New Application Scoring

Making underwriting decisions easier

PredictiveMetrics helps you streamline your underwriting decision workload by developing automated New Application Scoring models that predict creditworthiness. To generate more profitable returns, PredictiveMetrics validates your credit policy, blends it with the score, creating a superior decision system.

Return On Your Investment

- Substantially improve DSO and approval rates
- Reduce bad debt write-offs
- Increase efficiency by automating the right decisions
- Better manage workload
- Improve overall portfolio quality
- Consistent decisions with proven accuracy

Knowing the Score

Based on your business objectives and insight, PredictiveMetrics develops New Application Scoring models to assess the risk that a new customer will become seriously delinquent, written-off, experience bankruptcy, or exhibit some other type of derogatory payment behavior over a specified period of time.

The models are empirically derived, from many data sources, and validated based on credit performance of accounts from your portfolio. Blend application, credit bureau, trade, financial data, and/or any other predictive data available for real time online underwriting decisions.

Using a combination of mathematics, statistics, and data allows the most predictive data elements to be identified and optimally weighted.

The output of a New Application Scoring model is a score that measures credit risk and can be used by itself to arrive at a credit decision or combined with other information in a credit rules matrix to make decisions.

Using the Score

Providing a continuous risk score grading to identify low, medium and high-risk applicants, you can use new application models to decision applications for new customers, develop credit lines, and to pre-screen or pre-approve leads for the sales force.

You control the decisions made using the score and performance tables based upon your portfolio.

Implementing the Score

A New Application Scoring model is easily implemented on your system. PredictiveMetrics provides technical specifications, which are detailed instructions used to program the model.

PredictiveMetrics works closely with your IT to ensure the model is coded correctly. This process entails the model being coded internally and/or externally.

Turning Probabilities Into Profits™

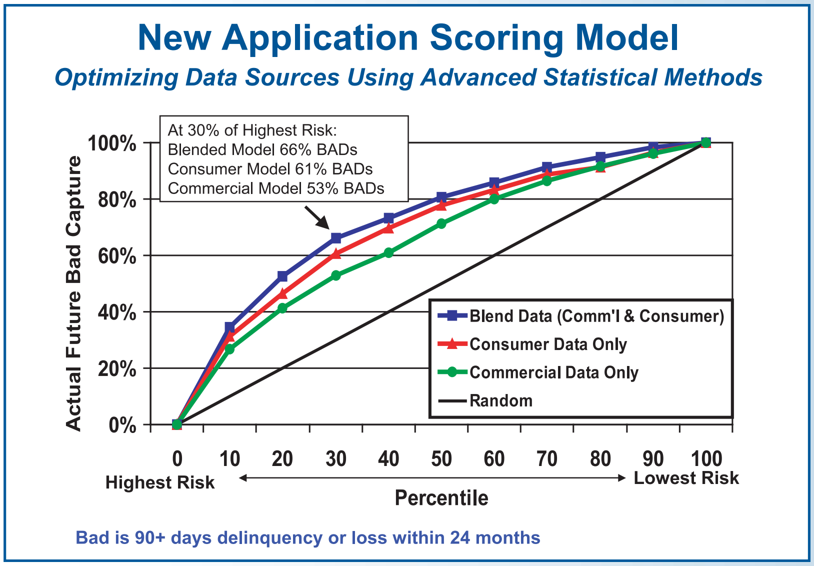
PredictiveMetrics

Proving the Score

The following New Application Scoring case study demonstrates the predictiveness of using commercial and consumer data to predict commercial underwriting performance.

The company had PredictiveMetrics develop three separate New Application Scoring models to ensure 100% coverage for all decisions: commercial only, consumer only, and blended with both commercial and consumer. The blended model is the most effective for small privately held companies with limited commercial bureau data available on the firm, and includes the most information.

Therefore, a model that utilizes consumer data or 'blends' both commercial and consumer data to predict commercial behavior is a very effective risk management tool. In fact, within the small business marketplace often consumer data is more predictive than limited commercial data. However, PredictiveMetrics has found commercial and financial data to be valuable as well, it all depends who your customers are within your business.



The performance and effectiveness of these New Application Scoring models can be seen and compared by analyzing each model's credit screening effectiveness and separation effectiveness. The models are designed to predict bad credit performance, which is defined here as severe delinquency or loss looking forward 24 months from the date of application. The x-axis is a ranking of the portfolio based upon the score showing retrospectively who will be BAD and the y-axis tells you who actually went BAD.

The graph is demonstrating how effective the models are in predicting the future BADs and the value of using consumer data for predicting small business behavior. At the 30th percentile of highest risk for capturing future BADs, the blended model captures 66%, consumer model 61%, and commercial model 53%. The higher percentage of BADs screened out the greater the effectiveness of the model. As the graph shows, all three models work well in distinguishing risk.

Scoring with PredictiveMetrics

PredictiveMetrics turns probabilities into profits. Statistical modeling is our business and we make it yours by helping you understand risk on your portfolio. Our analytical team works with you to ensure that your company's resources are optimally utilized to make automated, knowledge-based decisions that are proven accurate through statistical validation. Your solutions are delivered on time, to specifications, with definitive results!

For more information about PredictiveMetrics' custom New Application Scoring models, call 732-530-9303 and ask to speak with a sales representative.

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