QUASH: FINANCIAL INCLUSION EXECUTIVE GUIDE

LENDING MODERNIZATION SERIES / NO. 01

Financial Inclusion Doesn't Have to Mean Higher Risk

How credit unions can use better information to understand more borrowers without changing their risk appetite.

AN EXECUTIVE GUIDE FOR CREDIT UNION LENDING LEADERS

QUASH.AI

MODERN LENDING INTELLIGENCE FOR THE MODERN BORROWER

INSIDE THIS GUIDE

Contents

A note on how to read this guide. Each chapter stands alone. If you have five minutes, read the Executive Summary and the one-page checklist in Chapter 9. If you have twenty, follow Maria, a real-world borrower profile, from Chapter 1 through the Conclusion.

EXECUTIVE SUMMARY

Two Goals That Don't Have to Compete

Credit unions are being asked to do two things at once: expand access to responsible credit and protect the underwriting discipline that keeps the cooperative strong. Those goals do not have to compete.

The challenge is that borrowers are changing faster than many lending processes. Younger consumers may establish traditional credit later. Immigrants can arrive with years of financial history that are not reflected in a U.S. credit file. Gig workers and contractors may earn across multiple platforms. Debit-first consumers can participate fully in the economy without building the deep borrowing history traditional underwriting was designed to measure.

Traditional credit data remains foundational, but it tells a specific story: how a consumer has managed reported credit. Income documentation, existing member relationships, and digital identity, for example can each add a different context. **The opportunity is not to replace trusted underwriting inputs. It is to determine where additional validated information can reduce uncertainty.**

> **Are some borrowers difficult to evaluate because they represent risk the institution does not want, or because the institution does not yet have enough information to distinguish their risk confidently?**

THE CENTRAL QUESTION OF THIS GUIDE

Throughout this guide, we follow Maria, a 29-year-old healthcare worker who earns supplemental income making app-based food deliveries by bike. She rents, uses public transportation, primarily pays with debit, and moved to the United States (U.S.) relatively recently. Maria is financially active, but her traditional credit file is thin.

This guide explores how digital identity can add a new layer of lending intelligence, why financial inclusion does not have to mean expanding the credit box, how progressive credit unions can modernize lending without starting over, and how historical validation can test new approaches before production decisions change.

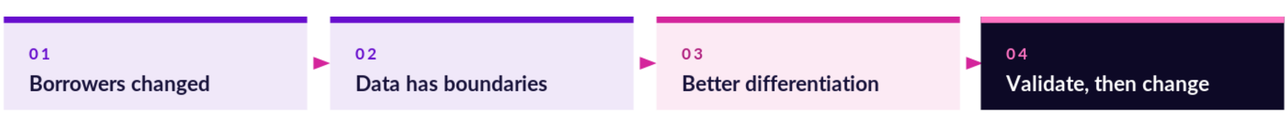


FIGURE 1 The argument in four moves. No step requires a change in risk appetite.

CHAPTER ONE

Lending Is Changing Because Borrowers Are Changing

Meet Maria. Her financial life is active, ordinary, and largely invisible to the systems traditionally used to evaluate her.

Maria is 29, lives in a major city, works full-time in healthcare, and earns additional income several evenings a week making app-based food deliveries by bike. She rents, takes public transportation, pays her bills, and manages most of her financial life from her phone.

Maria has not used much traditional credit. She has never needed an auto loan, primarily uses debit, has limited revolving credit history, and established part of her financial life before moving to the U.S. Her healthcare job provides a traditional paycheck, while her delivery work creates a second income stream that can vary from week to week.

Maria is not financially invisible. Parts of her financial life may simply be invisible to systems traditionally used to evaluate her.

BORROWER PROFILE

Maria, 29

Full-time healthcare worker · supplemental app-based delivery income

Renter | Public transit | Debit-first | Recent U.S. arrival | Dual income

WHAT HER CREDIT FILE SHOWS

- Few tradelines
- No auto loan, no mortgage
- Limited revolving history
- Young U.S. credit history
- No major derogatory marks

WHAT HER FINANCIAL LIFE SHOWS

- Steady full-time employment
- Second, variable income stream
- Rent and bills paid electronically
- Years of established digital identity
- Financial history built abroad

The question is not whether Maria is a good borrower.
It is whether her credit union has enough information to tell.

FIGURE 2 Maria's limited credit history is logical, not a failure. Her life simply hasn't required much borrowing.

A different borrower, not a riskier one

For generations, consumer lending worked best for a relatively predictable borrower: one employer, a regular paycheck, a primary checking account, credit cards, an auto loan, eventually a mortgage, and years of reported repayment history. That borrower still exists. But so do millions of consumers whose financial lives follow a different path.

