

Make every transaction more valuable<sup>SM</sup>

# Introducing DebitBureau®

Powerful new insights to existing and prospective customers

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#### **Brand Name Customer Base**





### **eFunds Core Competencies**

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#### **Risk & Decisioning Solutions**

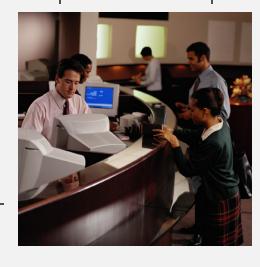
World's leading debit account information technology provider - combining data, systems, decisioning and services for transaction account opening and management

- DebitBureau World's largest debit database with more than 3 billion consumer records
- ChexSystems Used by 9,000+ FI's and 96 of 100 top banks
- SCAN 12 of the top 20 U.S. retailers

#### **Professional Services**

Unparalleled data assets, technology solutions, tested best practices and normative models

 Experience with 96 of 100 top banks



#### **Global Outsourcing**

Trusted, full-service outsourced solutions help customers increase performance and reduce costs

- 75 million back office transactions processed
- 300,000 outbound calls per month

#### **Electronic Payments**

Industry's leading secure, efficient and cost-effective transaction processing (EBT, EFT, ACH)

- Settle more than \$9.5 billion monthly
- One of the nation's largest 3<sup>rd</sup> party processors
- 80% of the debit transactions in the U.S. are run on eFunds' software
- Industrial strength 99.9% reliability plus open systems platform



## **Market Challenge**

- Intense Competition for emerging customers
  - 25% of population has minimal or no credit history
  - Enhanced segmentation of near/sub prime consumers creates new revenue opportunities
- Debit data enhances "view" of consumer risk
  - Forced DDA Inquiries, Closures & account status
  - Check Printing history
  - SCAN (NSF) information
    - Open and Paid status
  - Card issuers and lenders are struggling to find new markets in which they can grow profitably

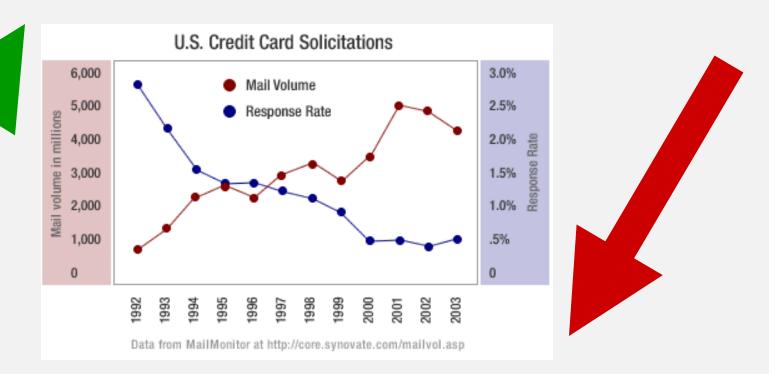


## **Customer Acquisition Challenges**

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# Campaigns Are Losing Effectiveness

As direct mail solicitation volume has **grown**...



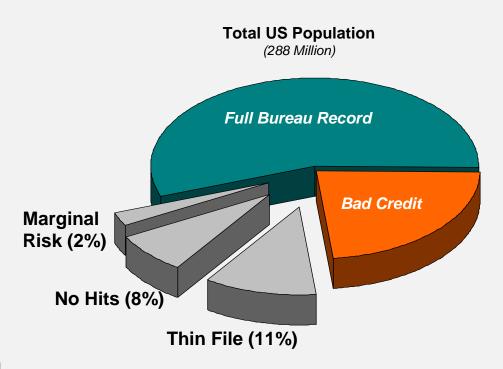
...response rates have declined significantly

Source: Synovate, Mercator Advisory Group; © 2003 Mercator Advisory Group, Inc.



## The Underserved Market Opportunity

- Currently organizations limit prospects to those reported by credit bureaus, representing less than 60% of the overall US Population
- More than 60 million people are currently underserved by the credit market
- This untapped market is as a tremendous opportunity to expand prospect databases and grow market share





#### Value of the Underserved Market

- Rising Demand for Underserved Market
  - Provides a largely untapped source of revenue
  - Satisfies shareholder demands to drive market share and increase profits via universe expansion
  - Meets needs of growing regulatory interest (ECOA, FCRA, FACTA, etc.)



