Filene

# Filene Custom Incubator: Conductiv

*A Solution Focused on Improving Lending Operations and Loan Approval Rates*

**Megan Freshour**, Incubation Director

# FILENE'S INCUBATOR

**The Filene Research Institute launched a Custom Incubator to identify and test an emerging solution that empowers credit unions to innovate, grow, and better serve their members.** Leveraging Filene's extensive experience in testing and innovation, the Incubator reduces the risks involved in experimenting with new products and ideas, while accelerating decision-making and fostering credit union growth.

In this iteration, Filene partnered with **Conductiv** to test its platform, designed to enhance loan approval rates through the use of permissioned data without increasing risk.

The test followed a phased approach, allowing for systematic evaluation and refinement. Participating credit unions were provided with tools and support to test a unique hypothesis and assess the platform's desirability, viability, and scalability.

CONDUCTIV

# TABLE OF CONTENTS

# The Challenge and a Possible Solution

1
2
3
4

# FROM MISSION TO MARGIN

## UNLOCKING NEW OPPORTUNITES FOR LOAN GROWTH

**Credit unions are focused on expanding their membership and helping members access financial products that improve their financial health.** At the same time, they must find new sources of profitable loan growth to alleviate balance sheet pressure and navigate tight net-interest margins, all while balancing their social mission with the need for financial sustainability. Yet they face ongoing challenges in their application review process to tell who is truly creditworthy.

**90% of credit unions use credit bureaus to determine credit worthiness.**

**30%+ of the time, credit bureau data is missing, inaccurate, or stale making it hard to tell who is creditworthy.**

#1 complaint reported to the CFPB is incorrect information listed on reports.

Bad data makes 26% of Americans and businesses appear riskier to lenders!*

30% of applications unnecessarily delayed or declined. Loans and deposits are lost to competitors!

**Manual Review Process**—many documents, high friction, lost loans, inaccurate decisions.

**DOCUMENT COLLECTION**

**HIGH FRICTION**

**LOST LOANS**

Sources: ftc.gov/news-events/press-releases/2013/05/ftc-testifies-credit-reporting-accuracy-study-fcra-enforcement, consumerfinance.gov, Consumer Financial Protection Bureau (CFPB)

Filene Research Institute

# THE DATA GAP

**Credit bureau data is useful but inherently flawed, making the application review process challenging, especially for low-FICO and no-FICO applicants.**

- **42% of adults do not have a conventional credit score** that typically qualifies them for credit at mainstream rates.

- **Immigrants and consumers from low-income neighborhoods are disproportionately affected**, often facing barriers in accessing traditional financial services.

- **Credit scores provide only a snapshot of a consumer's credit management at a single point in time.** This is limited, as credit bureaus lack access to the detailed transactional and account-level data available through permissioned sources.

- **This gap increases the need to verify income and other stipulations,** which is usually done manually and results in significant loan loss because its inefficient and slow.

## CURRENT STATE OF ACCESS TO CREDIT
# of people in millions (% of total US adult population)

255 (100%)
114 (44%)
35 (14%)
57 (22%)
21 (8%)
28 (11%)

