Social Media Credit Scoring

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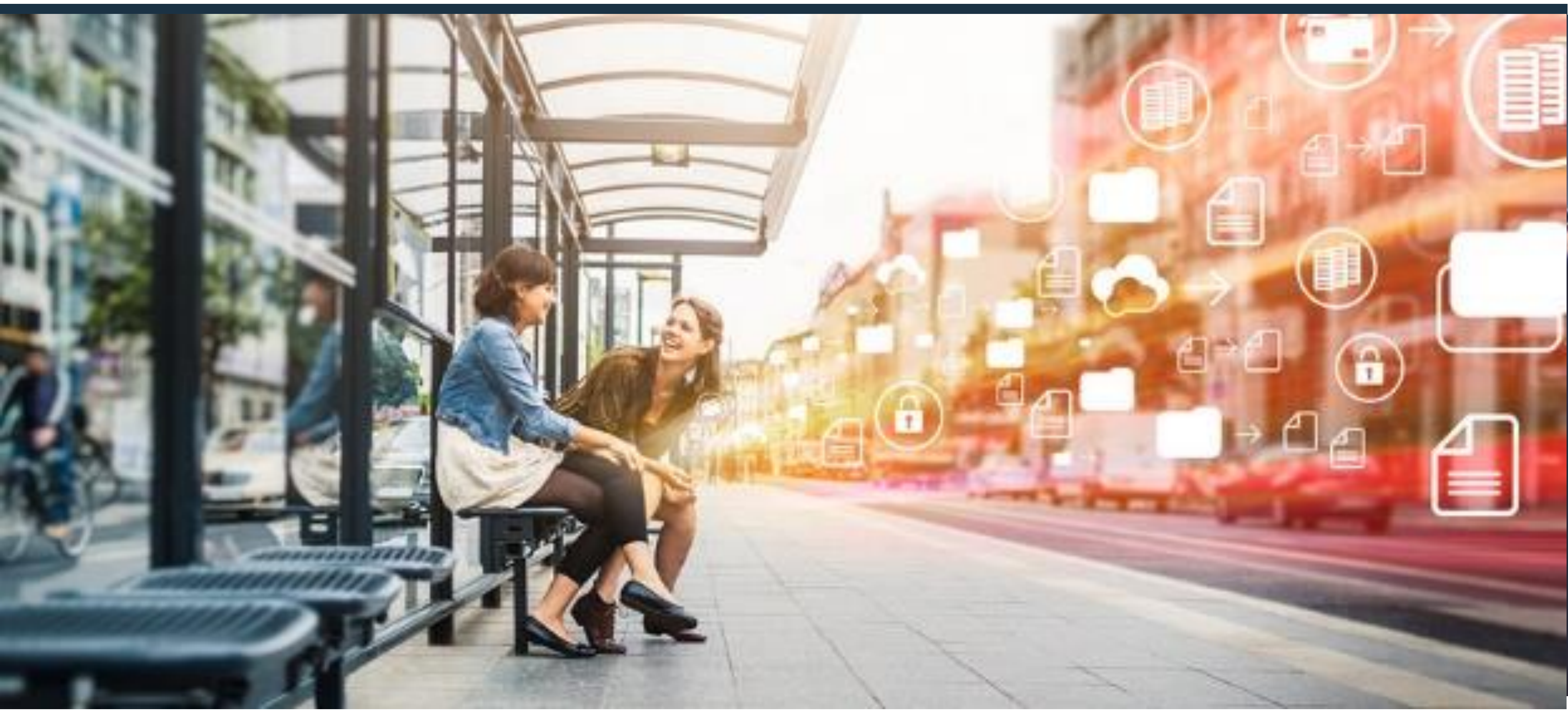


Social media has changed the way our consumer society works and the fact, that the face of modern consumers is significantly different than 10 or 20 years ago, is inevitable. World's leading companies must adapt to this new reality with new ways of doing business, incorporating new technologies, and recognizing the modern lifestyles and buying preferences of the new consumers by providing new product offerings, more flexible billing and accessibility options, while using new and emerging data sources.

In banking industry Social Media has already emerged as one of the most prioritized data sources for retail credit risk management. Social data has settled in a position where it helps lenders make accurate, reliable and fast credit risk decisions across the customer lifecycle.

However, such an alternative type of scoring system is not necessarily intended to negatively impact consumers' credit scores. The new method can also give consumers access to credit. For example, nearly 18 million Americans don't have access to credit because they had negative reports in the past. An additional 25 million have never had credit. Using the right alternatives to traditional credit bureau data, lenders can reliably identify millions more consumers who qualify for credit.

Utilization rate of social media and social data is constantly growing, and Social Intelligence is already here to provide not only access to that data, but also the context to make it truly actionable.

How exactly is Social Media Scoring helpful?

No lender can be completely sure a borrower is good for that money — but lenders certainly try to get as close to certainty as possible, which means looking at every available source of data, from every available angle. By consulting social media, lenders have a new resource that goes beyond a credit check and FICO score.

