35TH ANNIVERSARY

VISION 2016

TAKE CONTROL
A ROADMAP FOR GROWTH

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It's how we roll —
A study of early-stage collection strategies

Experian

Introducing:

- **Christopher Magnotti**
  Experian

- **Sandy Womer**
  Experian

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Biographies

Sandy Womer
Experian
Analytical Consultant

Sandy Womer joined Experian in 2006. She regularly consults with clients to provide comprehensive analytics across all facets of the credit lifecycle and across multiple industries including mortgage, banking, automotive and retail finance. She has over 20 years experience in credit lending, portfolio management, marketing and analytics.

Prior to Experian, Sandy held management positions in prescreening, analytics and brand marketing. Sandy graduated Cum Laude with a Bachelors of Science degree from the University of Delaware.

Chris Magnotti
Experian
Analytical Consultant

Chris Magnotti joined Experian in 2009. Chris's experiences include full life cycle risk management, P&L forecasting, stress testing, portfolio acquisition, international due diligence, and staff management and development. Chris has 20 years of experience in risk management and related analytics.

Chris's past experiences include working for a Top-5 portfolio in each of the following industries; bankcard, subprime bankcard and private label. Chris holds a Bachelors degree in Environmental Science from the University of Delaware.

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Objectives / purpose

- **Know when to accelerate your collection activities** on pre-collections; who will pay and who is going to roll

- Understand which predictive scores, attributes and daily event-based triggers can help you **maximize your treatment strategy and consumer communication**

- Know how daily event-based triggers can also help determine a customer's **willingness to pay**

- Review best practice **use cases**

What questions will we solve for?

- Who is going to roll to late-stage?

- Who is going to roll back to current?

- Should I reduce / increase my work effort?

- Is the customer a potential candidate for a repayment program in the future?

- Do they have the ability or willingness to pay?

Example of a treatment:

Customer is 30 day delinquent, credit limits are maxed on two credit cards, and there is a new inquiry from another card provider – **what could you do?**
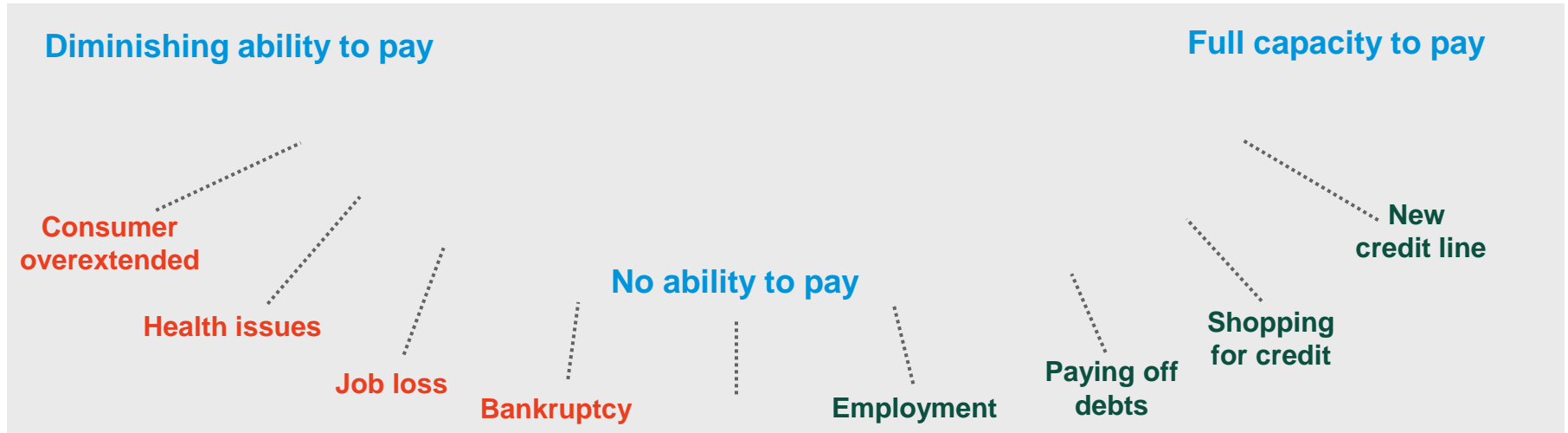
- Queue account to be called by an agent

