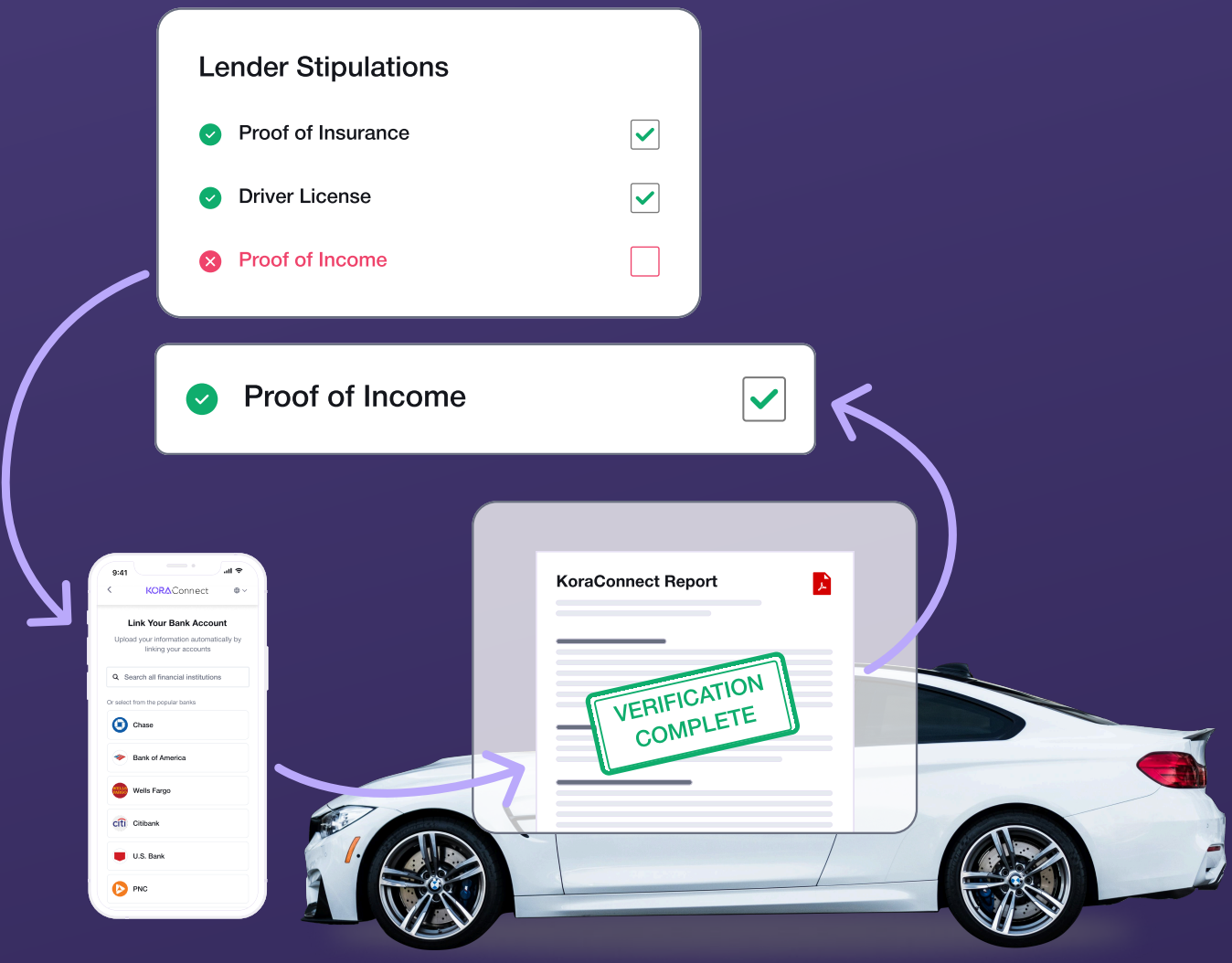


KORAConnect

Grow Origination, Cut Losses

Sharper Non-Prime Performance with Cash-Flow Underwriting[1]

CUTTING TO THE CHASE

What KORAConnect Delivered

A lender's non-prime portfolio was carrying avoidable losses because underwriting relied on traditional data sources with incomplete financial visibility. Stip-driven checks missed off-bureau obligations and unstable cash patterns, which showed up later as delinquency and charge-offs.

