

Multi-Bureau Data: Maximising Predictive Accuracy and Customer Understanding

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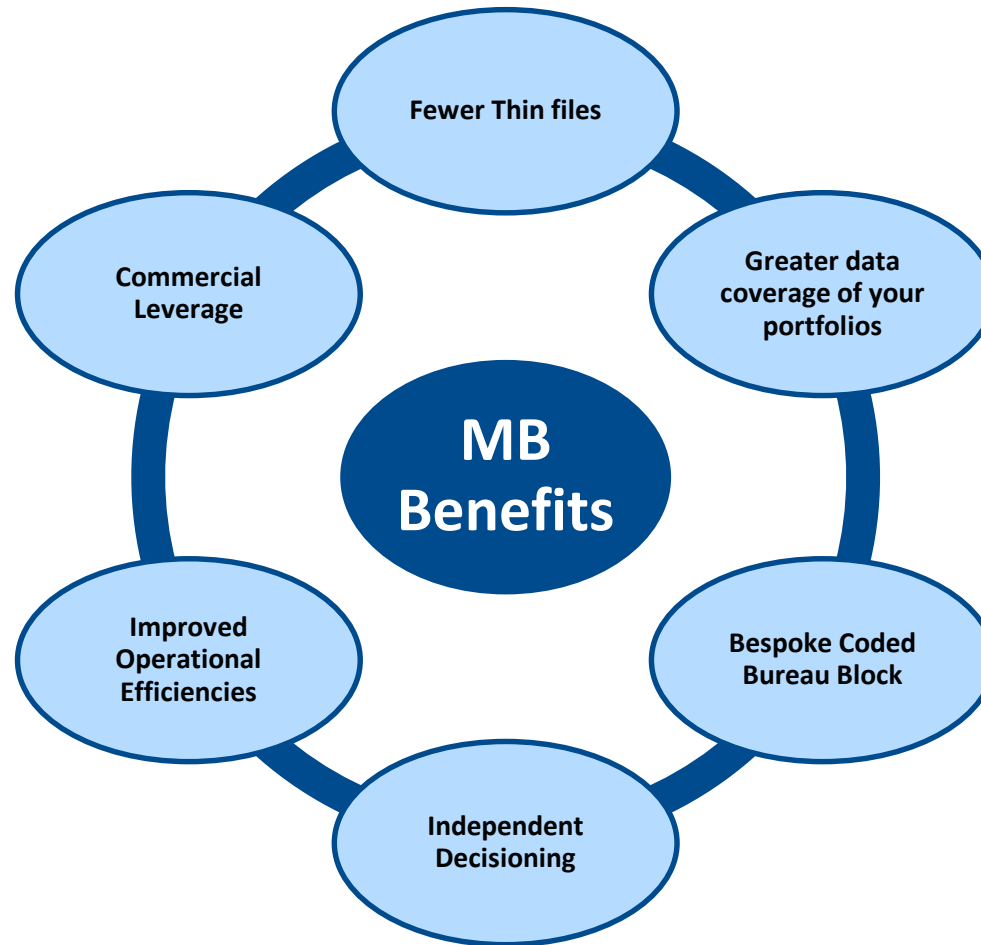
Agenda

- Overview of Multi-Bureau and Independent Decisioning
- Multi Bureau Data
 - Data Coverage and Predictive Power
- Data Driven Bureaux Search Strategy
- Conclusions

