

Automated application scorecards for real-time decisioning and improved credit portfolio minimizing default risk



Client

- A leading financial institution in Abu Dhabi with differentiated 'New to Bank' retail offerings
- Fully owned by the investment council of the local government
- Offers variety of products in retail, corporate, wealth and Islamic banking

Need

- Implement both generic and product specific scorecards that would assist in accepting/rejecting decisions for all retail bank products
- Reduce turnaround time for retail applications resulting from manual process of calculating the score value for each application
- Create a uniform process for scoring and standardize both the scorecard and also the process of application scoring
- Deploy a solution to track the performance of applicants based on scoring decisions

Approach

- Develop custom application scorecards based on the client's available data and by utilizing D&B's analytics team experience in building scorecards for the region

Results

- Improved turnaround time by more than 70%
- Scoring facilitated for more than 95% of the applications
- MIS dashboards provided sufficient information on scorecards and portfolio performance enabling the risk team to initiate appropriate action
- Enhanced credit portfolio monitoring and control

Generation of automated scorecards based on specific parameters for efficient application processing

The client was looking to implement both generic and product specific application scorecards for its key retail products. The objective was to support their existing application processing to have automated scoring based on pre-defined criteria.

D&B's standardized retail application scoring models enable effective credit decisions and assess customer risk

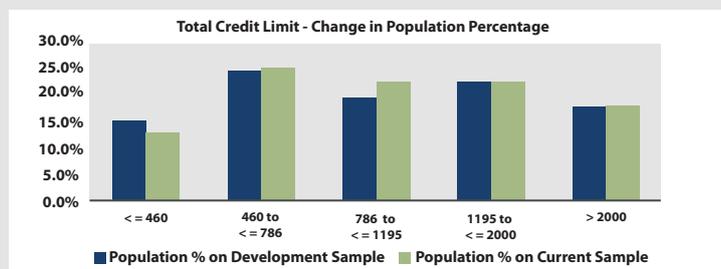
By leveraging extensive experience in building retail application scoring models in the region, D&B built four scorecards, one generic for multiple retail products and three product specific scorecards based on the available information with the client. The application score was built to assess the potential risk that a new customer will become delinquent, write-off, or exhibit some other type of irregular payment behavior over a specified period of time.

D&B found that the availability of historical data from the client was not sufficient to build statistical scorecards. Hence it was proposed to build expert scorecards by harnessing the knowledge of D&B business professionals with extensive regional and contextual knowledge. D&B also sought detailed inputs from the client on different parameters, the weightage to be given to each parameter, the attributes within each parameter and their corresponding points.

As part of the project D&B also assisted the client in performing extensive validation checks on the viability of the scorecard before the models were deployed in a production environment.

D&B also developed an extensive MIS library for score distributions, population stability, approval rate by score range, good/bad separation, delinquency and credit loss, vintage, segments by score range, performance of low score override applications etc.

Variable	Attributes	No. of records In Development Sample	Population % In Development Sample	No. of records In current sample	Population % In current sample	% Change Over Development sample
Total Credit Limit	<= 460	1450	15.0%	1400	12.5%	-3.4%
	460 to <= 786	2500	25.0%	2800	25.0%	12.0%
	786 to <= 1195	2000	19.5%	2500	22.3%	25.0%
	1195 to <= 2000	2200	22.8%	2500	22.3%	13.5%
	> 2000	1850	17.7%	2000	17.9%	8.1%



Automated credit application scorecards and MIS dashboards for improved turnaround time and enhanced portfolio monitoring

The application score, when used along with the credit policy, enhanced the client's underwriting process, improved DSO, reduced write-offs and increased overall portfolio quality. By utilizing the scorecards, the client was able to monitor and control credit portfolios effectively and improve turnaround time for processing retail applications by more than 70%.