The lender integrated KoraConnect as part of its underwriting workflow. Using applicant-permissioned bank data and bank statements, it verified income, mapped obligations, and tagged behavioral risks such as overdraft cadence, advances, loan stacking, and thin balance cushions. After an initial out-of-the-box deployment, rules were tailored to repeatable patterns in the lender's own data and calibrated to a conservative loss model so impact could be expressed in dollars.

In matched funded cohorts with a 6-month observation window, loans underwritten with KoraConnect showed notable improvements in delinquency rates across all credit profiles. For high FICO borrowers, 1+ DPD dropped by 50% (from 5.01% to 2.51%), 16+ DPD by 24% (1.31% to 1.00%), and 30+ DPD by 22% (0.64% to 0.50%). No FICO applicants followed a similar pattern, improving by 46% at 1+ DPD (5.46% to 2.94%), 40% at 16+ DPD (1.97% to 1.18%), and 24% at 30+ DPD (0.78% to 0.59%). Low FICO borrowers exhibited more early friction, but still showed significant improvement: 1+ DPD fell by 44% (11.12% to 6.18%), 16+ DPD by 71% (3.64% to 1.07%), and 30+ DPD by 53% (1.86% to 0.87%). These results reflect the effectiveness of KoraConnect's targeted, high-precision risk flags, which contributed to a net lift of $1,000 to $2,700 per application, even after accounting for any margin impact from declines or restructures.

All figures use the lender's definitions and observation windows. These results indicate room to grow originations while maintaining portfolio quality, with dollars tied to clear, auditable rules.

About Cash Flow Underwriting

Traditional FICO-based models rely heavily on historical credit activity: payment history, outstanding debts, and credit utilization. While effective for borrowers with deep credit files, they often overlook real-time financial health and misjudge those with thin or outdated credit histories.

Cash Flow Underwriting offers a modern alternative. It analyzes consumer-permissioned bank transaction data to:

- Verify actual income: including irregular and non-traditional sources
- Map real obligations: utilities, loans, BNPL, payday loans, and more that are usually not visible in the credit report
- Assess financial behavior: like overdrafts, cash buffer volatility, and spending patterns

This approach gives lenders a forward-looking view of repayment capacity, not just a backward-looking score. It enables:

More approvals for creditworthy applicants missed by traditional scoring.	Early risk detection, especially for applicants with recent financial instability.	Better pricing and loan structuring, tailored to the borrower's actual financial profile.

About the Lender

A major non-prime auto lender with a **$1B+ portfolio** that faces a fundamental challenge: how to grow originations without letting losses grow alongside them.

THE STARTING POINT

Good Credit Boxes, Messy Inputs

This lender predominantly serves non-prime applicants with meaningful income variability and off-bureau obligations. On paper, the credit boxes looked solid, but the inputs were noisy and the underwriting process left critical gaps. Here are the potential fault points we identified in their underwriting process:

Over-reliance on Credit Reports & Self-Reported Data

Decisions leaned too heavily on bureau scores and whatever income or job type the applicant declared. That approach sidelined thin-file but reliable borrowers, while overstated incomes or hidden liabilities slid through undetected.

Incomplete Debt Assessment

Debt-to-Income ratios failed to capture non-traditional obligations like payday loans, BNPL, or cash-advances, debts especially common in this customer segment but not usually visible in credit reports. Once those were factored in with bank data, true DTIs were over 37% higher than reported, showing how many loans were mispriced or mis-approved.

Turnaround Time Bottleneck

Average decision time sat between 30 minutes and 1 hour per file. That cadence constrained throughput, strained dealer relationships during peak traffic, and made it difficult to scale originations, ensure the human's decision accuracy or expand the dealership network efficiently. Faster, decision-ready files were needed to support growth without sacrificing control.

No Income Verification for Non-Salaried Borrowers

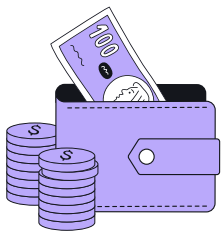
For gig workers and freelancers, paystubs and manual checks produced little real signal. Regular-looking deposits often masked transfers, loans, or one-offs rather than recurring income. Without a way to separate real cash flow from noise, inflated earnings went unchecked.

