



FICO Financial Inclusion Initiative

A Path to Inclusion for Over One Billion

FICO Financial Inclusion Initiative at a Glance

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Integrity: Trusted to provide safe and sound credit risk scoring and analytic models
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Scalable: A growing global partner network to facilitate best practices in data aggregation
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Objective: Scientific criteria for unbiased evaluation of new data sources and their predictive value
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Independent: FICO is a public company; FICO is not a credit reporting agency and does not collect, manage or sell data
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Responsible: Our data hierarchy standards maximize value, minimize costs, enable compliance

The Challenge: 1.7 billion people globally are under-banked or have no banking relationship at all. Approximately 1 billion more have access to a bank, but have no credit history.

Lenders want to expand their market to include more new borrowers, but this segment of applicants poses a significant challenge to a lender’s ability to assess identity and credit risk.

Prospective Borrowers without access to a bank, savings account, debit card or line of credit must rely on the informal economy of family and friends, cash-on-hand, pawn-brokers and moneylenders. These choices can be insufficient, risky, expensive and unpredictable. For the credit invisible or unbanked, financial access equates with an improvement in their overall quality of life, financial freedom, stability and, for many, fulfilling the dream of home ownership.

The Solution: FICO is leveraging traditional credit and new alternative data sources to expand financial inclusion worldwide.

FICO democratized credit in the United States almost 30 years ago with the introduction of the FICO® Score. Working with data partners, in 2014, FICO laid the groundwork for an endeavor that would eventually become the FICO Financial Inclusion Initiative – designed to help unbanked, under-banked and disadvantaged consumers gain equal access to mainstream credit products.

The FICO Financial Inclusion Initiative leverages emerging technology, innovative analytics and new data sources to address the unique credit needs and regulatory environments of countries around the world. Scalable, data agnostic and open to expansion for mature and developing credit ecosystems, the initiative began with the deployment of FICO® Score XD in the United States, followed by the launch of the international solution FICO® Score X Data. Today, FICO has multiple new alternative data partnerships with footprints in over **30 countries**.

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FICO® Score XD incorporates alternative data from telco, cable and other payment history plus public record and property data, including property ownership records, frequency of residential moves, bankruptcies, evictions and liens. As a result, the latest version of FICO® Score XD 2 is able to score over 26.5 million previously unscorable consumer files.

- 11.8 million of these consumers are without credit files and unscorable by any scoring system relying on traditional credit bureau data alone.
- While the traditional FICO® Score is able to score 91% of applicants, FICO® Score XD 2 augments the percent of applicants eligible for a FICO-branded score to nearly 98%.
- Findings demonstrate that consumers with a FICO® Score XD 2 over 620 that go on to obtain credit maintain a high traditional FICO® Score in the future – 75% scored 620 or higher in the subsequent 24 months.
- The FICO® Score XD recently received an Analytics 50 Award from Drexel University’s LeBrow College of Business and CIO.com for leveraging groundbreaking analytic technologies as well as alternative data to help safely and responsibly expand credit access.



“As demonstrated by robust research, financial inclusion can enable individuals to smooth consumption; manage economic shocks; and invest in their education, health and economic well-being.”

World Bank Group

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FICO® Score X Data uses big data sources such as transaction data and telco data not found in traditional credit bureau files and leverages a proprietary data hub to give lenders in international markets the ability to reliably assess the credit risk of millions of consumers who are invisible to lenders today.

In 2018, to further advance its work on financial inclusion, FICO launched a new research pilot focused on consumer-contributed data. Millions of Americans are unable to access credit when lending decisions are based on a consumer’s traditional credit file alone. FICO has partnered with Experian and fintech pioneer Fincity to research and develop new ways for consumers to opt into

providing financial data that reflects their responsible financial activity – such as checking, savings and money market account data – as part of the credit-scoring process.

Through the FICO Financial Inclusion Initiative, products such as FICO® Score XD and partnerships utilizing consumer-contributed data, lenders can offer consumers – previously denied credit based on their credit file alone – a second chance. With this innovation, lenders can better identify and extend credit to consumers who may have been locked out of the system in the past.

*World Bank Group. 2017. Global Findex Survey, 2017 Report. World Bank, Washington, DC. ©World Bank



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