



Unlocking Financial Inclusion with Data and Analytics

February 3, 2022

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Today's Agenda

Introduction

**Driving purpose and profit
through financial inclusion**

**New research on access
to consumer credit**

**Expanding your portfolio
with data and analytics**

Q&A



Introduction



Wil Lewis

Global Chief Diversity,
Equity
and Inclusion Officer
Experian



Natasha Madan

Director of
Product Analytics
Experian



Mike Hepinstall

Head of Financial Services
Quantitative Analytics
Oliver Wyman



Chaitra Chandrasekhar

Partner, Financial Services
and Digital Practices
Oliver Wyman

Driving purpose through financial inclusion



Wil Lewis

Global Chief Diversity, Equity and Inclusion Officer
Experian



Taking care of home: our approach to diversity and inclusion

Our core philosophy at Experian is diversity, belonging and inclusion is essential to our purpose of creating a better tomorrow together by making positive change in the world and actively supporting efforts to close the financial wealth gap of under-served communities.

We actively support the potential of all expressions of diversity, including but not limited to thought, style, sexual orientation, gender identity/expression, race, ethnicity, disability, culture and experience



Evolve and develop processes and programs that will increase the diversity of our **people** at all levels.



Develop products for **customers** and **consumers** which sets a standard of equity and financial inclusion in all the **communities** in which we operate.



Prioritize actions that support our culture of **belonging** that ultimately supports a culture that enables our people to speak their truth, feel valued and bring their whole selves to work.



We launched “United for Financial Health” to increase financial health for consumers with a focus on underserved communities

Goal is to reach 100M people by 2024

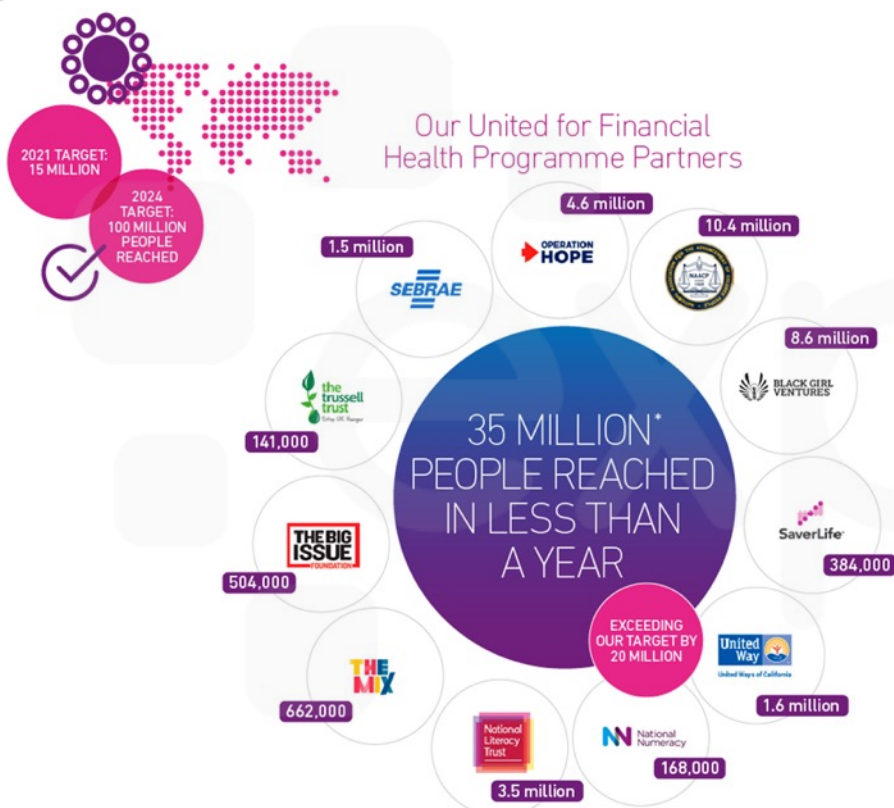
“Armed with opportunity and financial literacy, we believe at Operation HOPE that Experian’s commitment to unlocking the power of data to create opportunity means more people will be set up not just to survive, but to thrive in the months and years to come. Their willingness to lean in and support individuals and families through our work in a time of global crisis demonstrates their sincere commitment to community uplift and outreach.”

John Hope Bryant

Operation HOPE Founder, Chairman, and CEO

To learn more about United for Financial Health

<https://vimeo.com/548622521/d1bf18149>



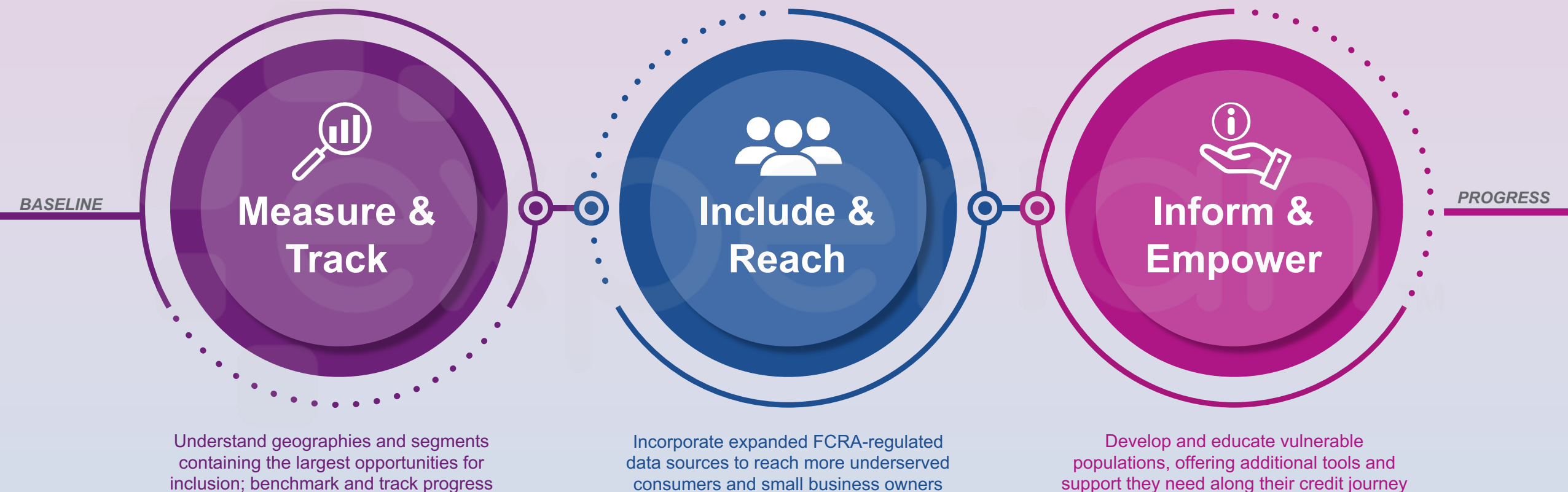
Helping our clients further accelerate financial inclusion in the communities they serve

