Next Generation Access to Finance: Gaining Scale and Reducing Costs with Technology and Credit Scoring

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CRIF Introduction

- CRIF is an international organization specializing in the development and management of credit reference agencies and decision support systems for the retail credit markets.

- Founded in 1989 as the Italian Credit Bureau for consumers and companies.

- Market leader in Italy*, Czech Republic and Slovak Republic.

* Over 470 banks / financial institutions as clients and manages over 52,000,000 tradelines on a monthly basis.
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The convergence of technology and information sharing is critical to the mass-distribution of Microfinance.

Ultimately this will represent a revolution for the:

- Overall economy (local financial markets)
- Lenders (banks, financial institutions, etc)
- Consumers.
Credit Reporting and Technology: Benefits

**The Economy**
- More efficient financial services
- Affordable growth in domestic consumption

**Consumers**
- Reduced probability of over-indebtedness
- Greater and fairer access to credit
- Credit offers reflect credit risk and credit capacity

**Lenders**
- Assess overall indebtedness level of clients
- Reduce transaction time and costs
- Apply rates according to risk level
- Increase operation volumes at the same risk level (cross-selling)
- Improved loan portfolio performance
- Sustainable & affordable growth into new markets
Long development process based mainly on:

- Data – availability, quality and accessibility
- Credit bureau technology - legacy system transformation and connectivity
- Workflow management and decision engine software
- Statistical scorecards
- Automation and credit underwriting re-engineering

...mirrors the infrastructure currently adopted by banks and financial institutions for retail credit origination ->
Role of Technology and Credit Reporting: An Integrated Solution

...automation and integration speed-up the credit origination process...

...manage and govern the system from HQ...

...progressively become independent...

...improve risk measurement and risk management standards...

Decision Engine

Loan Origination and Scoring Project

Workflow

Scoring

Design and analysis

Training
Role of Technology and Credit Reporting: Leveraging Mature Market Experience

Developing markets usually experience a more rapid adoption of technology due to:

- Leveraging previous experiences available from mature markets
- Newer technologies typically require a reduced level of investment
  - Technology leap-frogging
  - Availability of more flexible solutions
  - Availability of outsourced solutions
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BASIC FOUNDATION: Data Access

• Technology innovation is a key driver

...but it can only provide marginal value unless it can access relevant information

• Credit information-sharing

• Full data availability

• Data quality

• Data updates
Technology innovation is a key driver

...but it can bring few advantages without having a solid legal framework*:

- Credit reporting regulations
- Data protection regulations
- Consumer protection regulations
- Fair credit granting and consumer credit regulations
- Personal and corporate privacy regulations

* Source: IFC – Credit Bureau Knowledge Guide Sept’06
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Microcredit Opportunities

- Adoption of technologies’ best practices from retail credit for use in microcredit lending
- Bridge the gap between financial markets and microcredit through information sharing
- Expand banking, private and commercial investments to this sector
- Develop alternative distributional channels to expand microcredit availability
Credit reporting, business information, decision support systems to support finance, insurance, utility and general business companies.