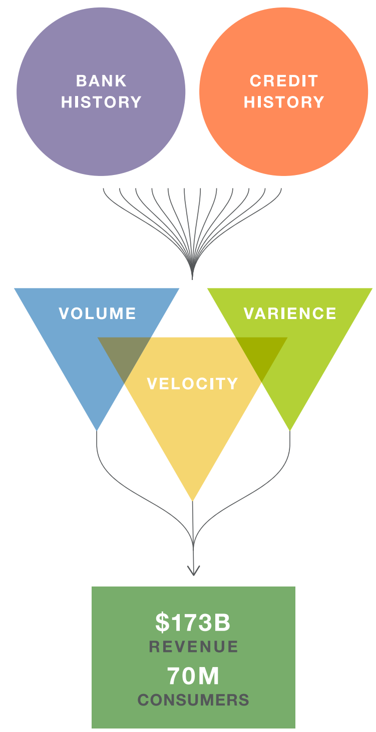
Effective credit risk management begins with finding the right data for today's growing market segments: Millennials, Generation Z, and recent immigrants. Financially underserved households, including adults with little or no credit histories, now account for up to 70 million consumers.[1]

The Consumer Financial Protection Bureau (CFPB) estimates that 26 million Americans are credit invisible or "no file"— they have no credit history with a nationwide consumer reporting agency. Another 19 million consumers are "thin file"— they have a credit history that has gone stale or is insufficient to produce a credit score under most scoring models. Millions more have credit histories, but remain underserved. In total, these customers represent a $173 billion market opportunity that grew 8% in 2017.

To screen these applicants, lenders need alternative data — data that delivers a predictive signal even for applicants with little or no credit history. That data should include indications of the volume, variance, and variety of tell-tale financial activities that conventional credit screening services overlook.

Critically, that alternative data must be uncorrelated with traditional credit scores. Only uncorrelated data, drawing on unique or underutilized data types and data sources, can shine the broadest possible light on populations neglected by traditional scores. For some lenders, uncorrelated alternative data can increase coverage by as much as 30%.

By combining uncorrelated alternative data with traditional credit scores, lenders can maximize the data coverage for their markets — an absolute requirement for optimizing revenue growth.



ALTERNATIVE DATA SOURCES

Traditional account-screening services deliver little or no predictive insights for roughly 70 million U.S. consumers — consumers that represent an untapped market for lenders.

To serve these consumers, lenders need alternative data that can be analyzed to yield predictions of creditworthiness.

[1] CFSI: https://finhealthnetwork.org/research/the-predictive-value-of-alternative-credit-scores

#2

Use predictive analytics to make profitable decisions

Lender's credit risk management needs more than just data. It needs to analyze that data as effectively as possible to help you see more consumers, accept more customers, and grow more profitable.

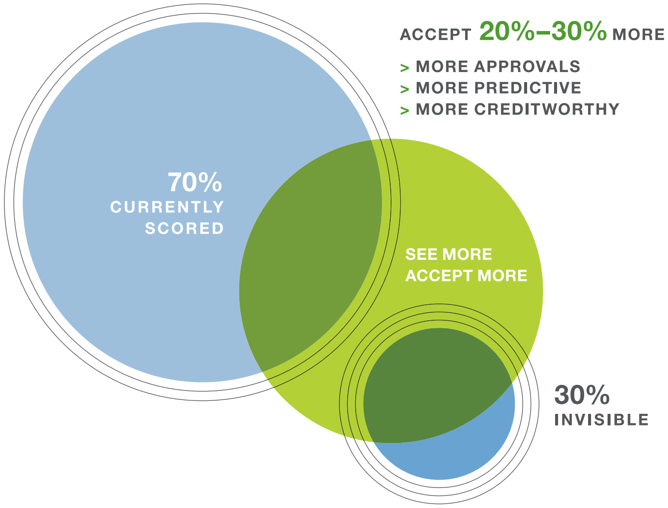
When it comes to AI-powered analytics, one size doesn't fit all. Lenders have various business goals and tolerance for risks. Markets vary by industry and patterns of risk.