INCLUSION*FORWARD*
EXPERIAN EMPOWERING OPPORTUNITIES

Committed to creating
greater access to credit and
helping close the financial wealth gap



Our mission is to be a trusted partner, supporting your growth and DEI strategies across the spectrum



Experian Go™



Wil Lewis

Global Chief Diversity, Equity and Inclusion Officer
Experian



Experian's Mission



ACCESS TO
FINANCE

SAVE
MONEY

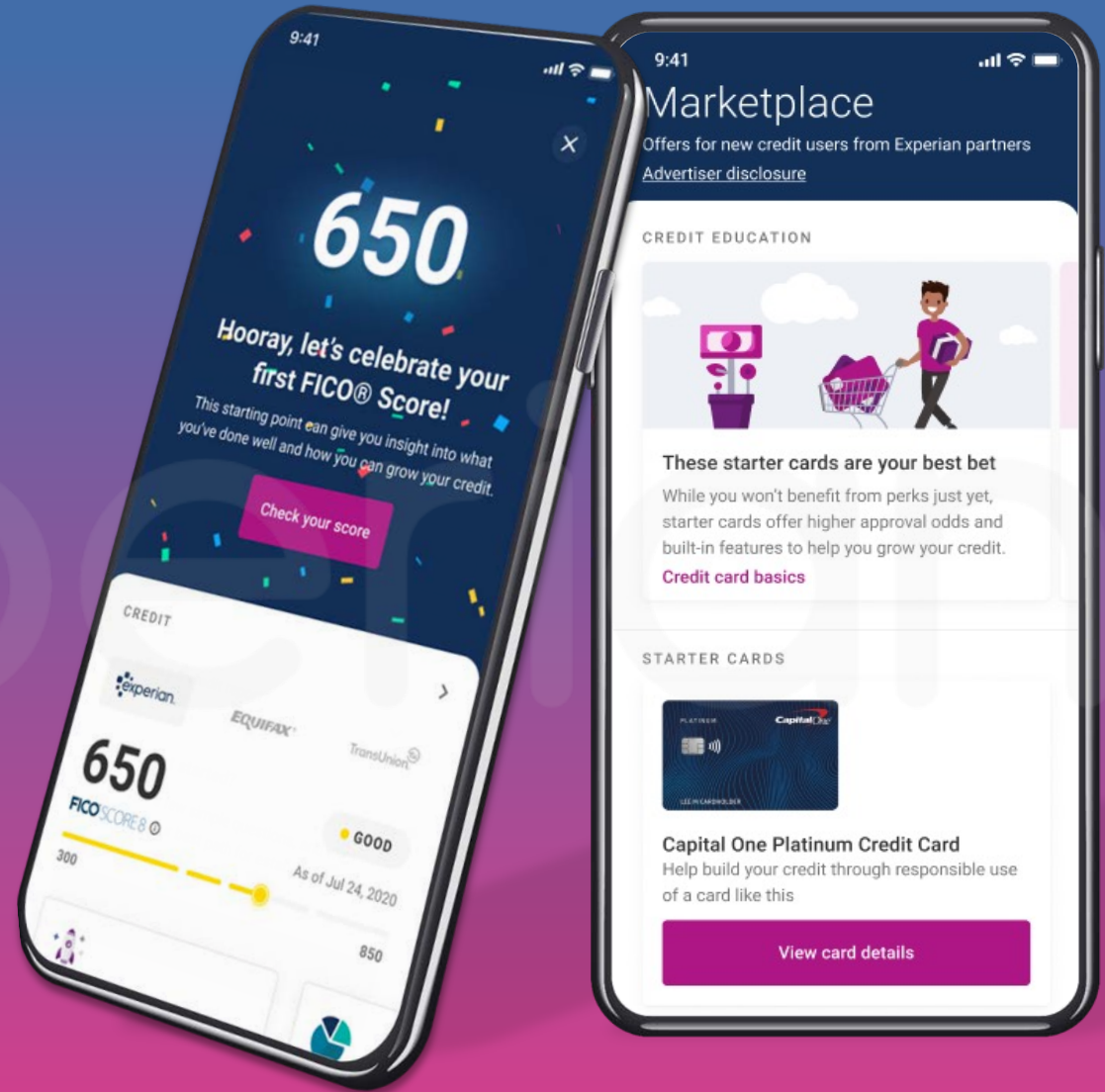
REDUCE
DEBT



How did
your
financial
journey
start?



Experian Go™
enables first
time access
to credit and
education
in minutes



Experian Go™ is easy

1. Open the Experian app
2. Authenticate yourself using a government- issued ID and a selfie
3. Add tradelines using Experian Boost™ for bills you already pay
 - OR -
 - Learn about becoming an authorized user
 - OR -
 - Accept a card offer from our partners and start building credit!



