Welcome to the LendIt Fintech One-on-One Podcast, Episode No. 342. This is your host, Peter Renton, Chairman and Co-Founder of LendIt Fintech.

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Before we get started, I want to talk about the 10th Annual LendIt Fintech USA event. We are so excited to be back in the financial capital of the world, New York City, in person on May 25th and 26th. It feels like fintech is on fire right now with so much change happening and we'll be distilling all that for you at New York's biggest fintech event of the year. We have our best line-up of keynote speakers ever with leaders from many of the most successful fintechs and incumbent banks. This is shaping up to be our biggest event ever as sponsorship support is off the charts. You know, you need to be there so find out more and register at lendit.com

**Peter Renton:** Today on the show, I'm delighted to welcome Greg Wright, he is the Chief Product Officer at the Experian Credit Bureau and he's here to talk about a new product, the new Buy Now, Pay Later Bureau that Experian has just recently announced. I wanted to get Greg on the show to really dig into this because it's a really innovative product and something that I think is desperately needed and we do go in some depth into how it works and what's in it for the buy now, pay later platforms, what's in it for consumers and how it interfaces with other offerings they've had.

We also talk about Experian Go which is another new product from Experian where people can sort of create their own credit file and how that interfaces with Experian Boost and everything else. It was a fascinating episode, hope you enjoy the show.

Welcome to the podcast, Greg!

**Greg Wright:** Thank you, Peter, glad to be here.

**Peter:** Okay. So, let's get started by giving the listeners a little bit of background about yourself and just tell us some of the highlights of your career to date.

**Greg**: I'm Greg Wright, I'm the Chief Product Officer for the credit bureau, for Experian, I've been with Experian now for over five years, I do have a ton of background in technology. I spent eight years in Intuit up in the Bay Area working on products like Quickbooks and Mint.com and Quicken. I spent a little bit of time in the insurtech space. Before that, my career……a little bit more of a varied background, I actually have a law degree, I worked for some startups back in the day, eToys, notably down in Los Angeles and I spent five years at the Boston Consulting Group.

**Peter:** Okay. You know, talking about Buy Now, Pay Later, it's still a very hot topic. Obviously, we have a variety of different players so can you just sort of take us through the BNPL landscape today and the different types of offerings we have.

**Greg:** Yeah. It's a very dynamic space and looking back pre-pandemic, we were already seeing very high growth rates in the buy now, pay later space, different emerging type of shopping behavior by consumers and how they're buying things throughdigital e-commerce channels and really the emergence of the buy now, pay later products and through the pandemic, that's only accelerated. A lot more people at home, I think on their computers, buying things through e-commerce and digitally has kind of lit that whole consumer shopping trend on fire.

The other interesting thing about the buy now, pay later space is many of the players have come from all over the world and this has really struck a chord with consumers, whether it's from Australia or Sweden or here in the US. The growth and spread of buy now, pay later as a shopping behavior and a vehicle for enabling e-commerce has really, again, did not start necessarily in the US, but has been really a global phenomenon and that growth we see pretty uniformly across all our major markets so it's a very exciting space.

**Peter:** Indeed and I really do appreciate some of my fellow countrymen, my homeland of Australia that led the way…..

**Greg:** That's right.

**Peter:** …..when it comes to buy now, pay later. So then, why do you think beyond just the sort of people sitting in their computers or whatever, is there something specific that you can touch on that really has driven so much growth just in the last couple of years.

**Greg:** Let's talk about that. I mean, I think it's a new consumer value proposition that has really struck home with consumers. Through the e-commerce shopping experience, they've made it very easy and convenient to have a new payment ability within the shopping cart. It's a way to budget your expenses for something that you want to buy now, but you want to basically know that you have, in some cases, in a "Pay in 4" model, you have four equal payments that you're going to pay for that purchase so you can kind of think about how you're going to budget for it.

The way the buy now, pay later parts are set up with their merchants is the merchants actually pay a fee to the buy now pay later lender. That's because they see higher conversion rates in their shopping carts, they see larger shopping carts being converted, but that value creation through the merchant to the buy now, pay later means that the buy now, pay later class also can have very attractive terms, in fact, most of them are zero percent interest.

