

Credit Scoring: Data and Decisioning

What should scoring do for collections?

Tallyman Customer Partnership Conference: Best Practice in Credit Management & Collections

***Le Meridien Queen's Hotel, Leeds,
Wednesday 19th June 2002***

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SCOREPLUS

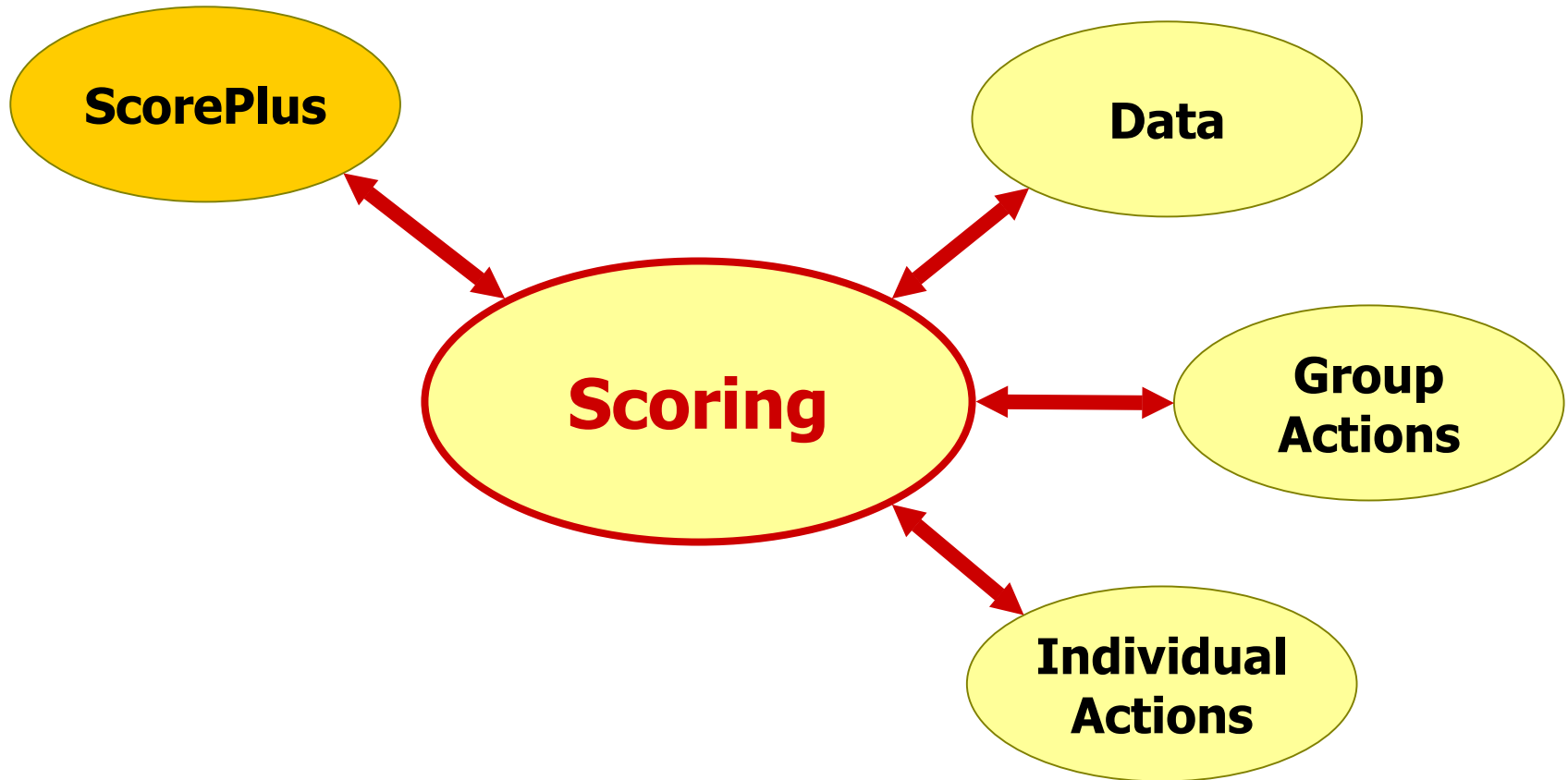
www.scoreplus.com



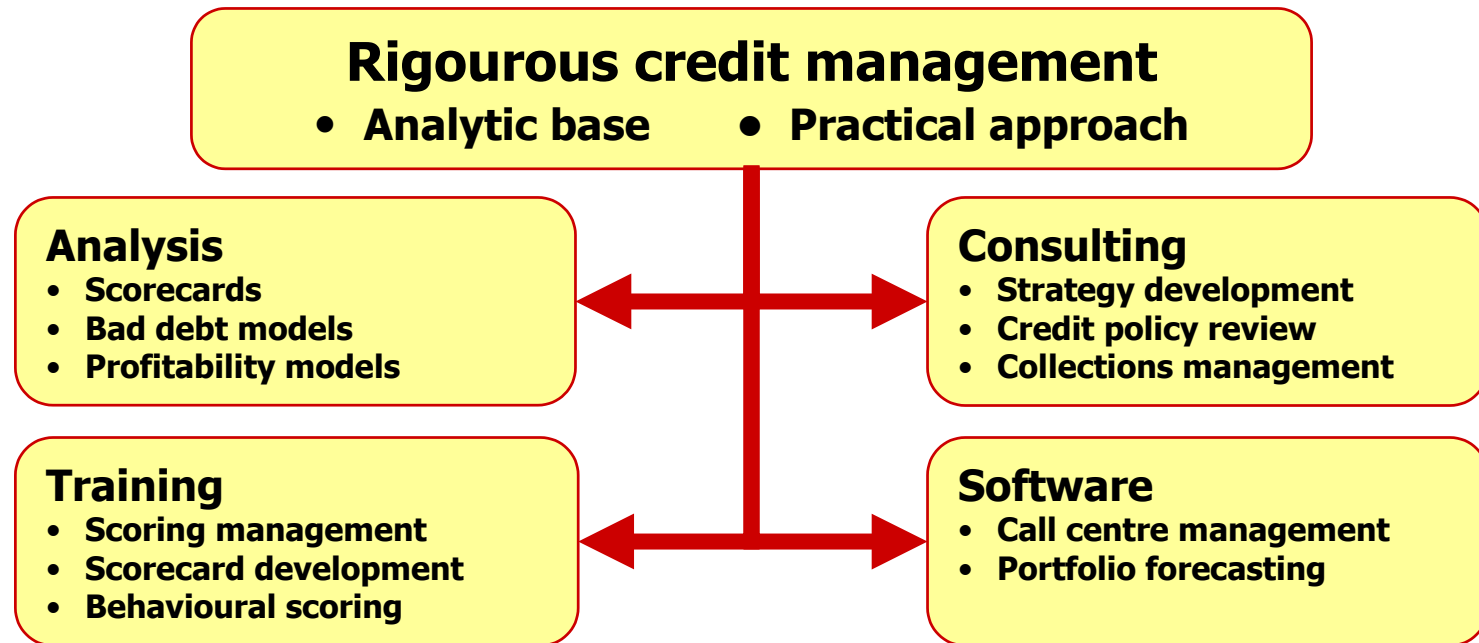
→ data → information → profit

Credit Scoring, Data and Decisioning

Structure of Presentation



What is ScorePlus?