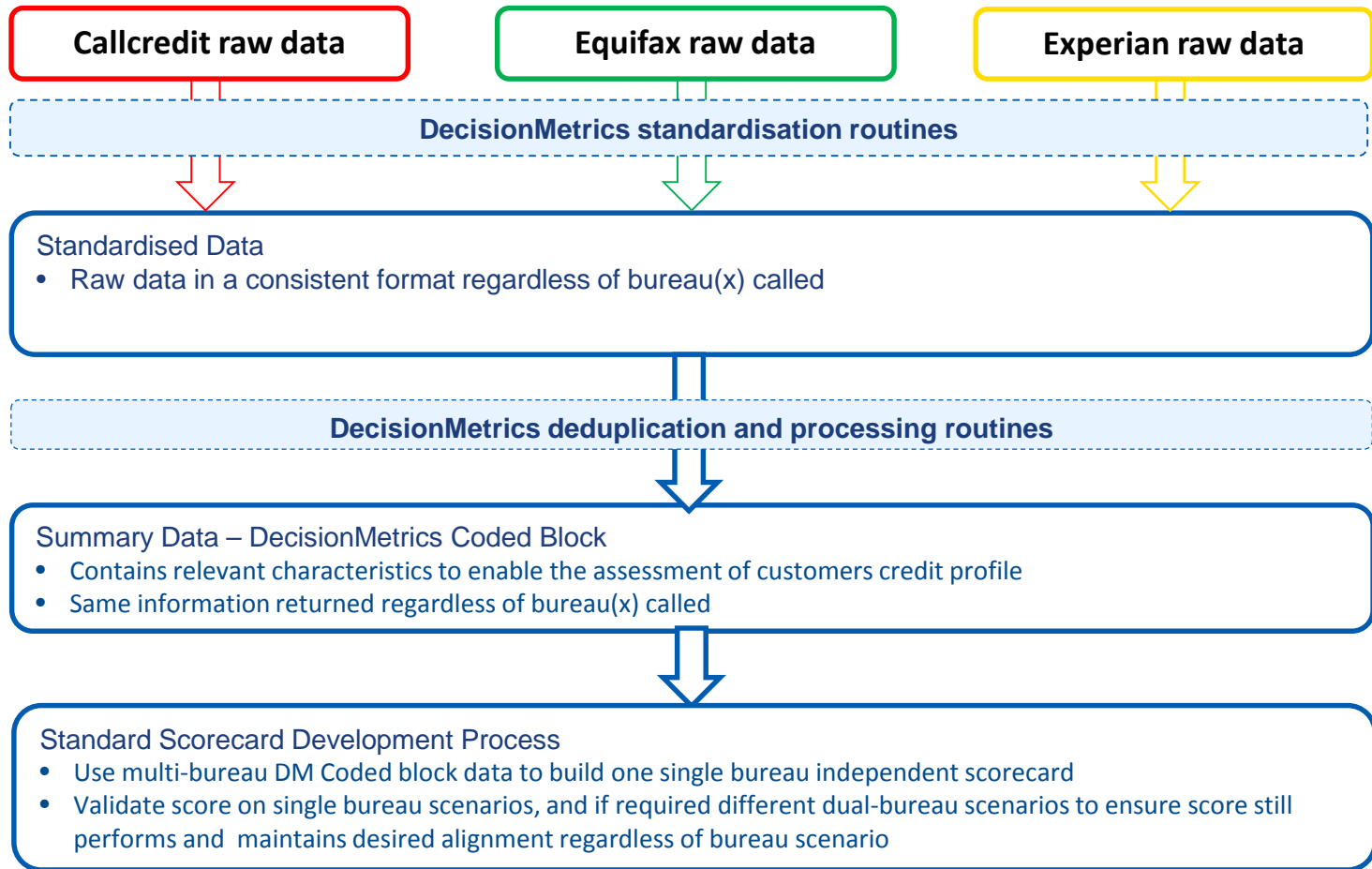
Introduction

- It is well known that significant improvements in bureau data coverage can be obtained by making an additional bureau call on the applicant base
- The differences in returned data can be material and affect a lender's decision, consequently multi-bureau has been gaining significant traction with lenders in recent years
- Lenders are facing increasing scrutiny from regulators and consumer groups and therefore ensuring that all relevant and available data is used to gain the most comprehensive picture of consumers financial position is critical
- Systems such as DecisionMetrics' DecisionBureau enable lenders to maximise the value from multi-bureau data through independent decisioning

