

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

TransUnion Kenya



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



Bureau Data

- **Enquiries and velocity**
- **Account Status**
- **Days in Arrears**
- Scheduled Payment
- Product Type and Mix
- **Account balances and aging**
- Counts of Outstanding Loans
- **Total Overdue Amount**
- Trade sector
- Account opening date

Customer Insight

- **Balances decreasing**
- No new delinquencies on file
- No new inquiries
- Lower total payment ratio

- Stable total balances
- Restructured loan
- No new delinquencies on file
- New credit inquiry on file
- No new account openings
- High number of inquiries within a short time
- Restructured loan
- New delinquency on file
- High total debt and increasing balances

Interpretation

- Implement retention strategies
- Limits increase on existing products

Treatment Strategy

Benchmark and monitor industry activities



High Risk

Low Risk

- Evaluate for masked risk; continue monitoring
- Deploy loan modification/consolidation
- Use triggers to track status of off-us loans
- Offer consolidation loan to help manage debt levels



- Prioritize for early collections*
- Performing accounts Off-US to determine ability to pay
- Active outreach to assist customer situation



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

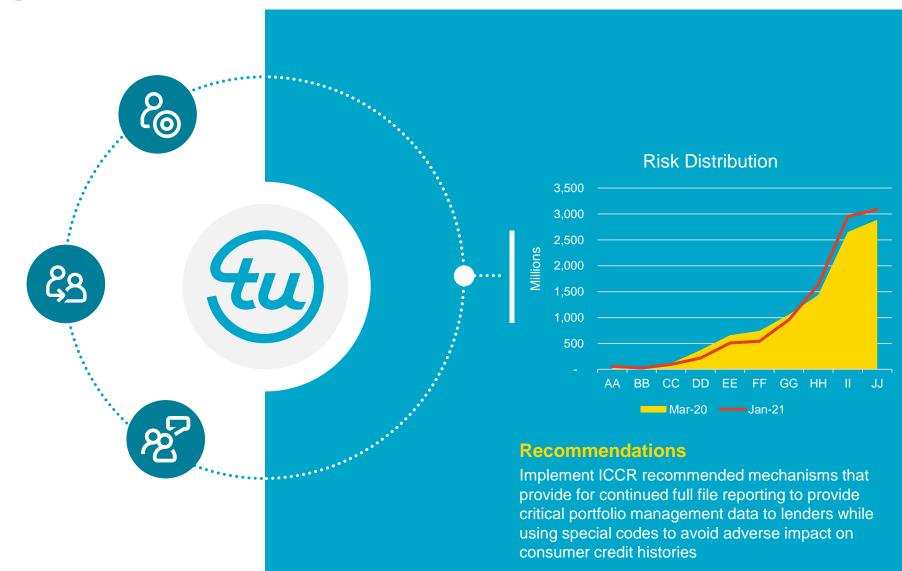
When full reporting resumed in Jan 2021 we also saw that increase of ~12% of the population had shifted toward high-risk scores in GG to JJ

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

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Removal of Digital Lenders and Credit-Only Providers Data







7.6M Accounts Removed

2.6M consumer profiles impacted~80% of accounts removed were mobile loans

Negative Impact on Credit Histories

51% of the accounts removed were performing positively
426K consumers who borrowed purely from third party lenders lost 100% of their credit histories

Risk Exposure

The outstanding loan amounts on the removed accounts was **KES 41B**The rest of the industry lack this view when assessing customers

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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