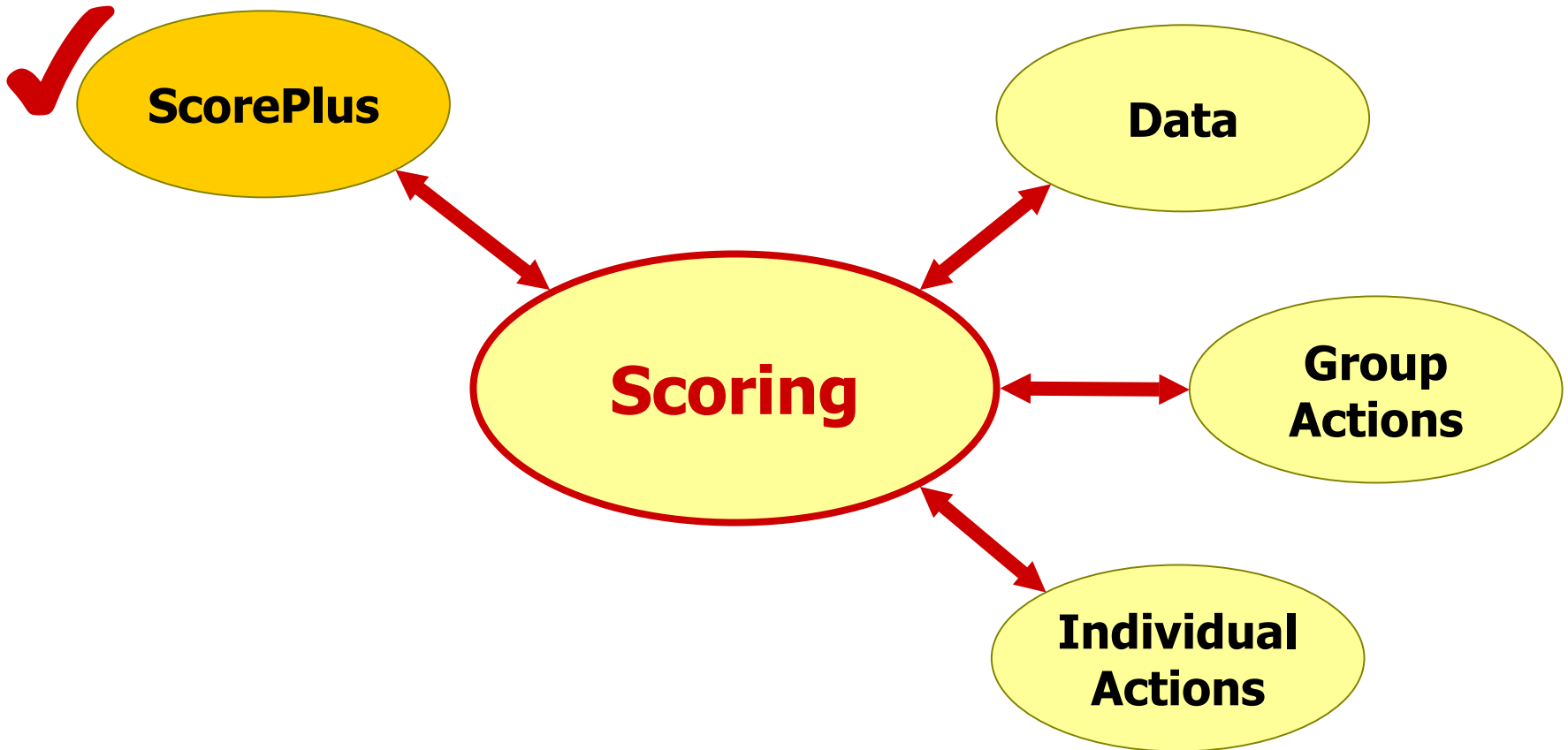


Clients include:

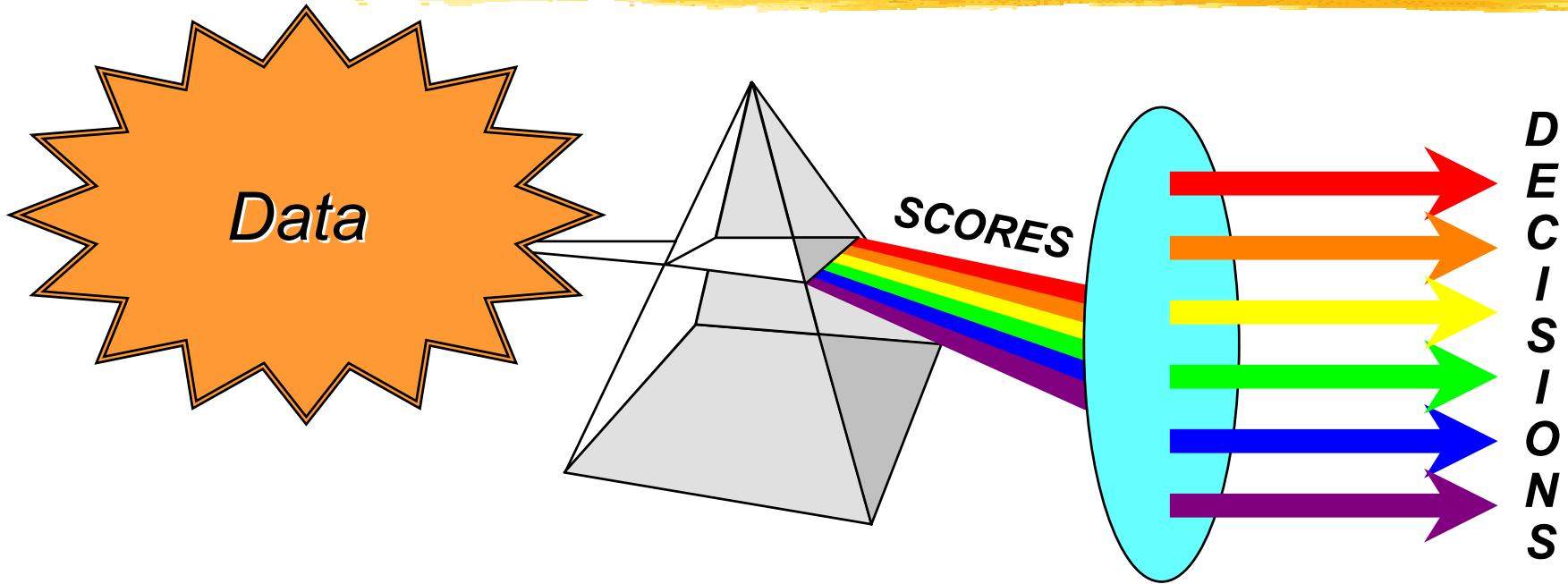
Barclays Bank
Royal Bank of Scotland
The Standard Bank of South Africa

