

# Key Issue Brief

## Pre-screening and its benefits

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- 'Pre-screening' is the process by which consumers are **removed** from pre-identified consumer lists
- Pre-screening a list is NOT the same as the practice of "pre-qualification" – using profiles to generate a list of previously un-identified consumers to solicit for credit
- As proposed, those who are a high risk, but who do not yet have any of the prescribed 'negative' data on their credit report file, cannot be excluded

### What is 'pre-screening'?

Pre-screening is the process by which consumers are **removed** from lists used for the direct marketing of credit.

1. A list of prospective customers is supplied by a Credit Provider to a credit reference agency.
2. The credit reference agency then deletes those with histories that indicate poor credit risk. The deleted names are not disclosed to the Credit Provider or the mailing house.
3. The resulting 'pre-screened' list is sent to separate third party 'mailing house' who are responsible for the implementation of the mailing programme.
4. Only those customers who choose to avail themselves of the marketing offer apply for credit to the Credit Provider.

### Myth: Pre-screening = pre-approved offers

Pre-screening a list is NOT the same as the practice of "pre-qualification" used in the United States which involves using the credit bureaus as a database from which to extract various profiles of customers for direct marketing – primarily of PRE-APPROVED credit offers.

While "pre-qualifying" is both permitted and widespread in the United States, it is not supported by the Australian credit industry, consumer advocates or regulators.

### Limiting what data CAN be used for pre-screening



As currently drafted, the proposed reforms will limit the information that can be used for pre-screening to only what is currently known as 'negative' data.

The five new data sets (Account Open date, Type of Account, Credit Limit, Closed date or missed payment data) **cannot** be used.

Information that **can** be used is primarily limited to requests for credit over the last 5 years, 'defaults' that have been listed, and public record data including bankruptcy data.

### **Consequences of that limitation**

As proposed, those who are a **high** risk, but who do not yet have any of the prescribed 'negative' data on file, **cannot** be excluded.

### **About ARCA**

*ARCA brings together the talent, energy and perspectives of its members and staff to bring about positive change.*

*Combining experience and insights, expertise and passion with industry collaboration, ARCA promotes the effective use of consumer analytics and data sharing to improve responsible lending practices and promote better lending decisions.*

*Access to responsible credit is a fundamental part of today's modern economy.*