The most effective use of AI tailors AI-powered analysis for specific lenders, and then refines that analytical model over time, giving lenders an increasingly predictive and accurate score for credit risk assessments.

By customizing analytics and refining those analytics over time, lenders can optimize their loan-decision processes for growth.

Even when operating in new markets or markets where credit overall is tightening, they can approve more applicants, confident that these approvals will lead to lower risk and increased profits.

According to a recent study by the Consumer Financial Protection Bureau (CFPB), alternative data and machine learning methodology approves 27% more applicants than the traditional model, and yields 16% lower average APRs for approved loans.



SEE MORE. ACCEPT MORE.

By applying customized AI-powered analytics to alternative data, lenders can discover predictive signals that other screening services miss, leading to 20-30% more profitable accounts.

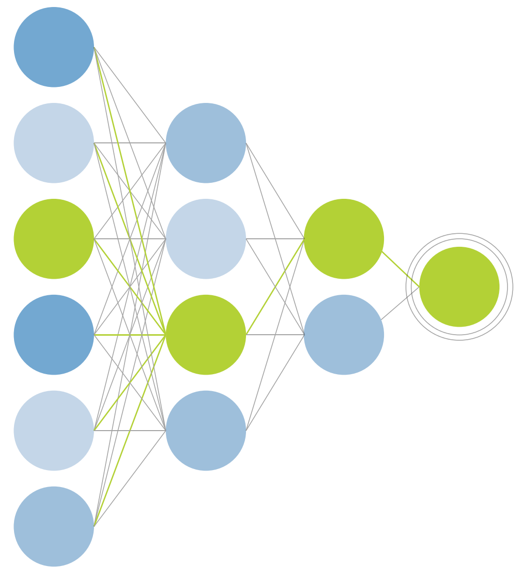
#3

Let Explainable AI bring transparency to your compliance

To ensure compliance with FCRA regulations, it's important that any "no" decision is explainable, even if the decision to turn down a consumer seeking credit was made with the assistance of AI-powered analytics.

By using sophisticated AI techniques to analyze disparate types of traditional and non-traditional data, it's possible to separate the signal from the noise and deliver insights that are both predictive and interpretable. Explainable AI enables lenders to apply AI techniques at the top of a data waterfall, accepting more profitable accounts before additional data costs are incurred.

When lenders use Explainable AI to gain predictive insights, they can grow profits while helping ensure compliance.



EXPLAINABLE AI

Lenders should look for AI-powered analytics that make the most of CRA data while delivering interpretable results to simplify decision making.

#4

Optimize your waterfall

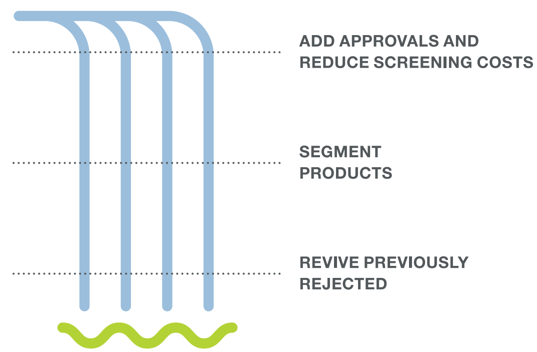
The ability to bring custom analytics to your data waterfall offers a powerful advantage for lenders looking to add customers and reduce risk. “Data waterfalls” refer to the flow of data through each step in a loan-decisioning process. By applying uncorrelated data and real-time AI insights tailored to each stage, you can optimize the entire process.

» High in the data waterfall. Screen applicants more accurately at the start of your loan-decisioning process. Insights here will enable lenders to favor and accept some applicants, while sending higher risk leads for further analysis. Because the AI powering these insights is explainable, lenders will have information that can support compliance with the FCRA adverse action requirements.

» Middle of the data waterfall. Help inform decisions and effectively segment products and offers based on the appropriate risk level. For example, an auto lender can tune a score to assess the unique risk thresholds for expensive cars, and use a different score for entry level or pre-owned models.