Halifax
Orange
Littlewoods

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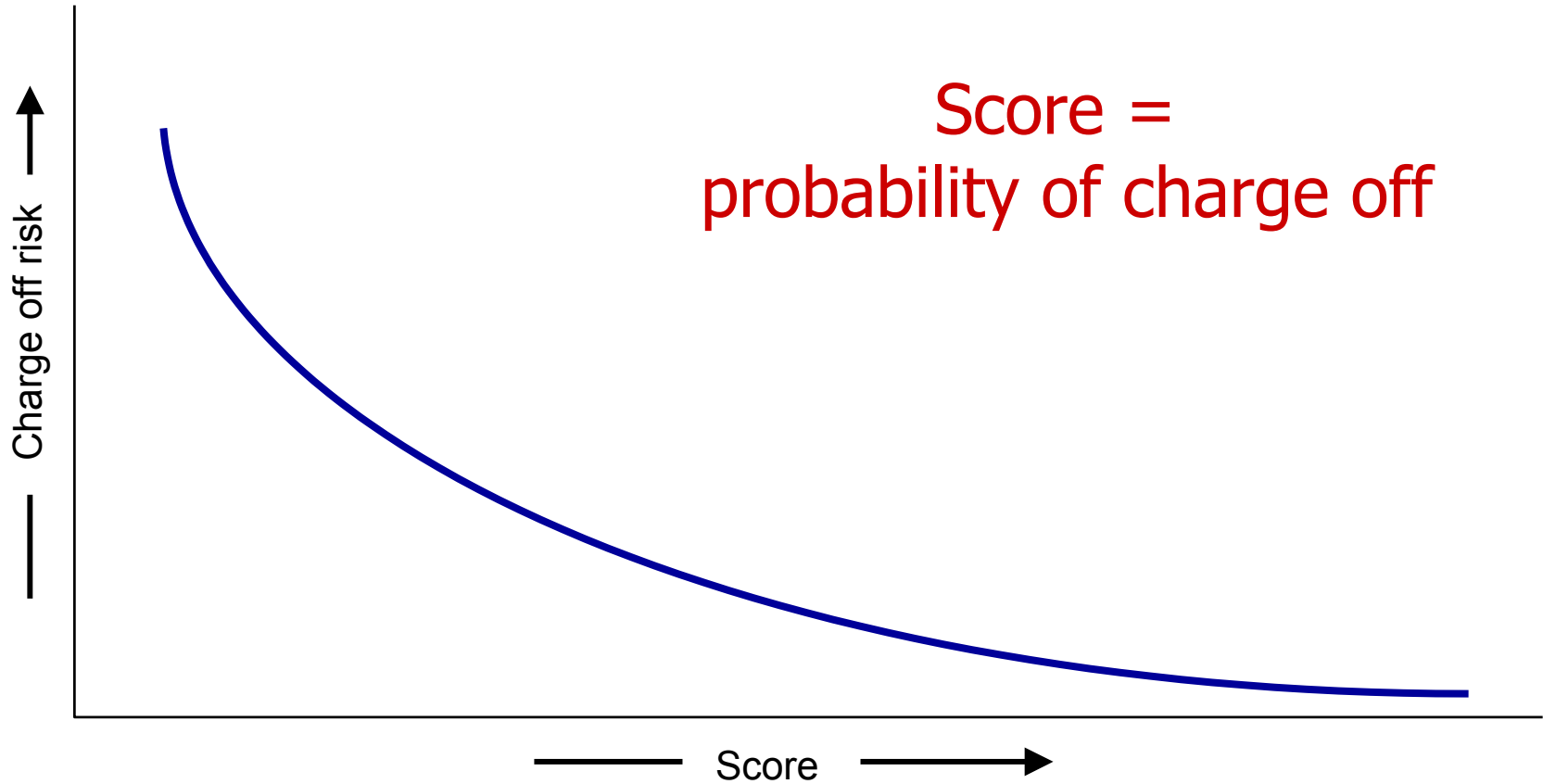


Scores structure data



- ◆ Scores consolidate existing data
- ◆ Focus on one aspect of customer behaviour
 - ◆ e.g. charge off risk on entering collections
- ◆ Give numerical estimate of expected behaviour