That kind of combination of being able to plan your purchases out without necessarily having to pay interest on it is a very unique value proposition for consumers and one that's been very attractive. There are many different types of versions of buy now, pay later, I think the traditional…if you can use that term here, buy now, pay later is a payment form model, you pay 25% upfront and then you have three equal payments over the next six weeks to complete the purchase of that or repay that loan but, there's other flavors of it from point of sale lending that might have 12-month terms or 3-month terms.

Again, oftentimes you see zero percent interest rate, but sometimes you do see some percent interest rates, depending on the type of loan and what they're buying, what that buy now, pay later is offering. When you look at each of the different players, they all started off in their own space with a certain type of product and a certain maybe niche e-commerce starting point, but as they have grown, they've diversified what types of products they have and what kinds of spaces they're playing in and we continue to see that evolution even as we watch the market grow.

**Peter:** Are there certain segments that are growing faster than others?

**Greg:** One that maybe was a starting point and has continued to see very high growth is in the apparel space so a lot of these retailers have focused on apparel. Obviously, you know, there is that high end exercise equipment or now branching into even vacation adventure-type packages, you know, an area we may even see further growth as maybe in travel and flight and then in other spaces, maybe more like elective medical care or veterinary-type services so it's a very diverse set of products and services and categories where buy now, pay later has extended. We even went even going further afield, some are even now looking into kind of B2B payments that could be fueled by buy now, pay later so it's really interesting where that goes as well.

**Peter:** Yeah. That's a topic for another day, but that it interesting. So then, what would you say are the biggest issues facing the buy now, pay later industry right now?

**Greg:** I know talking with these clients, they are laser-focused on continued growth, I mean, that's what they have to continue to do and that does mean broadening their product portfolios and what types of consumers they serve and what types of different practices that they have to grow into. But, what comes with growth, especially with any type of new lending product, is a broader, more mature portfolio which always introduces a change in how they have to manage risk and how they have to manage delinquencies and other things that may start to come into a broader, larger consumer lending portfolio. And so, I think that's one of the areas that they're having to tackle right now.

**Peter:** So, you've seen that written about quite a bit that people get in over their head, do you feel like the increased delinquencies, like what's your take, is this a major problem the industry has to address?

**Greg:** I think it's a natural evolution of any maturing, broader lending marketplace for any type of products. I think the delinquency still remain below that of most of other categories of lending, but it also means that they can't ignore the problem and this is a very typical evolution of worrying first about fraud and, you know, identity and priorities, actual realpeople buying things so that now I have a portfolio of outstanding debt obligations that I have to manage and some of those will turn into failure to pay. This is a very natural evolution of that, I don't think it's a defining problem for buy now, pay later. That's where we can help a lot as a bureau is coming in and really understanding risk not only upfront in the underwriting process in a seamless easy way in the shopping cart all the way to how you manage that portfolio over time.

**Peter:** Yeah. Some of these platforms, they promote themselves as, you know, no impact on your credit, no credit check, you can go and just download the app and get, you know, $100-200 of credit instantly that you can go and use with no credit checks. I mean, should we change that, how should we be assessing the risk that comes along with a no credit check type policy?

**Greg:** Well, we'll see how the different clients tackle that. My point of view is that any of them that survive to get to a certain size will eventually want to be pulling credit. Now, there's a whole another topic around how do you pull credit, how does that impact consumer credit scores, how do you do the right approach to reporting those outstanding loans and payment history against those loans. That's a whole lot of topic we're going to dive into, Peter, it's an eventuality that they will all need to pull credit data in the underwriting process among maybe other data associated into that credit decisioning.

**Peter:** Right, right. Well, let's dig into that for a bit. One of the reasons we're getting you on today is that, you know, we had the big announcement that Experian are launching an entirely new type of credit, I guess we can call it a credit score, the Buy Now, Pay Later Credit Report. Tell us a little bit about what you're doing there. you've kind of given us some background about why it's necessary, but tell us a little bit about why you decided to create this new type of bureau.

