

# **Investigating Loan Applicants' Perceptions of Alternative Data Items and the Effect of Incentives on Disclosure**

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## Outline of Presentation

- Background
  - Credit scoring
  - Alternative loan items
- Study 1: Surveys
  - Perceptions of current loan items
  - Perceptions of alternative loan items
- Future Studies: Experimental
  - Use of incentives

# Credit Scoring



## Alternative Loan Items

- Ability to make regular payments
- Health
- Personality
- Education
- Work ethic
- Relationships with others
- Social networking



## Study 1: Surveys

*“Imagine you are applying for a loan. How comfortable would you be giving x information to the lender?”*

- Current loan items: 226 responses
  - 90 M, 136 F. 91=40-59, 65=25-39, 44=60+, 26=18-24
- Hypothetical loan items: 239 responses
  - 84 M, 155 F. 93=40-59, 84=25-39, 31=60+, 31=18-24

## Perceptions of Current Loan Items

- Most comfortable:
  - Name, DOB, nationality
  - Residential status
- Least comfortable:
  - Phone numbers
  - Employment details
  - Savings, assets, investments

## Perceptions of Hypothetical Loan Items

- Most comfortable:
  - Highest level of education
  - Utility bill payment histories (council tax, electric, gas, TV licence, phone, DMP, satellite / cable)
  - Partner / spouse's job
- Least comfortable:
  - Data from social networking sites
  - Friends' contact details (names, addresses, tel.)

# Our Disaster Recovery Plan Goes Something Like This...





## Conclusions

- More information needed about current data use
- Comfortable with giving bill payment information
- Not comfortable with giving friends' details
  
- Limitation: Asked to imagine applying for a loan
  - No real money at stake
  - Possible effect of incentives on disclosure

## Future Studies: Experimental

- 4 versions of loan information requests
  - No incentive
  - Long term gain: uncertain
  - Short term gain: certain
  - Peer pressure