Who can this help?

25%

of households are
unbanked or underbanked

2017 FDIC survey

26M

credit invisible consumers

2015 CFPB survey

4M

consumers turn
18 every year

20M+

U.S. consumers between
18-23 years old

30K

credit invisible consumers
visit Experian monthly...
with no marketing



New research on access to consumer credit



Mike Hepinstall

Head of Financial Services Quantitative Analytics
Oliver Wyman

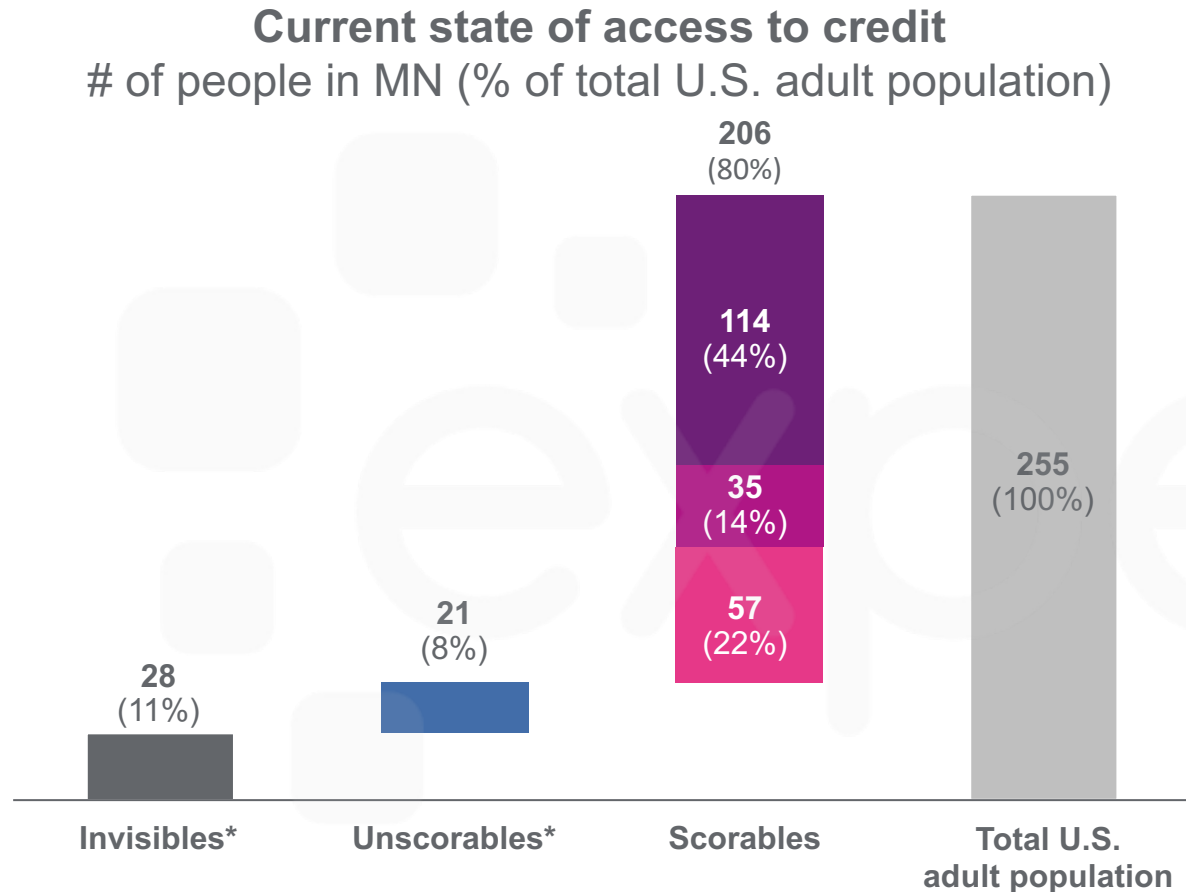


Chaitra Chandrasekhar

Partner in Financial Services & Digital Practices
Oliver Wyman



Who has access to credit?



Segments and implications

Credit Invisibles are those with no reported history at credit bureaus

Unscorables have a record on file, but without enough recent information to generate a score,¹ including:

- New to credit
- Lost access to credit
- Haven't used credit in years

Those with **subprime** credit scores may have negative information on their file but the lack of positive information can be just as important

Lenders can address this in two major ways

- Using expanded data sets and advanced analytics to assess risk
- Offering targeted “new to credit” products

Although sources roughly agree on the combined total of ~50 million invisibles and unscorables, they disagree on the split.

All sources based on Oliver Wyman analysis using a random sample of consumers with Experian credit bureau records as of September 2020

¹ Different scores have different information requirements to generate a score; the broad definition of “unscorable” used here is based on criteria which are considered representative for traditional credit scores.