Multi-Bureau Benefits



DecisionMetrics' Framework to Multi-Bureau



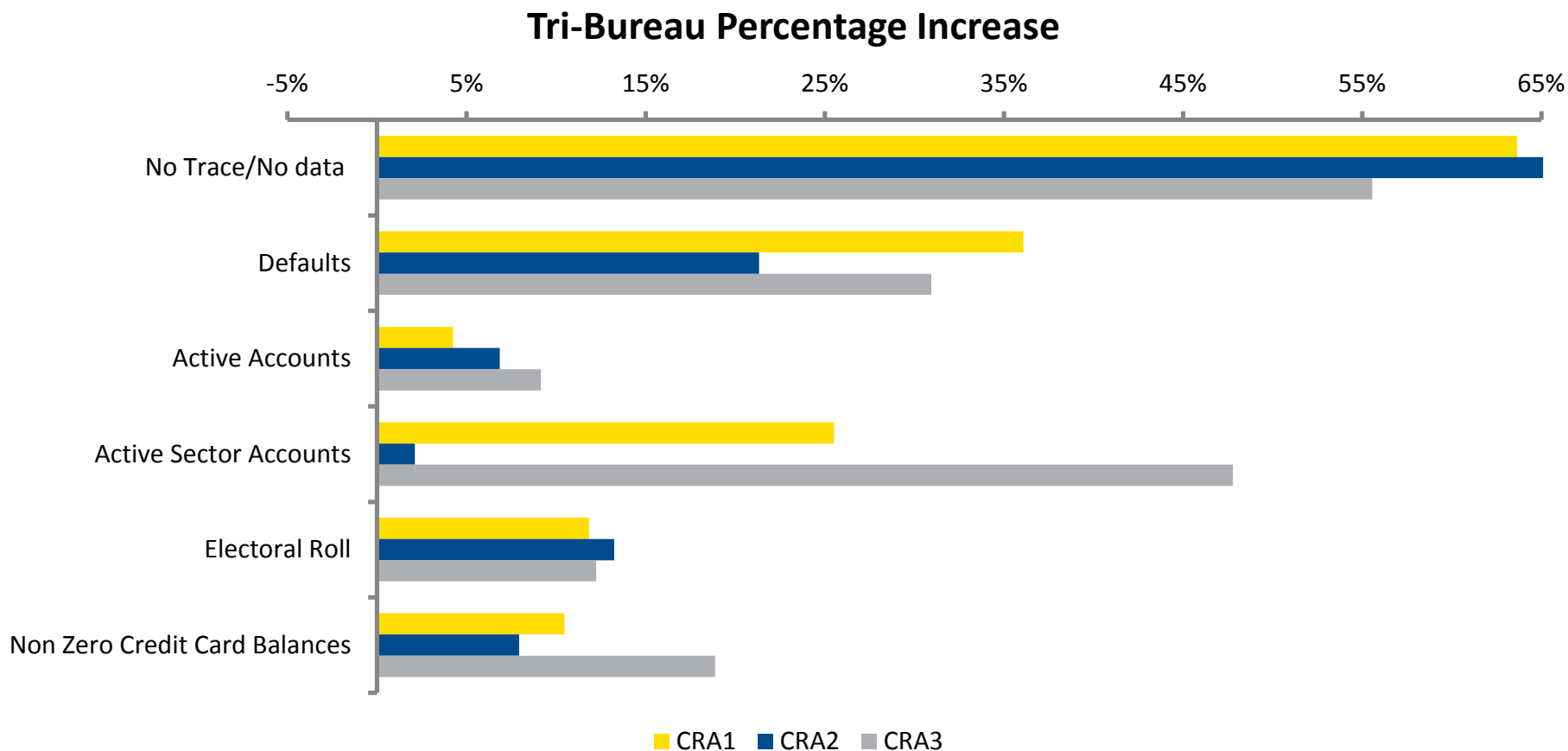
Advantages of Utilising Raw Data

- Independent multi-bureau capable scoring solutions - TruRisk
- Consolidated multi-bureau data gives a more complete view of an applicant's credit profile:
 - Customisable coded characteristic block
 - Scoring, Strategy, Policy rules
 - Manual assessment – information presented to underwriters is consistent regardless of bureau
- Enhanced decisioning platform with the potential to remove bureau dependency

Multi-bureau Data: Coverage and Predictive Power

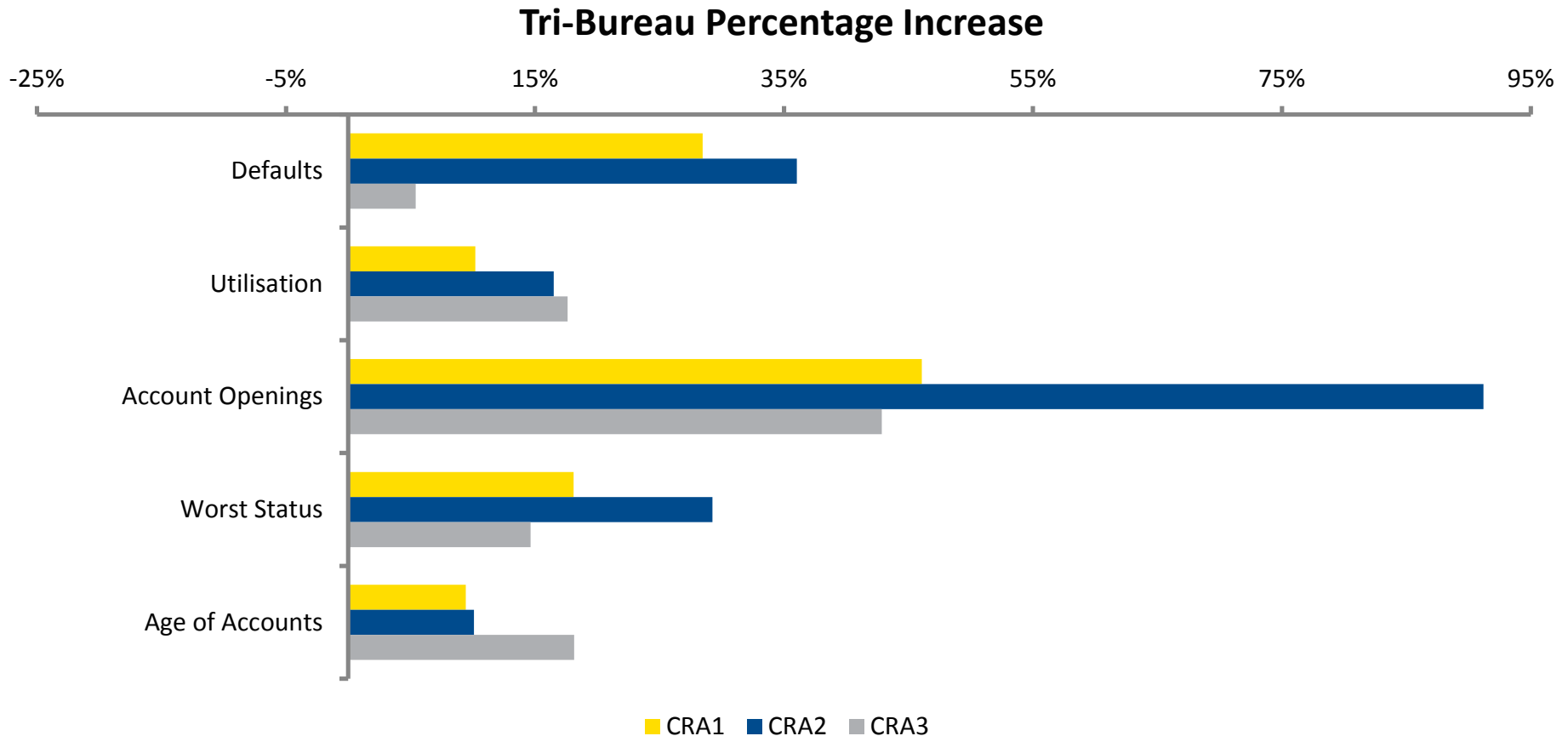
Additional Data Coverage

Tri-Bureau



Information Value / Char Strength

Tri-Bureau



Why Are There Differences?