- Is there a life event happening

- Credit line decrease or close account

Consumer's life cycle

A consumer's cycle of delinquency

Diminishing ability to pay

Full capacity to pay

Consumer overextended

Health issues

Job loss

Bankruptcy

No ability to pay

Employment

Paying off debts

Shopping for credit

New credit line

Events that determine the right time to implement **risk treatments**

Events that determine the right time to implement **collection treatments**
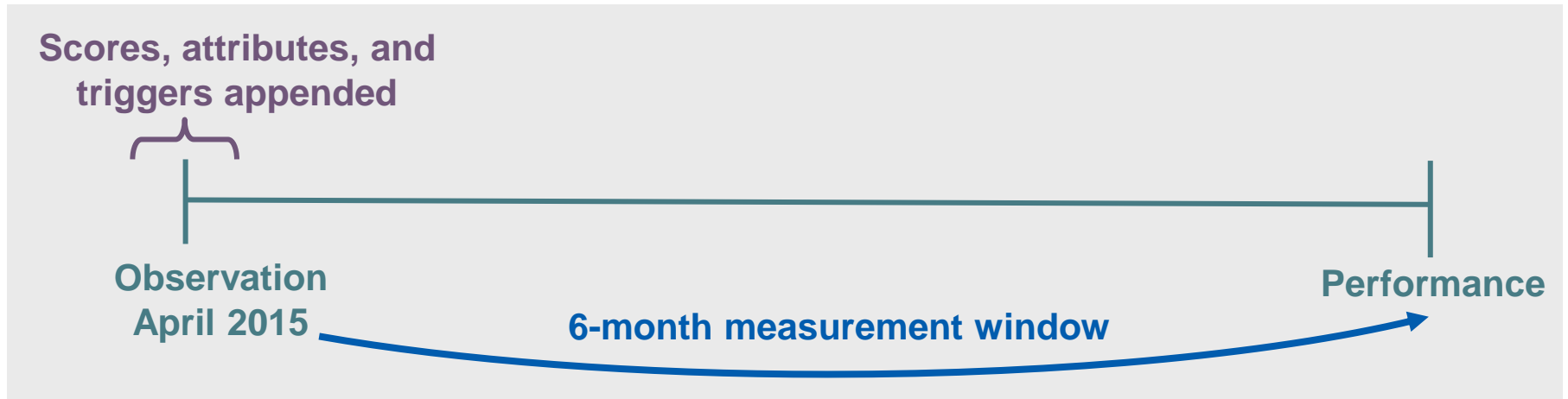
Early stage analysis

Identifying consumers most likely to roll

Analysis design

Scores, attributes, and triggers appended

Observation
April 2015

6-month measurement window

Performance

- Scores, attributes, and risk triggers appended as of April 2015

- Two populations created at observation:

  ▸ **Early-stage rolling back to current (EC)** – 30 days past due on bankcards as of 4/15, current as of 10/15

  ▸ **Early-stage rolling forward to late-stage (EL)** – 30 days past due on bankcards as of 4/15, 90+ days past due as of 10/15

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Scores

VantageScore®	**Tri-bureau leveled risk score predicting likelihood to go 90+ within 24 months**
Income Insight^{SM}	**Measurement of total income including wages, rent, alimony and investments**
Bankruptcy Plus^{SM}	**Predicts the likelihood of a bankruptcy filing in the next 24 months**
Asset Insight^{SM}	**Rank order estimation of a consumer's deposit amount and liquid assets**
Debt to Income Insight^{SM}	**Debt-to-income ratio for total debt at the household or individual levels**
Tele-Risk^{SM}	**Industry specific risk model predicts likelihood to go 90+ on land based communication within 12 months**
TEC^{SM} Risk	**Industry specific risk model predicts likelihood to go 90+ on wireless, energy or cable within 12 months**