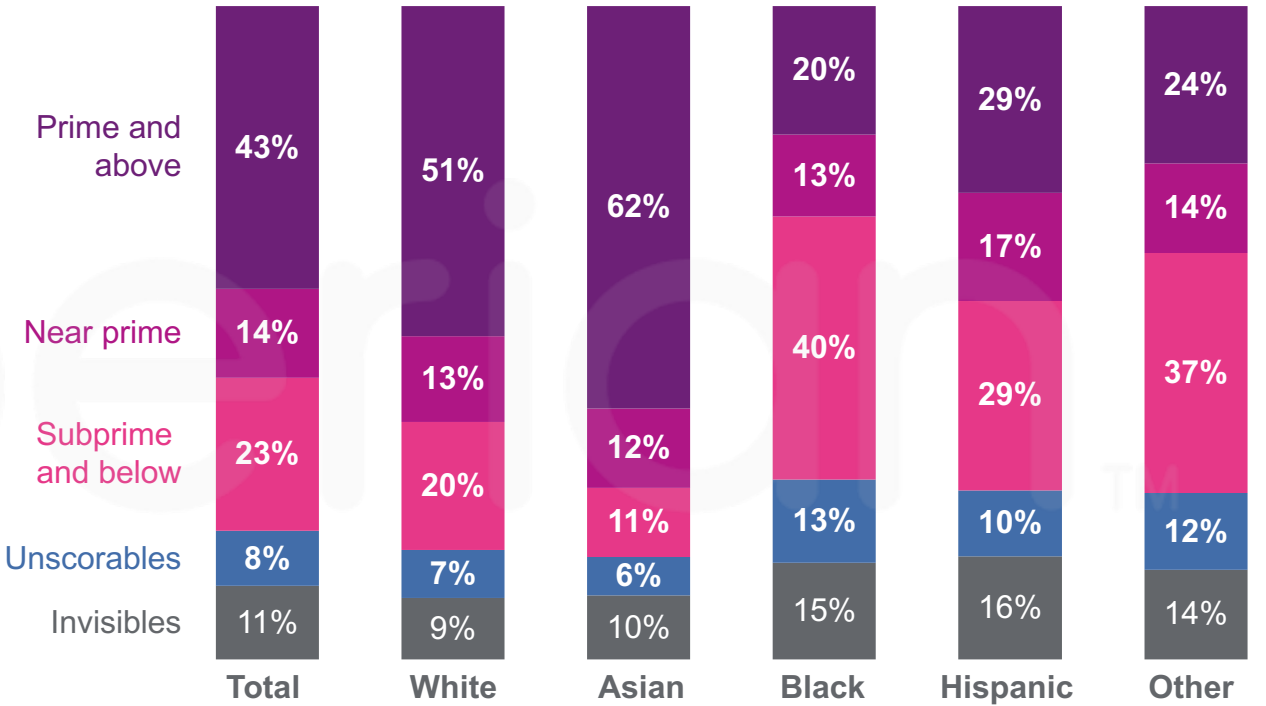


Barriers to credit can perpetuate population-level disparities

Who lacks access to credit?

- **Immigrants**, even with credit history abroad, often need to start from scratch in the U.S.
- **Young adults** only begin to build a credit history after the age of 18
- People from **lower income areas** are less likely to attend college or have a guarantor
- **Low-income individuals** are also more likely to face affordability constraints in accessing credit
- Racial discrimination in lending has been banned for decades. However, **Black and Hispanic Americans** are still more likely to be credit invisible or unscorable

Differences in access to credit by race and ethnicity
% of total in each segment



Compared to Whites, Blacks are **1.8x** more likely to be credit invisible or unscorable. Even when scorable, they are **1.9x** less likely to have access to prime or near-prime rates.

¹ Lenders generally don't collect race data except where required by law. However, population-level estimates can be made using Bayesian Improved Surname Geocoding – an algorithm to proxy for race based on surname and ZIP code. Estimates reported here are derived using this technique on Experian data.



The role of data and analytics in expanding access

OPPORTUNITY

Expanding the data sets considered in underwriting can support inclusion by:

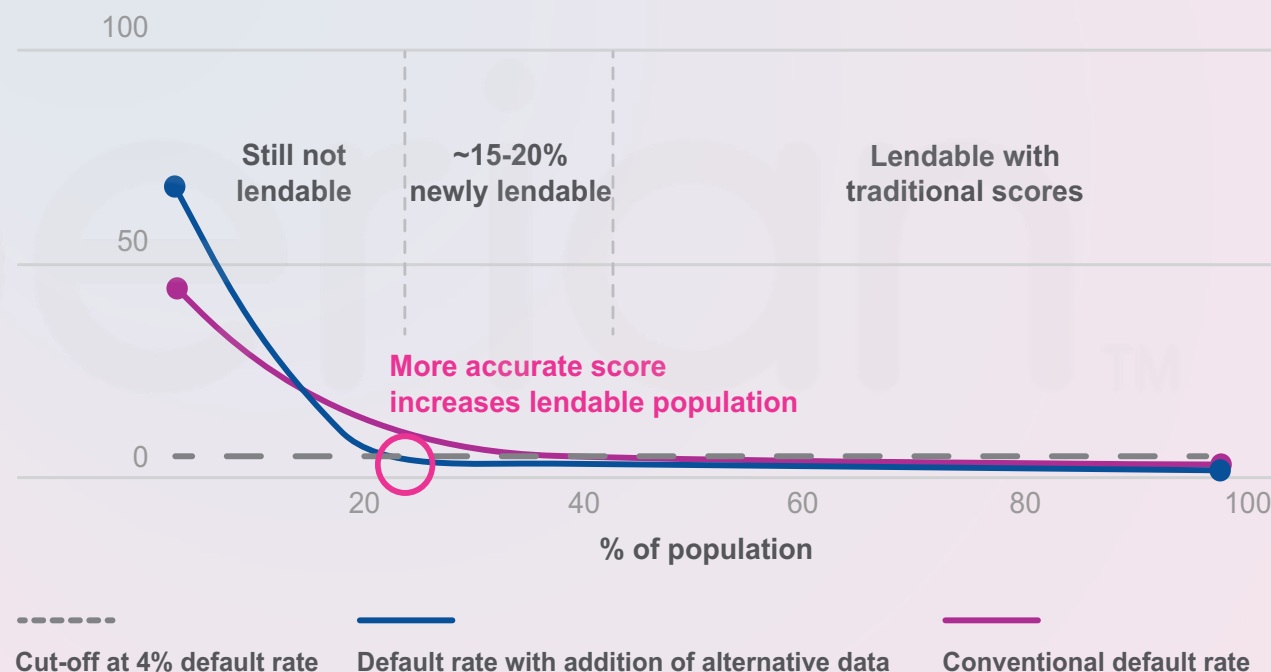
1. Expanding the set of customers whose credit quality they can assess
2. Improving risk differentiation in underwriting