Data Coverage

- Despite the 3 UK credit bureaux having access to predominately the same data sources, there are inherent differences in the **returned** data from each bureau
 - No unique identifier
 - Different database structures, loading, matching & retrieval mechanisms
 - Via different name & address bureau matching routines
 - Not all lenders report to all 3 bureaux
 - Many smaller organisations such as short term lenders or building societies
 - Timing differences between the bureaux
 - One bureau may have more recent balance & status data for the same account
 - Different bureaux may load the data at different times throughout the month

Causes of Data Differences

Data Coverage

Some differences are structural but others may be related to “lifestyle”

- It is not difficult to imagine situations where likelihood of finding increased data is significant
 - Students keeping some financial relationships at their parents address while at university
 - Young professionals moving address much more frequently
 - New to credit (young, new to UK) consumers establishing credit history through less traditional means e.g. Short term lending, Telco
 - Renters vs owner occupiers

Additional Data – But is it Useful?

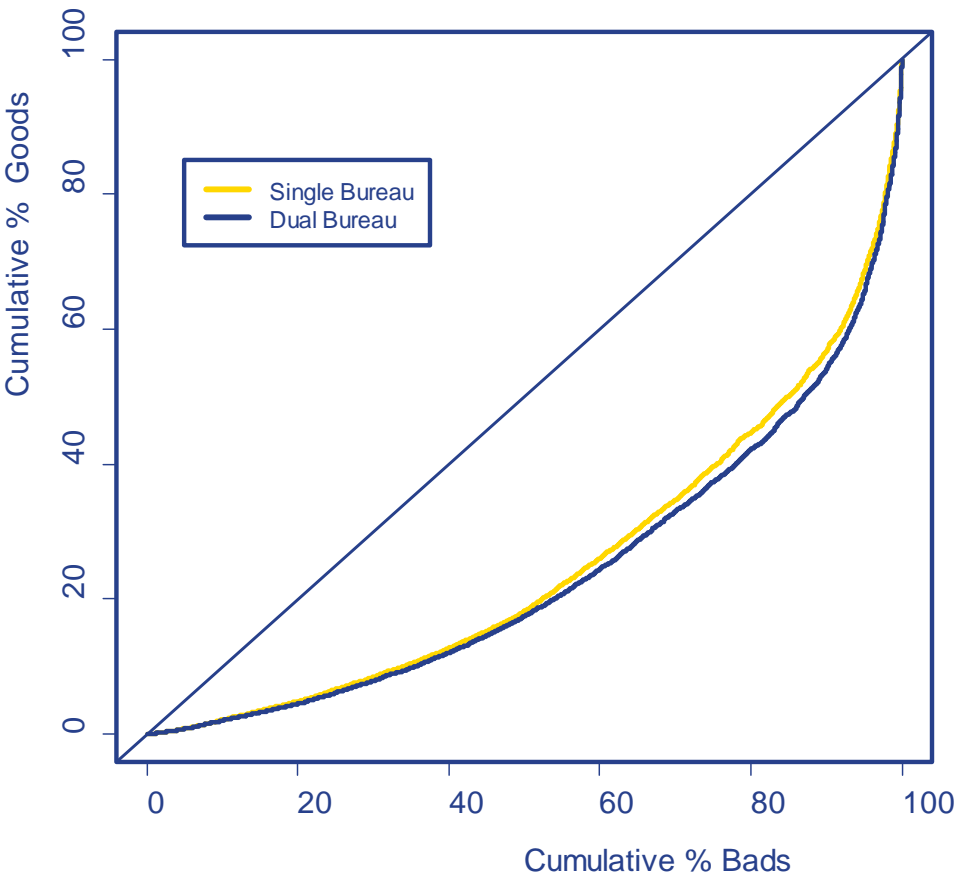
Data Coverage

- Super accepts / super declines
 - Less likely to affect end decision
- Thin file or no trace at bureau 1
 - Decision highly likely to be impacted if found at bureau 2
- Significant data findings that will impact risk assessment
 - Finding CCJs/defaults at second bureau
 - Applicants with a worse status than previously
 - Applicants with significantly higher levels of debt