FIVE BORROWERS TRADITIONAL UNDERWRITING WAS NOT DESIGNED AROUND

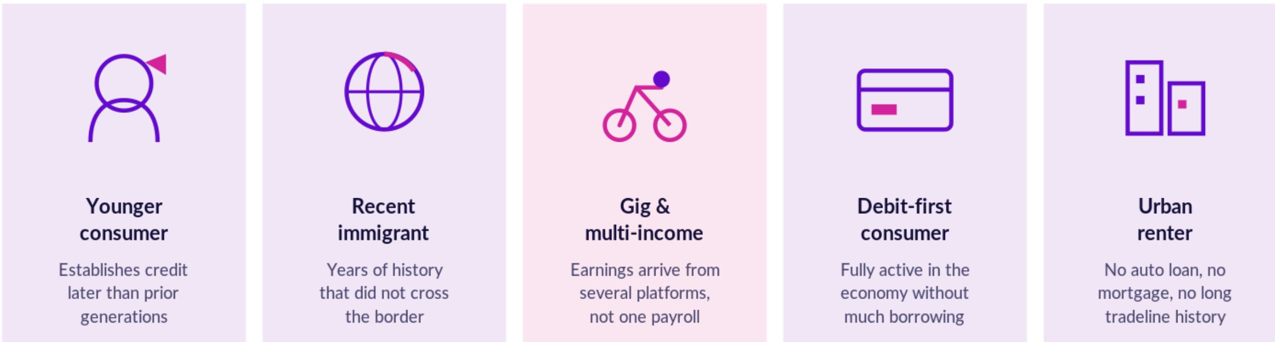


FIGURE 3 Not a population of riskier borrowers, a population of different borrowers.

Younger consumers may establish credit later. Urban consumers may go years without financing a vehicle. Immigrants may have established careers and financial histories that do not transfer neatly into a domestic credit file. Gig workers, freelancers, contractors, and small-business owners may earn from multiple sources rather than a single payroll deposit.

The result is not necessarily a population of riskier borrowers. It is a population of different borrowers. The lending challenge is making sure the information used to evaluate them reflects how members actually live, work, earn, spend, and manage money today.

CHAPTER TAKEAWAY

A borrower whose life hasn't required much borrowing is not the same as a borrower who has handled credit badly.

CHAPTER TWO

Why Traditional Credit Data Only Tells Part of the Story

A credit file measures credit history, not the entirety of a consumer's financial life. That is its strength and its boundary.

> **MARIA'S APPLICATION**
> When Maria applies for a small personal loan, her credit report shows no major red flags, but not much positive history either. There are few tradelines, no auto loan, no mortgage, and limited revolving credit. Her file is not telling the credit union that she is a bad borrower. It simply is not saying very much.

Traditional credit data is extraordinarily valuable because it captures historical performance on reported credit obligations. But that is also its boundary. Maria's thin file exists for understandable reasons: she rents, does not own a car, primarily uses debit, and has a relatively young U.S. credit history. None of those facts independently predicts whether she will repay the loan. They explain why the lender has fewer traditional observations available to make that prediction.

The cost of filling gaps manually

Credit unions can fill gaps through manual underwriting, income verification, bank statements, tax documents, and cash-flow analysis. These approaches can be valuable, but they also introduce member friction, operational cost, and sometimes inconsistent judgment. Cash-flow data has boundaries too: if Maria's supplemental earnings move through another account or platform, the account available for analysis may be accurate but incomplete.

The opportunity is not to replace traditional credit. It is to complement it where the picture is incomplete. Credit data tells us about reported borrowing. Cash flow tells us how money moves through accounts available for analysis. Income information helps establish capacity. Other validated data can add context where uncertainty remains.

TRADITIONAL CREDIT TELLS PART OF THE STORY

Maria's actual financial life

Reported borrowing	Rent payments	Debit activity	Gig earnings	History built abroad	Digital identity

VISIBLE IN THE CREDIT FILE

REAL, ACTIVE — BUT NOT CAPTURED THERE

Lack of evidence

When information is limited, it can begin functioning like evidence of risk.

Evidence of risk

A documented pattern of missed obligations, high utilization, or derogatory performance.

These are not the same

A thin file does not answer the question. It only tells you the question is still open.

FIGURE 4 A thin-file borrower may represent higher risk, lower risk, or exactly the level of risk the institution already accepts.

CHAPTER TAKEAWAY

Traditional credit data is not wrong about Maria. It is simply quiet about her.