Collection scores: Measure underlying customer risk

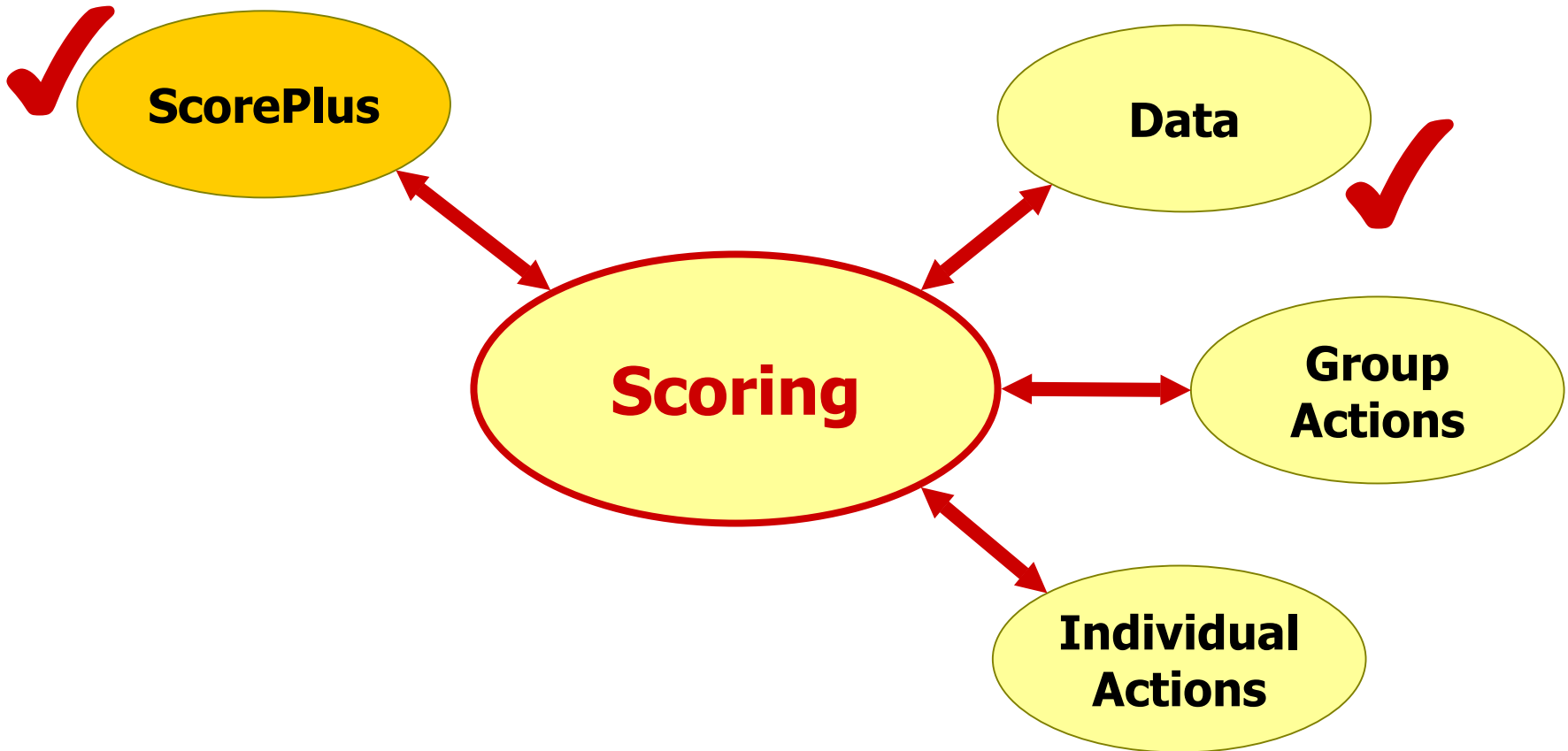


Example data sources: Collection scores

- ◆ Predictive power determined by quality and range of data

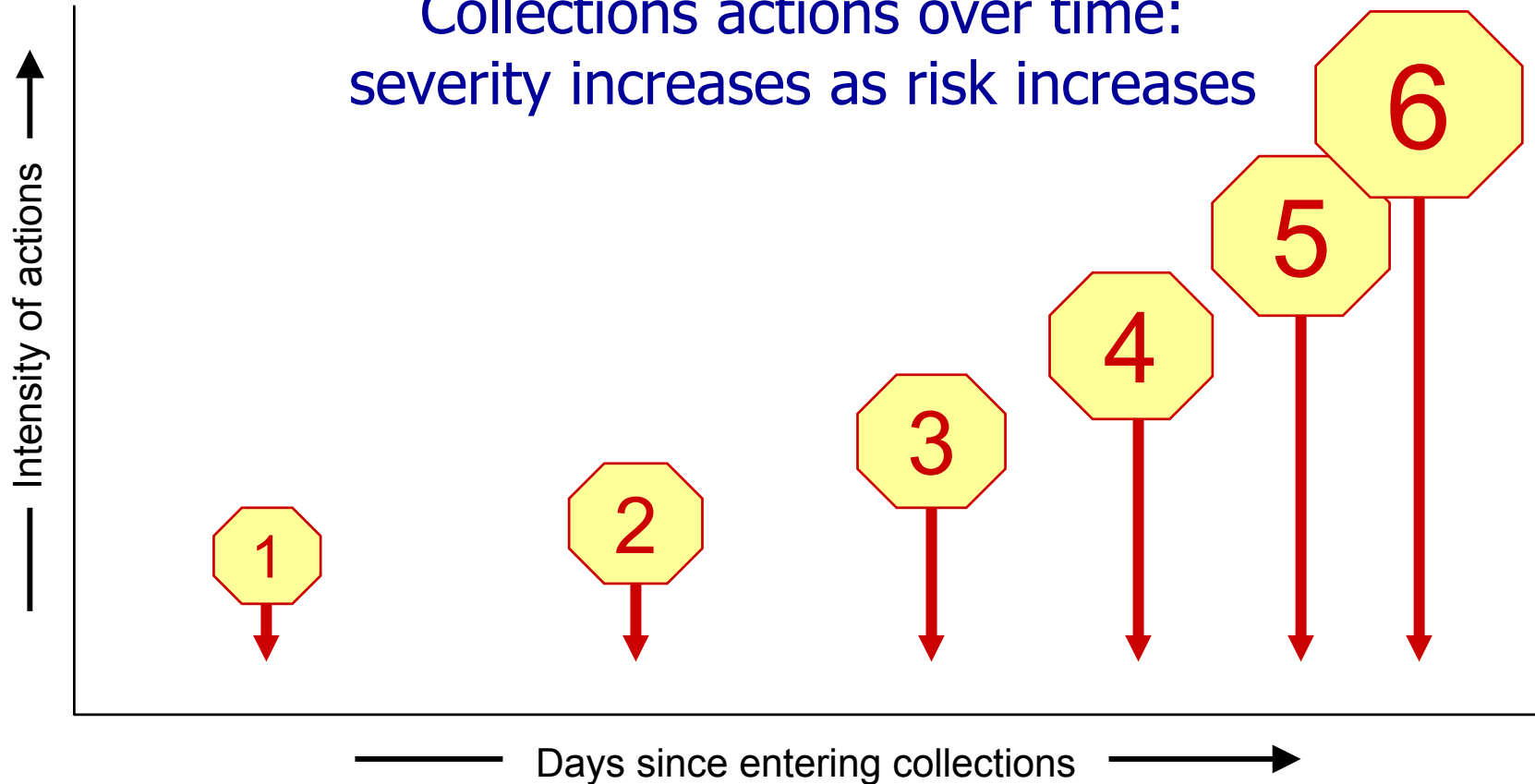
Data Source	Use in collection scores
Application data	Frequent
Account history	Frequent
Credit bureau	Sometimes
Collections history	Negligible
Calling history	Negligible