Magnitude of score change between single and multi-bureau is key

A Typical Multi-Bureau Example

Gini Coefficient Comparison



Single Bureau 49.9%

Dual Bureau 52.5%

Improvement 5.2%

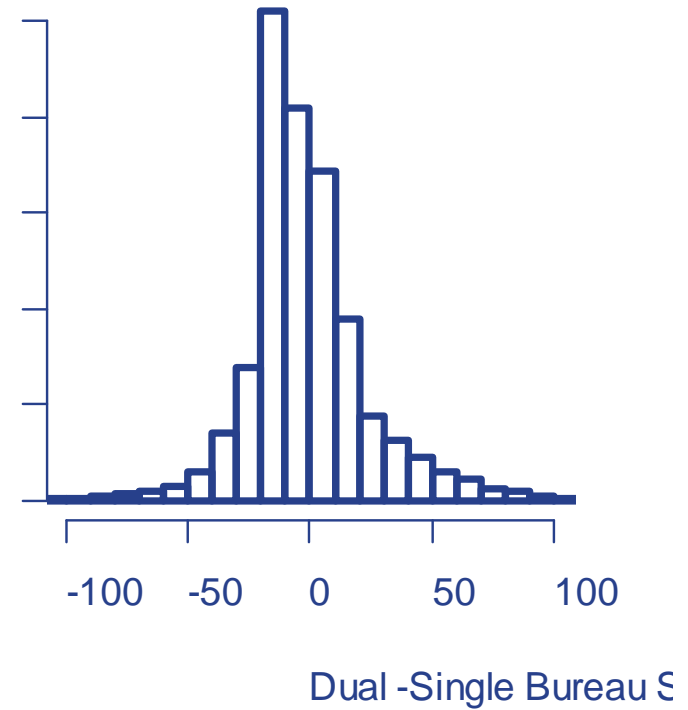
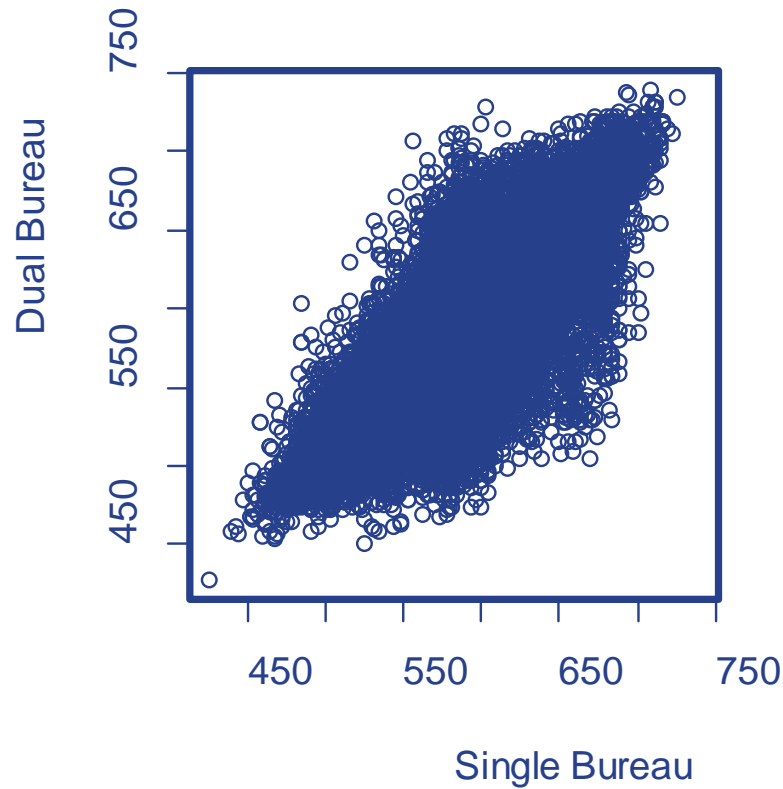
Multi-bureau adds value at portfolio level but raises key questions:

- Where is the improvement?
- How to utilise in a bureau search strategy?