CHAPTER THREE

The Rise of the Digital Borrower

Maria may have a thin credit file, but she does not have a thin history.

Long before she applied for a loan, Maria was building relationships, establishing accounts, earning income, making payments, shopping, communicating, and managing daily life digitally.

For many consumers, digital is no longer an alternative channel; it is the primary one. Members open accounts from phones, transfer money instantly, earn through apps, pay rent electronically, manage insurance online, and apply for credit without entering a branch. Everyday participation in this digital-first economy creates a digital footprint.

A digital footprint is not a single data point. It is the collection of signals associated with how a digital identity has been established and maintained over time. **An email address or mobile number may be more than contact information: it can function as a persistent identifier connected to a broader digital history.**

WHAT A DIGITAL IDENTITY ACTUALLY CARRIES

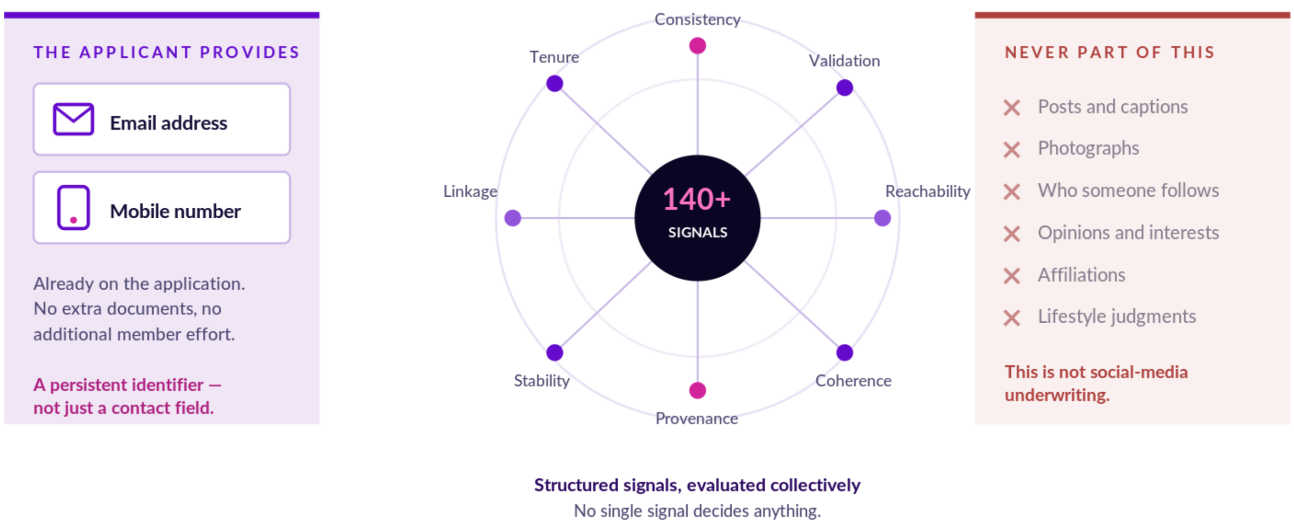


FIGURE 5 Two identifiers the applicant already supplied, a structured signal set, and a hard boundary around what is deliberately excluded.

Traditional credit history asks how long someone has been a borrower. Digital history can add context about how long someone has been an established participant in the digital economy. That distinction becomes particularly relevant for thin-file, first-time, younger, immigrant, ITIN, and other borrowers whose traditional history may be limited even though their broader lives are well established.

That possibility raises a fair objection from any risk executive hearing it for the first time, so it is worth being precise about what this does and does not mean.

SETTING THE RECORD STRAIGHT

What Digital Identity Is and Isn't

WHAT IT IS	WHAT IT IS NOT
— Structured, validated signals associated with the digital identity the applicant already presented on the application	— Social-media underwriting
— Evidence of how long and how consistently an identity has been established and maintained	— Evaluating what someone posts, who they follow, or which photographs they share
— Signals evaluated collectively and systematically, for a legitimate lending purpose	— Judging interests, opinions, affiliations, or subjective lifestyle characteristics
— An input that must earn its place through predictive value, consistency, and explainability	— A decision resting on any single subscription, device, email address, or phone characteristic

The relevant question is not what Maria does online. It is whether validated characteristics of the identity presented in her application can add useful, explainable context to a decision the credit union is already making.

CHAPTER TAKEAWAY

Digital identity is a question of how established someone is, not a question of what they post.

CHAPTER FOUR

Digital Identity as a New Layer of Lending Intelligence

Digital identity becomes useful when it moves from individual signals to validated patterns and when it answers a question the other layers cannot.

