CoreLogic® Credco®

CASE STUDY

How Can a Top-5 Online Lender Use CreditIQ Data To Increase Lending Opportunities By 18.5 Percent?

Supplemental Credit Research Analysis

Executive Summary

Can supplemental credit data help a top-5 online lender better assess the risk of applicants in the 580–620 FICO® score range used by most lenders today and safely expand their lending opportunities with these borrowers?

To answer this question, CoreLogic® Credco® conducted a retrospective analysis of approximately 2,200 applications with commonly used FICO scores near the FHA lending threshold of 580. The lender had approved 25 percent of these applications.

Utilizing the data found in CreditIQ, Credco discovered that nearly 15 percent of the applications had unique data not present on traditional credit reports, including $23 million in undisclosed debt from private party loans and open mortgages. More importantly, 18.5 percent of the previously declined applications had positive supplemental credit information that could allow for reconsideration of the applicant's loan status.

CREDITIQ DATA COVERAGE:

Records Analyzed: 2,209

Records with Unique CoreLogic Information: 14.2 percent

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

- 6.9 percent Mortgages
- 2.8 percent Public Records
- 5.3 percent Rental Inquiries

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

Background

A top-5 online mortgage lender was looking for ways to improve their overall level of risk assessment for applicants in the 580 - 620 FICO score band for the purpose of improving their lending to FHA loan eligible applicants. Additionally, the lender wanted to see if the additional data elements would improve loan performance over time and reduce their overall delinquency levels.

The lender asked Credco to show whether the use of the supplemental credit data provided by CreditIQ could help safely mitigate risk for applicants in this score range and potentially increase their lending volume.

Findings and Analysis

CreditIQ provided the lender with additional insight into a number of the applications analyzed.

- 18.5 percent of the lender's declined application pool showed additional positive data was missing from traditional credit reports. This information could lead to incremental application approval based on their current underwriting standards.
- 14.2 percent of the applications contained additional data not found in traditional credit reports, potentially increasing GSE repurchase risk due to undisclosed financial obligations.
  - $19.3 million in undisclosed existing mortgages
  - $3.5 million in undisclosed private party loans

Results

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

1. **Improved Risk Profiles**
   CreditIQ provided unique credit data on 1 in 7 applications analyzed. This additional data included previously undisclosed mortgages, private party loans, and rental inquiries. Properly leveraging this additional information can result in a better understanding of the overall applicant risk, greater confidence in underwriting decisions, and a reduction in risk from loan repurchases.
2. **Write More Loans**
   Nearly 1 in 5 of the declined applications contained positive credit information missing from traditional credit reports. With the addition of CreditIQ data, this lender may be able to safely underwrite loans they would have previously declined using only traditional credit data.

* 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.

For more information about CreditIQ, visit credco.com

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