Consequences

Traditional stip-driven verification was slow, uneven, and still let through applicants with chronic overdrafts, cash-advance dependence, or loan stacking. The portfolio remained sound on paper, but early-stage stress crept into later buckets, especially 16+ DPD, creating pressure on provisioning and collections capacity.

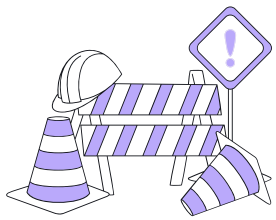
Make Cash Flow the Source of Truth

KoraConnect added cash-flow underwriting as an analysis layer in the existing workflow. Applicants either connected bank accounts or submitted bank statements; KoraConnect then produced decision-ready files that included:



Income Reconstruction

Across payroll, gig, P2P transfers, and cash deposits, with stability metrics (volatility, seasonality, gaps).



Behavioral Risk

Indicators: overdraft cadence, reliance on cash advances/payday lenders, low balance cushions, loan stacking, and ACH return patterns.

Actionable Flags

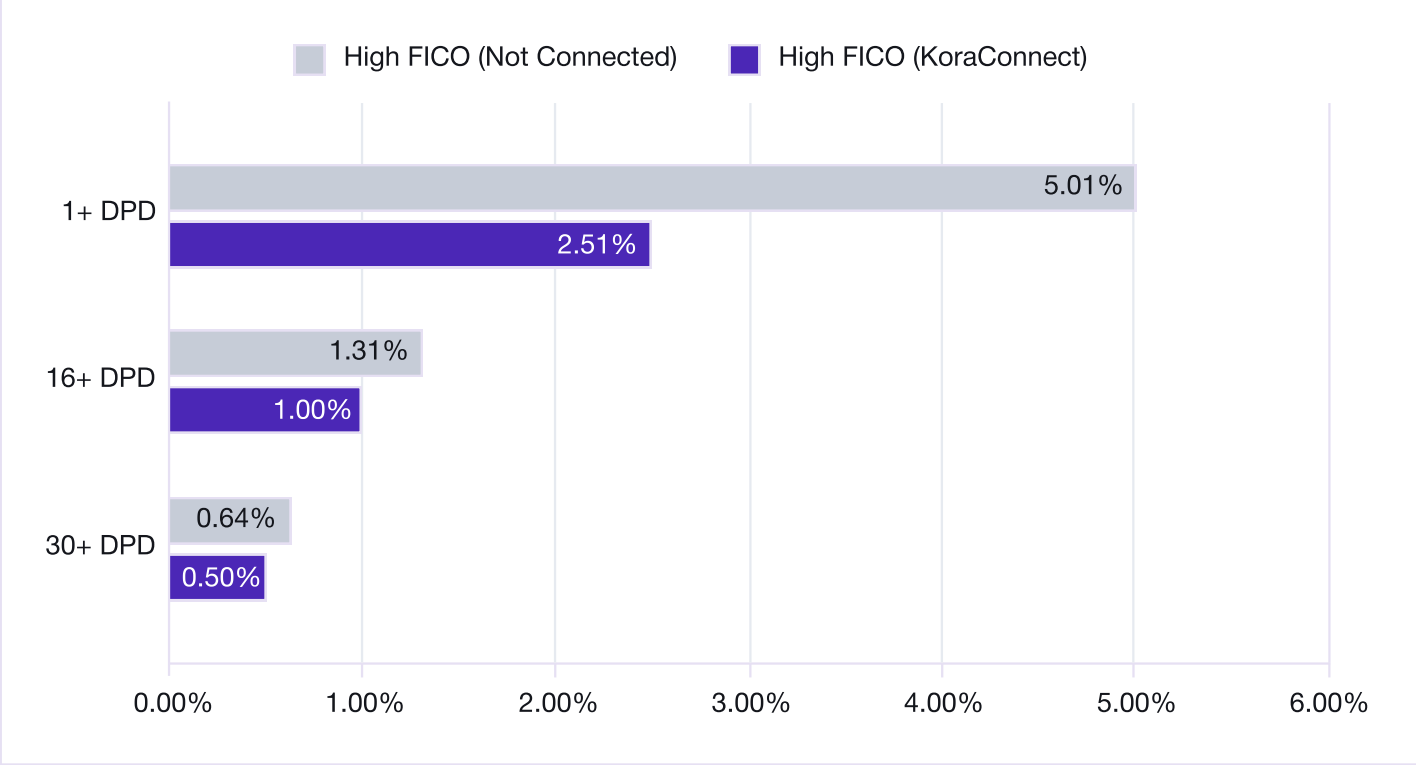
That underwriters could use to adjust deal structure (e.g., term, advance, down payment) or decline precisely when risk concentration was high.