**Greg:** Looking into our history a little bit and then why we're going forward the way we're going, Experian has been in the buy now, pay later space with our clients for over five years now, from the very beginning of the buy now, pay later movement, if you will. So, we've been analyzing the data and the trade lines and working with our clients on that front for a while now, maybe even seeing some media out there saying, oh, you know, there's a gap in reporting and transparency in these data obligations because they don't report to credit bureaus. Well, we have millions and millions of these trade lines at Experian and so we're very familiar with this data, we're familiar with how it works with other trade lines within the bureau and how it works with conventional credit scores and we've done a lot of deep analysis on this which is why we chose to go the path we're going.

Many of our clients in the buy now, pay later space had been reluctant to furnish data for some pretty real reasons. So let me just walk you through a little bit about how conventional new credit scores, new trade lines and how buy now, pay later cannot breach that model, if you will.

So, in a traditional world, you have a personal loan or a credit card and let's just go with the credit card model. So, you have a credit card and you want to go buy a few things on a Sunday afternoon, some shoes, go to another site, buy a T-shirt, maybe even make a larger purchase, those would show up on that credit card as a transaction. You wouldn't even see it as part of the credit bureau, you would see the balance maybe increase in the next reporting cycle if you didn't pay those transactions off. That would not be a new trade line, that would not be a new inquiry on your credit report and maybe you have a shift in utilization of that credit card which would have a nominal impact on your credit score.

Fast forward in today's world, if buy now, pay later purchasing behavior and transactions were treated under traditional reporting rules or approaches, every time you bought something, you'd have a new hard inquiry on your credit report, you'd have a new finance trade line on your credit report when it was reported and you would have 100% utilization because it funded just the purchase of that shopping cart and there's no additional line of credit associated with that. And if you went shopping on a normal Sunday and bought three or four or five different things, what would look like normal shopping behavior on a credit card looks like really risky behavior under a traditional reporting for buy now, pay later because there are five different trade lines, five different inquiries. It looks like you're seeking credit in a fairly risky way and then maxing out each of those trade lines as you get them.

Traditional credit scores look at that and say, something's going on, something very risky is going on here, but the reality is we see a lot of buy now, pay later consumers do multiple purchases and sometimes even multiple purchases within a year or within a month and that can have real implications to consumer credit scores. Even one new buy now, pay later with positive payment history can have an impact on a consumer's score negatively when you start to add three, four, five of those, that compounds very, very quickly. So, the way we've seen our analytics means that that doesn't really work under traditional recording approaches.

Now, let's talk about the overall principles of what we're trying to accomplish for our consumers, for our lenders and for the industry. We want to encourage and support and enable a new shopping behavior which is the buy now, pay later trend. It's a convenient, easy way for consumers to plan for their purchases and it's a very popular way of buying things online now and we want to do that in a way that's safe for consumers. We don't want to create consumer harm on potential credit scores just because they're going out shopping and that you would not see the similar impact they just pulled out their credit card to do the same thing.

Secondly though, we want to make sure there is 100% transparency of debt obligation across the entire industry and that includes traditional credit lines like a credit card or auto or mortgage payments, but we also want to be able to see buy now, pay later and have that accessible and easily understood by not only buy now, pay later clients and even if it's not their trade lines or their loans so they can assess that when that time of maybe underwriting another buy now, pay later purchase, but for all types of lenders and all types of lending products,

**Peter:** Right, right.

**Greg:** And then finally, in the long run, if you do pay your bills and your buy now, pay later loans on time how do we actually help consumers build credit with that as well.

**Peter:** Yeah. The buy now, pay later operators, they don't want to furnish anything to credit bureaus because they know that it could negatively impact scores when in actual fact it's purchase behavior, it's not lending like traditionally thought of. So, that does bring up a question though, we have a file at the credit bureau, you know, we can obviously inquire on that, we can find out what our score is and get or download a credit report, but how is this new type of, this buy now, pay later bureau, how is that interfacing with the traditional bureau?

