LENDER CONFIDENCE

in a Time of Uncertainty



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COVID-19 Has Changed the Paradigm

The world is in midst of an unprecedented global health and financial crisis.

Prime, subprime, credit thin or credit invisible: COVID-19 has likely changed their worlds.

25+ millionCOVID-19 cases worldwide

13.6 million people out of work

40+ percentpeople with job loss
or pay decrease

Credit reports remain strong indicator of credit history and past financial reliability. COVID-19 brings the **power of alternative data** into even sharper focus.

PRIOR TO COVID-19

Lenders could be confident in decisions on 161 million consumers or 64% of the population

COVID-19

Lenders could be confident in decisions on 95 million consumers or 34% of the population

Past Informs Models of the Future

Striking similarity

between Hurricane
Harvey's sharp, sudden
economic impact on
Texas economy in 2017
and national economic
impact of COVID-19.

Equifax models of Hurricane Harvey alongside current COVID-19 information predict we are on trajectory for consumer delinquencies to peak at rate 23% higher than January 2020.

Turning Data Insights into Action

Best practices call for lenders of all types to use layered approach to credit decisioning:

Start with the traditional credit file.



Extend available insights with use of A.I. and alternative data.



This layered approach allows for better management of risk by lenders

Deeper view of traditional credit reports allows nearly **4 million people** who were moved down due to credit policy tightening to move back to prime and super prime credit categories.

Explainability is the Key

With any AI or machine learning solution you need to be able to **explain** -- and **understand** -- what is included in the models.

Understand why someone should or shouldn't be approved for a card or personal loan.

Be able to **explain** to a consumer why or why not they were approved.

Explainable AI, like the patented Equifax
NeuroDecision
Technology, brings strong
science
to data.

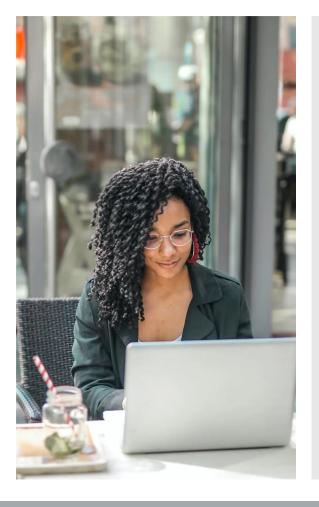
Prediction is important.

Equifax models show xAl on top of traditional credit reports enables another 3+ million consumers to move back to super prime credit bands.

Beyond the Credit File

Alternative data in the form of income and employment information has become critical.

Why? →U.S. has an **8.4%** unemployment rate.



Meet Jane

- Good credit
- Steadily employed
- Maximizing the benefits of cash-back cards over the last 2 years
- 10 cards in her name, each with a 5% or slightly greater utilization rate

How are you approving Jane for another new credit card today?

QUIFAX"

Verified income, employment and debt-to-income information is critical in accurately assessing consumer's ability to pay.



Layering **The Work Number** database into credit decisioning can move more than 7 million people into prime and super prime categories

Consumer consented data puts the individual consumer in charge of what information is shared with insurers, lenders and other service providers.

60% of consumers surveyed by Citizens Bank are comfortable sharing personal information with their bank for more personalized solutions and better experiences

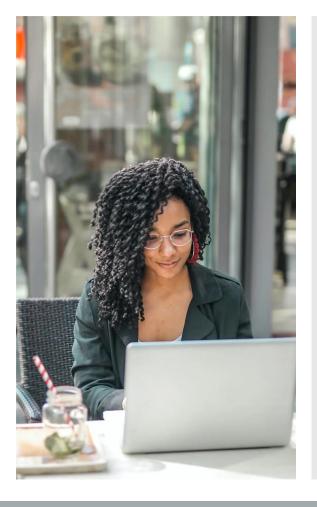
Utility payment information is a powerful source of data.

Urjanet surveys show majority of consumers have utility/telecom payment data available to enhance visibility into credit files.

Pre-pandemic Equifax data indicated that layering consumer consented alternative data sources, like utility payment information, on top of traditional credit file could move 5.5 million people from "unscorable" or "subprime" to "prime" or "near prime"

Equifax data also showed 3.4 million consumers would be able to move from being "unscorable" into "subprime" score bands.

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Jane's Financial Profile

- 10 cards with 5 percent utilization rate
- Ongoing employment has been verified
- Given consent for you to view her payment history to her water company and gas company
- Jane's utility payment history shows a largely on-time payment history for the last two years

QUIFAX'

Utility payment provides important "**lift**" for credit thin and credit invisible consumers.

Utility data also has the power to move over **5 million** more people into prime and super prime bands.

Consumer consented bank transactions provide a clearer picture

Helps understand how Jane **spends money**, but also how often money comes in and assets available to pay bills with.

Jane's bank information shows **regular payments** from her non-traditional job.

It shows a **bank balance** of \$30K -- a nice reserve to pay bills in a time of hardship.

Balance has also increased post COVID-19, meaning Jane is in better position than ever before -- she is a **strong candidate** for a new card.

Equifax data analysis shows:

Having bank transactions on all consumers, could reduce the credit unscorable population by as much as 50 percent.

We believe use of bank transaction data alone -- without other alternative data assets -- could increase prime or better consumers by more than 5 million people.

Real world example:
Equifax assessed one
lender's ability to increase
approvals without taking
on more risk.

With bank transaction data on 40% of the lender's credit card applicants, the lender could increase credit card approvals by 8.2% without increasing its delinquency rate.

Smarter insights for smarter actions -- and the data you need to be more certain today and in the future.

More data provides **more confidence** in era of uncertainty.



Deeper data insights can drive the **better decisions** needed to weather the pandemic and create new financial opportunities consumers need during the storm.

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