

## **Two Scores Provide Accurate Path to Profitable Recovery**

*Existing placement data can be used to reduce data acquisition costs and more accurately predict recovery success.*

*By Glenn Gordon*

If one score is good, two should be even better. This is the philosophy behind PredictiveMetrics' (PMI) UltraRecovery Score, launched in 2003. As margins continued to be squeezed and recoveries became increasingly difficult, PMI recognized a demand for an industry-specific recovery model that quickly and accurately prioritizes collections.

Targeting a wide spectrum of debt across numerous segments, such as medical, credit card and installment debt, UltraRecovery Score is used by collection agencies, debt buyers/sellers and creditors.

### **Features**

UltraRecovery Score provides a somewhat unusual service in furnishing not one but two scores on a debt – predictions of two outcomes. The first is the traditional probability that a debt will be paid in a given amount of time, while the second is a prediction of the amount that will be paid. This combination of payer score and dollar score as well as the reporting PMI provides gives an agency or other collection group a more complete means of ranking a debt, while expending collection resources and personnel most effectively.

The models for the development of UltraRecovery Score were created by using payment behavior for charged-off bad debt. PMI applied proprietary statistical

techniques to more than 10 million observations and blended with socio-economic and demographic data supplied by PMI. The large pool of observations allows the user to segment a portfolio based on the type of debt and placement. No bureau data is required to produce scores. Instead, the agency's own internal placement data is employed, resulting in two advantages.

First, of course, is that the data is immediately available at no extra cost. Second, internal performance data is a much more powerful predictor of successful recovery than scores based merely on external bureau data. The information is specific to the debt type, age and balance, as well as the prior performance of the agency involved. To ensure ongoing model stability and balance, UltraRecovery Score is frequently refitted to reflect actual collection results.

To demonstrate UltraRecovery Score's effectiveness, PMI offers to provide a free retrospective analysis to prospective clients. This analysis takes historical placement data from the client's own portfolio and shows how well the UltraRecovery Score predicts payments and amounts. As a means of evaluating changes in scoring approaches, this analysis also allows the client to compare results with any other scoring method that may currently be in place.

The process of obtaining scores is carried out over the Internet, reducing demands for IT support. It begins by sending PMI a portfolio via an encrypted FTP. The account information is merged with socio-economic and demographic data provided by PMI. Both batch and real-time scoring services are available.

PMI also offers custom statistical services to help a client either develop a specialized recovery model or to develop a statistical-based treatment strategy. A

client's collection rules can be integrated with the score to automate a strategy at the account level. To do this, PMI performs advanced data-mining by executing queries based on the client's requirements and setting up criteria to that is used to maximize the account's profitability. Extensive reports are provided to assist in recovery planning. PMI also has a debt-buying score that could be used, for example, to evaluate a portfolio before buying it to determine the projected liquidations and profitability.

### **Support**

Predictive Metrics offers web-based seminars on the use of UltraRecovery Score, as well as telephone support from 8:30 a.m. to 5:30 p.m., Eastern Time. Also available is a personalized session covering the retrospective analysis of the customer's data.

### **Summary**

UltraRecovery Score offers a different approach to scoring. Creation of payer scores and dollar scores, along with use of existing debt-specific placement data, offer the potential for informed debt collection efforts.

### **PredictiveMetrics, Inc.**

*[www.predictivemetrics.com](http://www.predictivemetrics.com)*

732-530-9303