The intent wasn't to "tighten everything." It was to tighten precisely where the data showed structural inability to repay. Letting clean files move quickly while filtering out loss-prone cohorts.

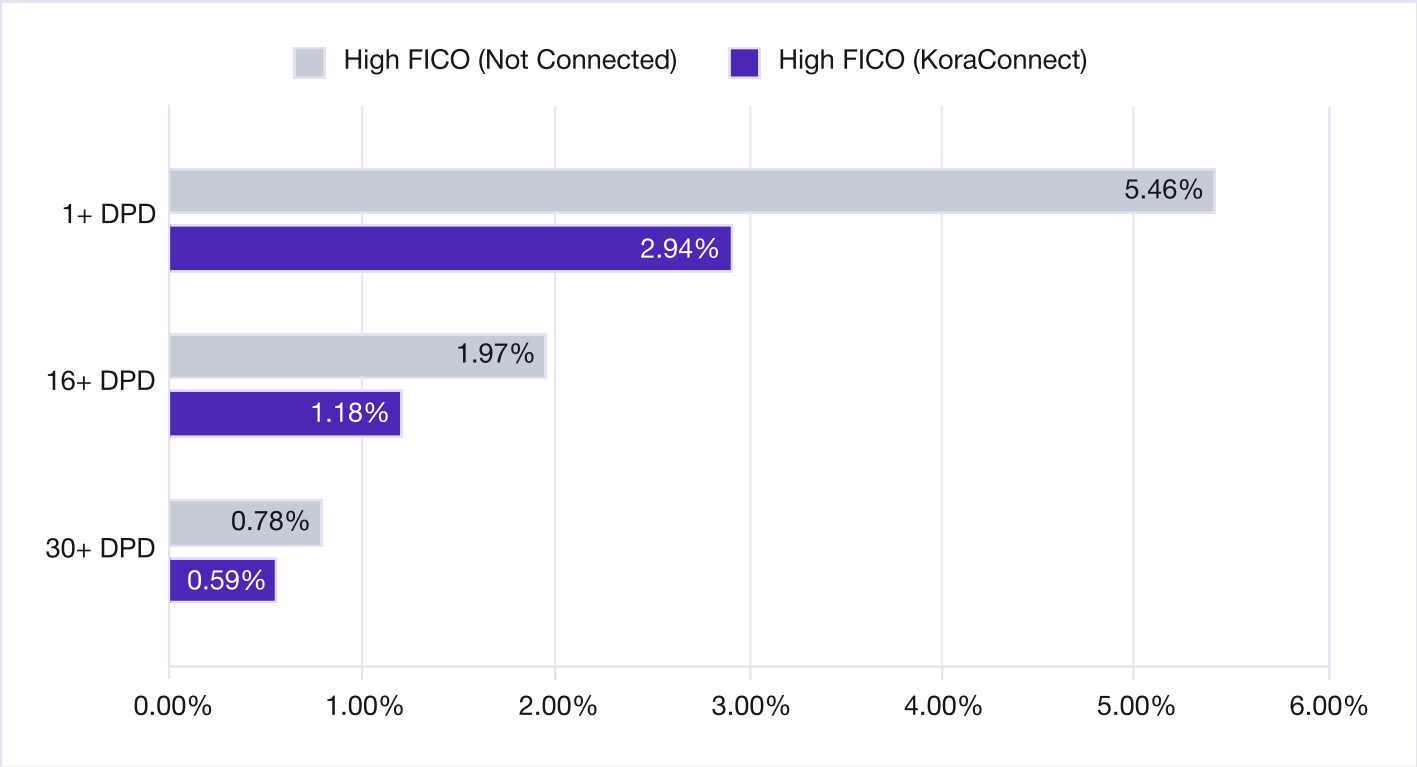
Delinquency Improved Across FICO Buckets

KoraConnect was initially deployed out of the box as an income verification layer. As volume accumulated, we analyzed the lender's portfolio to surface consistent behavioral patterns and then added lender specific risk flags on top of the default configuration. In the funded loan cohorts, applications that used KoraConnect showed lower delinquency in High FICO and No FICO, and a containment effect at the most severe stage in Low FICO. This pattern is consistent with a cash flow lens elevating surplus positive profiles and guiding precise restructures where repayment risk concentrates.