» Low in the data waterfall. Reanalyze applicants you’ve rejected in the course of your loan decisioning for overlooked indications of creditworthiness. By re-evaluating rejected applicants, it’s possible to accept up to 20–30% more creditworthy borrowers without investing in additional leads or outbound sales and marketing initiatives.

Lenders should look for credit risk scores with easily integrated APIs and insights that can be applied to any point in data waterfalls, giving lenders the freedom and flexibility to tune loan-decisions for the best possible results.



DATA WATERFALL STRATEGY

By applying customized AI-powered analytics to alternative data, lenders can discover predictive signals that other screening services miss, leading to 20-30% more profitable accounts.

#5

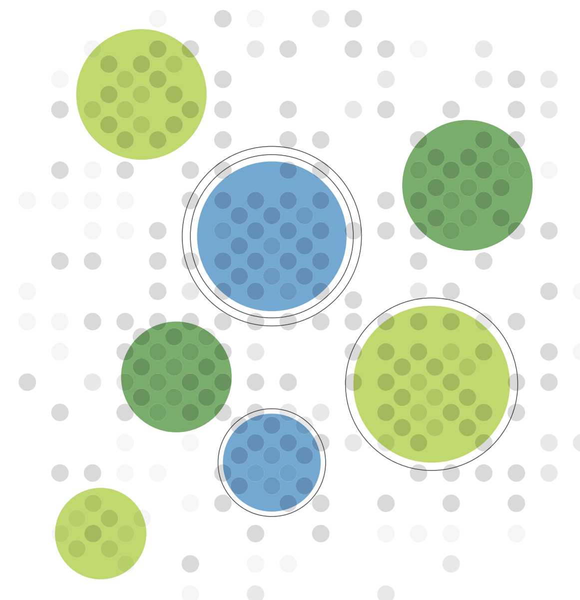
Measure what matters

When analyzing data with AI, it's important to focus on the data that matters most.

Many lenders have traditionally based their lending decisions on First Payment Default (FPD), an early indicator used to predict the likelihood of a customer defaulting on the overall loan. While it remains a useful tool, FPD is limited in predicting long-term outcomes.

In fact, our analysis of the financial results of many lenders shows that FPD predicts account loss only about 50% of the time, meaning that when it comes to predicting loan profitability, FPD is no more reliable than a coin toss. In typical cases, re-analyzing rejected applicants using AI and alternative data reduces FPD rates to 40% of their previous levels, while growing profits by as much as 26%—all without investing in new leads.

By applying AI and alternative data to create sophisticated models tuned to both short and long term objectives, lenders can reduce FPD and the risk of charge-offs, while growing profitable accounts.



MICRO-CLIMATE SCORES

As a predictor of profitability, FPD is no more reliable than a coin toss. Many lenders could optimize their profitability by fine-tuning their scores to both short- and long-term objectives.

CONCLUSION

Good customers are more valuable than ever.

AI and alternative data are game-changers.