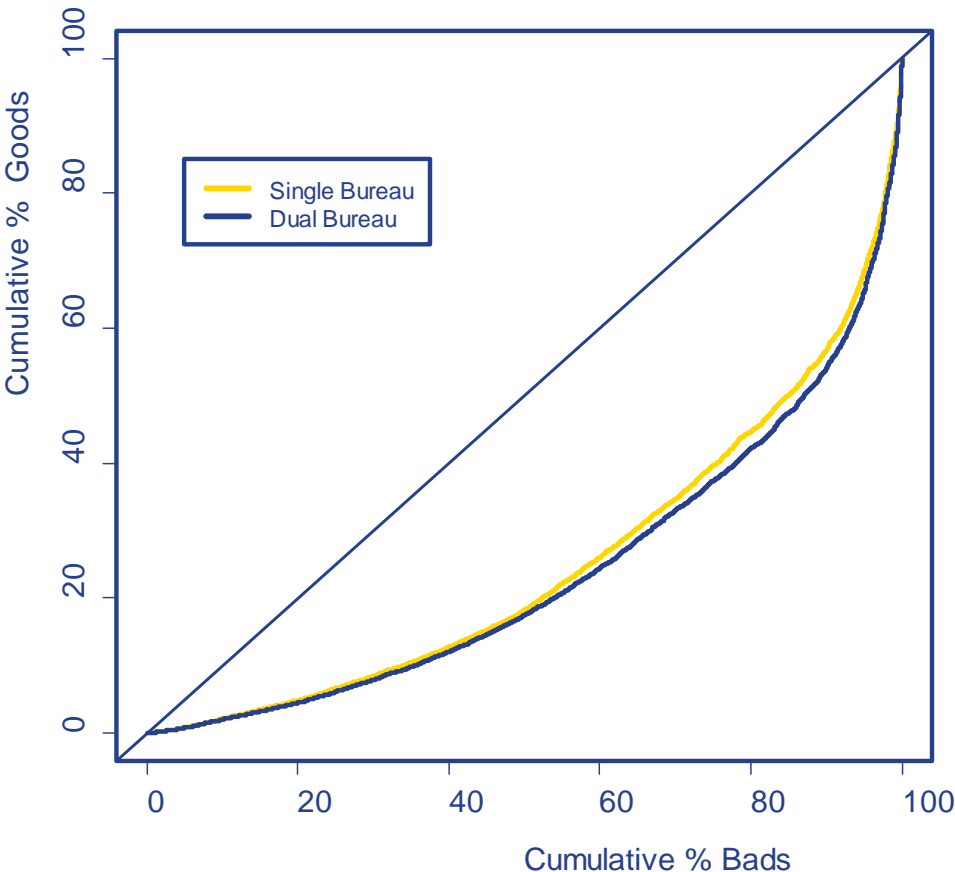
Score Changes can be significant

Single Bureau vs Dual Bureau

- Distribution of multi-bureau score and score difference



Returning to Our Example

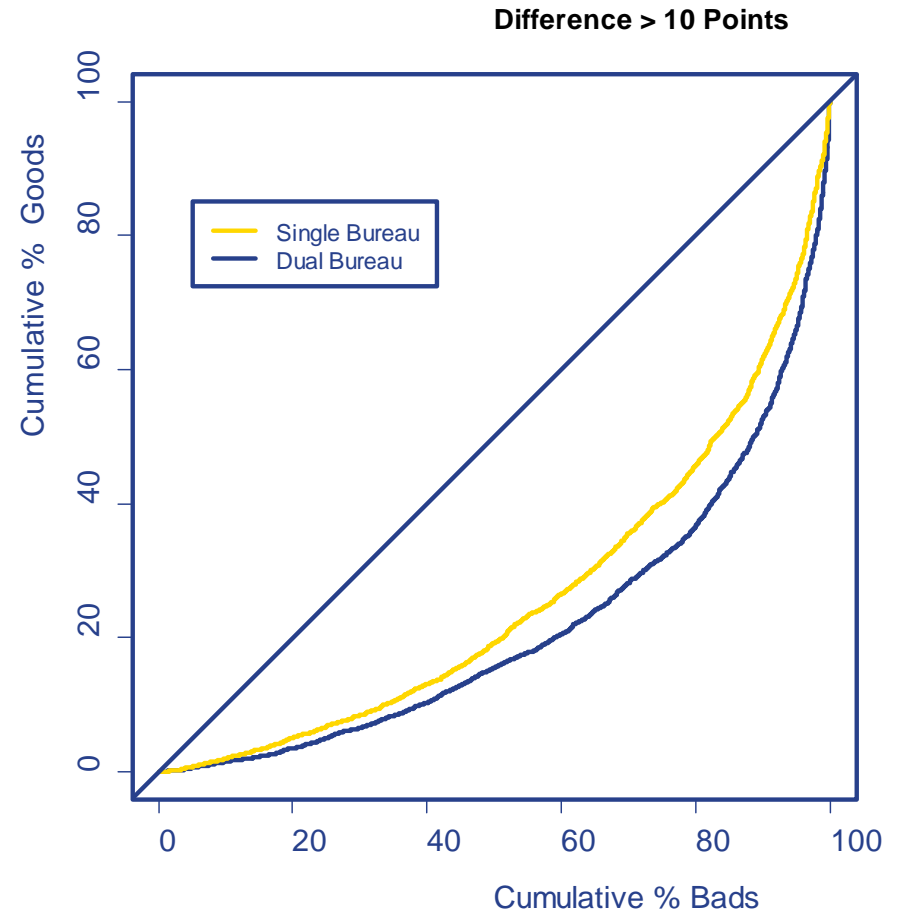
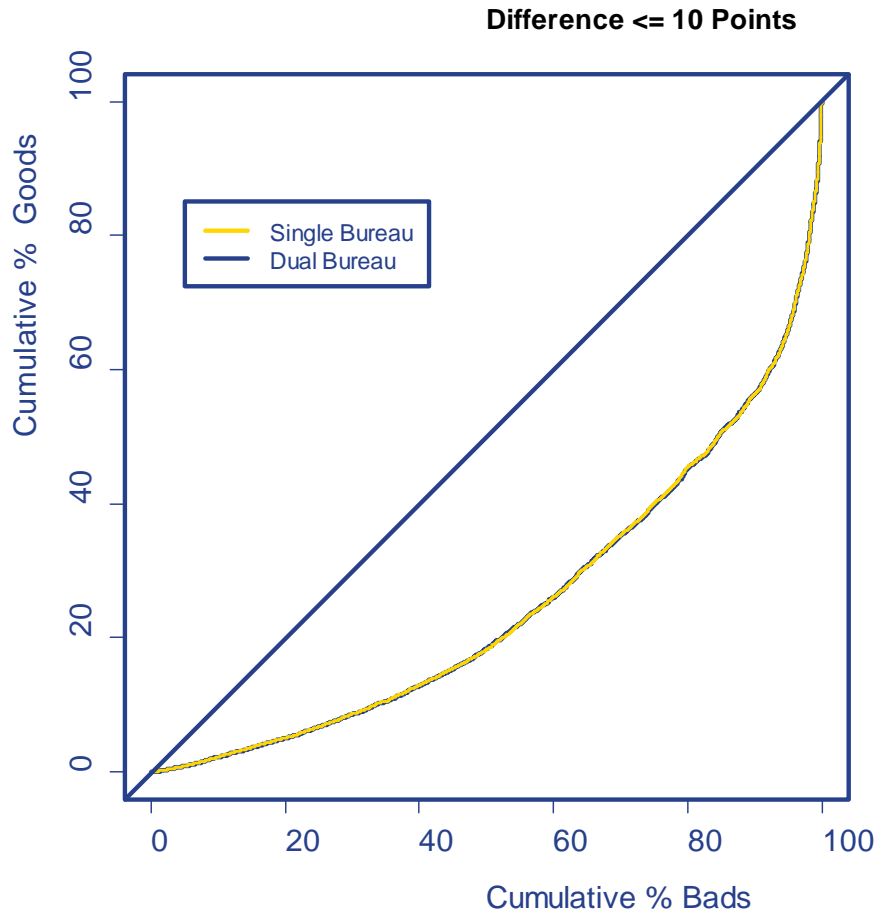