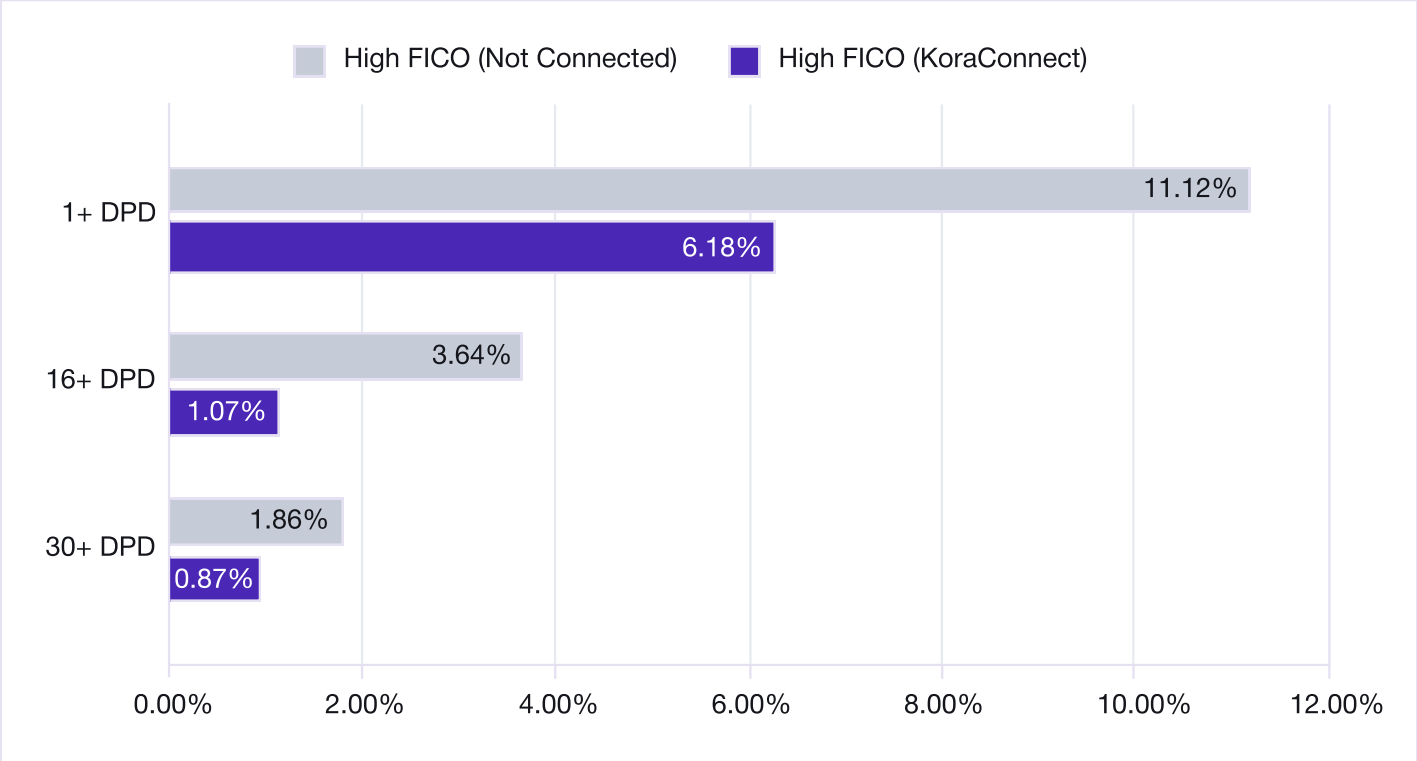
High FICO



No FICO



Low FICO



PORTFOLIO PERFORMANCE IMPROVEMENTS

High FICO and No FICO applicants both showed significantly lower early delinquency when connected through KoraConnect. For High FICO, 1+ DPD dropped by 50% and 30+ DPD fell by 22%, while No FICO saw a 46% drop at 1+ DPD and a 24% improvement at 30+ DPD. Both segments also softened at 16+ DPD, suggesting better stability and fewer accounts rolling into later stages of delinquency. In practice, this reduces loss risk, eases collections pressure, and supports healthier loan portfolios.Low FICO applicants showed higher early-stage risk overall, but KoraConnect helped substantially improve performance across the board:

