TransUnion

CASE STUDY

Three top ten lenders achieve average portfolio size increases up to 25%

The following case studies illustrate how three top ten indirect auto lenders, who each market to different consumer credit segments, used a multiple-source scoring strategy to expand their universe of qualified borrowers without impacting existing risk rates.

The Collective Challenge:

Obtain more customers while minimizing risk

With new competitors flooding the credit market, the three lenders needed to improve scoring methods and approve more consumers without bending on risk tolerance. Their existing scoring methods used only traditional credit bureau data, which limited their ability to approve certain loans, forcing consumers to competitors with better lending terms.

These lenders also needed to quickly and easily implement a compliant solution that would help them earn a healthy return on investment (ROI).

The Solution:

Expanded risk scoring with alternative and trended credit data

The three lenders each worked with TransUnion to analyze applicants who were previously declined or unfunded by their respective institutions, but were funded by competitors. They then added TransUnion's CreditVision® Link℠ Risk Score, comprised of alternative and trended credit data, to the traditional credit bureau data-driven scores (VantageScore® 3.0) already in use.

The additional data were delivered through the same connection and in the same fields and formats as the traditional credit bureau data, which meant minimal coding for their IT teams. Within a couple of months the lenders were able to build a more comprehensive picture of how individuals managed credit over time across more lending sources.

Using CreditVision Link and VantageScore 3.0 provided swap-in opportunities leading to higher loan volume without increasing overall bad rates. Immediately, each company saw the potential to improve their portfolio health through more precise scoring, better identification of creditworthy consumers, and the ability to confidently approve new customers.

Furthermore, the lenders did not have to compromise their compliance strategy because TransUnion provided a single point for consumer inquiry and reverification in the event that a consumer was turned down.

The Results:

Increased portfolio size and health with significant ROI

The new combined models outperformed traditional risk scores alone by 11-35% depending on the defined risk tier—prime, near prime, or subprime—as measured by the increase in combined KS over credit bureau data-only KS. This allowed the lenders to identify 22-37% of previously un-booked consumers as accounts that could be funded at 21-37% lower delinquency rates.

Using CreditVision Link to complement their traditional credit bureau tools, the three lenders could increase their portfolio size by an average of 13-25%, assuming a conservative fund rate of 10-20%, while remaining at risk rates well within their comfort zone.

Focused growth could result in an ROI of 7-10 times the annual investment.*

PRIME	NEAR PRIME	SUBPRIME
25% Average increase in portfolio size*	**13%** Average increase in portfolio size*	**19%** Average increase in portfolio size*
11% Increase in predictive power	35% Increase in predictive power	22% Increase in predictive power
37% of previously declined/unfunded loans could be funded at a 25% lower delinquency rate**	22% of previously declined/unfunded loans could be funded at a 21% lower delinquency rate**	32% of previously declined/unfunded loans could be funded at a 37% lower delinquency rate**

*assuming a 10-20% fund rate **in the first two years of the loan

LEARN MORE

Discover how CreditVision Link can help you expand your universe of qualified borrowers by visiting transunion.com/creditvisionlink.

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