No responsible lending decision should hinge on a single subscription, device, email address, or phone characteristic. The value comes from evaluating many signals collectively and determining whether they provide meaningful, consistent information about risk.

Another layer, not another credit box

For borrowers with decades of traditional credit history, additional digital information may contribute relatively little. Maria presents a different challenge: fewer historical credit observations create more uncertainty. The objective is not to compensate for negative credit information. It is to distinguish between a borrower whose existing information indicates unacceptable risk and a borrower whose existing information is simply insufficient to understand the risk confidently.

Existing policy can continue to define acceptable risk. Traditional credit, income, and capacity remain important. Digital identity can potentially add context in the gray areas where limited information pushes applications toward manual review or conservative decisions.

> **Modern lenders do not suffer from a shortage of data. They face a relevance problem.**

New information should earn its place through predictive value, consistency, explainability, governance, and responsible use. The goal is not to build the largest possible picture of Maria. It is to build a more useful one.

Used appropriately, additional intelligence can also support operational efficiency. The borrowers for whom institutions have the least information often require the most expensive decisioning process. If validated data can reduce uncertainty earlier, skilled underwriters can focus on cases where human judgment genuinely adds value.

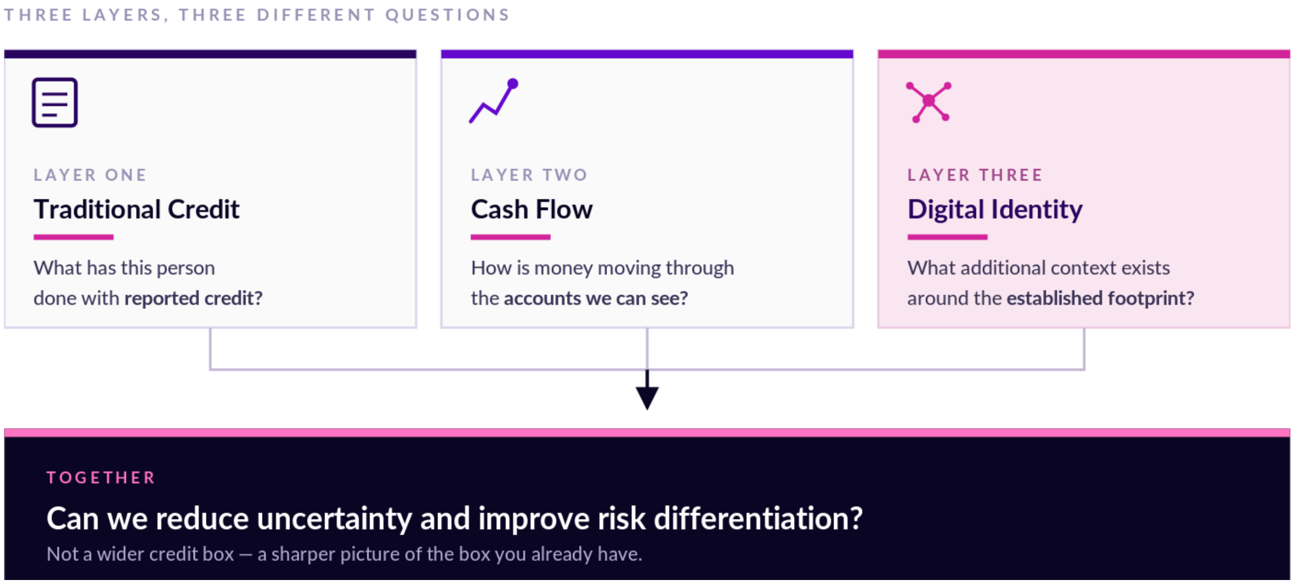


FIGURE 6 Each layer answers a question the others cannot. The objective is a more useful picture, not the largest possible one.

CHAPTER TAKEAWAY

Another layer of intelligence, not another credit box. Policy still defines acceptable risk.

CHAPTER FIVE

Financial Inclusion Doesn't Have to Mean Higher Risk

Inclusion is often framed as a tradeoff: serve more borrowers or protect credit quality. That framing assumes every declined borrower represents risk the institution does not want.

In reality, some applicants are declined because available information clearly places them outside policy. Others may be declined or sent to manual review because the institution cannot confidently determine where they belong. Those are different problems with different solutions.

TWO REASONS AN APPLICATION IS HARD TO DECIDE

DIAGNOSIS A

Unacceptable risk

The information available is sufficient, and it places the applicant outside the credit union's stated appetite.

Decline with confidence.