Adopting more advanced analytic techniques can support these objectives:

- Identifying new predictive factors
- Accelerating the exploration and adoption of new datasets
- Directly improving model predictive power through more sophisticated modeling

A more predictive model leads to greater risk differentiation

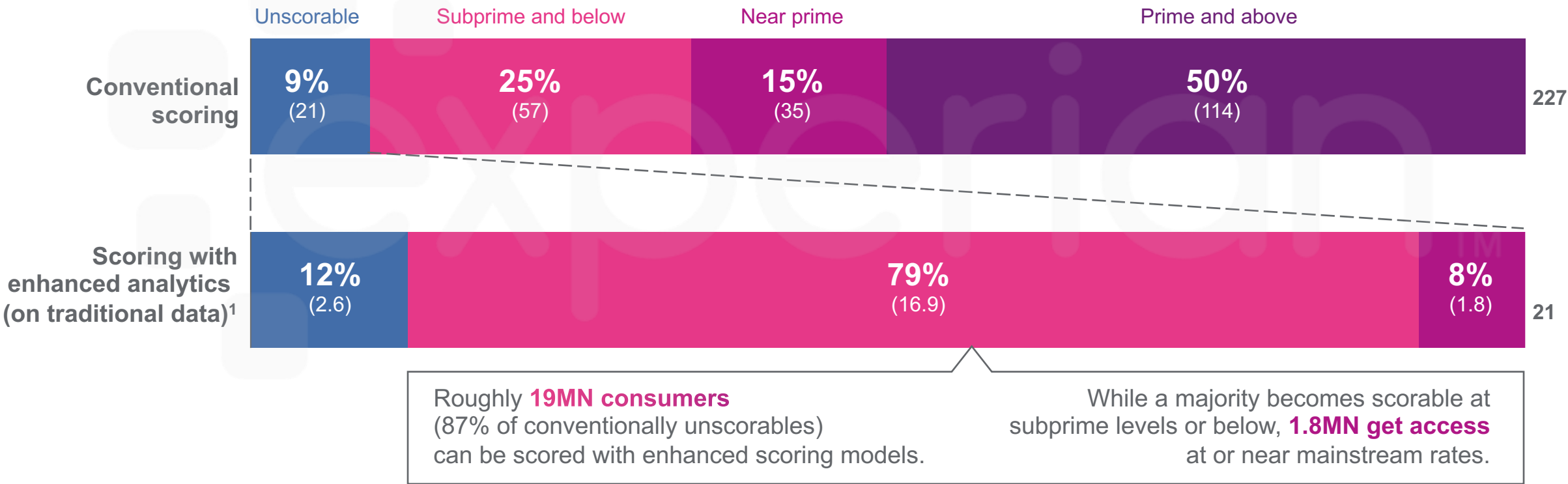
Illustrative depiction of lendable population with increased risk differentiation % of default rate



Expanding scoring threshold

Impact of enhanced analytics on unscorables: Illustration using VantageScore® 4.0

Top: % of visibles, Bottom: % of unscorables (# of people in MN)



¹ Scoring with enhanced analytics refers to VantageScore4.0 model run on traditional credit bureau data from Experian



Expanding data sources and incorporating machine learning

Key expanded sources of data

Noncredit payments (i.e., rent, utilities) and subscriptions (i.e., Netflix) have high coverage

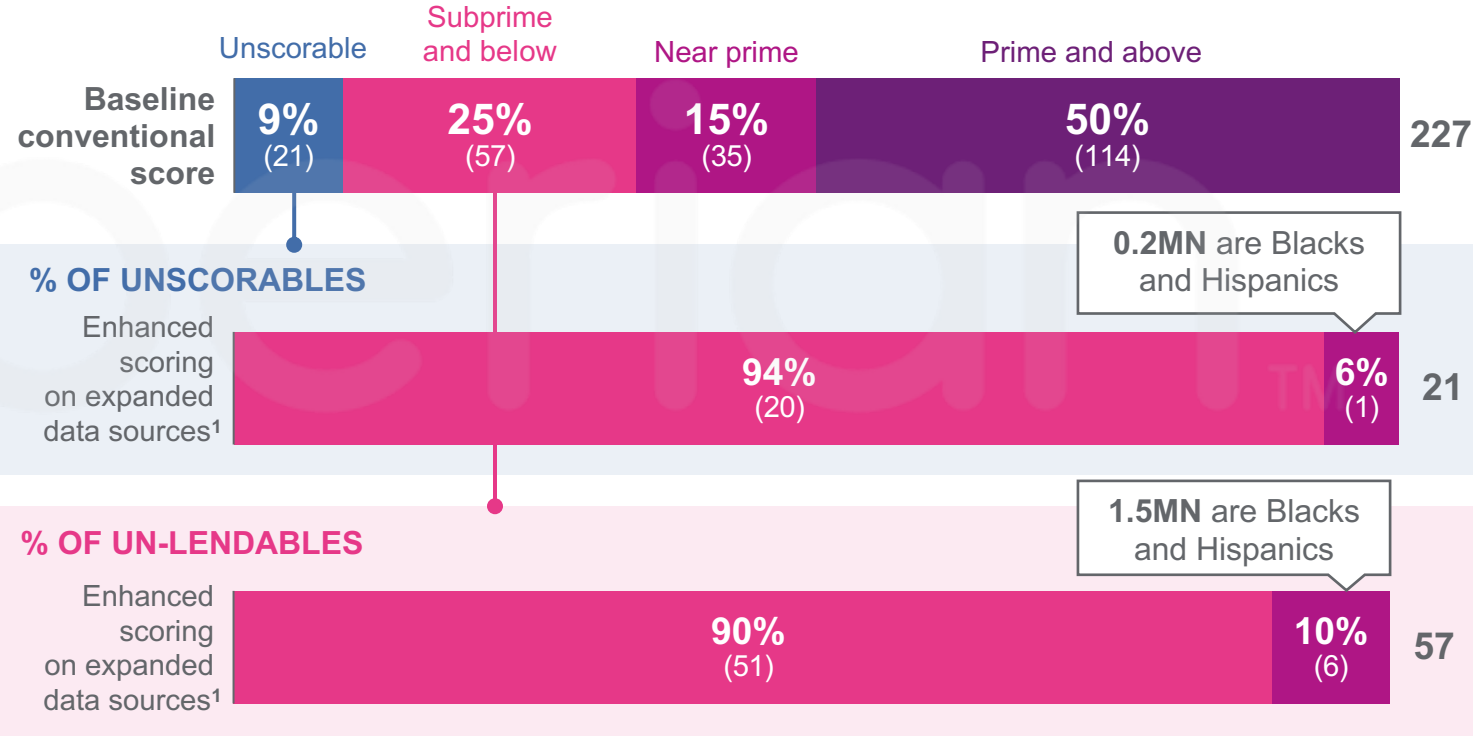
Demand deposit account (DDA) data provides broader insight into a consumer’s underlying financial health