#### **Business Issues**

- eFunds helps you:
  - Enhance your risk segmentation
  - Score and approve a larger % of the applications
  - Penetrate the underserved market
  - Reduce losses with new perspectives
  - Improve portfolio return on investment



Make every transaction more valuable<sup>SM</sup> The eFunds Advantage



### **eFunds Account Lifecycle Solutions**

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#### **Acquisition**

- Prospect Screening
- Thin File/No File
- Sub/Near Prime Lending
- Emerging Consumer

#### Origination

- Risk, Fraud & Compliance Decisioning
- Credit Underwriting
- Thin File/No File
- Sub/Near Prime Lending
- Emerging Consumer

#### **Management & Growth**

- Privilege Setting
- Account Monitoring
- Account Analysis
- Cross Selling
- Collections Decisioning Tools



## The eFunds Advantage:

The eFunds DebitBureau®

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#### **Credit Markets** Consumer Banking Retail Merchants (NEW) Check verification services **New Account Inquiry** New account opening inquiries Data supplied by major Acquisition (Pre-Screen) Account open status (2005) retailers that process over Activity Forced closed accounts 70% of all retail check Forced Closure **Check Printing Information** payments Online payments 9,000+ FI's utilizing services at 3.5B checks verified at POS 100,000+ locations Online payment authorization More than 44% market share with 100 + retail chains utilizing services at 70,000 + locations **Debit**Report<sup>®</sup> ChexSystems<sup>™</sup> **Debit**Bureau®



## The eFunds Advantage:

#### eFunds' Unique Position

- Checking account is often a consumer's first financial relationship
- Market share/coverage is exceptional through ChexSystems and SCAN
- Depth of data in derogatory creates strong segmentation in sub-prime/near-prime and around cut-off scores
- Increasing coverage in positive events and score is highly predictive for credit performance
- Growing contribution from other sources
- Reputation and Integrity around our Data Contribution



## The eFunds Advantage: DebitReport™

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- Retrieves critical debit-related data from the DebitBureau
- Provides a new source of consumer financial history information from a trusted partner
- Consumer ID Information plus 78 Standard Data Aggregates & Detail
- Debit History Score
- The debit attributes are comprised of:
  - Recency (days since last inquiry)
  - Frequency (number of previous closures)
  - Monetary (dollar amount of bounced checks)
  - Summaries and detail of the inquiry, closure, check printing, and SCANSM data sources.

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#### $E \cdot F \cup_{N \setminus D \setminus S^{**}}$ Debit Model v1.0 Performance Table on Million Records

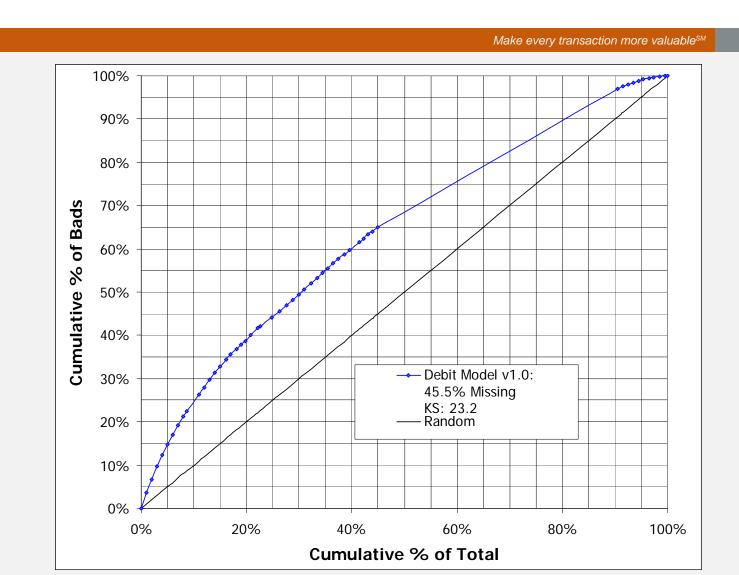
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#### KS Statistic: 23.2