Client strategies include

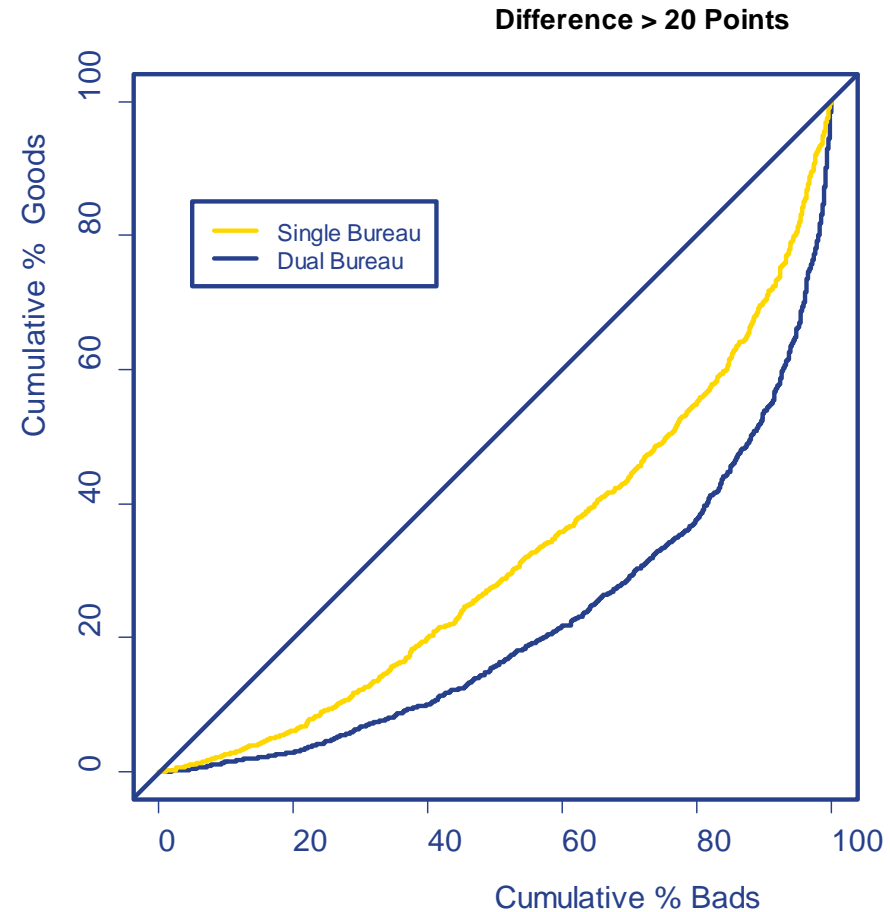
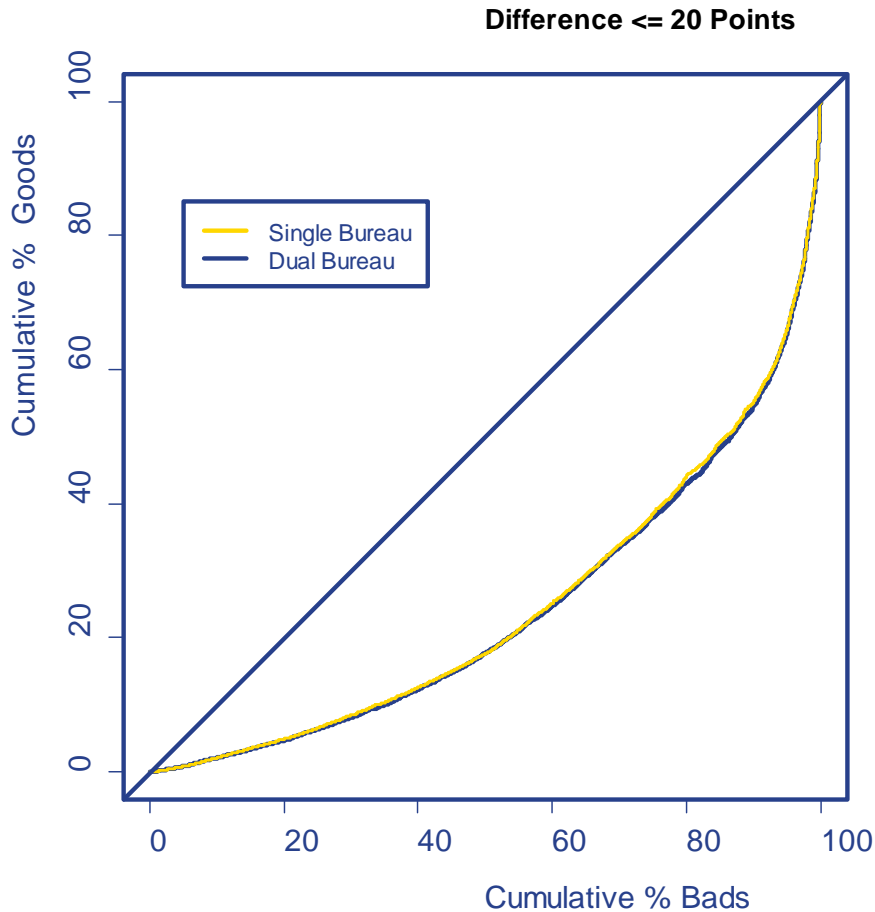
- Multiple bureau searches on all accounts
- Second search based on expert rules

How does discrimination change between single bureau score vs multi bureau score?

