



# Perspectives on Covid-19 Interventions on CIS Mechanism & Credit Risk Management

TransUnion Kenya

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# Consumer Education and Use of Credit Scores

Entrenched in CRB Regulations 2020 and will create long term positive results

**6%** of credit active population view their credit reports annually.



2 out of 3 new to credit consumers are becoming credit active for the first time through digital lending.



Over 90% of consumers don't know what their credit score is and what affects it



Less than 30% of lenders regularly use credit scores for consumer credit life-cycle management and pricing of risk

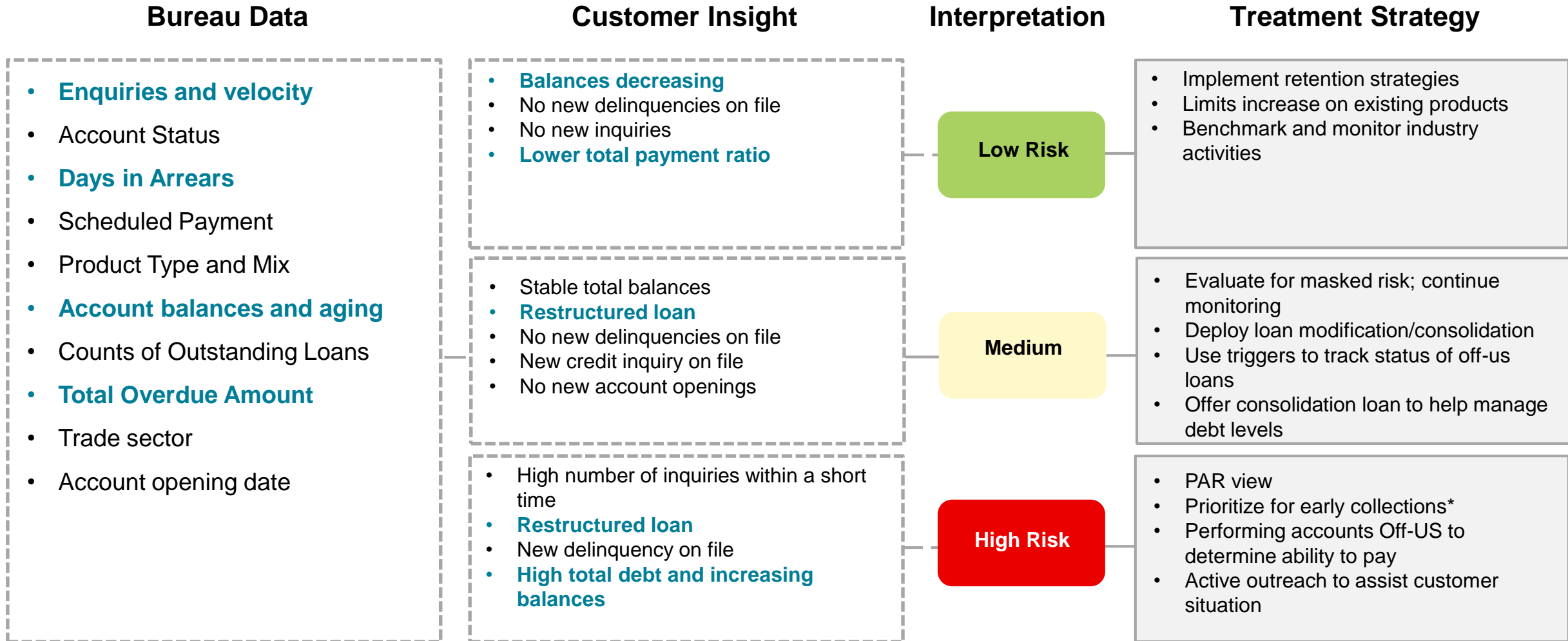


## Why this is important

Risk-based pricing that takes into account consumers scores and behavior enables borrowers to benefit from maintaining good credit histories

Better informed consumers are critical for the recovery of the financial sector as they perform better over time – improving their credit scores by 30-40% on average

# Customer-Level Segmentation Strategies Critical During a Crisis





# In the current environment, lenders need reliable data for critical portfolio reviews

## Risk Management

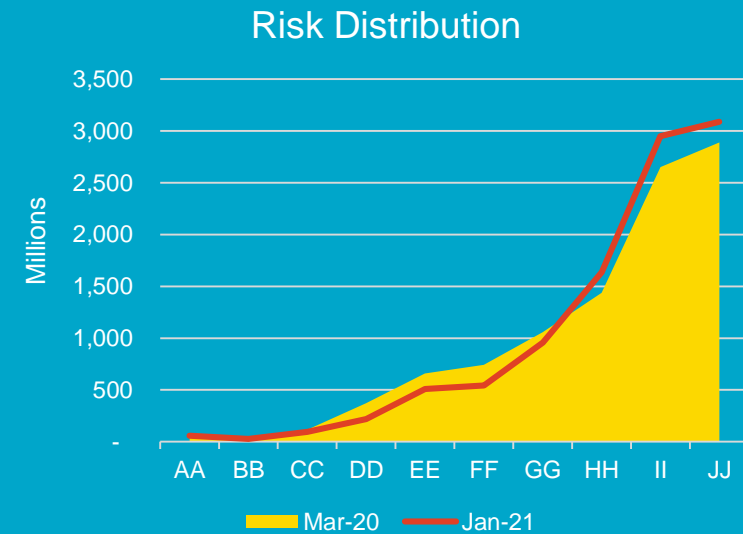
Predict a consumer's capacity to pay and improve - Credit line management decisions and Loan modification strategies  
Preempt delinquency on accounts that may underperform  
Leverage data in stress testing to help meet compliance requirements