Alternative financial services data leverages nonbank-supplied credit

Expanded public records such as licenses and property deeds are an alternate source

Foreign credit history can be used to calculate a U.S.-equivalent score for internationals

Impact of expanded data: Illustration using Experian Lift™ Premium
Top: % of visibles, Bottom: % of unscorables and (currently) un-lendables (people in MN)



¹ Enhanced scoring on expanded data sources refers to Experian Lift Premium — Experian’s scoring model leveraging rent payments from RentBureau, utility payments from Experian Boost, expanded public records data (e.g., professional licenses) from LexisNexis and alternative financial service records from Clarity.



‘New to Credit’ products that help build credit history

Extending inclusion through product innovation

Many consumers who lack access to these can find themselves in a Catch-22 situation – they need a credit history to become visible, but they can’t get credit because they are invisible.

Industry players address this problem by offering alternative methods or starter products:

- **Credit builder loans** – usually offered by credit unions
- **Secured or retail cards** – offered by stores or national gasoline brands
- **Small dollar loans**
- **No fee overdrafts**
- **Buy now, pay later products**
- **Early wage access products**

Traditional financial institutions and fintech’s offer new-to-credit products

Not exhaustive

Small dollar loans

More consumer-friendly digital small dollar loans have emerged (i.e., no rollover, better rates)

On-demand / early wage access

Make money available up to two days earlier than the traditional process

Fee-free overdraft

Many of the biggest consumer banks have introduced new products in the past 12-18 months and fintechs continue to innovate

Buy now, pay later

BNPL products provide certainty about the payment schedule and the total cost (unlike credit cards)



Measuring impact on consumer financial health

OPPORTUNITY

Impact has typically been measured through coverage across key populations

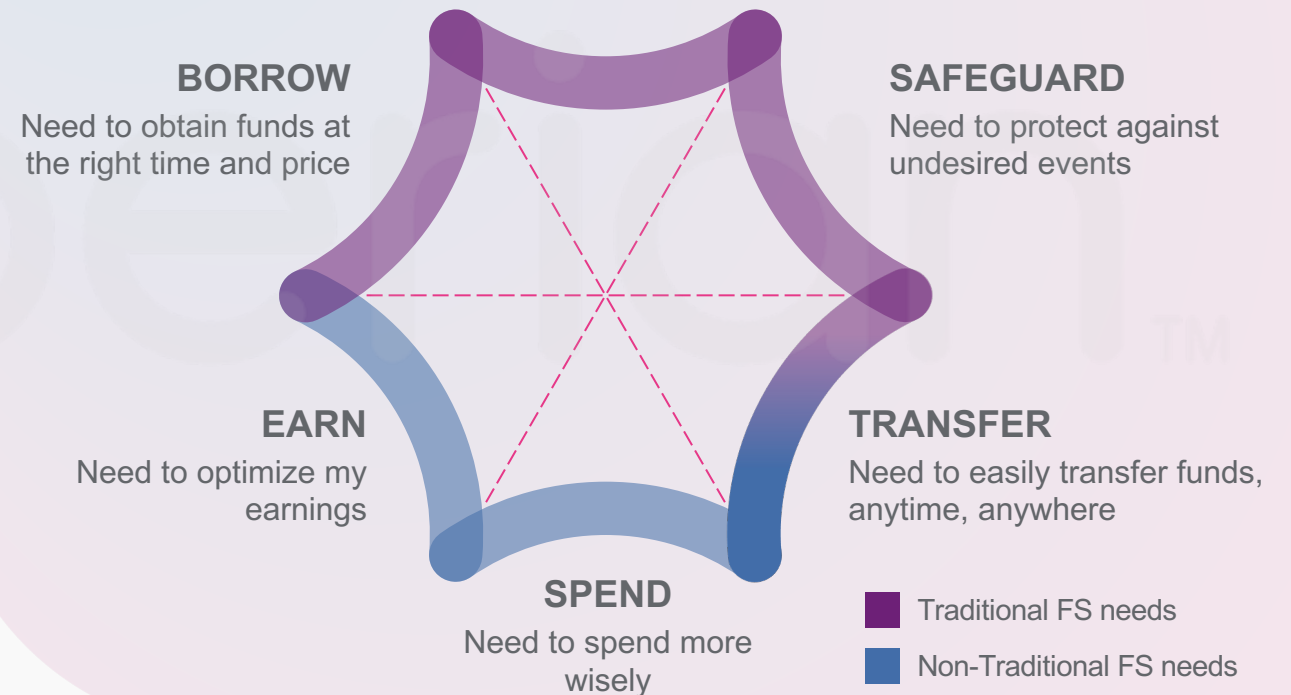
- Track consumer populations at different stages of the lending funnel
- Leverage third-party tools to infer race and ethnicity to perform ex-post statistical analysis at a population level