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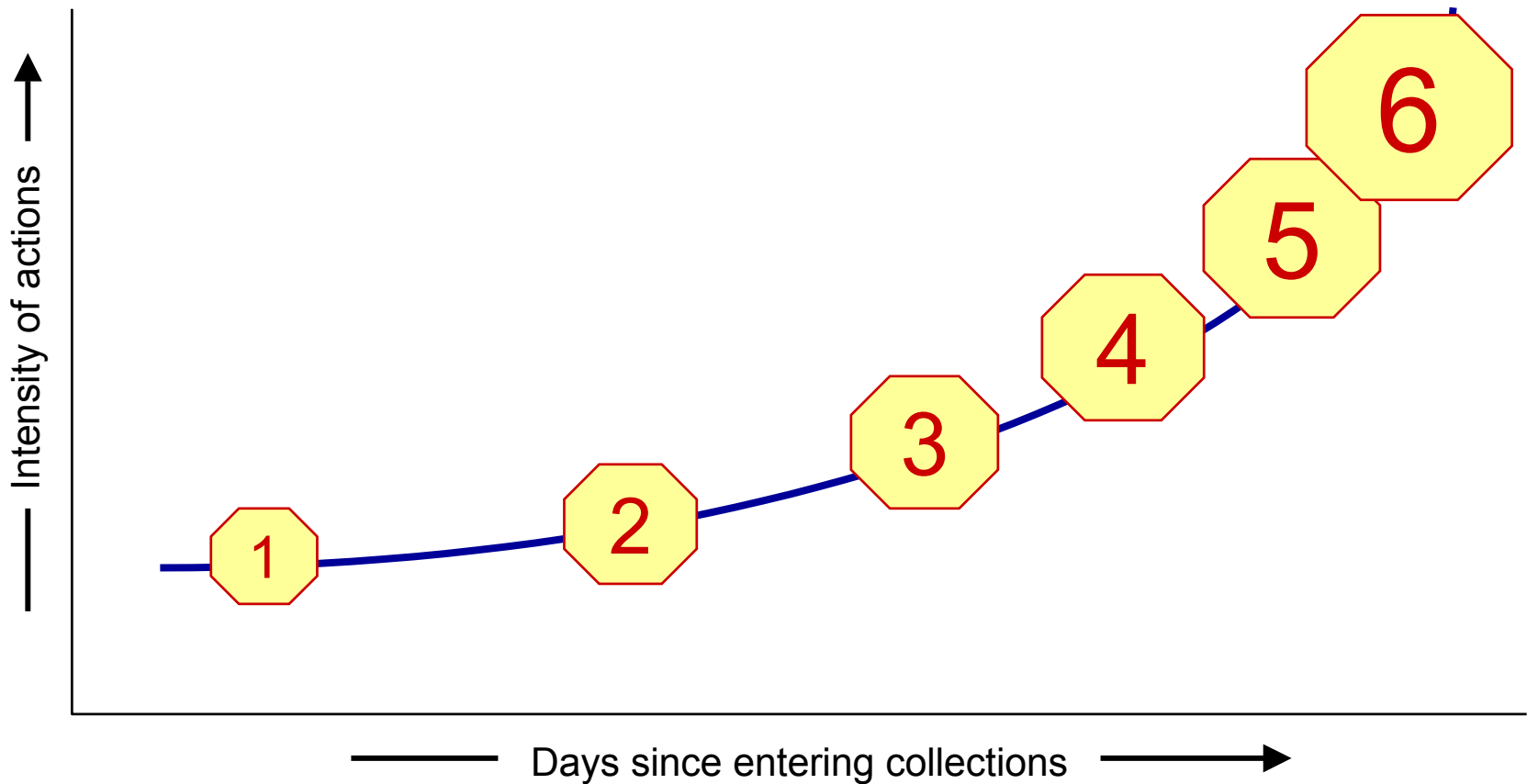