Total US Adult Population | Scorables | Unscorables | Invisibles
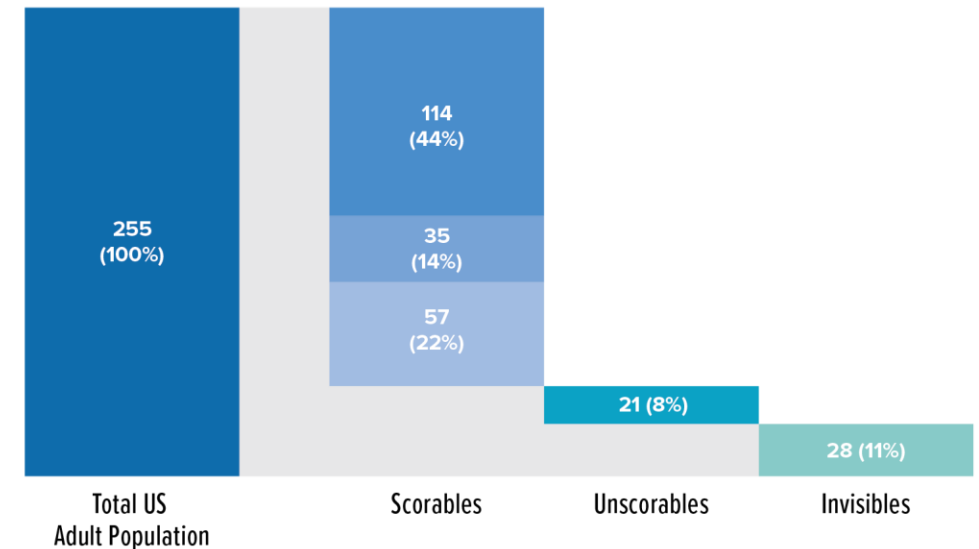
- **28M American adults are credit invisible**

- **21M American adults are unscorable**

- **Additional 57M have subprime or below credit scores**

*Sources: ftc.gov/news-events/press-releases/2013/05/ftc-testifies-credit-reporting-accuracy-study-fcra-enforcement, consumerfinance.gov/, forbes.com/advisor/credit-cards/from-inherent-racial-bias-to-incorrect-data-the-problems-with-current-credit-scoring-models/, americascreditunions.org/data-tools/data-statistics, us-go.experian.com/driving-growth-with-greater-credit-access-white-paper?cmpid=pr-release*
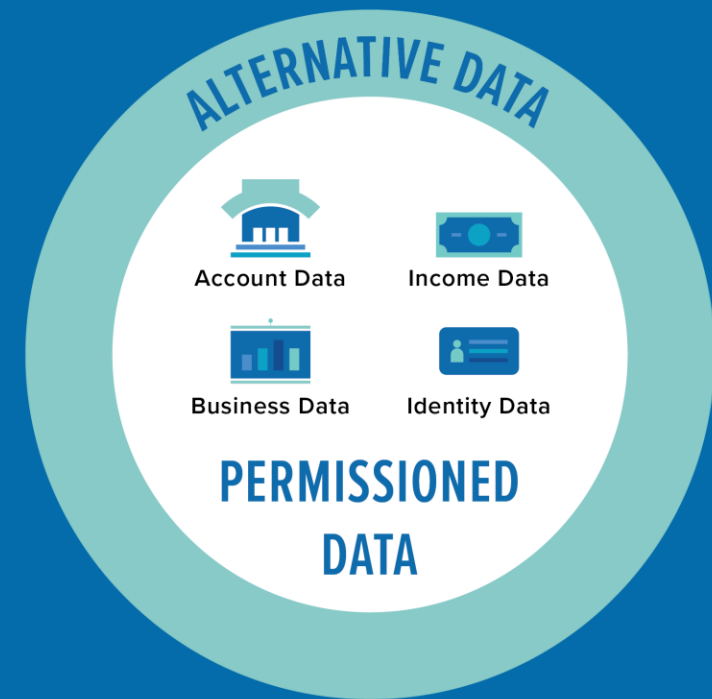
# CONDUCTIV

**Conductiv bridges the gap by collecting stipulation data to enhance lending accuracy, quality, and equity. The platform digitizes the manual processes in lending operations, reducing abandoned loan applications and increasing approval rates. Through a single API, Conductiv connects lenders to thousands of permissioned data points, such as cash flow, income, and identity information.**

**Permissioned Data...**

- Is a powerful form of alternative data.

- Is transactional and account-level information that members give credit unions permission to access on their behalf.

- Largely is not stored in the credit report.

