Reject inferencing:
What happened to my declined applicants?
Introducing:

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“I wonder if I’ll be approved?”
“An economist is an expert who will know tomorrow why the things he predicted yesterday didn’t happen today.”

— Laurence J. Peter
**VantageScore® 3.0**

The probability that a consumer will go 90 days past due in the next two years

*VantageScore® is a superior credit risk model that dramatically increases the number of scoreable consumers, captures a broad and recent set of consumer behaviors, and generates more consistent credit scores across all three CRCs.*

VantageScore 3.0 is a **highly predictive**, consistent credit risk score that lenders can use across the credit life cycle to make more informed credit risk decisions.
Bankcard originations and inquiries over time
With average VantageScore® 3.0 – U.S. credit population
Bankcard originations by class

- Prime
- Superprime
- Near prime
- Subprime
- Deep subprime

Percent of originations
Mortgage originations and inquiries over time

With average VantageScore® 3.0
Mortgage originations by class

Percent of originations

- Prime
- Superprime
- Near prime
- Subprime
- Deep subprime


0% 5% 10% 15% 20% 25% 30% 35% 40% 45% 50%
Bureau-based inferencing
Bureau-based inferencing

Data availability

Trade-level data for off-book performance measurement

• Detailed trade identifiers
  – Precision identification of like-trades

• Performance identifiers
  – Finely tune performance definitions
Bureau-based inferencing
Data availability – safeguards

**Protections in place to prohibit portfolio targeting**

- Consumer identity masked – FCRA requirement
  - No personal identification information
  - State and ZIP Code™ acceptable

- Lender identity masked – Safe Harbor policy
  - No lender ID

- Peer group analytics
  - Minimum of 5 lenders / Maximum of 10
  - No lender may make up more than 25% of population
Bureau-based inferencing
Data availability – complexity and support

- Partner model development
- Analytical Sandbox
- Partner bad definition creation
- Raw data delivery
Bureau-based inferencing
Data availability – cross lifecycle use cases

Where did my…

- Non-responders go?
- Attritors go?
- Approved not booked go?
- Inactive customers go?
Case study – LendingPoint
As a **CREDIT FIRST** company, we level the playing field for **NEAR PRIME** consumers by offering **ACCESS** to better loans and winning **LOYAL FANS**.

~44MM in 600-700 FICO = $360 Billion Target Market
The how
Following a proven model

- Listen to customers
  Understand unique credit stories leveraging data
- Provide the right product
  Products that meet customer needs with the right economics
- Elevate operating platform
  Best-in-class technology, operations and compliance framework
- Best-in-class experience
  Deliver products to customers in most optimum way
Role of data
To say “yes” more often and focus on the “how”

Applications ~50000

Approved ~10000

Declined

Funded ~2000

Customer Management

Funded w/ competitors
Never funded
Never approved

How to create an appropriate feedback loop to better understand customer NEEDS and PERFORMANCE?

Leveraging inference data
Principles working with reject inference data
Rerecruit data at origination and point-in-time performance

- **Strategic learnings**
  - Customer acquisition funnel and different product performance

- **Objective function validation**
  - How to adjust for product differentials and find the right proxy for objective function definition

- **Data quality**
  - Core attributes differential and difference among bureaus

- **Model stability**
  - Different point in time view on funded customers and learn about different segments
“I knew I’d be approved”
“Foresight is not about predicting the future, it’s about minimizing surprise.”

— Karl Schroeder
Average VantageScore® 3.0 over time
U.S. credit population

Average VantageScore 3.0
Change in VantageScore® 3.0 following Credit Education

Consumers are increasing their credit score by taking the Credit Educator session.
Questions and answers

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