**Greg:** We're working with basically all the buy now, pay later clients you will be able to name quickly, we're working with all of them and working through how will this buy now, pay later specialty bureau work. Let me just maybe lay out a couple of the approaches. So, we would work with clients directly, we would identify products that they have that look and feel like a buy now, pay later, point of sale loan or lending product. So, typically, it's use of point of sale, it's maybe ten/four, maybe it has a term of 3 months or 12 months, but we'd work with each client to figure out the most appropriate, responsible way to furnish data to your Experian, in many cases, that would be to our new Buy Now, Pay Later Specialty Bureau. Those trade lines should have an inquiry into the Specialty Bureau, it would have a full trade line reporting, it would be a real-time bureau so we're not waiting 30 or 40 days to have that data reported to us by which time with a pay-in-4 that maybe already paid back in full.
We have real-time reporting capabilities so when you're buying and selecting a buy now, pay later purchase option that would be reported into our real-time bureau and you'd have that depth of being able to see all the different transactions on a buy now, pay later consumer report. With being a consumer reporting agency as a Specialty Bureau, we'd also come with all the consumer protections and requirements that come under the FCRA so a consumer will be able to understand what's on that report, be able to display it, dispute it, correct it, going through all of the same requirements that we have as a credit bureau with our other bureaus.

On the backend of that, this goes to the point of your question, Peter, we haven't figured out exactly analytically how to do this, but with the data and doing the analytics in the right way, pulling that data back out of the Specialty Bureau and reporting it back or promoting it, if you will, back to the core credit bureau so what we call File One or what you….you know, if went to experian.com and looked at your credit score and saw your Experian credit report, it would show up on the actual credit report. Now, that won't be in real-time, that may be over a period of time, maybe it's after certain payments have been made or a certain period of time has elapsed, maybe a traditional reporting time period.

We haven't worked out the details on that one, Peter, but I'm confident that we have a path there and if you have multiple buy now, pay later transactions, even across different buy now, pay later clients, it won't negatively impact your score upfront, it will create transparency through the Buy Now, Pay Later Specialty Bureau for all lenders and then on the backend, for consumers, we will be able to help them build credit with that payment history on the buy now, pay later loan obligations.

**Peter:** Right, right. So, would it be possible…I just want to be clear here because you've got the buy now, pay later platforms have, I would consider to be term loans because they've got a 3-year loan for something that costs $2,500, for example, which seems a lot like a term loan and then you've got the same platform offering pay in 4l. Are you going to sort of separate those out, I mean, how's that going to work?

**Greg:** We don't think about who should report to the Buy Now, Pay Later Specialty Bureau by client-to-client, we think about it product-by-product.

**Peter:** Okay.

**Greg:** And that's an important point because it's not just your buy now, pay later startups and lending clients that we're talking to. You know, if you're a traditional, large institution who wants to get into the buy now, pay later space and you want to launch your own products, we're talking to them as well and they will be considered as viable data furnishers to the Specialty Bureau if they have the right product type. At this point, Peter, it's evolving so fast that we don't have a bright line yellow box to say this is buy now, pay later and this is not. Right now, you know, we're working through that with our clients, you know, what makes sense and why does it make sense.

Largely, the way I think about it is the intent behind the Buy Now, Pay Later Specialty Bureau is it's enabling a new shopping behavior that if not treated differently would negatively impact the consumers' credit scores because it's just transactions, not actual new loans in every case if it were being used on a credit card, if you will. And so, thinking through that, that is how we'll figure out, you know, with our clients should they report to File One directly because of a certain way this loan works or should they report as a Buy Now, Pay Later Specialty Bureau.

In the long run or even medium term, Peter, it doesn't actually matter because at some point, we'll bring that data back to the core credit bureau itself and so…. you know, I get a lot of questions about well, are they pulling your File One credit report and if they are, why aren't they reporting to that credit bureau. My answer is they will, we will eventually get all these back to the core credit report, we just need to make sure we're driving real-time transparency for the data for all lenders, we have to make sure we're not killing somebody's credit score for just shopping on a Sunday for consumers and that we help them build credit over the long run.