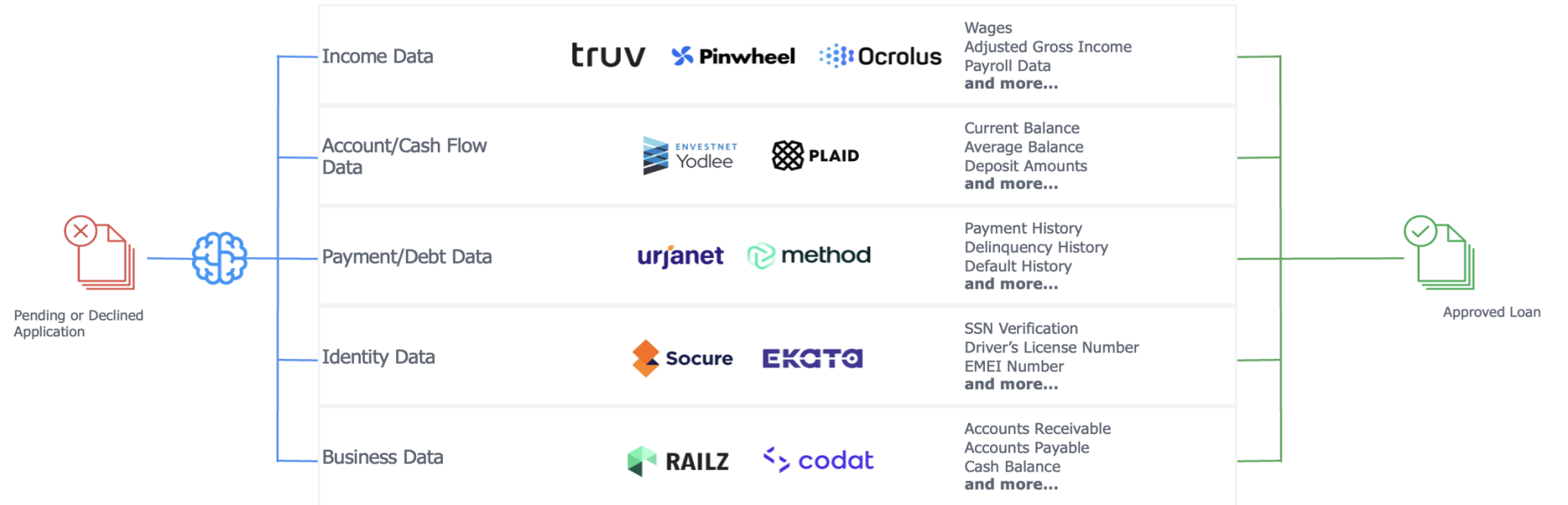**Filene** Research Institute

# CONDUCTIV

## CONDUCTIV

**Conductiv digitally gathers documents and data points (stipulations) on behalf of the credit union.**



Pending or Declined Application

Income Data — truv, Pinwheel, Ocrolus — Wages, Adjusted Gross Income, Payroll Data, and more...

Account/Cash Flow Data — ENVESTNET Yodlee, PLAID — Current Balance, Average Balance, Deposit Amounts, and more...

Payment/Debt Data — urjanet, method — Payment History, Delinquency History, Default History, and more...

Identity Data — Socure, EKATA — SSN Verification, Driver's License Number, EMEI Number, and more...

Business Data — RAILZ, codat — Accounts Receivable, Accounts Payable, Cash Balance, and more...

Approved Loan

# CONDUCTIV

For this pilot, credit unions focused solely on a single stipulation—Income Verification—integrated within the Meridian Link Loan Origination System (LOS).



**Step 1:**
**Applicant submits their application.**

**Step 2:**
**Credit union's LOS calls out to Conductiv.**

**Step 3:**
**Applicant is asked to verify their income.**

**Step 4:**
**Credit union stores data and decisions loan.**

**Filene** Research Institute

# CONDUCTIV

**Paystubs and other income documents are stored within the LOS, allowing underwriters to access and verify income instantly.**