DIAGNOSIS B

Unresolved uncertainty

The applicant may well fit inside the existing appetite, but the available information cannot establish it.

Reduce the uncertainty.

FIGURE 7 A decline can reflect unacceptable risk or unresolved uncertainty. Lending leaders should know which one their process is identifying.

The opportunity is not to turn a borrower outside the credit union's risk appetite into an approval. It is to more accurately identify borrowers who may already fit within that risk appetite but are difficult to recognize with the information available today.

Imagine 1,000 thin-file applicants. Traditional data may make many of them look similar, but they are not identical borrowers. Some will perform well, some poorly, and others somewhere in between. **The challenge is segmentation.** Additional validated information may help distinguish risk within a population that previously looked relatively homogeneous.

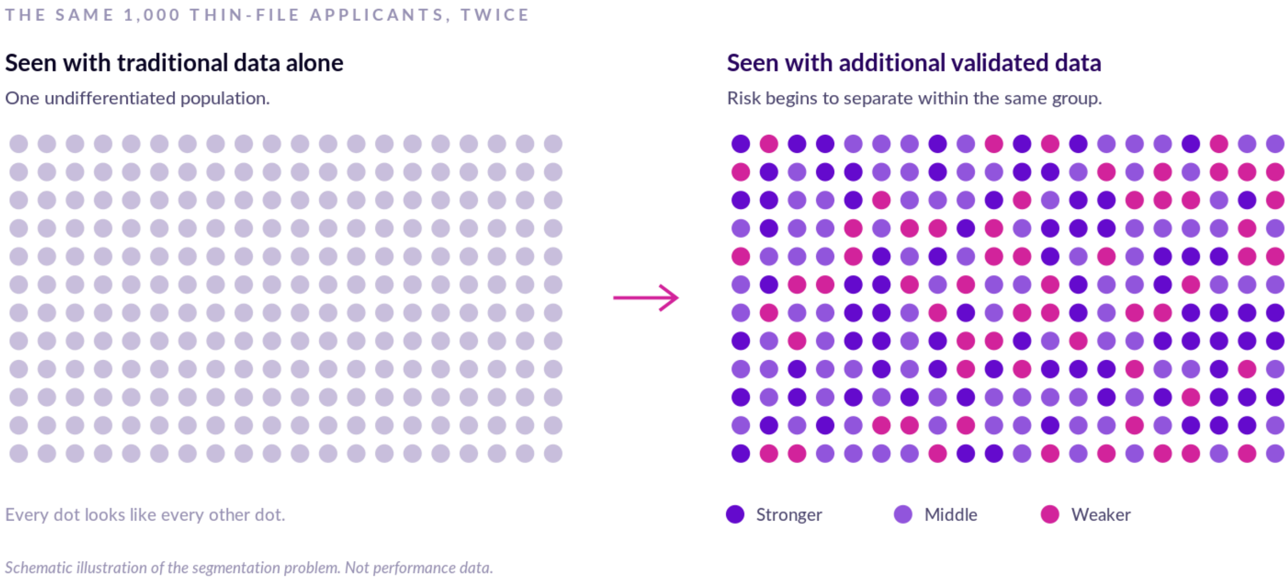


FIGURE 8 The population does not change. What changes is the institution's ability to tell its members apart.

Better information should improve decisions in both directions

For one borrower it may increase confidence; for another it may reinforce a decline; for a third it may identify a genuine need for additional review. Responsible financial inclusion should therefore be measured by decision quality, not simply approval volume.

> **The strategic question is not "How much more risk are we willing to take?" It is "Can better information help us recognize more accurately the risk we are already willing to take?"**

Responsible growth may already be hiding inside the existing lending funnel, specifically, in the gray area between clear approvals and clear declines.

FIGURE 9 If a credit union can reduce uncertainty in the gray area without changing what it considers acceptable risk, inclusion becomes less about exceptions and more about precision.

CHAPTER TAKEAWAY

Measure inclusion by decision quality, not approval volume. Precision, not exceptions.

CHAPTER SIX

How Progressive Credit Unions Are Modernizing Lending

Modernization does not require a new mission, a wholesale policy rewrite, or a rip-and-replace technology project.

Forward-looking institutions can begin by identifying where the existing lending process creates uncertainty, friction, inconsistency, or unnecessary manual work.

FOUR PLACES TO LOOK FIRST — NO POLICY CHANGE REQUIRED

FIGURE 10 Modernization can begin inside the process an institution already runs.

Declines are a source of intelligence

Which rules drive the greatest volume? Which borrowers are declined because of clear unacceptable risk, and where is limited information making differentiation difficult?

