Your Voice
Into the Unknown

If lenders want to truly obtain an insightful view of a borrower, using analytics with data across a 24-month playing field is crucial.

By Rosie Biundo

The current regulatory and economic environment has heightened the need for insightful and compliant decisioning tools, and lenders need deep and robust consumer information in order to improve portfolio stability and make more informed lending decisions. The best indicator of future behavior has always been – and continues to be – past behavior. To acquire this level of insight, lenders must leverage technology to identify potential bankruptcy risk, understand past consumer behavior and maximize profitability. By utilizing technology tools such as real-time, tradeline-level analytics, lenders can understand consumer behavior patterns and potential risk to determine the best strategies and opportunities for their borrowers.

24 MONTHS: THE SWEET SPOT

If lenders want to truly obtain an insightful view of a borrower, using analytics with data across a 24-month playing field is crucial. Detailed consumer level information such as balance, payment, credit limit or account type provides insight that can identify and predict a borrower's future credit behavior. Incorporating this borrower data into acquisition, portfolio and review strategies assists lenders in mitigating risk and offering relevant opportunities to specific borrowers.

For example, the ability to predict an individual's propensity to pay within a certain timeframe can drive specific marketing strategies and opportunities to enhance customer loyalty. Analyzing a borrower's credit behavior over a 24-month period can help identify unique sets of trends and characteristics, such as:

- Spending patterns;
- Payment patterns; and
- Credit utilization – established patterns and impact of changing behavior.

Historical, trended data allows for better decisioning across the entire lifecycle – from acquisition to account management to collections. Data-rich technology tools like this provides lenders with the consistent information needed to identify and implement borrower-specific actions.

THE GAME OF RISK

Past behavioral insight is readily available to lenders who leverage the right technology in order to confidently predict the future behavior of a consumer. Plus, analytic tools like scores and models can be leveraged in the portfolio

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monitoring process to predict the risk that a borrower may file for bankruptcy.

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Scores and models tailored specifically to predict bankruptcy allows lenders to distinguish potentially profitable customers from those who are more likely to file for bankruptcy. Using a score with comprehensive, tiered segmentation schemes allows lenders to independently evaluate bankruptcy risk. Scores such as these can support account management since it assists with enhanced segmentation and treatment or collection strategies.

POWERFUL TECHNOLOGY, POWERFUL DECISIONS

The recession may have altered the consumer credit landscape, but insight into a borrower's potential to incur bankruptcy and to predict future credit behavior is available for lenders in order drive profitable decisions and effectively manage portfolios despite the stringent regulatory environment. Lenders are better enabled to strategically and effectively expand borrower pools through the use of technology tools like real-time, tradeline-level analytics. Managing borrower risk and predicting their future behavior by utilizing data-rich technology can help improve business performance and ensure more consistent outcomes. ❖

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