# CONDUCTIV

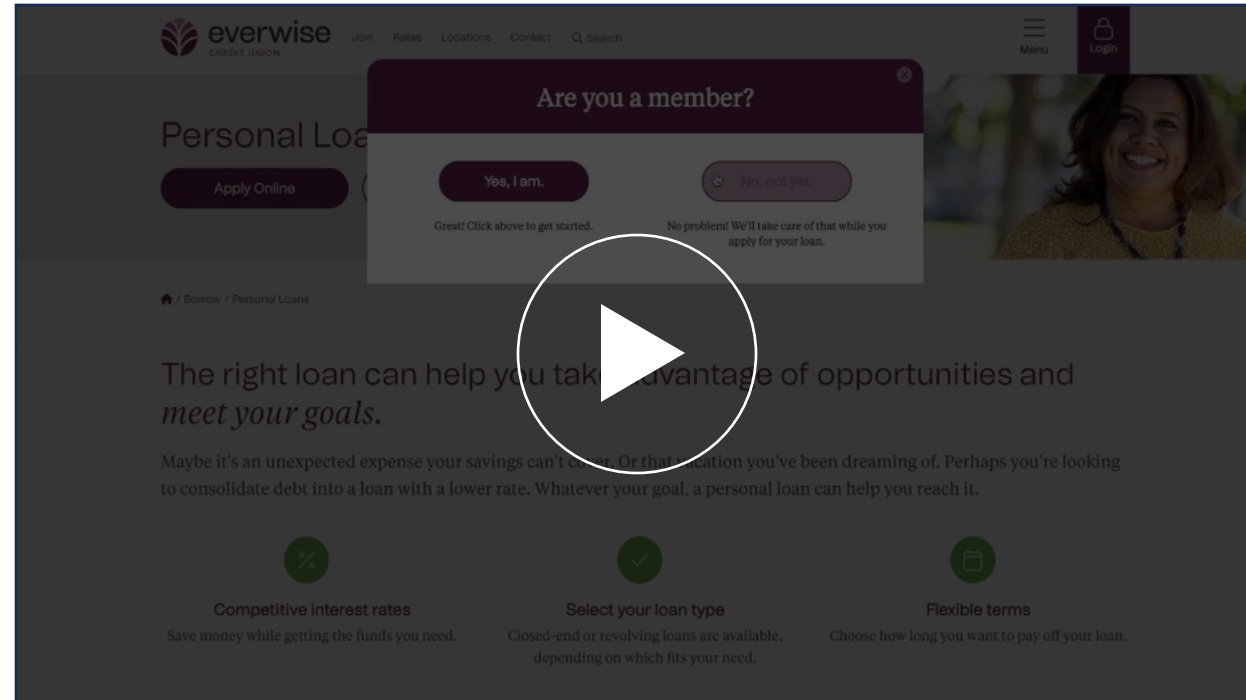**Click the following video to view a demonstration of Conductiv's income verification and document management process within the loan origination system (LOS).**

