Session 17 Questions and Answers

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Session 17 - Analytics & Scoring: Advanced Custom Scorecard

Custom scorecards are the ultimate solution for better auto-decisioning, greater business gain, and loss reduction. Learn the main phases in building a custom scorecard, the advantages of using a custom scorecard versus a rule-based system, and the data framework used in a custom scorecard.

Q. Is MLX an add-on product for XpressAccounts (XA)?	A. We can build a scorecard for XA as well. It is not a product, but a service.
Q. What does maintenance regarding scorecards look like? Does the institution do maintenance, or will they continually go back to MLx for that? How often does it need to be modified going forward?	A. In the development of the scorecard, stability is an essential requirement. Although in RevealPro reports, we provide monitoring and validation of the scorecard, regular maintenance is not required. If refinements are needed, then the data infrastructure for changes are in place and readily accessible through the RevealPro framework.
Q. When you create a custom scorecard, do you start with a base model and then revise it for each Financial Institution (FI)?	A. No, the customized scorecard is developed using the client's products as the essential characteristic contributing to the model.
Q. How do you price those services?	A. The RevealPro data analytics program is a quarterly or bi-annual subscription service. Decisioning optimization is a one-time cost for the analytical project.

Q. Once the scorecard is created, is it something we can edit ourselves?	A. Yes, the client owns the scorecard. However, we provide guidance and recommendations to ensure there are no unintended or undesirable results. Monitoring and validation of the scorecard is covered in the RevealPro reporting package.
Q. Does the scorecard replace pulling credit from TransUnion, etc.?	A. Not exactly. If this is a reference to the generic score used in your decisioning and risk assessment, then yes, the custom scorecard can replace the generic score that is used. However, the foundation of the custom scorecard still uses the underlying credit history to build the most powerful and predictive attributes based on your loan characteristics and performance.
Q. In SAIL, auto-approval rules are unavailable if the member is a homeowner. Is that the type of data the custom scorecard can capture?	A. Yes, that can be pulled from the application information based on the mortgage information in the credit history.
Q. You mentioned that the three credit bureaus are your competition for building custom scorecards. Does FairIsaac no longer build custom scorecards?	A. FairIsaac's main product is their generic scores; however, we do see that they build custom scorecards for clients for the same reason that we provide this service. There is a significant benefit in customizing the score based on your institution's specific characteristics for your loan products. We have a distinct advantage of the bureaus or FairIsaac because we have the historical application and credit history data. Plus, we know how to incorporate the score within the LPQ decisioning framework.
Q. What does the validation process look like? Is that included in the project?	A. Yes, we always validate the model during development. This can be done in multiple ways, such as simple hold-out random, cross-fold validation, or out-of-time validation. After the scorecard goes into production, monitoring and validation are being reported through the RevealPro reporting package, where the scorecard performance and model attribute stability are reviewed.

Q. Does the scorecard work for subprime loans? Would it be the same scorecard for prime and subprime loans or would more than one must be developed?	A. Yes. However, part of the project is to ensure that the scorecard performs on the entire population and any specific sub-segments where current decisioning is not adequate. The scorecard can be tailored to address this business focus. Secondly, decisioning optimization provides another layer of analytics that makes sure that the final decision and automation levels are lined up with your goals and risk threshold.
Q. Can you let us know which types of products have these types of approval rates?	A. Approval rates are based on each product type within each institution and tied to their risk threshold. For automated approval rates, we maximize the automation risk assessment through the scorecard and adjust the decisioning framework to the desired risk levels by product.
Q. Is the scorecard represented in the instant approval criteria in LPQ loan product codes?	A. The scorecard provides a powerful rank-order for risk. The instant approval criteria are adjusted based on simulations that are performed in the decisioning optimization using the new scorecard. Business requirements are provided after decisioning optimization, which will give a detailed specification on how to set up LPQ to get the desired automation at your risk threshold based on the analysis.