

The top 4 trends **reshaping consumer lending**

The Equifax 2022 Report

EQUIFAX[®]

**THE WORK
NUMBER**



Not your father's (or mother's) **lending scenario**

Brianna **stages houses** for a residential real estate broker.

Mike is a TikTok influencer. **What?!**

Anna's a contract agile **project manager.**

Cari **quit her job** in HR but **has stocks and other equities.**

Jake's a **first responder** and **installs outdoor lighting** on the side.



Trend #1

The gig economy

The very meaning of having a job is **changing**

It isn't uncommon for a loan applicant to hold non-traditional employment, such as sole proprietor or freelancer. In the past, lenders may have viewed these potential borrowers as high-risk.

But today,

people with “traditional” jobs are quitting them en masse. The 30 to 45 age group — the largest cohort of potential homebuyers — are quitting their jobs at higher rates¹.

Many workers simply do not want to return to the office. They may also be quitting for other, various reasons: to look for a new job, to join the gig economy, or to forge their own path as an entrepreneur. **The shift was perhaps triggered by the coronavirus pandemic and the resulting move to remote work, but it is here to stay.**

¹ BLS Job Openings and Labor Turnover Survey

Trend #1

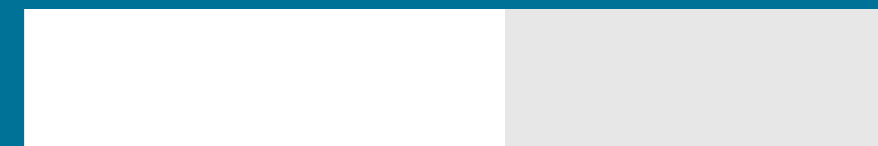
The gig economy

The result, at the individual level, is a **reshuffling of careers and positions**. At the macro level, however, it represents **a reset of what it means to work and earn money**. Call it The Great Resignation or whatever you like, but employment is undergoing a reset and it's having a significant impact on society across the board — including consumer credit.

So how can lenders manage risk by finding **ways to view and analyze income** in this new world of work?

In fact, **this shift pulls the rug out from under the fundamentals of consumer credit: multi-year histories of job stability and high credit scores to identify low-risk credit applicants**. People in non-traditional employment are still making money and have the ability to pay for homes, cars, convenience credit, and business ventures, even as other definitions of employment, such as their working hours and office location, are unclear.

55%
of Americans say
they plan to **look
for a new job** in the
next **12 months**.³



³Bankrate, Survey: 55% of Americans expect to search for a new job over the next 12 months, 2021

Trend #2

Open and secure data exchanges

APIs and **automation** is improving access to data

Before,

consumers had less access to credit and data information.

But today,

collaboration between traditional banks, financial technology companies (FinTech), and **third-party providers (TPPs)** using application programming interfaces (APIs) are enabling third-party access to **personal account data** even beyond just bank transactions data – including key intelligence such as income and employment data.

This open data exchange allows banks, FinTechs, and TPPs to more easily create new applications and **workflows that reduce barriers to accessing financial services**. For consumers, the results are faster access to credit approvals and empowerment to understand their own financial information.

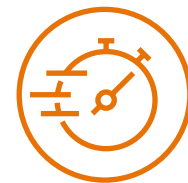
Trend #2

Open and secure data exchanges

For consumers, the results are **faster access to credit approvals** and empowerment to **control their own financial information**.

Open and automated data exchanges also offer opportunities to create better outcomes for consumers through technological innovations that narrow the space between traditional banking and lending and the expanding FinTech category. As more financial institutions and FinTechs use **verification of income and employment data** in their increasingly digital experiences, we expect to see growing competition among lenders in the financial services market for potential applicants and rapid innovation at a pace and scale never before seen – all to the benefit of the consumer.

Benefits of open and secure for lenders



Faster loan decisions



More **inclusive** decisioning



Lower costs/improved operational efficiencies



Greater **visibility into a borrower's income and employment status** for more holistic data on their ability to repay loans



More **responsible** lending for a **lower default rate**

Trend #2

Open and secure data exchanges

Open banking can also help paint a better, more well-rounded picture of a borrower's preferences, behavior, and ability to pay.

