CoreLogic®
Credco®

CASE STUDY

How Did a Top 5 Lender Uncover New Lending Opportunities For Nearly 15 Percent Of Their Previously Declined Applications?

Supplemental Credit Research Analysis

Executive Summary

Can the use of supplemental credit data help a top 5 lender improve their underwriting decisions and approve more loans without increasing their risk levels?

To answer this question, CoreLogic® Credco® conducted a retrospective analysis of 168,459 applications submitted between February 2007 and May 2012. 55 percent of the applications were accepted, 45 percent were declined.

Utilizing the data found in CreditIQ, Credco discovered that nearly 15 percent of the declined applications could have been approved using the lender's current underwriting criteria if the lender had been using CreditIQ. Based on this and several other findings presented below, this test illustrated the benefits of using supplemental credit data during the initial screening process to more accurately evaluate an applicant's credit history and risk.

CREDITIQ DATA COVERAGE:

Records Analyzed: 168,459

Records with Unique CoreLogic Information: 22.9 percent

Unique Supplemental Credit Data Not Found on Traditional Credit Reports*:

- 17.0 percent Mortgages
- 1.0 percent Public Records
- 5.9 percent Rental Inquiries

74 percent of consumers had a property record associated to them in the CoreLogic Credco databases.

Background

A Top 5 mortgage lender was looking for ways to safely increase their lending pipeline while maintaining their current level of risk.

The lender asked Credco to test whether the use of the supplemental credit data provided by CreditIQ could help safely increase their mortgage lending volumes and annual revenue.

Findings and Analysis

This analysis demonstrated that the use of supplemental credit data could help this top-5 lender identify previously missed lending opportunities, allowing them to generate significantly more annual revenue without increasing risk.

- Unique supplemental credit data found in CreditIQ was present in 22.9 percent of the applications sampled
- Our research showed that 3.2 percent of the declined applications were funded by other lenders and were currently performing. Utilizing the addition of positive supplemental data may have changed the initial decision to decline the application at the lender. These loans could represent a missed revenue opportunity of $24.8 million**
- Further analysis found an additional 11.5 percent of the declined applications had similar positive supplemental data that might have allowed for those loans to be funded
  - When combined with the 3.2 percent of applications approved at other lenders, this represents 14.7 percent of the total declined applicant pool that could justify reconsideration without increased risk
- The unique supplemental credit data from CreditIQ allowed the lender to identify nearly 6 percent more bad loans during the initial application process while reducing overall funding volume by only 2 percent

Results

When implemented, this lender may benefit in the following ways:

1. **Write More Loans and Generate More Revenue**
   The analysis of the lender's loan and application pool demonstrated that supplemental credit data can have a significant positive financial impact to their bottom line. Loans that would have been previously declined can now be safely approved without any increase in the overall risk profile.
2. **Improved Underwriting Efficiency**
   CreditIQ will allow this lender to detect bad loans earlier in the lending process, allowing loan processors and underwriters to focus their resources on loans that have a greater potential to perform. Increased efficiencies will open their loan pipeline to even more opportunities.

* CoreLogic defines traditional credit reports as those sourced from any of the three national repositories (Equifax, TransUnion or Experian) that use information provided by major creditors—such as banks, credit card issuers or loan servicers.

** Based on funding 50,000 loans per month at a 55 percent approval rate and $2000 profit per loan. 1282 or 3.2 percent of those 45 percent previously assumed to be declined may now be safely originated. After subtracting 10 defaults per month (using the lender's supplied figures of a 0.78 percent default rate) at a $50,000 loss per default, the incremental loan originations would produce net monthly revenues of $2,064,000 or $24.8MM annually.

For more information about CreditIQ, visit credco.com

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