

Affordability Engine: Case Study

Increasing automated decisions and lending revenue using Infact's Affordability Engine.



Executive Summary

We worked with a non-prime lender to assess if incorporating Infact's Affordability Engine into new lending decisioning could increase automated decisioning and responsible lending while maintaining their default rate.

KEY RESULTS

22%

Increase in lending revenue

12%

Increase in automated decisions

19%

Increase in new lending

27%

Increase in interest revenue

1 Setup & Execution

During the exercise, we used a sample of 200,000 consumers paired with lending decisions and outcomes (auto-accept, decline, refer, arrears, defaults). In addition to this, we further calibrated the expenditure prediction with applicant-declared income, which enhanced its predictive accuracy.

Our Affordability Engine delivered an individual-level expenditure prediction for each applicant, which was used in conjunction with other credit risk and affordability solutions already used by the lender.

2 Results

Our expenditure prediction calibrated with applicant-declared income as a replacement for the incumbent expenditure model delivered the following headline improvements in new lending performance:

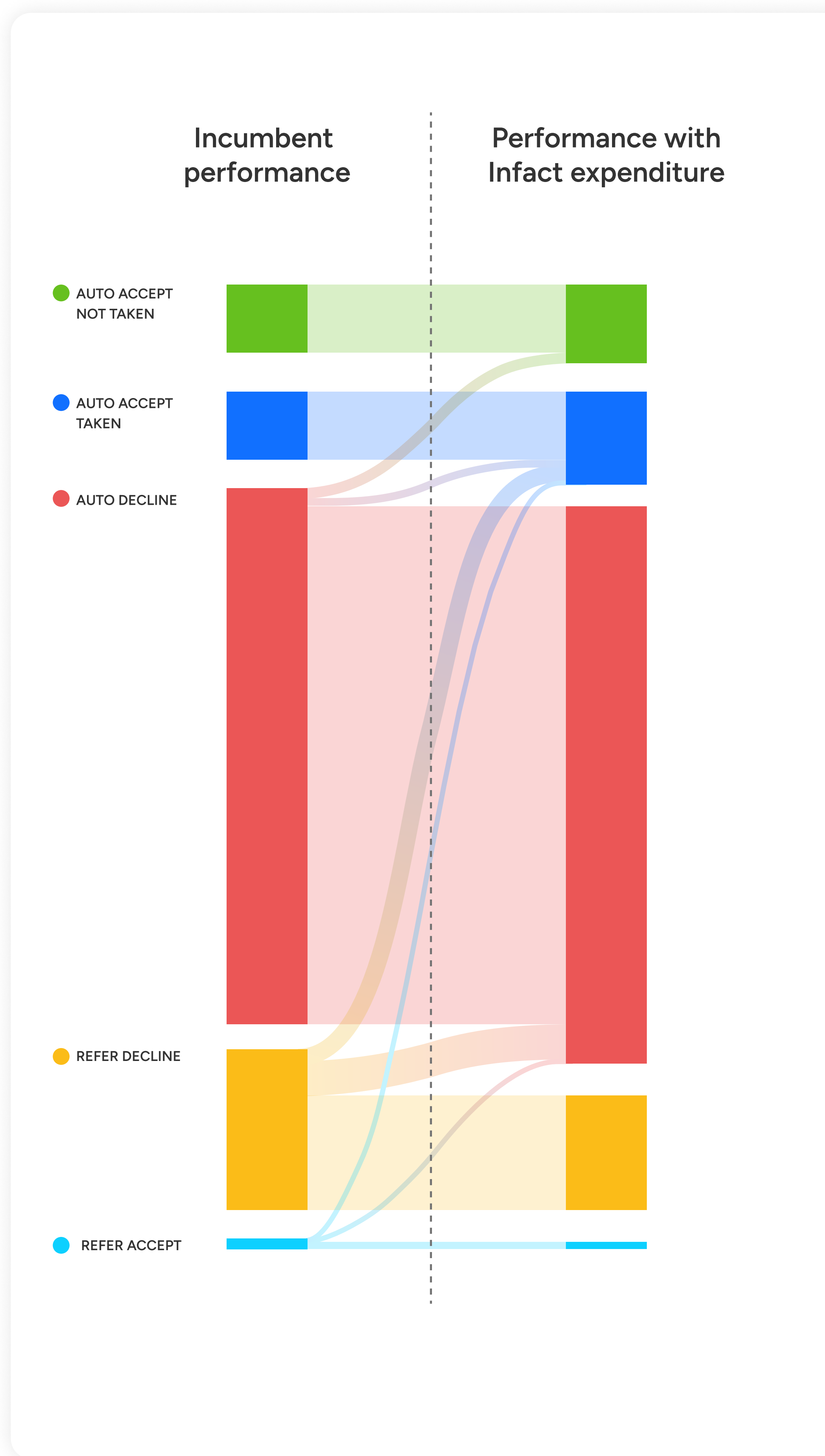
- **Model returned prediction for 100% of sample**
- **12% increase in automated decisions**
- **19% increase in new lending**
- **Default rate was slightly lower**

The Affordability Engine, combined with the client's internal decisioning, proved to successfully increase automated decisioning and lending with minimal effect on default rates.

3 Conclusion

For a more interpretable validation, we also modelled how much can be earned from interest and carried balances offset against losses from defaulting customers. This gave us a headline increase of 26.5% in interest revenue, or 13.1% after bad debt.

The lender is now integrating and lending to individuals it previously rejected, helping to provide lower-cost credit to those who may otherwise be pushed into products such as high-cost short-term credit or loan sharking.



"Infact's Affordability Engine has improved our expenditure assessments beyond what we could achieve with ONS, which has delivered meaningful increases in acceptances and automated decisioning while keeping application friction low."

James Wilkinson
HEAD OF LENDING, FAIR FOR YOU

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