However, opening up account access via a customer's digital login credentials can create pitfalls in data privacy and security. The challenge will be to bring corresponding levels of sophistication to risk management to shield sensitive information and help mitigate fraud.



Trend #3

Financial inclusion

Lenders may be missing out on valuable prospects because **credit resources lag behind reality**

Many lenders have overlooked valid prospects with the ability to repay loans because traditional credit data gave a limited view of their creditworthiness — for example, by focusing on home or car ownership and not on current income and employment status.

Today,

lenders in search of new prospects are looking for ways to expand their use of data to capture more holistic indicators of financial strength that can help them prosper while welcoming into the fold consumers who have historically struggled to establish credit.

Trend #3

Financial inclusion

While FinTech and non-traditional lenders have been the first movers in this space, **we're seeing an increasingly competitive environment in which both traditional and non-traditional creditors are players in the innovative use of alternative data.**

Using instant income and employment data can help lenders approve more customers for loans that may have previously been denied based on a credit score alone.

The leading reasons for mortgage loan denial were

debt-to-income

33%



and **credit history**
(including credit score)

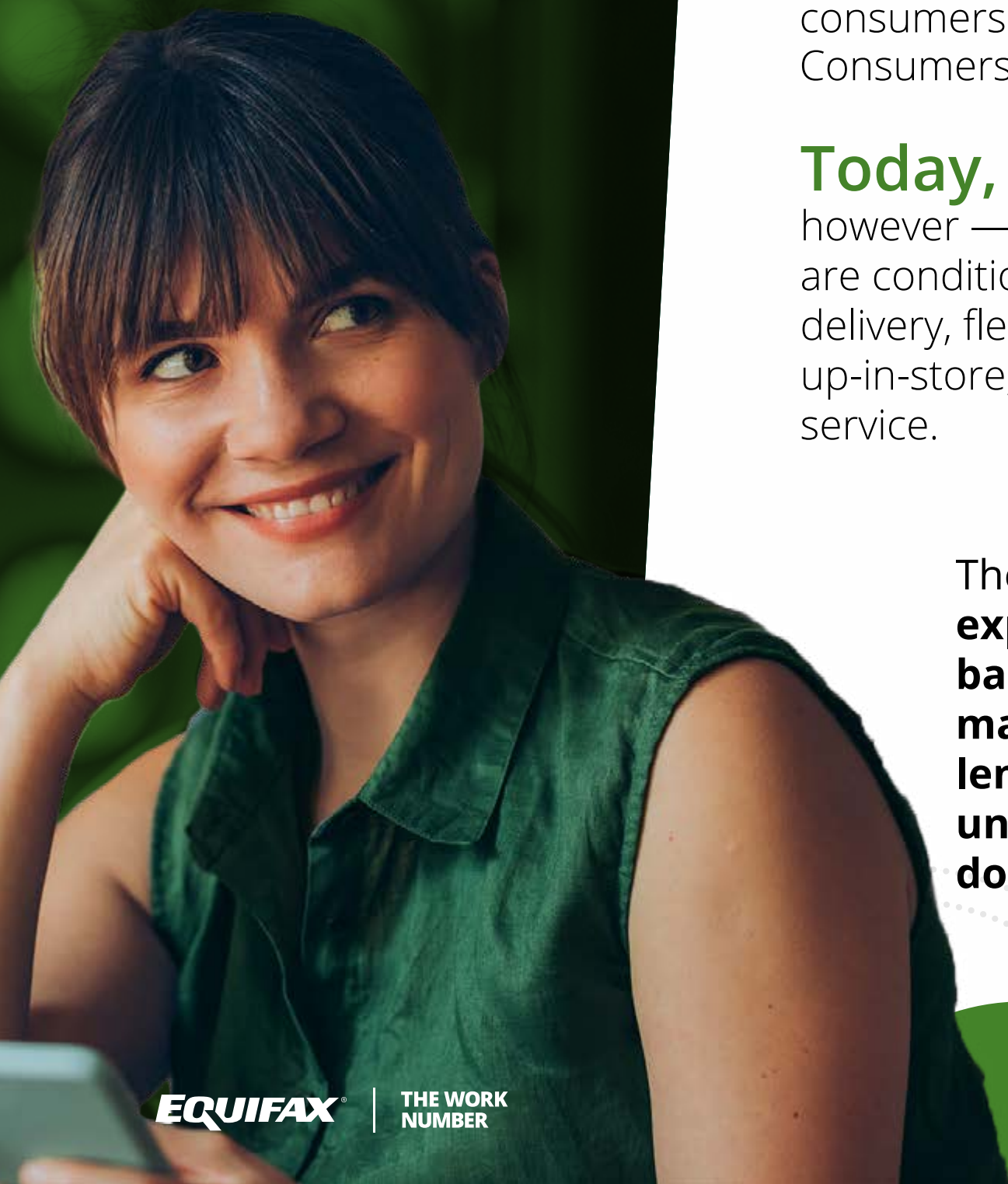
23%¹



¹LendingTree, LendingTree Analysis Reveals Mortgage Denials at Cycle Low

Trend #4

Fast and easy



Consumers want **real-time convenience with less friction**

Before,

consumers had limited choice but to make purchases on the retailer's terms. Consumers now have more options for how and with whom they do business.

Today,

however — consumers, while shopping online, are conditioned to overnight (if not same-day) delivery, flexible options like buy-online-pick-up-in-store, and faster-than-a-speeding-bullet service.

The catch? **Balancing the consumer's expectation of reducing friction in and barriers to accessing loans with managing lenders' risk against the lender's concern of relying on unconfirmed consumer-provided documentation.**

When customers are banking, they expect to pay all their bills online in the time it takes to watch a 30-second commercial. And, **when they're borrowing, they want a fast, flexible, seamless process that feels easy and convenient.**



