



The week in fintech: Online lender leverages data on nonprime consumers

SNL Financial

By Kate Garber— October 28, 2016

This weekly recap features updates on bank technology, payments, online lending and other news in the financial technology space. Send tips, ideas and chatter to kate.garber@spglobal.com. For other recent fintech news, [click here](#).

One online lender is leveraging its data to shed more light on Americans with nonprime credit scores, or scores below 700.

Elevate, a three-year-old digital lender that issues credit to consumers with nonprime credit scores, recognized an opportunity to share the data it gathers about this swath of the population. The company established the Center for the New Middle Class to promote a greater understanding of those consumers.

Jonathan Walker, executive director of the center, pointed out that most financial services companies focus on consumers with prime credit scores. He pointed out that Elevate offers much lower rates than payday lenders and relies heavily on data analysis to underwrite what are often considered to be the "riskiest" loans, he said.

The Center for the New Middle Class builds on the company's understanding of those borrowers. "It's really kind of a great opportunity for us to really start to better understand this market and what their needs are, why they're borrowing, why they're asking for credit, and what it means to them to be able to get the credit that they need," he added.

Walker said he could see U.S. regulators using the data to better understand Americans with nonprime credit scores but pointed out that the center is not advocating any specific policy.

On Oct. 24, the Consumer Financial Protection Bureau issued a report with updates on its consumer-focused innovation initiative, Project Catalyst. Broadly, the CFPB report outlines fintech market developments including products, services and trends that could benefit consumers.

"We see new developments in payments, transactions, lending, underwriting, budgeting, money management, and other areas as well," CFPB Director Richard Cordray said in an Oct. 23 speech. "That is a staggering list, even a revolutionary list, of areas ripe for change to benefit consumers."

At the Money 20/20 conference, Bank of America Corp. introduced an artificially intelligent chat bot called Erica, CNBC reports. The digital assistant is meant to help customers improve their financial habits, according to Bank of America's head of digital banking, Michelle Moore.

In payments, worldwide fraud losses incurred by banks and merchants on debit, credit and prepaid cards hit \$21.84 billion in 2015, according to the Nilson Report. Global card volume was \$31.3 trillion, and fraud increased at 20.6%, outpacing volume's growth rate of 7.3%, according to the report. From Oct. 20 to Oct. 27, the SNL U.S. Financial Technology Index fell 0.73%.

S&P Global Market Intelligence released a fintech primer on four areas — digital lending, payments, blockchain and digital wealth management — of particular interest due to their rapid pace of growth, technological disruption and regulatory and other risks. [Click here](#) to read the primer.

“The main thing that the IPO does for us is reduce our reliance on debt financing,” added Rees. “Victory Park Capital has been a terrific partner but that debt isn’t free. Raising money in an IPO will support growth and drive down our cost of capital.”

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