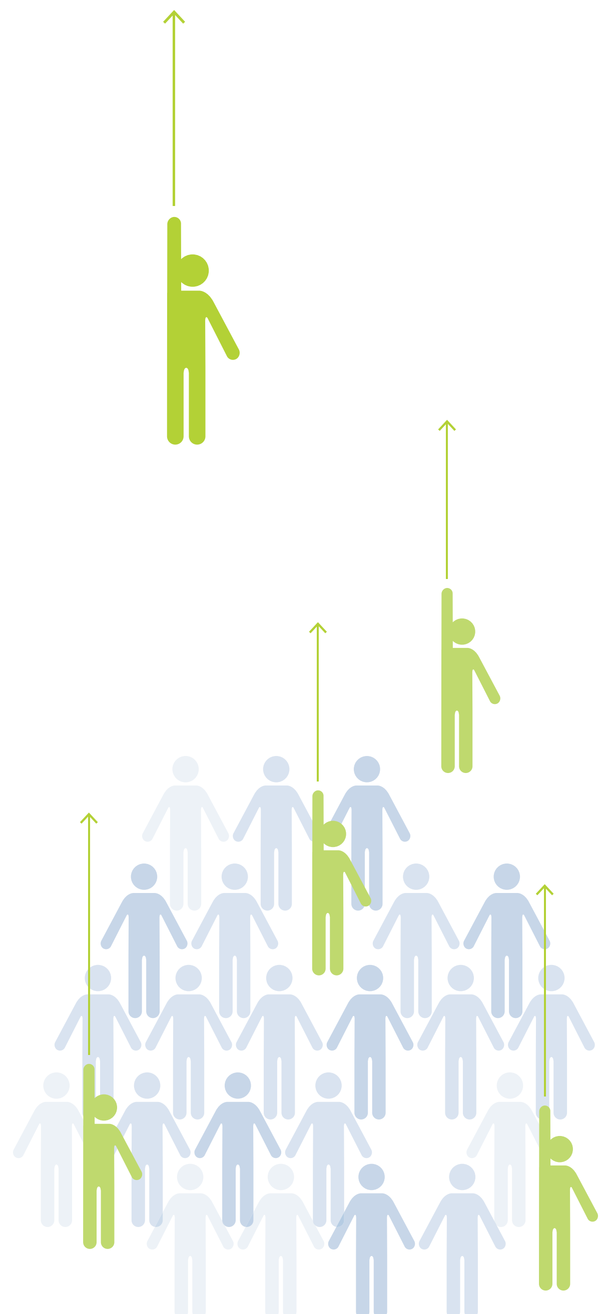
While the credit market is undergoing a dramatic change, it has also fostered a dynamic solution. AI-powered analytics and alternative data provide the predictive analytics lenders need in a world of tightening credit, digital innovation, and increased competition. These new tools help lenders see more, accept more, and grow more.

It also creates a more equitable process for everyone. Using AI and unique, uncorrelated, alternative data, lenders can identify the millions of creditworthy customers that traditional screening miss, even from thin- file and no-file households. A generation of digital natives qualifies for the credit they deserve, while lenders gain fast, fair, and frictionless access to the consumers they need to grow business, reduce risk, and maximize profits.

YOUR LIFT IS WAITING. Introducing AI Lift from Accelitas

AI Lift from Accelitas is an AI-powered Credit Risk Web Service that leverages broad and unique data sources to deliver powerful insight into today's credit customers. That includes Micro-Climate™ credit scores, Accelitas' proprietary methodology that allows lenders to fine-tune credit screening to their industry, geography, and specific business goals.

Easily incorporated into loan-decisioning platforms at any stage of the data waterfall, AI Lift enables lenders to identify more creditworthy thin-file and no-file borrowers, grow more profitable accounts, support FCRA adverse action compliance, and reduce risk, First Payment Default (FPD), fraud, and charge offs.



ACCELITAS

Accelitas AI Lift is an AI-powered Credit Risk Web Service that leverages any data source to deliver the AI Lift Score, enabling lenders to identify more creditworthy thin-file and no-file borrowers.

AI Lift can be easily incorporated into loan-decisioning platforms at any stage of the data waterfall. By leveraging Explainable AI techniques and FCRA data from CRA partners, AI Lift gives lenders the confidence to make and explain credit decisions.

When lenders recently applied AI Lift to their loan-decisioning processes, they found between 20–30% overlooked accounts that turned out be creditworthy and profitable.

Using AI Lift, lenders can grow profitable accounts while reducing risk, First Payment Default (FPD), fraud, and charge-offs.

To learn how Accelerated Insight can help your loan operations grow and prosper even in a tightening credit market, click the orange button and download our whitepaper.

Download the White Paper:
See More. Accept More. Grow More.

Get a deeper dive on how Artificial Intelligence (AI) and alternative data are transforming the credit risk marketplace.

» Reaching potentially profitable accounts that traditional screening misses
» Fine-tuning data waterfalls to deliver more predictive insights at any stage
» Re-evaluating rejected applicants with more accurate assessments
» Establishing the most effective metrics for making lending decisions
» Using Explainable AI to ensure understanding and compliance

DOWNLOAD NOW

To contact a representative,
email sales@accelitas.com, or
call 415-842-7715.
www.accelitas.com