

## **Credit Scoring – Where is the Power?**

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With the growing maturity of Open Banking and the resurgence of Machine Learning techniques in the Credit Risk Industry, the boundary of credit scoring power is once again expanding. This paper reviews the fundamental components that can impact the predictive power of scores, and how they can affect score stability over time. Utilising the bureau's unique data assets allows the testing of all elements of a development; with the unparalleled ability to explore concepts in depth and beyond the time horizons associated with a typical build.

This paper will cover such topics as:

Sample Design – Exploring the impact of sample size, sampling methodology and weights.

Data Depth – What improvement does historical data add?

Features – Exploring how the number and type of characteristics impact the score.

Segmentation – Is there an optimal number of segments; when do the benefits of segmenting start to dwindle?

Observation window and Seasonality and the Outcome Definition – Does seasonality really affect score performance? What impact does the use of Indeterminates have?

Statistical Technique – How Machine Learning scores hold up over time, versus traditional scoring techniques.