**Filene** Research Institute

**1**

**2**

# Conductiv
# Pilot Overview

**3**

**4**

# CONDUCTIV

## HOW THE TEST WORKS

2 PILOT CREDIT UNIONS

**12** MONTHS OF TESTING

CREDIT UNION LEADERSHIP INTERVIEWS

REVIEW A MINIMUM OF 250 LOAN APPLICATIONS

IMPACT DATA + SURVEY DATA COLLECTED & REPORTED OUT
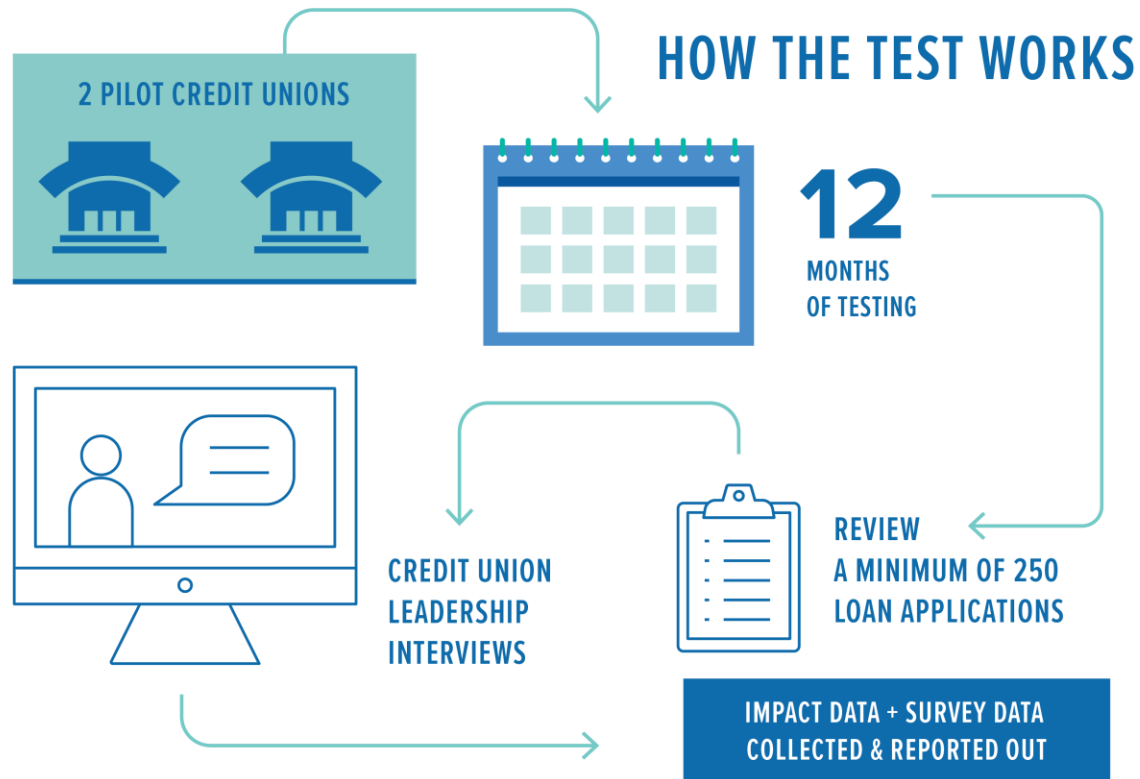
### QUESTION TO ANSWER

**?**

**Can credit unions fill the data gap caused by inaccurate or incomplete credit bureau information by gathering stipulations digitally to gain a clearer view of their members and recover lost loans?**

**RESEARCH DESIGN FLOWCHART**

**Filene engaged members and staff at two geographically diverse credit unions of varying asset sizes in the US. The research was conducted in two stages:**

- **STAGE 1:** Credit unions used Conductiv to verify applicant income for a minimum of 250 consumer loan applications over 6-month phases.

- **STAGE 2:** Filene partnered with Conductiv to analyze the impact results and identify trends.

**Additionally, Filene gathered qualitative feedback by interviewing and surveying the participating credit unions' lending teams to assess platform's value.**

Filene Research Institute

**1** ❯

**2** ❯

**3** ❯

**4** ❯

# Credit Union Results

**Filene** Research Institute

# GROWING CONSUMER COMFORT WITH SHARING PERMISSIONED DATA

**Consumers are becoming increasingly comfortable sharing permissioned data, especially as they recognize the benefits of personalized financial services.** With the rise of digital banking and fintech solutions, many consumers now see value in allowing access to their financial data, as it enables more accurate assessments of their creditworthiness and streamlines application processes. This shift in comfort is largely driven by increased transparency, data security measures, and the control consumers have over which specific data is shared, fostering trust between them and financial institutions.

**70%**

70% of consumers are **likely to share permissioned data** for better loan rates and financial tools.

