Comparison of Scorecard Measurements with application to Credit Scoring

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1 Abstract

Credit scoring involves a set of techniques that assist granters of consumer credit to decide to whom credit should be extended and how much credit they should get. The decision is often based to some extent on a credit "scorecard". An important question is how well the scorecard distinguishes between "good" and "bad" customers. This question can be cast in the framework of comparing two populations on the basis of two independent samples. We are interested in a function, known as the shift function, that describes the difference between the distributions and can serve as a measure of performance of the scorecard. In this talk we will consider a semi-parametric model. The shift function is assumed to be linear but no extensive distributional assumptions are made. Estimation of the shift function, as well as the construction of a simultaneous confidence band, will be discussed an illustrated.

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