So is manual review

What does an underwriter learn during review that was unavailable at the initial decision, and could some of that information have been available earlier? The goal is not to remove underwriters. It is to reserve human expertise for cases where judgment changes the outcome. A digital application layered on top of document-heavy manual underwriting is not necessarily a modern member experience.

Improve segmentation before changing policy

Rather than creating a blanket “thin-file strategy,” institutions can ask whether additional validated information helps distinguish among thin-file borrowers, manual reviews, exceptions, or other populations that broad rules currently treat similarly.

Start with testing

Historical applications and outcomes allow institutions to evaluate whether new information would have improved differentiation before changing live underwriting. Modernization is not change for the sake of change; it is the disciplined pursuit of better lending decisions.

CHAPTER SEVEN

Introducing the Global Inclusion Score

One practical application of everything above: an additional layer of lending intelligence for consumers whose traditional credit histories may not tell the full story.

Using an applicant's email address and mobile phone number, the Global Inclusion Score evaluates more than 140 signals associated with digital identity and footprint, and translates those patterns into a standardized score that can complement traditional underwriting inputs.

The Global Inclusion Score is not intended to replace a credit bureau score, income verification, lending policy, or the credit union's decision. It addresses a narrower question: when traditional information leaves uncertainty, can an applicant's digital footprint provide additional predictive information that helps the lender better understand risk?

The approach begins with identifiers the applicant already provides. That creates the possibility of adding intelligence without requiring another package of documents simply to generate the score. For a thin-file or nontraditional borrower like Maria, that can matter because additional member effort is often one of the hidden costs of inclusion.

The score is designed for differentiation, not indiscriminate approval expansion. Potential use cases include thin-file and no-file borrowers, first-time borrowers, younger consumers, ITIN borrowers, immigrants with limited U.S. credit history, and other populations where traditional information is limited.

Why “Global”

Traditional credit histories are often tied to national financial systems. A consumer can build a responsible financial life in one country and arrive in another with little domestic credit history. Digital identity can provide another layer of context around a person whose traditional domestic file begins much later than their actual financial life.

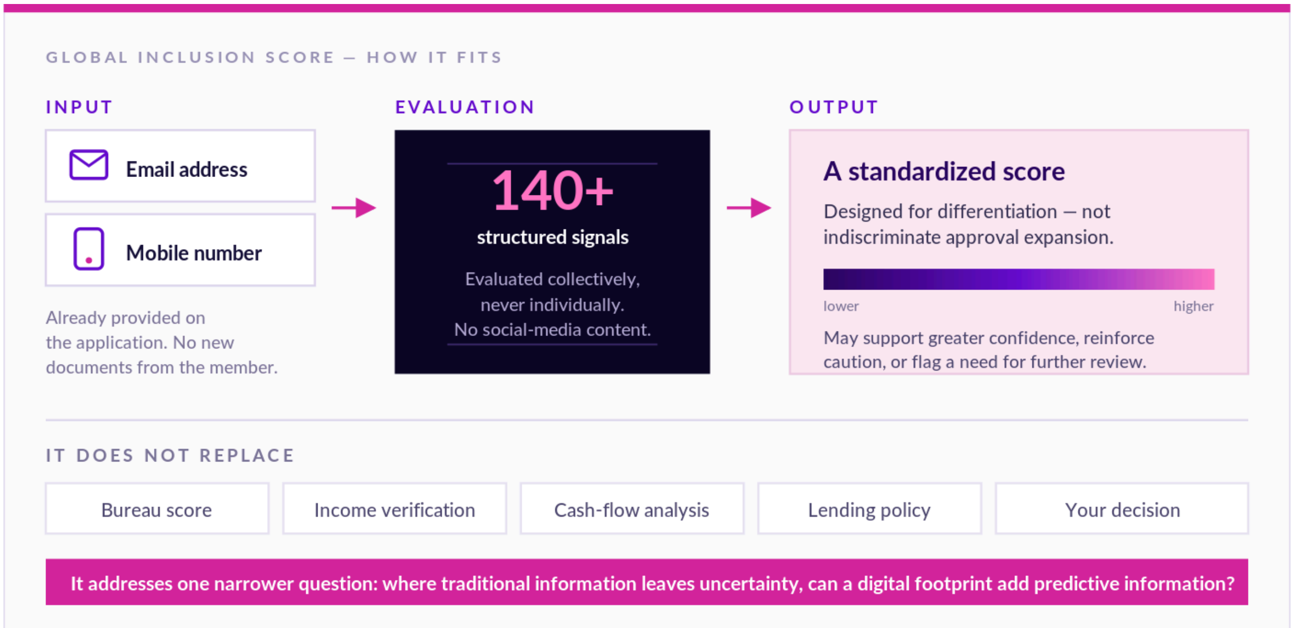


FIGURE 11 The score is positioned as a supplement to existing inputs, applied where uncertainty is greatest.