A more expanded view of inclusion looks at financial health, well-being, and wellness

- Uses more sophisticated health metrics e.g. spend, liquid and long-term savings
- Delivers real client impact and a path to shareholder revenue generation

A more holistic view of financial wellness looks across consumer financial needs

‘The Oliver Wyman Financial Needs Hexagon’



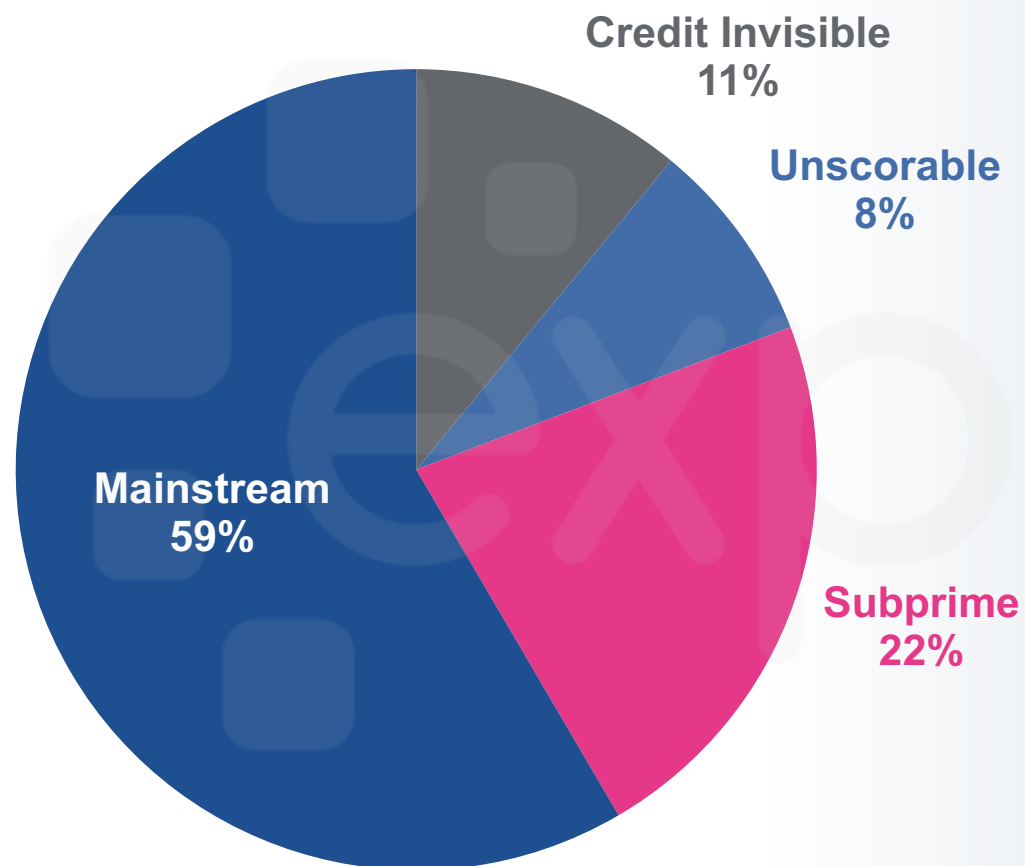
Expanding your portfolio with data and analytics



Natasha Madan

Director of Product Analytics for Consumer Services
Experian

Millions of Americans lack access to mainstream credit



42%
of consumers
cannot access
mainstream credit today

Oliver Wyman "Financial Inclusion and access to credit" January 2022



More data is the solution, driving more inclusive lending



**Reach
unique segments**



**Obtain a more
complete view**



**Identify
credit invisibles**



**Greater risk
differentiation**



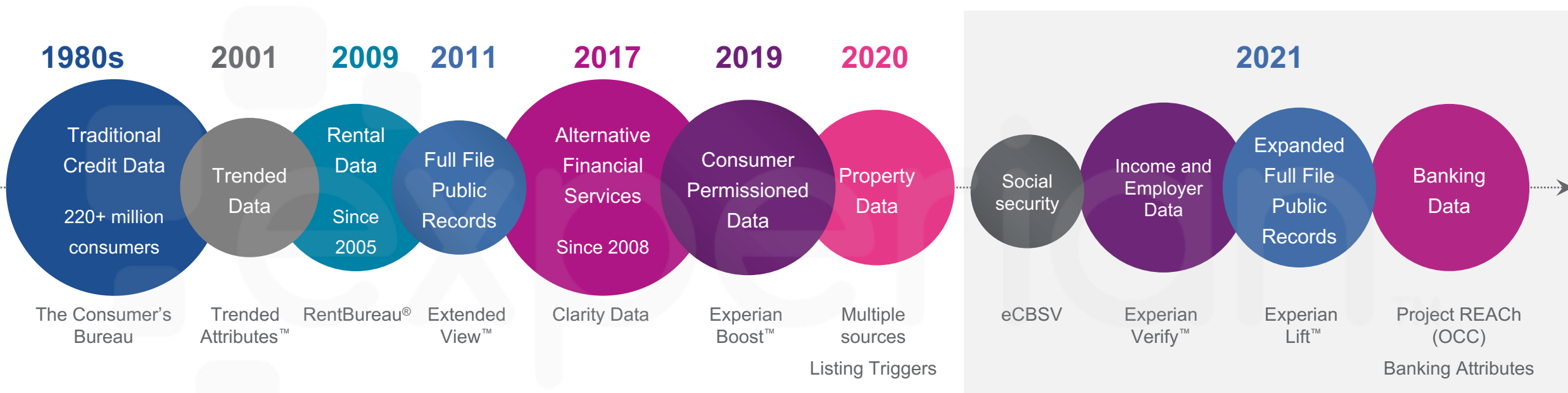
**Drive
financial inclusion**



**One consolidated
source**

Continuing to expand FCRA regulated data to drive inclusion

— Innovation roadmap advances business outcomes in marketing, decisioning, modeling and more



