

RevolutionCredit Behavioral Risk Scores

Traditional credit scoring models predict the risk associated with a new loan using a potential borrower's history with previous loans from data in credit bureau files. In recent years, lenders have tested alternative

that occur in an online session depending on how long an applicant is willing to engage with PFMI.

Consumers opt-in to PFMI, which is available in many forms: on a software-as-a-service

first payment defaults, and sixth payment defaults.

In particular, it is helpful with consumers referred to as "marginal declines," those who are rejected by existing scoring systems because their credit bureau score is too low to be automatically approved. In addition to marginal declines, issuers can use PFMI to assess the 30% of people with credit bureau files who see a rise in scores every year and another 30% who see a decline every year.

RevolutionCredit's PFMI is available in English and Spanish. It expects to have customers in Mexico, Brazil, and India next year.

REVOLUTION CREDIT

data such as rent and utility bill payments as supplemental information when a consumer's credit file is too thin to be useful for automated scoring. That practice is gaining acceptance even if there is no consensus regarding how predictive bill payment history is for repayment of a loan. These facts have contributed to a growing belief that risk management can be aided by determining the behavior of a potential borrower at the time they are applying for credit.

RevolutionCredit offers a predictive risk score based on behavioral data obtained at the time a borrower applies for a loan. The company's Personal Financial Management Interaction (PFMI) system uses online puzzles and games it says can show lenders an applicant's intent and aptitude toward credit. RevolutionCredit captures up to 200 signals

(SaaS) basis, as an application programming interface when offering online applications, as a pop-up window on a banking app, or in email campaigns.

RevolutionCredit started in January 2014. Customers include personal loan companies, utilities, and credit card issuers. It aims PFMI at what the company refers to as the "broad middle"

of consumers, those with credit scores that range from 550 to 750.

PFMI can be used with full and thin files, and can identify the upwardly mobile middle class borrowers, those who perform one to two credit score levels better than their current credit score would indicate — and who are most profitable for credit card issuers. RevolutionCredit says that PFMI can also lower charge-offs,

... lower charge-offs, first payment and sixth payment defaults.

Investors in RevolutionCredit include Larry Rosenberger, former CEO at Fair Isaac, Omidyar Network, and Nyca Partners. [Zaydoon Munir is CEO at RevolutionCredit in San Diego, California, \(714\) 460-5405, \[zaydoon@revolutioncredit.com\]\(mailto:zaydoon@revolutioncredit.com\), \[www.revolutioncredit.com\]\(http://www.revolutioncredit.com\).](#)

Posted with permission from
The Nilson Report, Carpinteria, California
www.nilsonreport.com