**Peter:** Right, right. I want to switch a little bit to talk about financial inclusion because something else that you guys just did since the start of the year, at least, announced publicly was launch Experian Go which I thought was super interesting and did not get as much press as I expected. But, this is where basically consumers with no credit file can report some of the things they spend money on and sort of create their own file. So tell us a little bit about how that works and if there's any kind of interface, how would it kind of complement what you're doing with Buy Now, Pay Later Bureau.

**Greg:** Our motivation to help drive financial inclusion for our consumers and for our clients is so aligned with our mission as a company. I mean, Experian's mission is to be the consumers' bureau and this is one of the ways that we deliver on that. Experian Go is a very exciting first-of-its kind in the industry capability for a consumer to be empowered to contribute data to a bureau to go from credit invisible to credit visible for the first time and we're really excited about creating that capability for consumers. We've already had over 15,000 people who've, you know, literally gone from credit invisible to credit visible to scorable in minutes and the way they do that today is if you went to experian.com a year ago and you didn't have a credit report, we would not be able to find you and we'd say sorry, we can't help you, good luck.

And now, if you come to experian.com and we can't find your credit report, we take you through this new credit journey which is called Experian Go and through the authentication process and you take a picture of your government document, maybe a driver's license or a passport, you take a selfie so we know you're real and live, we have built a API into the SSA so we can do a real-time validation of verification of your SSN and with that, we have enough information to know that you're a real person and we can create a credit report for you.

Now, at that point, and this is a little bit of, you know, kind of credit jargon, but you have a header file that way, right, just your name and your SSN and your date of birth and your information, but if there's no trade lines, there's no credit cards or payment history or anything that are credit scores, conventional credit scores, need to be able to make you scorable and that's where Experian Boost comes in.

So, right after you go through Experian Go and create a credit report, you then can go into Experian Boost, connect your bank account and then all deposits and bill payment history for your cellphone or for your utilities or for your streaming services can then be added directly to your brand new credit report and within minutes, you can go from credit invisible to credit visible to scorable. What we're seeing is people who go through that process end up on average being around a 665 FICO score which makes you basically lendable, you're not prime or super prime at that point, but you're on your way and, in fact, as part of the Experian experience, we have lenders who have credit products that are aimed at that new-to-credit, thin file new consumer and so we can actually get you into your first credit product, again, all in that same user experience.

**Peter:** Yeah. That, to me, was amazing, to go from having no file to 665, even a lot of the prime lenders will have a cut-off at like 660 or 640 or something so, as you say, they're basically in the system and I would have assumed that would have come in like a 550 or something and they work their way up. That is really quite an amazing stat.

**Greg:** And that will largely depend on, you know, how many trade lines they can add through Boost so that will be dependent on the consumer and what kind of data we can pull out of their bank statement information to then add instantly to their credit report. That also dovetails into the buy now, pay later space as well we were talking about before. You know, many buy now, pay later users are new to credit, maybe they don't even have a credit card and this may be their first introduction to a lending product.

Again, through that Buy Now, Pay Later Specialty Bureau, we will also then see an ability to come back to the core credit report and add those trade lines there and help them build credit over time, funds as well. Though, again, we were talking earlier about the growth and even the kind of increasing maturity of the buy now, pay later space, it's no longer the case that it's just the young and digital natives who are using buy now, pay late, it cuts across the entire credit spectrum, it cuts across all age groups. I think something like 80% of buy now, pay later consumers have a credit card, debit card so this not purely a new to credit consumer journey, but where it is, we can definitely help on that front as well.

**Peter:** Right, right. And so, can we also get an update on Experian Boost, I mean, it's been two or three years since you launched and I think you guys had a Super Bowl ad with that, I'm still seeing the ads even this month on TV so can you give us an update there?

**Greg:** I'm so proud to be part of the team who brought Experian Boost to our consumers. We now have over 8 million consumers, we have connected their accounts and added trade lines to their credit reports. I think we have a counter publicly available, I don't know where it's at right now, but we were north of 50 million FICO points increased across the consumers who used Boost and something like $1.7 Billion have been lent through our CreditMatch marketplace for folks who went through Boost.