> **A score is only valuable if it works for the institution using it. That is why the next step is not implementation. It is validation.**

CHAPTER TAKEAWAY

Two identifiers the member already gave you. One narrower question. No new documents.

CHAPTER EIGHT

Validate Before You Change

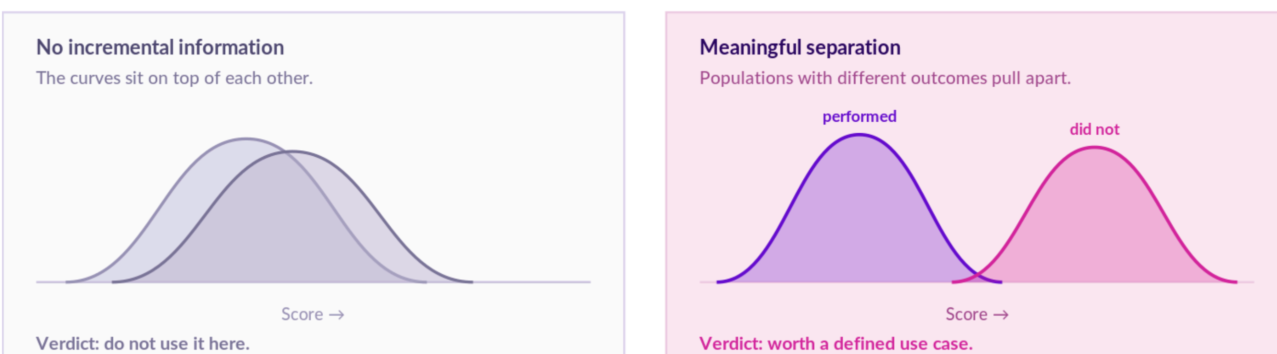
Before a credit union introduces a new score into production, changes a cutoff, or alters policy, it should ask whether the approach works for its borrowers, portfolio, and lending strategy. Historical data makes that question testable.

Approved loans with sufficient seasoning can provide known performance outcomes. Manual-review populations can show where uncertainty and operational effort concentrate. Thin-file populations can reveal whether new information adds differentiation where traditional observations are limited. Declines can identify opportunity populations, although institutions should be careful not to infer performance outcomes they do not actually observe.

A blind historical validation or back-test can compare the Global Inclusion Score against historical populations without changing the original decisions. **The first question should not be "How many more could we approve?"** It should be whether the score separates populations with meaningfully different performance and provides incremental information beyond what the institution already knows.

Validation should also reveal where a new capability does not add enough value. A score might be informative for thin-file personal loans and unnecessary for deep-file prime borrowers. It might add value in manual review but little elsewhere. Appropriate use is more important than maximum use.

THE ONLY QUESTION A BACK-TEST HAS TO ANSWER



Schematic illustration of what a validation is looking for. Not performance data from any institution.

FIGURE 12 Validation should also be able to say no. A score might be informative for thin-file personal loans and unnecessary elsewhere.

THE SEQUENCE MATTERS

FIGURE 13 If evidence supports moving forward, the institution can then define use cases, governance, monitoring, and implementation.

Maria's story then becomes a portfolio question: how many borrowers like her already exist in the funnel, where does uncertainty affect outcomes, and can additional information make a measurable difference?

> **You do not have to change underwriting to test whether underwriting could be better.**

CHAPTER TAKEAWAY

A validation that says “not here” is a successful validation. Appropriate use beats maximum use.

CHAPTER NINE · ONE-PAGE EXECUTIVE CHECKLIST

Five Questions Every Lending Executive Should Ask

Share this page with your lending, risk, and operations leaders. Each question can be answered with data your institution already holds.

- [ ] **01 Are we accurately identifying every borrower who fits within our existing risk appetite?**

  A decline can reflect unacceptable risk or unresolved uncertainty. Lending leaders should understand which one their process is identifying.

- [ ] **02 Where is uncertainty creating friction in our lending funnel?**

  Examine referrals, documentation requests, manual reviews, exceptions, and slow decisions. Ask what information underwriters are trying to uncover before they can make a confident decision.

- [ ] **03 Does our lending data reflect how our members actually live and earn today?**

  One employer, one paycheck, one primary account, and a long domestic credit history are no longer universal. Underwriting inputs should reflect the population being evaluated without collecting data simply because it exists.