Typical collections action path

Collections actions over time:
severity increases as risk increases

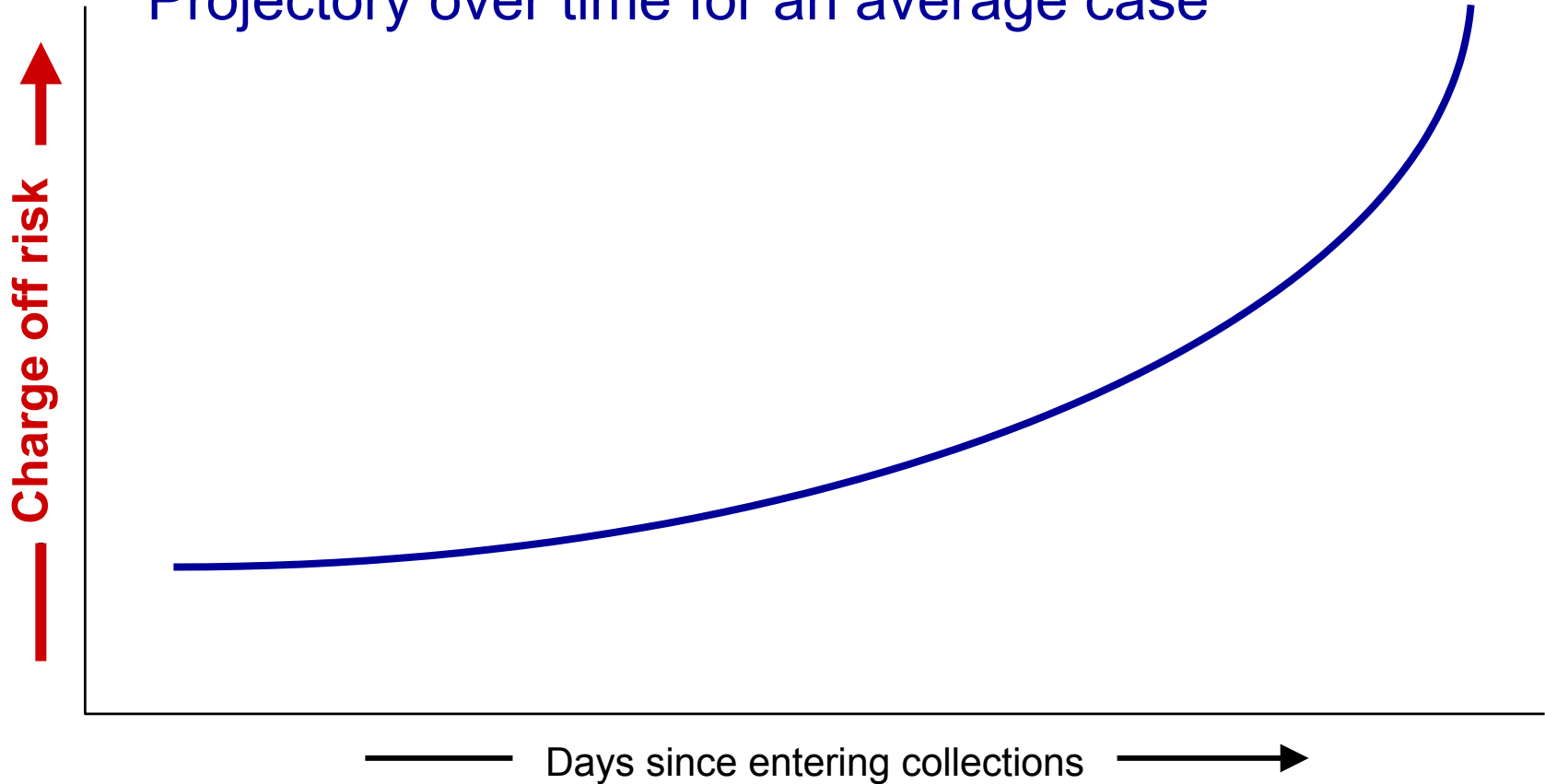


Actions equate to perceived risk



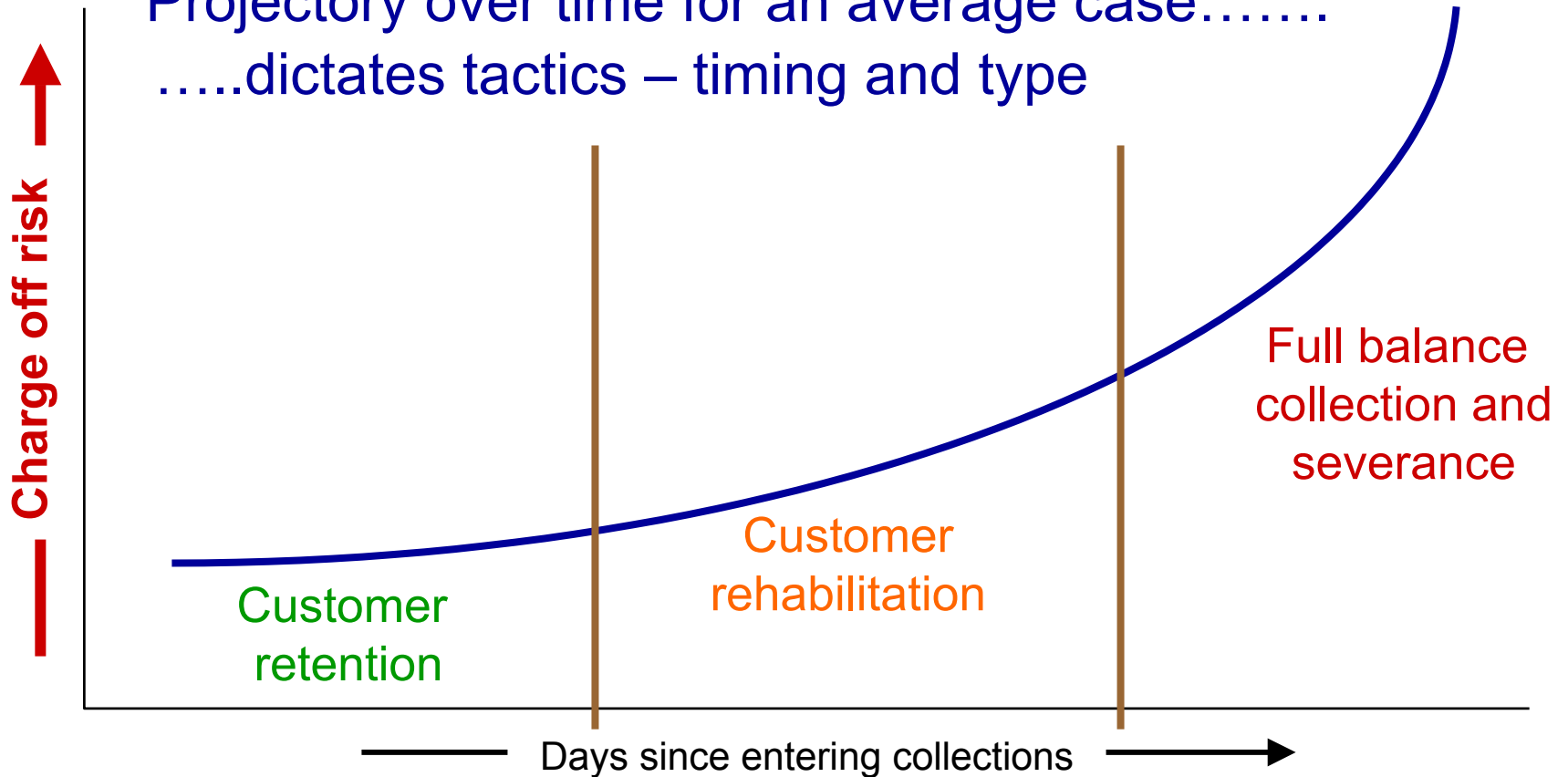
Actions equate to perceived risk