- **1+ DPD improved by 44%**
- **16+ DPD by 71%**
- **30+ DPD by 53%**

This shows that even among riskier applicants, KoraConnect helped surface hidden risk earlier, and more importantly, prevented those cases from escalating into costlier delinquency buckets.

Importantly, many Low FICO applicants were required to verify income and cash flow via KoraConnect, either through bank connections or uploaded statements. This policy drove higher conversion in the Low FICO segment, pulling in more marginal borrowers and lowering the average FICO in the connected group. While this shift led to some early friction, it also enabled smarter risk separation: early signs of stress were caught, while severe delinquency remained under control.

Bottom line: KoraConnect enabled broader access without increasing long-term loss exposure, delivering both inclusion and risk control.

First Payment Default: A Signal of Fraud Prevention

Across all credit buckets, KoraConnect eliminated first payment defaults (FPD) among connected applicants, dropping FPD to 0.00% for both High FICO and No FICO borrowers, and significantly reducing it for Low FICO as well.

Segment	FPD Rate (Not Connected)	FPD Rate (Connected)	Improvement (bps)
High FICO	0.39%	0.00%	⬇️ 39 bps
No FICO	0.35%	0.00%	⬇️ 35 bps
Low FICO	0.86%	0.70%	⬇️ 16 bps

These results highlight how KoraConnect's document verification, identity validation, and cash-flow analysis worked together to identify and intercept high-risk or potentially fraudulent applications prior to funding.

Zero FPD in High and No FICO segments is a strong indicator that fraud-prone accounts are being filtered out before loan funding, not just through credit risk modeling, but through effective upfront fraud controls.

Targeted Personas: High Precision, Real Dollars

After we amassed a meaningful sample of loans underwritten with the default KoraConnect configuration, we profiled the lender's portfolio to identify repeatable behavioral patterns and then tailored risk flags to those patterns. Each flag was validated on matched cohorts and an out of time holdout to confirm stability.

1. Cash Advance & Payday Loan Stress → Short-Term Financial Instability

- What we see: Borrowers taking cash advances or payday loans that are large relative to their income, often while holding near-zero balances.
- Why it matters: This is a clear liquidity crunch. Customers relying on short-term credit are 6–20× riskier than average.
- Evidence: Bad rates 33–100%; net profit lifts $10K–$42K per rule.

2. Subprime Auto Loan Burden → Over-Extended with Auto Debt

- What we see: Applicants already paying on subprime auto loans but showing no liquidity left.
- Why it matters: This is classic "loan stacking," taking another auto loan with no cash buffer.
- Evidence: Bad rates around 20%, net lifts ~$18K per rule.

3. Thin Banking History + Suspicious Flows → Artificial or Unstable Accounts

- What we see: Very few transactions, but unusually large deposits or refunds.
- Why it matters: Thin-file customers may be "renting" bank accounts or masking true income stability. These accounts rarely retain balances.
- Evidence: Bad rates 20–33%, net lifts $13K–$16K.

PORTFOLIO PERFORMANCE IMPROVEMENTS

To translate the signal into dollars, we mapped every rule to a conservative non prime loss baseline using a 22% gross charge off rate and an LGD of roughly 70%. For each rule, Net Lift equals the estimated losses avoided minus any margin forgone due to targeted declines or restructures, so the figure reflects true economic impact rather than just hit rates.

Sample rules that have been integrated into the Risk Policy:

Rule (Description)	Decline Rate (Added decline %)	Precision (% caught by rule that were bad)	Recall (% of bad in sample that rule caught)	Avg Lift / App (Net Lift / # of declined apps)
Payday loan disbursements within the most recent 3 months ≥ 76% of monthly income	1.13%	40.0%	8.7%	$2,129
Moderate cash advances (≥ 6% income) + no balance cushion	1.36%	33.3%	8.7%	$2,677

Each rule addresses a distinct potential cash flow stressor - chronic liquidity gaps, debt stacking, or synthetic/unstable activity. The precision is the story: small decline cohorts, high concentration of defaults removed, and outsized dollar protection with minimal impact on healthy flow.