|         |           |           | Cumulative |           |        | Bad Rate |            | Good:Bad Odds |            |
|---------|-----------|-----------|------------|-----------|--------|----------|------------|---------------|------------|
|         | Score     | No. of    |            |           | % of   |          |            |               |            |
| Rank    | Range     | Accts     | % of Total | % of Bads | Goods  | Interval | Cumulative | Interval      | Cumulative |
| 1       | 100 - 537 | 50,128    | 5.0%       | 14.8%     | 3.5%   | 39.0%    | 39.0%      | 1.6           | 1.6        |
| 2       | 538 - 565 | 59,212    | 10.9%      | 26.2%     | 8.6%   | 25.4%    | 31.6%      | 2.9           | 2.2        |
| 3       | 566 - 580 | 40,205    | 15.0%      | 32.9%     | 12.2%  | 21.8%    | 29.0%      | 3.6           | 2.4        |
| 4       | 581 - 590 | 47,902    | 19.7%      | 38.8%     | 16.9%  | 16.3%    | 25.9%      | 5.2           | 2.9        |
| 5       | 591 - 598 | 50,504    | 24.8%      | 44.2%     | 21.8%  | 14.1%    | 23.5%      | 6.1           | 3.3        |
| 6       | 599 - 602 | 50,866    | 29.9%      | 49.5%     | 26.9%  | 13.7%    | 21.8%      | 6.3           | 3.6        |
| 7       | 603 - 607 | 56,053    | 35.5%      | 55.5%     | 32.4%  | 14.2%    | 20.6%      | 6.1           | 3.8        |
| 8       | 608 - 611 | 41,324    | 39.6%      | 59.7%     | 36.6%  | 13.5%    | 19.9%      | 6.4           | 4.0        |
| 9       | 612 - 623 | 53,703    | 45.0%      | 64.9%     | 42.0%  | 12.9%    | 19.1%      | 6.8           | 4.2        |
| 10      | 9999      | 454,619   | 90.5%      | 96.9%     | 89.5%  | 9.3%     | 14.1%      | 9.8           | 6.1        |
| 11      | 624 - 686 | 48,922    | 95.3%      | 99.1%     | 94.8%  | 5.9%     | 13.7%      | 15.9          | 6.3        |
| 12      | 687 - 891 | 46,562    | 100.0%     | 100.0%    | 100.0% | 2.6%     | 13.2%      | 37.8          | 6.6        |
| Overall | 100 - 891 | 1,000,000 |            |           |        | 13.2%    |            | 6.6           |            |



#### **Power of Segmentation**





## **Account Origination**

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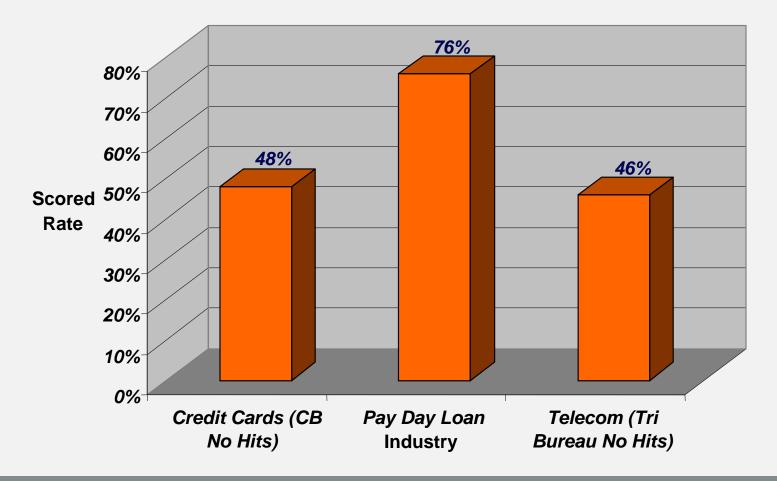


## The eFunds Advantage:

eFunds Debit Report Coverage - 2004

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#### **Scored Population**





#### Where Does Debit Bureau Data Fit?

- Enhance credit data NOT displace
  - Acquisition Phase (Suppressions & Selections in Pre-Approved Offers)
    - Derogatory Suppressions
    - Thin File / No File (suppression and selection)
    - Sub Prime / Near Prime (Swap in/Swap Out)
  - Origination Phase
    - Thin File / No File (suppression and selection)
    - Sub Prime / Near Prime (Swap in/Swap Out)
  - Account Management
    - Priveledges
    - Risk Management



# The Value of Debit Data – Case Study Summaries

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Customer: Large Credit Card Issuer –

Objectives: Evaluate Debit Bureau to optimize Decisions for Emerging Consumer Applications, including Thin/No File.