Projectory over time for an average case



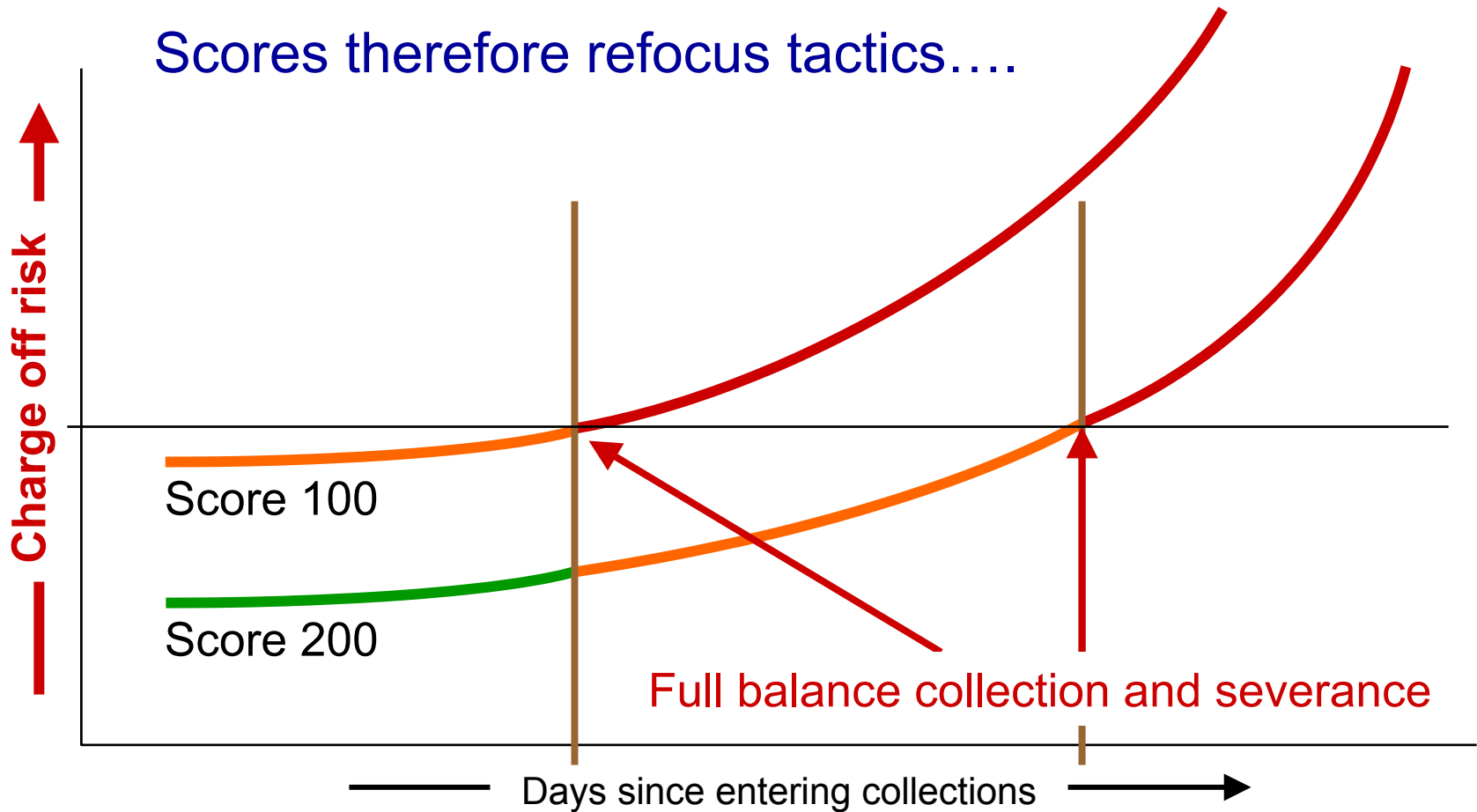
Actions equate to perceived risk

Projectory over time for an average case.....
.....dictates tactics – timing and type



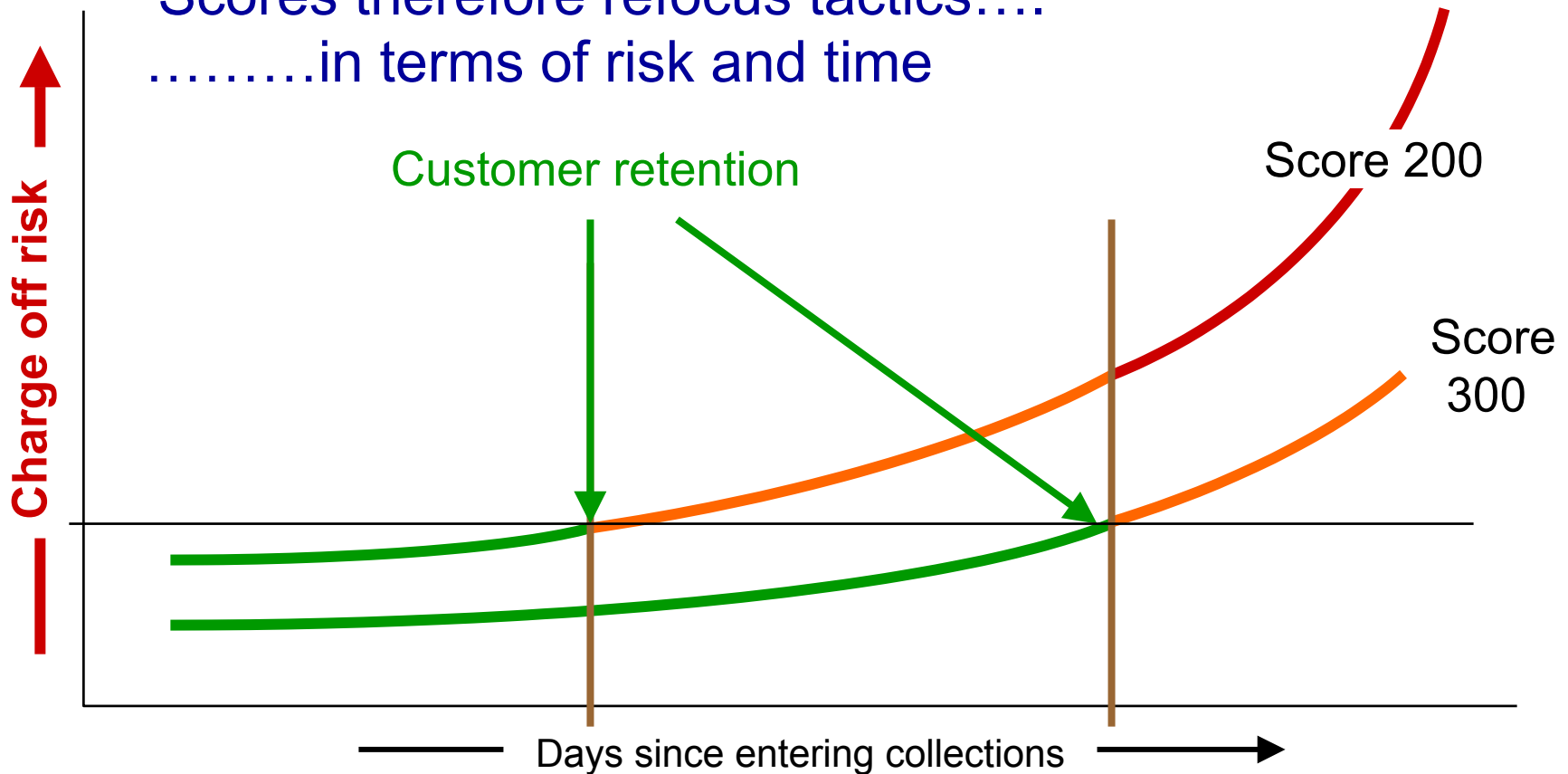
Collection scores: identify risk “at entry”