- [ ] **04 What is hiding inside our declines and manual reviews?**

  Analyze which rules drive outcomes, where borrower segments concentrate, how often manual review changes decisions, and what booked-loan performance teaches about populations that appeared similar at application.

- [ ] **05 Can we test a better approach before we change anything?**

  Establish what evidence your team would need to see in historical data before a new source of information influences live decisions.

These five questions lead to one larger question: **are we making the best possible lending decisions with the information available today?** Financial inclusion begins with understanding where the current process leaves meaningful uncertainty and whether that uncertainty can be responsibly reduced.

WHO SHOULD CARE, AND WHY

CLO / VP LENDING	CRO	CEO	LENDING OPS	CDFI / LICU LEAD
Gray-area volume, declines, and responsible growth	Differentiation, validation, and existing appetite	Mission, growth, and lending modernization	Manual review, documentation, and member friction	Inclusion without a separate credit box or exception program

FIGURE 14 The same thesis gives different executives a different reason to care.

CONCLUSION

Financial Inclusion Starts With Better Understanding

Maria began this guide as a borrower who did not fit neatly into the traditional lending picture: stable employment, supplemental gig income, an active financial life, an established digital presence and a thin traditional credit file.

Her story captures the central challenge for credit unions: borrowers have changed. Traditional credit remains essential, but it was designed to tell a specific story about reported borrowing. For some consumers that story is rich; for others it is only one part of the picture.

Financial inclusion does not require lower standards. A thin-file borrower is not automatically a good borrower, just as limited history is not automatically evidence of unacceptable risk. Better information should improve decisions in both directions: supporting confidence where appropriate, reinforcing declines where warranted, surfacing additional risk, and reducing unnecessary manual review.

Modernization also does not mean starting over. Credit data, income, cash flow, human judgment, and emerging sources such as digital identity can each contribute different information. The opportunity is to make those components work together more effectively.

So should Maria receive the loan?

We still do not know and that is the point. The objective was never to find a way to approve Maria. It was to ensure that whatever decision her credit union makes reflects the most complete, relevant, and responsible understanding of her risk that the institution can reasonably obtain.

> **Financial inclusion is not about seeing borrowers differently. It is about seeing them more completely.**

The future of financial inclusion is not approving everyone or using more data simply because it exists. It is making better-informed decisions.

ABOUT

About Quash AI

Modern lending intelligence for the modern borrower.

Quash AI provides lending intelligence and decisioning technology designed to help financial institutions better understand risk, identify responsible growth opportunities, and modernize lending using the data and processes they already have while incorporating additional information where it can improve decision quality.

Three capabilities, one principle

The Global Inclusion Score provides additional intelligence for borrowers whose traditional credit histories may not fully represent them.

Predictive decisioning supports institution-specific risk intelligence using historical lending data, bureau information, policy, and portfolio performance.

Credy, Quash's generative AI lending intelligence assistant, helps institutions explore portfolio insights, lending strategies, and policy scenarios.

The approach is modular. A credit union can begin with a specific use case — thin-file lending, decline analysis, manual review, or historical validation — without replacing its existing lending environment. The principle is the same throughout this guide: **validate before you change, and use better information where it demonstrably improves lending decisions.**

THE PRINCIPLE

Validate before you change. Use better information only where it demonstrably improves lending decisions.

ABOUT

About the Author

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Ruthie works with credit union leaders to explore how data, predictive intelligence, and AI can support more informed lending decisions, expand financial inclusion, and drive responsible growth. Her work focuses on helping institutions better leverage both traditional and alternative data to uncover opportunities that may not be visible through conventional underwriting alone.

She has held leadership roles across financial technology, market research, public relations, and operations. Since entering fintech and financial services, she has focused on helping financial institutions evaluate, validate, and adopt data-driven technologies.

Her approach centers on a principle reflected throughout this guide: the strongest lending strategies begin with better data. Modernization should start with the lending challenge, be validated using each institution's own portfolio and performance data, and apply predictive intelligence where it delivers measurable business value.

TAKE THE NEXT STEP

Could this opportunity exist in your lending funnel? Let's find out using your own data.

You do not have to change policy, introduce a new score into production, or rebuild your lending process to begin answering that question. **Start with the data you already have.**

REQUEST

Financial Inclusion Lending Assessment

A structured review that helps your team identify where information gaps may be creating missed opportunity, unnecessary manual review, or difficulty differentiating risk within your current funnel and whether historical validation of the Global Inclusion Score would be valuable. The goal is not to assume that more approvals are the answer. It is to understand what your current lending process may not be seeing.

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