Trend #4 Fast and easy

86%

of buyers are willing
to pay more for a great
customer experience.

In the U.S., even if people
love your company or product,

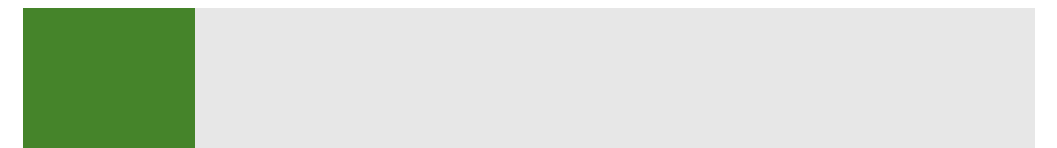
59%

will walk away after
several bad experiences,



17%

after just *one*
bad experience.¹



¹ PwC Global Consumer Insights Survey, 2018

Trend #4

Fast and easy

To find the opportunity in this trend, lenders need to continue streamlining their processes and make use of digital decisioning data to be able to consistently deliver fast and convenient financing to all categories of borrowers.

The Work Number can help your business compete in the changing credit landscape

Through The Work Number®, credentialed verifiers can get secure income and employment data from **2.5 million employers nationwide** delivered **24/7 for instant decisioning**. This data can be layered with traditional credit assessment methods or used as a standalone tool.



How The Work Number can **help you respond** to these 4 trends



Trend #1
The gig
economy

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Trend #2
Open
and
secure
data

Trend #3
Financial
inclusion

Trend #4
Fast and
easy

Examples of how
The Work Number
can help you
respond to:

Trend #1

Gig economy and The Work Number

Accessing records for independent contractors can **help lenders verify loan affordability for borrowers who are non-traditional workers.**



Trend #2

Open banking and The Work Number

Instant data flows built directly into
your loan decisioning platforms via
secure APIs can provide:

- Increased security
- Enriched customer experiences
- Improved efficiency
- The agility to shape new customer journeys



HOW THE WORK NUMBER CAN
HELP YOU RESPOND TO:

Trend #3

Financial inclusion and The Work Number

Incorporating **income and employment data** can help lenders better **serve consumers who have historically been shut out of credit** while adding new qualified prospects. Layering in The Work Number data can **help 7M+ consumers qualify for better offers and 3.4M more move from unscorable to subprime.**¹

¹Equifax internal study and analysis, 2020



Trend #4

Fast and frictionless with The Work Number

Instant verifications can **improve the loan application experience, reduce friction, and help you approve more prospective borrowers.**



**THE WORK
NUMBER**

A better way to verify.
Contact us today.

theworknumber.com