Scores therefore refocus tactics....

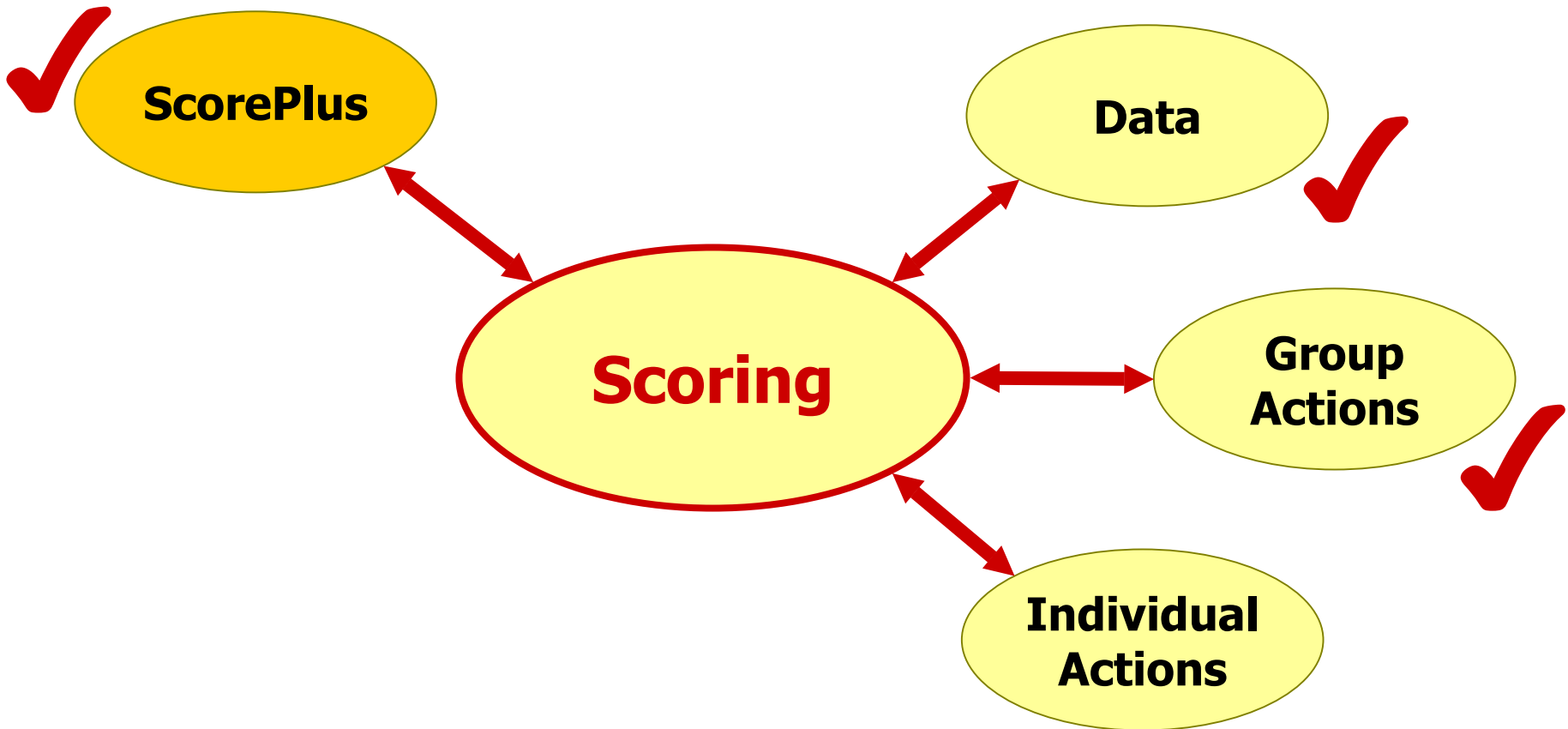


Tactics relate to entry risk and time in collections

Scores therefore refocus tactics....
.....in terms of risk and time



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Example data sources: Collection scores

Data Source	Use in collection scores
Application data	
Account history	✓
Credit bureau	
Collections history	✗
Calling history	

Consequence: score minor component of strategies

Solution: Campaign-based scores

- Model 1: collection action:
Score 1



- Model 2: collection action:
Score 2



- ◆ Build two score models to test outcomes
- ◆ Captures action and reaction
 - ◆ collections history key component

Who-to-call example

Account	Probability of Payment With a Collection Call	Probability of Payment With no Collection Call
No. 1	18%	17%
No. 2	25%	5%
No. 3	30%	15%
No. 4	60%	58%

↑
Charge
off risk



vs



When-to-call example

- ◆ Build contact models for each hour of the day
 - ◆ scores identify calling potential
- ◆ Captures action and reaction
 - ◆ calling history key component

	Morning	Afternoon	Evening
Account 1	40	60	70
Account 2	30	40	40
Account 3	10	50	60

When-to-call example

- ◆ Build contact models for each hour of the day
 - ◆ score identifies calling potential
- ◆ Captures action and reaction
 - ◆ calling history key component

	Morning	Afternoon	Evening
Account 1	40	60	70
Account 2	30	40	40
Account 3	10	50	60

Collection scores

Data Source	Collection scores	
	Type	Uses
Application data Account history Credit bureau	Risk at entry	Group tactics
Collections history Calling history	Campaign	Individual actions

Consequence: score major component of strategies

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