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ACTIONAL INTELLIGENCE

Linear Implements Datanomers Financial Risk Profiler to Better Assess Credit Risk, Enabling Them to Lend to More for the Same Risk Appetite

The consistent growth of Linear FT has brought new challenges to the organization in terms of operational scope with technology being critical as to allow for business scalability and a more digital customer journey. This bank has now several customized solutions that are co-created with Datanomers.

About the customer

Linear Financial Technologies is a classic study of FinTech success. Fundation and ODX, both successful SMB commercial lenders in North America, merged in February, 2021, to form a formidable lender, Linear.

Sector: **Finance**   Location: **United States**   People: **240**   Web: **linearft.com**

"Lenders make commercial loans based on financials and credit bureau data for an enterprise. This data, however, can be a lagging-indicator of credit risk – if an event were to happen today, it may take a couple of months for it to reflect in the financials as well as the payment history from bureaus. For better credit decisions, we would need to supplement our existing data with alternate data from the web which not only can add predictive value above and beyond the existing data sources but also can be a more leading-indicator of credit/fraud risk. This is what Financial Risk Profiler (FRP) does: mines the web using NLP for credit risk information, KYC information, SIC/NAICS codes, and much more.By complementing FRP's web data with financials, we have reduced our defaults, as well as lend to more for the same risk appetite. It's been a competitive differentiator for Linear."

Sandip Nayak, Chief Strategy & AI Officer of Linear FT

The Challenge

A challenge for Linear's expanding lending operations was to assess credit risk better and maintain profitability. Linear had a strong desire to democratize access to capital – lend to thin-file candidates for financial inclusivity and greater reach for growth, as is reflected in their expert testimonies at Congressional Hearings – but quickly realized that this required some key challenges to be addressed: How do we assess credit risk for thin-file candidates that don't have financial history? How do we assess credit risk better in general? How do we find out if we have most of the influential data required for decisioning? And which of the data elements truly matter?

Datanomers Financial Risk Profiler (FRP), coupled with EazyML's Augmented Intelligence, helped solved these challenges. Let's explain.

Advanced AI/ML Tech Helps Address

Credit decisions are based on financials, which can be a lagging-indicator of credit risk - an event that happens today gets reflected in financials a month or two downstream. Where's the leading-indicator of credit risk? The web. Web data, as a "leading-indicator", has predictive power for credit risk – be it from government registries, social media, online presence or news reports. The challenge, however, is that in its raw form, it is statistically noisy, but if armed with advanced NLP, we can filter away the spam, retrieving relevant leading-indicator information to complement the financials. This is exactly what FRP did for Linear.

Linear now had most of the relevant information, but it was difficult know which information has predictive power and how to make it actionable, i.e., derive rules/policies from it so that underwriters can follow them for making decisions. EazyML's Augmented Intelligence helped implement Digital Transformation 2.0 at Linear.

Digital Transformation typically streamlines and automates workflow, but not necessarily optimizes it: the various functions in the workflow are driven by rules/policies that may be outdated, don't reflect recent trends. Linear overlayed the workflow with an intelligence layer, where Augmented Intelligence mines data insights automatically to enable data's objectivity to periodically tune the functions for near-optimal performance.

End-to-end commercial lending process benefitted considerably.

Automation, Analysis and Workflow
These were the key aspects for implementing solutions

Pilot Project
It has already allowed for improvements in terms of UX

Datanomers

sales@datanomers.com
Tel: +1 800 385 6010