- Match Rate was 51.3%, including 53.7% for Thin/No File and declines
- Identified Strategy to reduce Portfolio Charge-Off Rate by 5.0%
- Identified Strategy to increase Application Approval Rate by 4.5%



# The Value of Debit Data – Case Study Summaries

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Large Retail Card Issuer – Objectives were to increase growth rate of Cardholder Base and Outstandings via improvements in decisions on Thin/No File Applications.

- Match Rate was 58%
- Debit Score effectively ranked Credit Risk comparable to other Credit Scores
- Identified 30% of No File Applicants meeting criteria, increasing overall Approval Rate by approximately 10%



# The Value of Debit Data – Case Study Summaries

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Customer: Sub-Prime Consumer Lender (Payday Advance)
Objectives: Improve Risk and Approval decisions in the face of increasing competition and rate pressure.

- Match Rate was 76.9%
- Utilization of Debit Bureau information increased Acceptance/Approval Rates by 78% while reducing the Bad Rate by 8% over previous strategy

Studies Pending for Sub-Prime Auto, Mortgage, Debt Consolidation

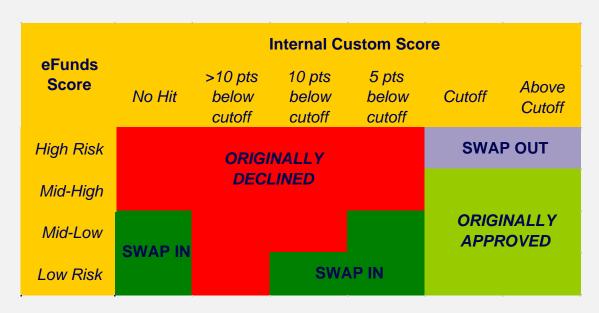


## The Value of Debit Data: Originations

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- Swap Out
  - Current Approvals
    - Decline high risk
- Swap In
  - Within 10 points of Custom Score cutoff
    - Approve eFunds Score Low-Risk segment
    - Within 5 points of Custom Score cutoff
      - Approve eFunds Score Mid-Low segment
    - Custom Score No-Hit segment
      - Approve eFunds Score Low-Risk and Mid-Low segments

The addition of the eFunds score added a second dimension to risk assessment





## The Value of Debit Data: Originations

- Results from 2004 Data Study for large Card Issuer
  - The overall hit rate to the DebitBureau® was 58%, including a hit rate of 66% to the declined applicants
  - The applicant data (ID Verification append) had a 66% match rate to Name & Address, as well as a 65% match rate to Name & SSN
  - The Debit Score identified 4.6% of the Declines as being worthy of a credit card
  - The following table summarizes the potential movement of applicants into either higher or lower risk groups using the Debit Score in conjunction with the credit risk scores

|                 | Customer | DC       | OWN      | UP       |          |  |
|-----------------|----------|----------|----------|----------|----------|--|
|                 | # of     | # of     | % of     | # of     | % of     |  |
| PORTFOLIO       | Accounts | Accounts | Accounts | Accounts | Accounts |  |
| Portolio 'A'    | 396,613  | 37,428   | 9.4%     | 58,004   | 14.6%    |  |
| PROP FULL Files | 149,263  | 13,457   | 9.0%     | 13,437   | 9.0%     |  |
| PROP THIN       | 31,223   | 1,485    | 4.8%     | 2,689    | 8.6%     |  |
| DECLINE         | 301,818  | NA       | NA       | 13,927   | 4.6%     |  |
| TOTAL           | 878,917  | 52,370   | 6.0%     | 88,057   | 10.0%    |  |



## The Value of Debit Data: Originations

- Results from 2004 Data Study for large Card Issuer (continued)
  - Using the eFunds' Risk Model, Prospect was able to identify significant swapsets that maintained a constant risk level yet increased approvals:
    - 6% of applicants that were normally approved were swapped out into the decline subpopulation despite having acceptable credit risk scores
    - 10% of applicants that were normally declined were swapped in into the approved subpopulation despite having marginal credit risk scores
    - The net impact was a 4% increase in approvals with no increase in risk



### The eFunds Advantage

- DebitBureau® helps you:
  - Enhance your risk segmentation
  - Score a larger % of the applications
  - Penetrate the underserved market
  - Reduce losses with new perspectives
  - Improve portfolio return on investment