## Low Risk Population Increased

When full reporting resumed in Jan 2021 we also saw that increase of ~12% of the population had shifted toward high-risk scores in GG to JJ

## Data Suppression Denies Lenders Critical Data

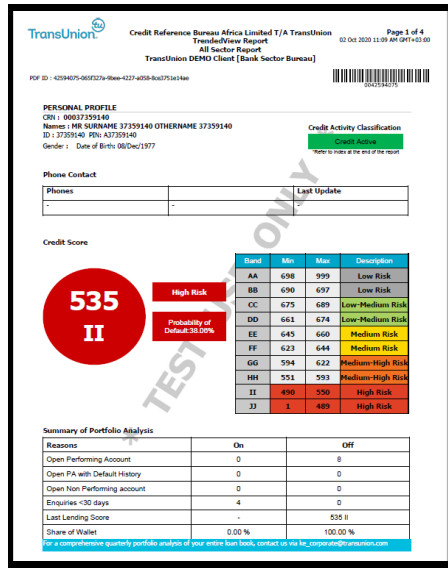
With over 50% of industry loan book restructured, lenders need to regularly monitor the performance of their portfolio for signs of stress.  
Lenders lacked 360-views of consumers to be able to employ the right treatment strategies



## Recommendations

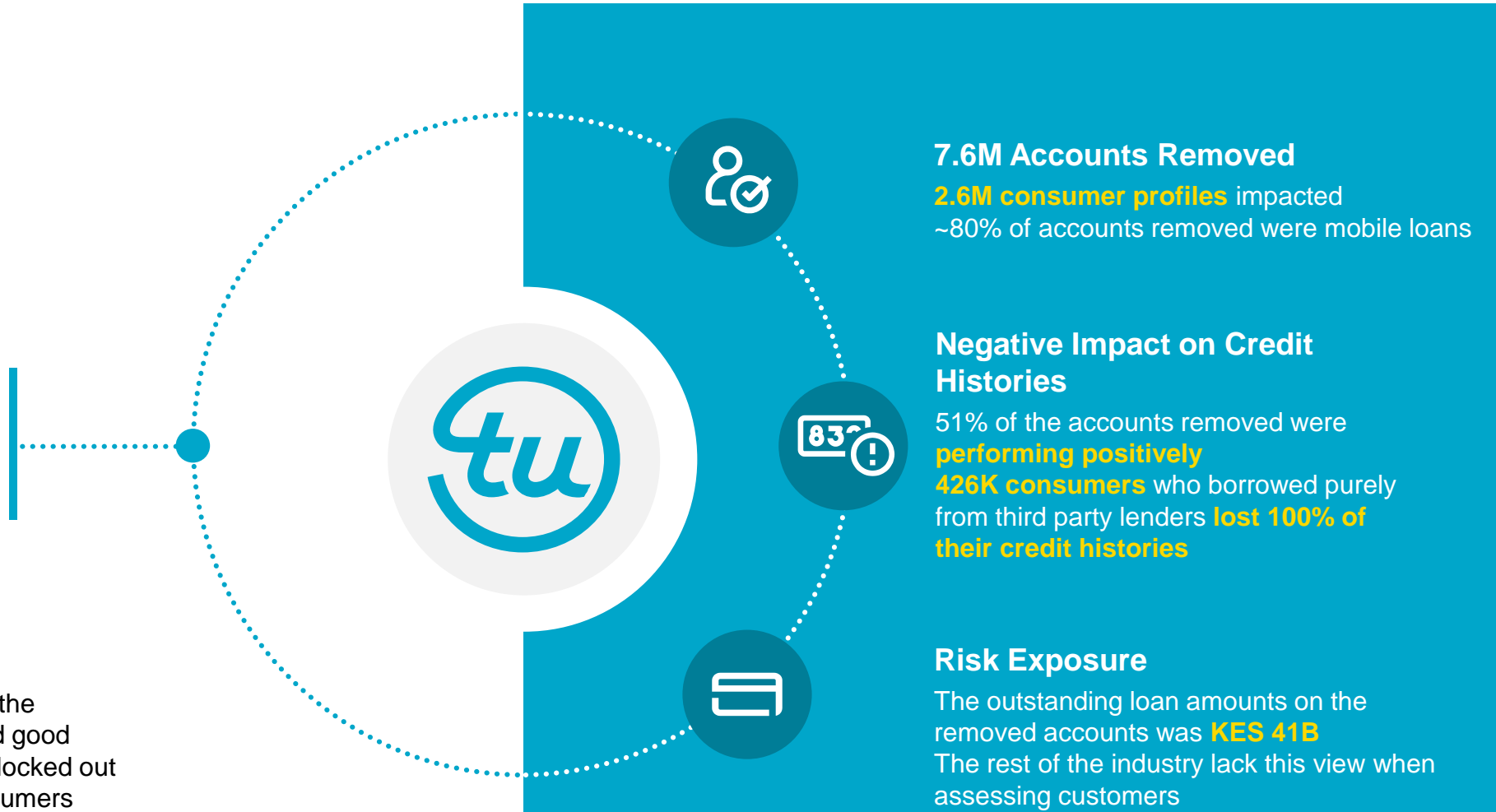
Implement ICCR recommended mechanisms that provide for continued full file reporting to provide critical portfolio management data to lenders while using special codes to avoid adverse impact on consumer credit histories

# Removal of Digital Lenders and Credit-Only Providers Data



## Recommendations

The industry needs to accelerate the structure and process to on-board good lenders who have been currently locked out but had a positive impact on consumers





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