

# Pre-Qualified vs. Pre-Approved Offers

## What's the difference and why offering both can benefit your consumers—and your financial institution, too.

We've all heard the phrases "pre-qualified" and "pre-approved" when it comes to loans. But raise your hand if you're not exactly sure how those credit offers differ from one another and which is a better fit for your bank or credit union.

Here's a primer that can help.

### The basics are pretty similar.

There are three ways in which pre-qualifications and pre-approvals are almost identical:

- They both rely on analyzing credit report data and selecting consumers whose credit rating is a good match for your institution's risk tolerance for a given type of credit (credit card, mortgage, auto loan, etc.).
- They both require a soft credit pull—though the criteria used to determine who receives a pre-approved offer is sometimes more thorough than for a pre-qualified offer.
- They're both typically based mostly on credit report data and may require additional documentation (such as income verification).

### The biggest difference? Consumer consent.

To receive a **pre-qualified offer**, a consumer needs to actively request to see credit offers they're likely to qualify for. The consumer is in control and won't receive one unless they opt in. In addition, a **pre-qualified offer** will give consumers a good estimate of what they are likely to qualify for.

However, it is important to note that for pre-qualified offers, a hard credit pull and often further information, like income detail, are required at the time of application to provide full credit approval.

With **pre-approved offers** the financial institution selects consumers who meet their credit criteria and proactively sends them an offer. In other words, unlike pre-qualified offers, the consumer doesn't actively request to see **pre-approved offers**. Because more extensive screening is done upfront, a hard credit pull may not be needed at the time of application in many instances.

## **Your financial institutions—and your consumers—can benefit from both types of offers**

Most financial institutions use a combination of pre-approved and pre-qualified offers. Using both offer types casts the widest net possible when it comes to loan growth. Pre-qualifications reach consumers who opted in and are actively looking for credit offers. And, for those who haven't expressed an explicit interest, pre-approvals still enable you to get the best offers in front of your most valuable customers, those whose credit profiles meet or exceed your lending standards.

## **Pre-qualified and pre-approved offers share these additional benefits too**

In addition to potentially boosting loan volume, using screening tools to determine who receives pre-qualified and pre-approved offers also delivers the following:

- **Operational efficiency.**

Making offers to only those consumers who are likely to be approved for credit reduces unnecessary credit score processing costs and fees.

- **Customer goodwill.**

When a customer sees an “as low as” rate offer, they tend to assume they'll qualify for something in that ballpark. But unless they've got stellar credit, their actual rate is likely to be higher—and, potentially, much higher. Relying on data to create personalized offers alleviates customer disappointment and frustration and helps to build a sense of transparency and trust with your user base.

- **Improved financial wellbeing.**

Making it easy for consumers to learn about and take advantage of better credit options could go a long way toward cutting their credit costs and boosting their financial health.

## **How to maximize the value of your pre-qualification strategy**

Instead of requiring consumers to raise their hands every time they want to see the credit offers available to them, you can rely on innovative credit score solutions. The more robust solutions enable you to seamlessly integrate real-time credit score visibility directly into your existing mobile and online banking experience while also offering extensive loan marketing and offer engine capabilities.

Consumers who opt in to leverage these solutions are also opting in to pre-qualified offers. And this consent gives you carte blanche to show them all the offers and products they might be eligible for.

## How to find a best-in-class credit score solution

Finding the right credit score solution can be a game-changer for your organization. Look for these features when evaluating your options:

- **Real-time data access.**

Unlimited access to real-time credit data—including competitive insights, wallet share information and data analysis tools—saves you time and money by eliminating the need to buy and load credit bureau data every time you want to run a campaign.

- **Actionable data analysis.**

The value of data comes from unlocking the strategic insights that it holds. Ensure you have the ability to easily segment and analyze your portfolio in a variety of ways—spend, share-of-wallet percentage, and of course, real-time credit criteria—to surface new growth opportunities and execute high-performing campaigns.

- **Offer engine & digital marketing capabilities.**

Look for a solution that leverages automation to seamlessly translate growth opportunities into high-performing, personalized pre-approval and pre-qualification marketing campaigns.

- **Personalization and interactive tools.**

Increase consumer engagement and conversion with just-for-them offers. For example, some solutions allow you to present highly personalized, targeted car loan offers that include the actual dollars the customer will save from refinancing with you. And interactive calculators make it easy for your consumers to calculate the dollars they can save with your rates.

- **Reporting and tracking tools.**

See which offers your customers are engaging with to understand what is and isn't working. This also allows you to run successful remarketing campaigns (e.g., know which customers clicked on an offer but didn't submit an application so you can follow up with them again).

Finding a partner to help you optimize a mix of pre-qualified and pre-approved strategies allows you to maximize your marketing and reach in the most cost-effective way to build stronger and deeper relationships and consumer goodwill.