Social networks contain huge volumes of personal information. When properly gathered & analyzed this data allows to reduce the credit risk: the more information about the borrower is available, the lower is the credit risk. Borrower's social media profiles can be used to estimate his or her creditworthiness. **Data Science algorithms not just extract public information, but are also able to identify behavioral patterns and perform text sentiment analysis, enabling a more comprehensive picture of the applicant.**

This way, apart from getting the knowledge about person's marital status, place of work and immediate family - financial institutions get the hold of such information as the latest activities, personality traits such as hard-working or lazy, sociable or reserved. You can also judge about person's creditworthiness through seeing which devices he is using, where he is spending his vacations and what kind of hotels chooses. For example, posting provocative photos and talking too much about a weekend of debauchery might significantly lower individual's credit score.

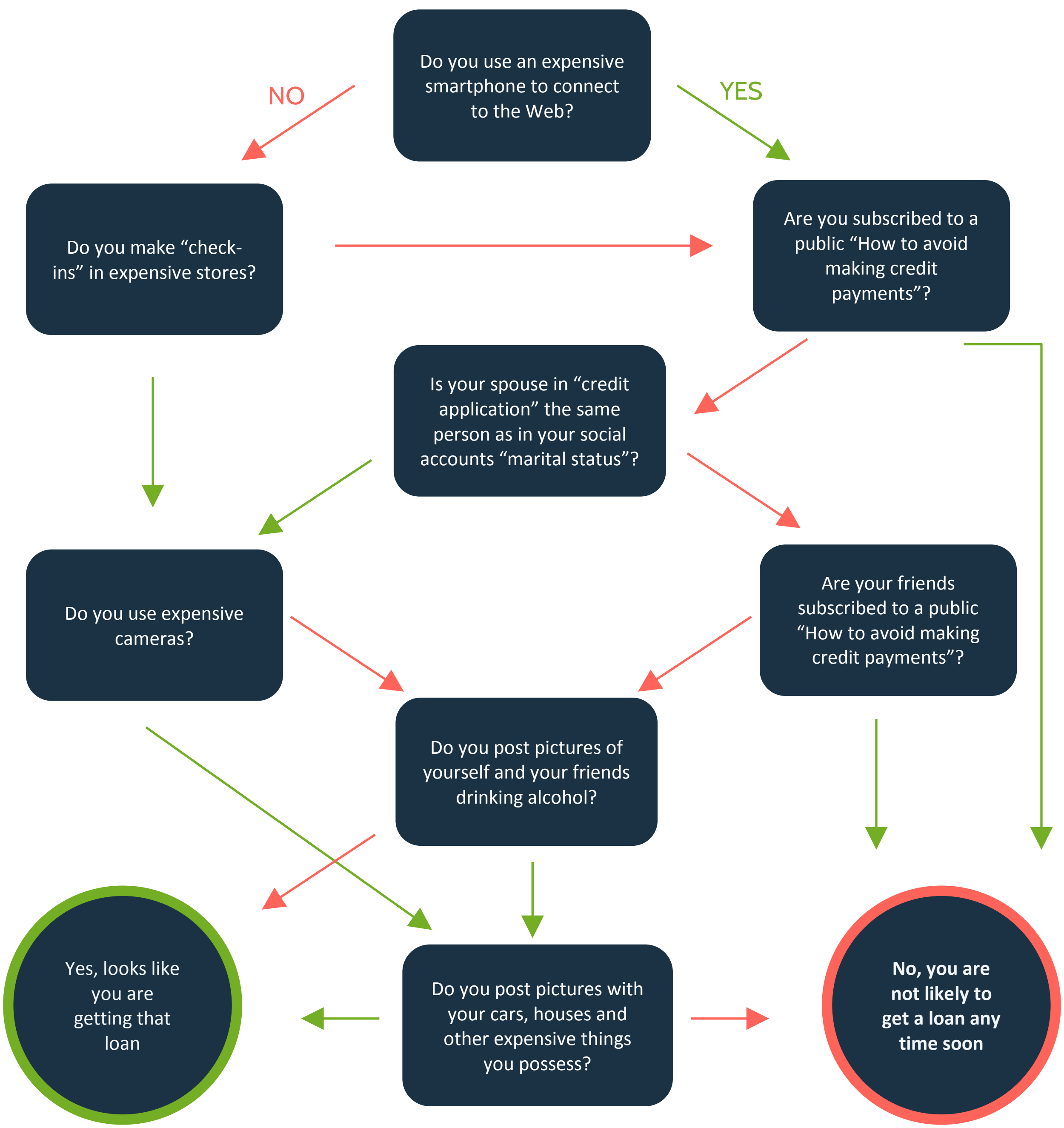
While analyzing person's photos, subscriptions, social statuses and friends, you can make quite an accurate psychological portrait of the borrower and decide whether the person is good for that money.

The information from social media that can be used for credit scoring:

- a person's income based on her work history and education;
- network quality based on interactions with other people and their background (for example, big number of friends and acquaintances with good credit history and impeccable payment discipline can be an additional advantage when making a decision);
- if any suspicious behaviors were detected by fraud detection algorithm
- borrower's hobbies and interests;
- what resorts the borrower visits (for example, expensive resorts confirm the high incomes);
- which stores and how often the borrower goes to;

Social media data allows to estimate the payment discipline of the borrower, which makes it as important as the information provided by the borrower in the form.

An example of scoring model using social media data:



About InData Labs

InData Labs is a data science company that provides data strategy consulting, engineering & predictive analytics services. We are here to arm you with strategy, technology and expertise that will move your business towards better data-driven decision-making.

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