



Startup Aims to Unearth Good Consumer Credit Risks

FINANCE: Data conduit between lenders, borrowers

By MICHAEL DE LOS REYES

Irvine-based **RevolutionCredit** has been gathering evidence for its products since it received an undisclosed amount of backing in an angel round of financing in 2011.

“Our backers understood that we needed time to amass a large amount of data to prove our idea,” said **Zaydoon Munir**, founder and chief executive of the consumer credit data provider.

He said angel investors included two former chief executives of credit rating agencies, **Ed Ojdana** of Costa Mesa-based **Experian Interactive** and **Larry Rosenberger** of San Jose-



Munir: banks and lenders need new sets of data to make better credit decisions

based **Fair Isaac Corp.**, provider of FICO credit scores, or measures of consumer credit risk. Munir is a former Experian chief data officer.

That was five years ago, and RevolutionCredit now is generating transactional revenue from online lenders, credit card companies and a utility company. The companies pay a negotiated monthly fee based on the number of customers who use a RevolutionCredit product. Munir said individual subscrip-

tion services also are available.

He declined to name the customers or the fee range but said RevolutionCredit has at least 10 clients and will seek Series A venture capital funding within the next 12 months.

RevolutionCredit’s purpose is to help lenders identify low-risk customers who have FICO credit scores between 550 and 750.

That sounds narrow, though about 53% of the U.S. population is in that credit range, according to data the company provided. The market’s size could be 150 million, including people who have short credit histories or none, Munir said.

Many lenders have shied from servicing such customers since the depth of the housing downturn in 2008 but know there’s a percentage of promising clients with low credit scores who are

worthy of credit and financial services. The challenge is finding them, Munir said.

Part of the challenge comes in the fact that credit reports typically provide only historical customer information, he said.

“It assumes that customers’ future actions will resemble their past actions. There’s little evidence (in the reports) that people change their habits.”

Enter RevolutionCredit, which aims to drill for evidence and determine whether customers are trying to improve their situations and are good credit risks. Actions customers take are shared with lenders.

The process begins when customers miss a payment. Lenders usually charge a late fee or increase interest rates when that occurs. RevolutionCredit connects with the borrowers through their lenders, interceding by offering them a choice to waive the late fees by viewing a one-minute video and solving a related puzzle. The problem solvers, Munir said, show the willingness to improve and are good risks.

New puzzles are being developed for high school students applying for college loans and college graduates who are about to receive collection calls.

RevolutionCredit’s appeal is as a “push” technology offered by the company as an opportunity for customers to improve their knowledge of credit and finances, Munir said. “We send a text message or an email from the lender to the specific customer and offer them some long-lasting help.”

Bank of America, which isn’t a RevolutionCredit client, offers a similar online education program that had 93 million online visitors over two years, said **Shari Battle**, senior vice president and Orange County market manager. It’s a “pull” technology that requires people to search for the information instead of pushing the information to selected individuals.

The bank formed a partnership with the **KhanAcademy**, a nonprofit organization that offers free online materials, to create the Better Money Habits portal in 2013. “It’s a completely altruistic partnership to help people understand finances and money,” Battle said.

Anyone can access the website to learn about financial goals, such as paying down school debt or transitioning from military to civilian life. The lessons have no effect on credit scores or any bank account, according to the website.

They have a different impact, Battle said. “More informed individuals are better for the overall economy.”

RevolutionCredit takes a different tack, in that, besides being a for-profit company, it captures the moment when a risky client wants to engage with a lender, said **Bill Maurer**, director of the **Institute for Money, Technology and Financial Inclusion** at the **University of California-Irvine**.

Completing a financial education program improves people’s repayment behavior, Maurer said. RevolutionCredit, however, allows people to demonstrate that they can improve their credit scores because they are willing to go through the trouble to complete a lesson at a critical moment in the business relationship, he said.

“The company has data that suggests that completing their educational program actually enhances people’s repayment behavior.”

Munir said RevolutionCredit initially appealed to online consumer lenders or “first adapters” of financial innovations.

“Banks are interested but usually are not an early adapter of new technology,” he said.

RevolutionCredit’s client list grew as online mortgage lenders, credit card issuers, a utility, and individuals requested subscription services.

“Ultimately, banks and lenders need new sets of data to make better credit decisions,” Munir said. “RevolutionCredit information would work alongside FICO scores to approve more people and obtain better credit pricing (interest rates).” ■

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