**7,000+**

US borrowers use **7,000+ financial services powered by permissioned data.**

**12,000+**

Permissioned data connects to **12,000+ data sources.**

*Source: experian.com/blogs/insights/unlocking-insights-open-banking/*

**Filene** Research Institute

# ENHANCED LENDING OUTCOMES

**The integration of permissioned verification of income (VOI) data into the lending process led to improved efficiency by reducing manual review efforts\*.**
Additionally, credit unions saw better application outcomes, fewer declines due to missing information, and a more seamless experience for both staff and members.
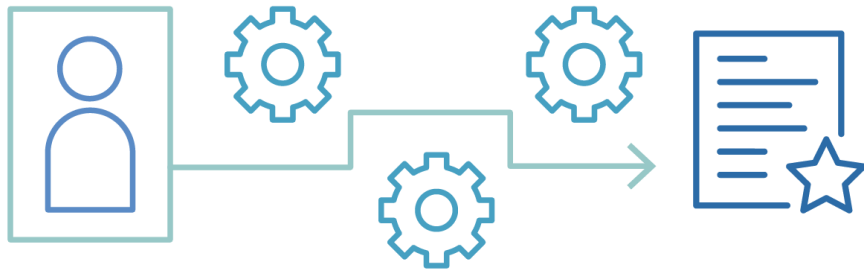
\* While teams reported faster review times, accurately quantifying the improvement was challenging. However, based on qualitative feedback it is estimated that the underwriting process became 2-5 times more efficient.

| | |
|---|---|
| Average take rate VOI completion rate **30%** | Decrease declined apps due to missing VOI **39%** |
| Increased app completion rates **25%** | Increased approval rates **47%** |

# LENDING TEAM SURVEY FEEDBACK

**70%**

70% agree Conductiv **fills a gap** within loan decisioning needs.

70% agree the tool **fits within the organization's strategy**.

**55%**

55% agree the tool **provides a better member experience**.

55% agree the tool **decreases the number of declined loans** due to missing documentation.

**QUOTES FROM STAFF**

*The Conductiv platform was quick and easy to understand.*

*Integrating VOI up front allowed for faster funding time for the loan officer and less back and forth between all parties.*

*The new process allowed me to review more applications in a shorter amount of time.*

# PERCEIVED BARRIERS

**In written comments, lending teams also examined perceived barriers and recommendations to increase the platform's value.**

- Clarify that income verification is optional if unsupported by the employer.

- Ensure paystubs are always included with income verification.

- Allow members to input data for current jobs only.

- Offer tax return options for self-employed members.

\* Post-pilot and based on credit union feedback, Conductiv is addressing these barriers through the use of optical character recognition (OCR) and digital document upload.

> *It would be ideal if there was a way for individuals to input income verification for their current job only. I noticed some members using information for previous employers which can be confusing at times when reviewing.*

Filene Research Institute

# Conclusions

1 >

2 >

3 >

4 >

# OPPORTUNITY FOR PARTNERSHIPS

**Conductiv, or similar solutions, offers a valuable tool for credit unions to enhance lending performance in multiple ways. Based on credit union feedback, Conductiv can:**

- Act as a proactive tool to bridge the data gap for low-FICO and no-FICO applicants.

- Demonstrate a credit union's commitment to serving members who typically don't qualify for mainstream rates.

- Enhance lending accuracy by filling data gaps with alternative data not captured in traditional credit reports.

*Since the pilot concluded in late summer, Conductiv has partnered with 10 credit unions.*

**Both participating credit unions have chosen to move forward with Conductiv in a formal partnership outside of Filene's Incubator. In this partnership, they will expand the use of VOI (Verification of Income) for additional lending products, such as HELOCs. They are also exploring how Conductiv's member authentication APIs can support new account applications and improve in-branch processes.**

# NEXT STEPS

For credit unions interested in similar solutions, Filene's Incubator recommends starting with an extended live pilot, focusing on 1-2 APIs (e.g., VOI, transactional data, utilities) and a single deposit or loan product to gather initial in-market data to assess viability and scalability. The pilot should seek to understand:

- **The impact** of Conductiv on the number of applications converted.

- **Data trends** to track changes in delinquency rates.

- **The return on investment**, including new revenue generated and cost savings from using the platform.

**Filene** Research Institute

5910 Mineral Point Rd. | Madison, WI 53705 | *Publication 629 (10/24)*