So, it's absolutely creating access to credit where before Boost may have been more limited and then combining that capability, again, with something like Experian Go. That is what creates that magical moment from being able to go from credit invisible to lendable, maybe even having your first credit card. We're so excited about the continued success and consumer awareness and engagement with Boost and you're right, we're going to continue to drive awareness of that to our consumers because we think that it is really that much valid.

**Peter:** So, are there any other ways that you're helping expand access to credit for consumers?

**Greg:** Yeah. So, a lot of the things that we have been talking about, so far, like with Experian Go and Experian Boost, this is really enabling and empowering consumers to contribute data directly to their credit report to make their credit profile more comprehensive of their actual financial behavior. There's a whole another angle to this and, you know, as a bureau there's probably a more natural fit to what we normally are doing which is advanced analytics in bringing data to bear, to a credit decision, but I think the big difference that we're pushing on now is looking beyond the core credit bureau for additional data that can help them form under an FCRA umbrella improve and expand and drive broader coverage of credit decisioning.

And what I mean by that is helping drive financial inclusion through the analytics and the data that we can provide to our lenders. In these cases, and there is a product we call Experian Lift and Lift Premium where we've gone beyond the core credit bureau. We looked at the trended credit bureau data which is that bureau data over time, we combine that with our alternate financial services bureau which is called Clarity Services which is another large data set combined with positive public records data that we've partnered with with a third party through our Lexis-Nexis and the power of that combined with advanced analytics. Advanced analytics can be very powerful just on core credit bureau data, but when you combine that looking across multiple data sets then the AI/ML models can really shine and so with Experian Lift we can now score 96% of the US population.

Just to give you some metrics to compare that against, conventional credit scores widely used in the market can score about 81% of the US population, VantageScore 4.0 which uses the advanced analytics and the trended data, but not the other data sets can score 89% of the US population and then with Experian Lift, again, 96% and when we're looking at client validations and through-the-door populations that can be as high as 99 to 100% of people they have seen come through their door in the last year that we could have scored. And so, it's a very powerful analytical tool for our lenders to drive financial inclusion while taking on less risk.

**Peter:** Right, right, that's really interesting. We've certainly come a long way, it feels like, just in the last five years with all of this. And so, maybe last question there, as you're talking, I'm sort of wondering, so have we solved the financial inclusion problem, I mean, what's your vision for the future here?

**Greg:** Yeah. This is definitely part of…. I think what we have to get out there into the market is, again, this is not a problem we're going to solve five years from now, this is a problem that is solvable now by empowering consumers to take action and make themselves visible and contribute data directly to their credit report as well as arming our clients with data and advanced analytics. Whether they want to take our own score or take the attributes and build their own custom score, all of the above, is very possible.

So, I think the answer is the tools are here today and if you really want, as a lender, to be able to score everybody that is very doable right now. I think the responsibility of financial services market and the industry is to really take that on and make it a reality because there is no excuse now. Let us not wait for a couple of more years and hopefully, we get there. These are tools that are available today, this is a problem that's solvable and we can only do it together by having everyone adopt these tools.

**Peter:** Right. Well, that's a great way to end, Greg. It was really a fascinating discussion, thank you very much for coming on the show today.

**Greg:** Thanks, Peter, thanks for the time.

**Peter:** You know, I feel like we've come a long way since I've been in this industry, just a bit over ten years now, and to the extent where Greg just said there that this is really a solvable problem, not even that, it's a solved problem because we have all tools now. People just have to use them, lenders need to use them, consumers need to use them. If you want to be part of the credit system today then you can be and you can be scored and you will be able to have access to credit.

Now, obviously, there's still going to be sub-prime consumers, those that have really poor credit, but for the thin file/no file consumer that has sort of had this Catch 22 where you can't get a good credit score unless you have credit and you need a good credit score to get credit, that Catch 22 has been solved, that's what we're really talking about here. Now, I think this is just so interesting and really does provide I think consumers with the ability to control their financial lives a little better. They will have access to credit when needed, not only that, they'll have lower interest rate on the credit that they're actually seeking, so that is good news.

Anyway on that note, I will sign off. I very much appreciate you listening and I'll catch you next time. Bye.

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