

Increasing Underwriting Approvals Without Raising Risk

THE CUSTOMER

- Top 10 SMB Card Issuer

USE CASES

- Underwriting

PAIN POINTS

- Little visibility into applicant growth rates
- Lower data coverage meant missed opportunities

OUTCOMES

- ✓ Identification of new stable and growing businesses
- ✓ Improved modeling of predicted spend
- ✓ More accurate up-front risk determination

THE CHALLENGE

Improving underwriting models

The client, a top 10 small business card issuer, wanted to gain small business card market share in 2021. They believed two things were holding them back from achieving that goal: low approval rates and not being able to offer the most favorable terms.

Improving their underwriting models would address both those concerns, but the client lacked the data they needed to improve the underwriting models. They believed that there was a sizable share of eligible small business card applicants that they were rejecting or not offering favorable enough terms, simply because they didn't have enough data about the business.

New data that further segments healthy and unhealthy businesses would enable them to improve their underwriting models, enabling them to increase their applicant acceptance rates, while keeping their risk losses stable.

Specifically, the client was interested in being able to identify the healthy businesses that might be overlooked by their competitors. More granular data with higher coverage could enable the client to recognize safe businesses that their competitors might classify as high-risk.

THE SOLUTION

Data for better prediction of delinquency events and spend amounts

The client currently uses an automated underwriting decision model based on data from credit bureaus and the Small Business Financial Exchange. Enigma's Merchant Transaction Signals provided the client with novel data about their applicants' financial health.

Enigma provided the client with data about card revenues, revenue growth rates, transaction stability, and average transaction size. The client then incorporated these data attributes into their models to backtest for signal.

The client found that Enigma's data increased their models' accuracy by around 30% among the target population. Card revenue data improved the client's modeling of spend amount, while transaction and growth rate data improved delinquency prediction.

The new data enabled the client to increase their approval rate by roughly 7 percentage points. Within the first twelve months of implementation, the client expects to generate around \$7,500,000 in new revenue resulting from these underwriting model improvements.

EARLY RESULTS INDICATE

30%

INCREASE IN MODEL IMPROVEMENTS

7%

INCREASE IN ELIGIBLE NEW CUSTOMERS

\$7.5M

IN EXPECTED NEW REVENUE