



POWERLYTICS

POWERFUL DATA, SMARTER DECISIONS

Powerlytics Predicting Consumer Default Case Study

Powerlytics is the company who offers the first and only market intelligence platform to power better decisions by using financial data underpinned by IRS tax returns. Our proprietary databases provide real income tax data from over 150 million U.S. households (200 million adults) and over 30 million for profit businesses in the U.S..

BUSINESS CHALLENGE

A US based financial lending institution needed to improve the accuracy of consumer credit risk evaluation by more successfully identifying consumers that are more likely to default during the loan origination process.

SOLUTION

By combining Powerlytics' proprietary data with the financial institution's loan-level customer data file of funded loans and their performance, Powerlytics is able to identify the consumer tax return variables that have significant predictive power between the default and non-default populations on the customer loan-level file. Once the Powerlytics variables that significantly predict the two populations behavior are identified, they can be leveraged in predictive models, scores or indexes for a variety of reasons that include but are not limited to the following:

- Streamline approval process for loans
- Incorporating into credit limit assignment or increase strategies
- Incorporating into behavior scores for portfolio monitoring (e.g., should accounts go into proactive loss mitigation?)
- Identifying fraudulent applications

RESULTS

The Powerlytics Variables show significant predictive power between the Default & Non-Default populations on their own and when compared to the customer's FICO Score. Specifically, Powerlytics had 46 tax variables that are more powerful than the FICO Score for separating consumers that default from consumers that do not default.

Results that add up: The Top 10 Powerlytics variables range from 15% to 568% more powerful than FICO in predicting consumers that default from consumers that do not default.

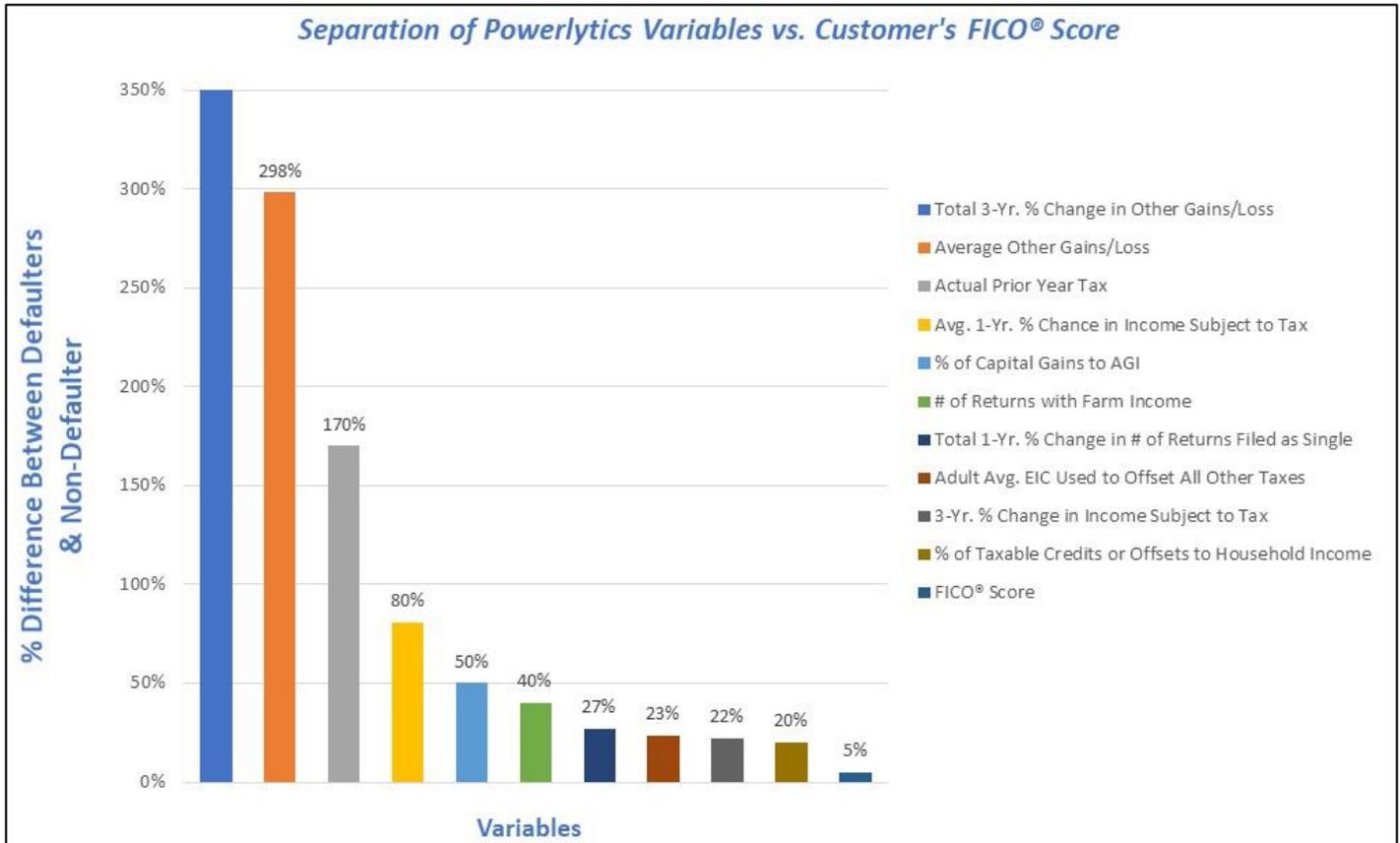
The Powerlytics Data Solution

Powerlytics data variables with significant predictive power in predicting default are provided as part of its solution set. The Powerlytics solution includes the 9-digit Zip code (Zip+4) level. This means that the consumers Zip+4 is the only information required to run customer analysis.

Past performance and results have consistently found the Zip+4 to be extremely accurate at predicting the behavior of individual prospects.



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Please note that the average differences above are across multiple FICO Score bands and income ranges. For example, the average difference of the FICO score for defaulters vs. non-defaulters was 5% while the average different between those populations for the Powerlytics variable “Total 3-year percent change in Other Gains/Losses” was 350%. In other words, there was over an 11,000% difference in the predictive power between the FICO score and the Powerlytics data variable.