Operational Benefits
Beyond Risk Performance

A combination of improvements in risk performance and underwriting automation created several downstream effects outside of just portfolio performance:

Cleaner stip workflows

With decision-ready files, stips drop and re-hashes shrink. That means fewer “slow bleed” accounts created by documentation errors.

Faster exception handling

When flags trigger, underwriters have a specific reason to adjust structure or ask for a compensating factor (e.g., down payment source verification), preventing borderline files from turning into future roll-rates.

Collections saw fewer chronic rollers

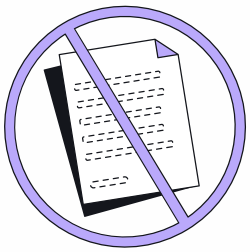
Lower 16+ DPD doesn’t just reduce charge-offs; it reduces the density of high-touch accounts, improving collector focus and promise-to-pay integrity.

About KoraConnect

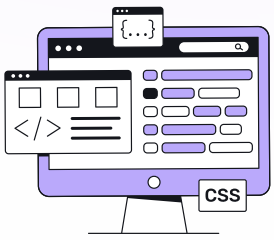
KoraConnect is a suite of cash flow underwriting tools that enable lenders to improve performance by uncovering risk indicators and verifying information in applicants' bank statements and bank transaction data. Using cash flow underwriting, lenders can:

Verify income and true ability to pay using applicant-permissioned bank data and uploaded statements (payroll, gig, P2P, cash deposits).

Detect fraud and document tampering and extract reliable data for consistent cash-flow analysis, reducing recourse losses.



Surface early risk signals in transactions (overdrafts, BNPL, cash advances) with customizable indicators before contracts fund.



Automate statement reviews to speed decisions, enforce consistent controls, and approve more good deals.

Learn more at **https://koramoney.com/koraconnect**

How to Replicate This
For Your Lending Operation

1 Run a retrospective analysis with Kora

We can start with a retrospective on what you already underwrote. Using the bank statements and bank data submitted at the time of underwriting, KoraConnect can reconstruct verifiable income and tag behavioral risks: overdraft cadence, advances, stacking, and balance cushion. With a sample of 200 or more funded applications, you get a side-by-side view of where risk concentrated, where surplus-positive cash flow existed, and how KoraConnect would have influenced decisions under your loss and LGD assumptions.

2 Translate findings into actions

Using the retrospective, KoraConnect builds lender specific indicators and checks: verify income from bank data or statements, detect tampered documents, configure early risk signals (overdrafts, BNPL, cash advances), and automate reviews. We then map each signal to your credit policy, adjust structure or add compensating factors, narrowly decline high risk cohorts when needed, and monitor results after going live to refresh thresholds as performance shifts.

3 Observe the impact

Track the outcomes you already manage: 16+ DPD, roll rates, charge-off dollars, and operational friction such as stips and rehashes. The goal is not to promise performance, but to make shifts visible quickly and credibly. In practice, more files trend toward stable, surplus-positive profiles, and pressure eases in the segments where repayment risk had been clustering.

Footnotes

Cohorts matched by grade/segment and observation window. Delinquency measured as first occurrence of 16+ DPD within the tracking period. Dollar impacts use conservative non-prime assumptions and may vary by recovery policy, fee treatment, and local economics.

[1]This white paper has been prepared using information expressly authorized and approved for disclosure by our clients and partners. By providing such information, each client and partner has represented and warranted that they consent to its inclusion herein and that such information is accurate to the best of their knowledge. No proprietary, trade-secret, or otherwise confidential information has been used in the preparation of this white paper. All data, case studies, and insights contained herein have been derived from sources explicitly approved for publication and use in this context. The inclusion of such information reflects prior informed consent from the relevant client(s) or partner(s).

Stop Guessing. Start Underwriting with Certainty.

Don't let legacy credit scores limit your growth or inflate your delinquency. Join the leading lenders using KoraConnect to identify high-quality borrowers that others miss. Schedule a demo with our team today.

Book a demo