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## eBureau and Experian partner to expand credit availability

by [Mark Anderson](#) Staff Writer

St. Cloud-based eBureau and major credit bureau Experian are partnering on a new product they hope will open up a large untapped market for their clients in the lending industry.

It's the second strategic partnership this year for the four-year-old designer of online marketing, risk management and security tools, and it signals its largest expansion yet.

Their new joint venture, the Emerging Credit Score, is a technology that helps consumer credit companies and other lenders measure the creditworthiness of millions of 'unbanked' consumers.

Those potential borrowers have been operating outside mainstream credit markets until now. Unable to obtain credit cards, mortgages or college loans, unbanked consumers haven't been able to borrow and repay conventional lenders, the kind of financial activity needed to establish a credit history.

And without a credit history, Experian and its credit bureau competitors, TransUnion and Equifax, couldn't create the numerical credit score that lenders use to decide whether a would-be borrower is creditworthy.

"These people we're looking at are young adults, they're recent immigrants, they're recently divorced or widowed people," said Jeff Liebl, eBureau's vice president for marketing and business development. "Those facts don't mean they present a high risk of nonpayment, but it means they don't have the traditional reporting history that credit scoring has relied on."

But they have been carrying-on active financial lives, Liebl said, paying utility bills and rent, and making purchases through direct marketing companies or online shops.

What Emerging Credit Score does is it investigates those purchase and payment records using eBureau's massive consumer database and the combined capabilities of eBureau's and Experian's proprietary scoring software, which predict the likelihood that a borrower will repay a loan.

The outcome is the same kind of three-digit score that is derived from conventional credit histories. Liebl wouldn't reveal what eBureau is spending on the Emerging Credit Score effort.

But the new scoring tool has already been tested by a handful of Experian's client lenders, and Liebl said they're enthusiastic.

"Banks are generating scores now on a very significant number of those people," he said, and that opens the door for many of them to obtain conventional, affordable credit.

Extending credit into unconventional markets may sound surprising today, at a time when lenders have been badly bruised by an avalanche of unpaid mortgage loans and high rates of default on other consumer loans.

But lenders have two strong motivations.

First, lawmakers are increasingly aware of the growing portion of U.S. workers who can't obtain safe and affordable credit, and they're urging the financial community to adapt their processes and products to serve them.

Secondly, the lending industry also sees tantalizing possibilities in the potential size of the market. More than 20 million U.S. residents are currently unbanked, and together their spending power is estimated to exceed \$1 trillion.

"Both our companies are really bullish on the timing for this," Liebl said. "Banks are in a tremendously competitive environment, and this market is a valuable new opportunity.

"And we think that, as lenders come out of the subprime lending fiasco, they're going to be looking for a powerful predictive product tool like ours. This time they want to be sure they do their credit-risk management right."

The new product also gives the partners an early advantage with those potential new clients, according to Angela Baljeu, a senior manager in Experian's Emerging Markets business.

"[This] is the first solution in the market for underserved consumers that couples alternative data with Experian's traditional credit data," Baljeu said.

The announcement caps a busy seven-month period for eBureau. Early last fall it completed a \$12 million follow-up round of financing provided by Minneapolis-based Split Rock Partners and Redpoint Ventures, a Menlo Park, Calif.-based fund.

In January, it launched its first partnership, teaming up with Florida-based Latitude Software, which incorporated eBureau's predictive software and database into its debt collection products.

This month's deal gives the company its largest opportunity yet. Based in Dublin, Ireland, Experian, with domestic headquarters in Costa Mesa, Calif., controls a major part of the credit-ranking business in the U.S., and generates millions of scores each year.

"This is a milestone partnership for us," Liebl said. "We have the ability now to reach a very large market that Experian serves. It's a proof point for us."

Liebl wouldn't disclose any financial results for the last year, but he said their pace of sales is matching the strong pace they anticipated.