DIRECTLY SOURCED • CALCULATED • ACQUIRED • THIRD-PARTY PARTNERSHIPS



Unlocking the power of data to make better decisions

* in pipeline

✓ Specialty Bureau / Consumer-Permissioned Data

- Clarity
- RentBureau
- Boost Attributes

✓ Ethnicity and Race Data

- Ethnic-Racial Indicator (BISG)
- Aggregated Financial Inclusion Statistics

✓ Financial Management

- Banking Insights (FIS)
- Financial Account Access*
- Cash Movement Insights*

✓ Geography Based

- Premier Aggregated Credit Statistics
- Property Data

✓ Composite FCRA Scores

- Lift Premium/Plus
- Clear Early Risk Score/ Lift Core

✓ Income and Assets

- Modeled income/asset solutions
- AccountView / Experian Verify™



Flexibility to support multiple analytical use cases

Make use of ALL relevant data

**Flexible Integration
of External Data**

**Easy Upload
of Internal Data**

Specialist Consultancy
Local market expertise
with on-demand data
consultancy available

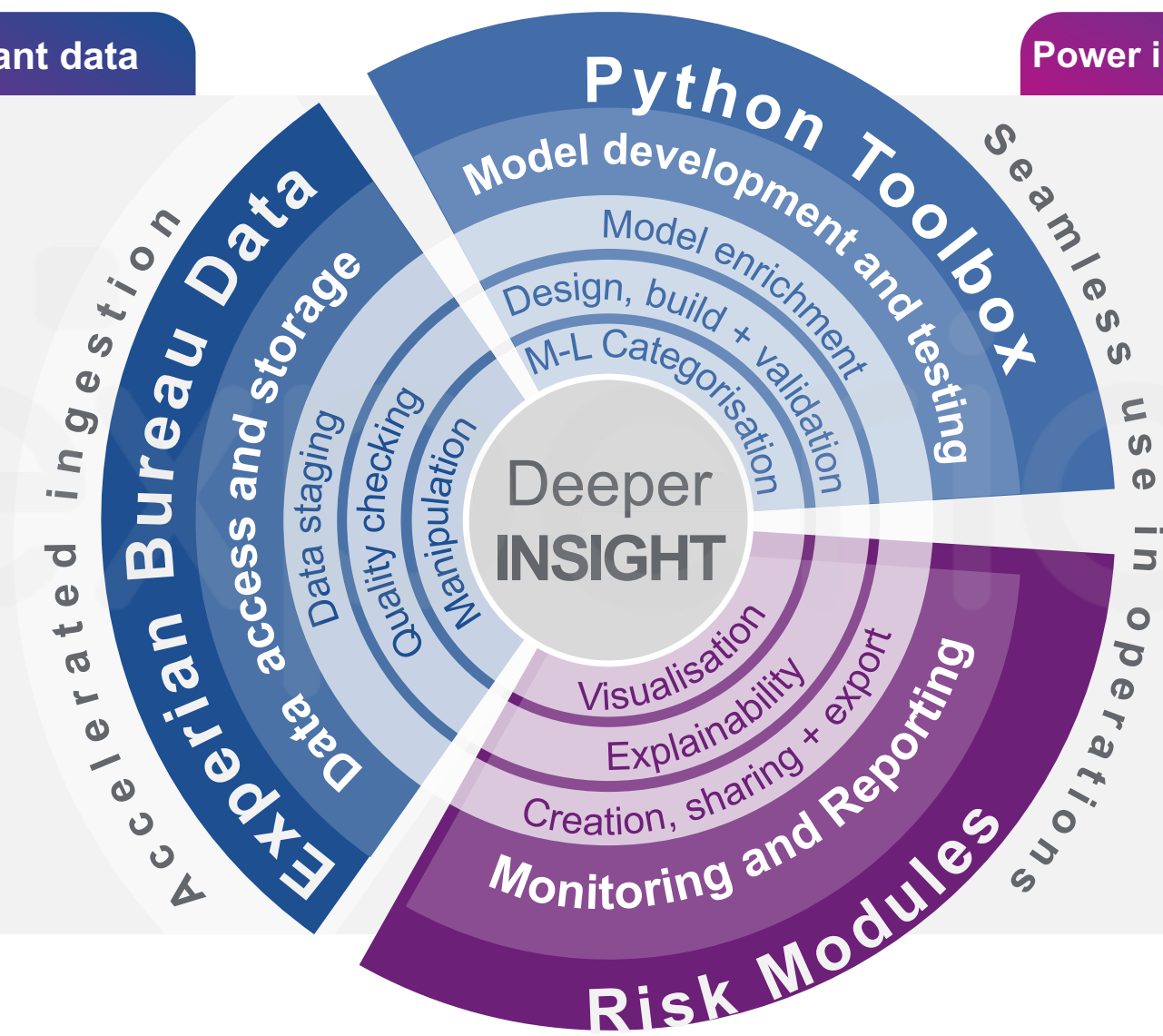
Power insight-driven value pathways

Digital Decisioning

Next best actions

**Risk based
process control**

Near + smart shoring
Over 100 specialists
in Data engineering,
Machine Learning
and Artificial Intelligence



Questions?



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