Score Change More Than 10 Points



Score Change More Than 20 points



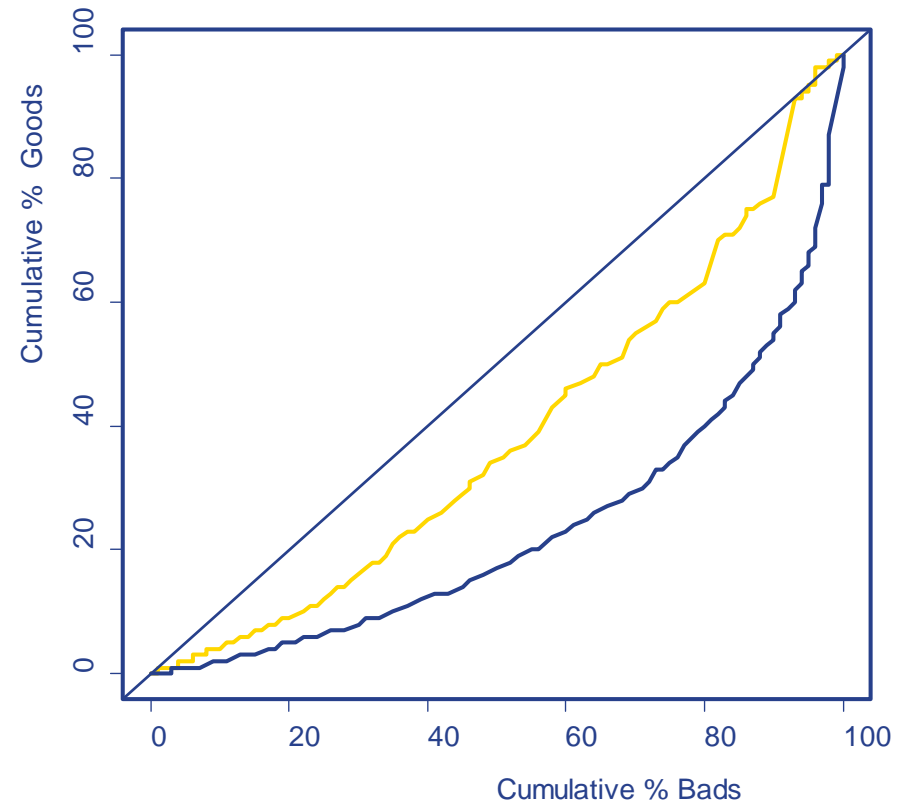
Data Driven Bureaux Search Strategy

Scorecard to Predict Additional Data

- Using data from a pooled portfolio where both single bureau and dual bureau data is available
 - Identified those accounts most likely to find new data that materially impact score change
 - Construct a model with outcome related to change in overall score

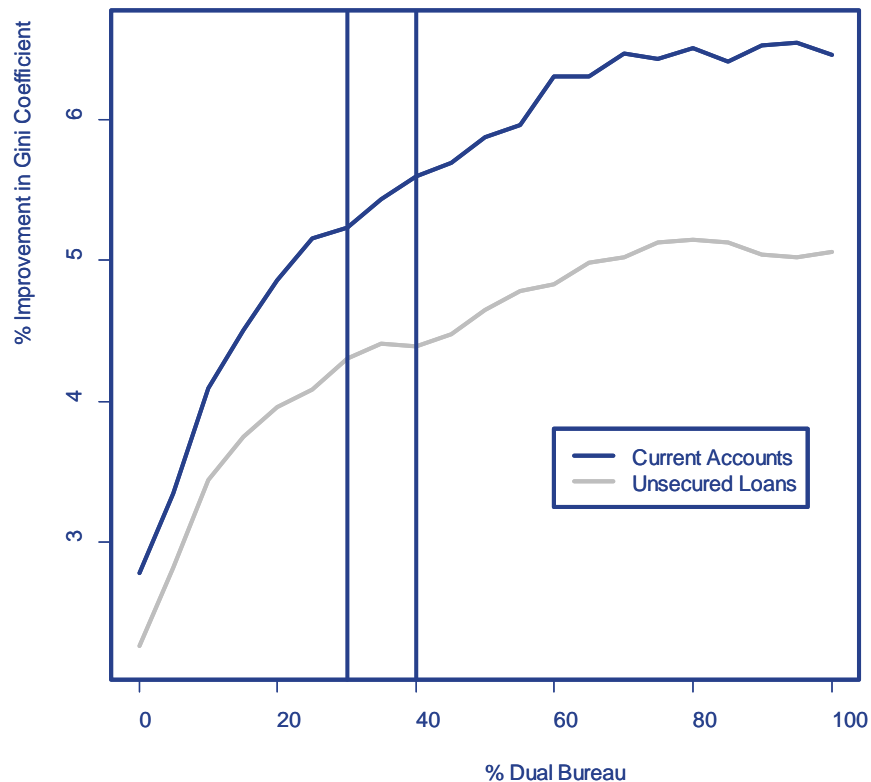
Analytic Bureau Search Strategy

- Accounts where additional data is found can be predicted
 - From CRA1 to CRA1-2
 - Gini = 53.4%
- Robust for different portfolios and can be used to analytically determine 2nd search
- NOT robust for different bureau combinations



Improvement in Gini Coefficient

Percentage of Portfolio



- Data driven bureau strategy enables clients to optimise volume of searches consumed

Segment	Dual Imp %	Cost Optimised Strategy
Loans	5.1	85%
Current Acc	6.4	85-90%

Conclusions

- Adopting a multi-bureau strategy substantially increases the amount of data returned for credit searches
- Overall increase in predictive power is substantially increased for those accounts whose score is significantly impacted
- Cases where additional data will be found can be predicted with reasonable confidence and utilised in defining a search strategy
- A bureau independent decisioning solution enables all available data to be fully utilised in the credit granting process

Independent, Multi-Bureau Capable Scoring Solutions, Sebastian d'Elboux
Fri 10:05am Prestonfield Room



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