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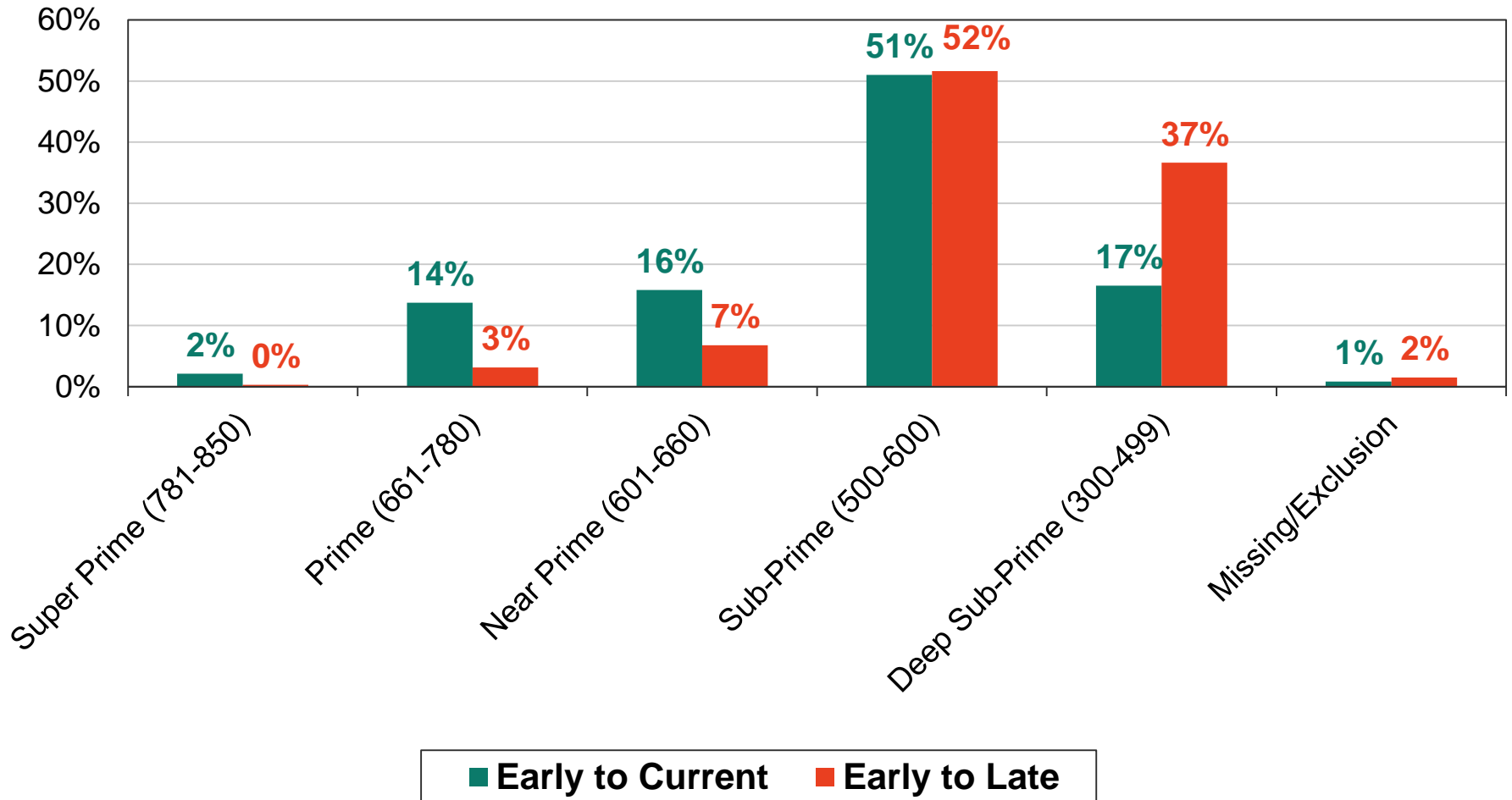**TAKE CONTROL**
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Most predictive scores
VantageScore® 3.0
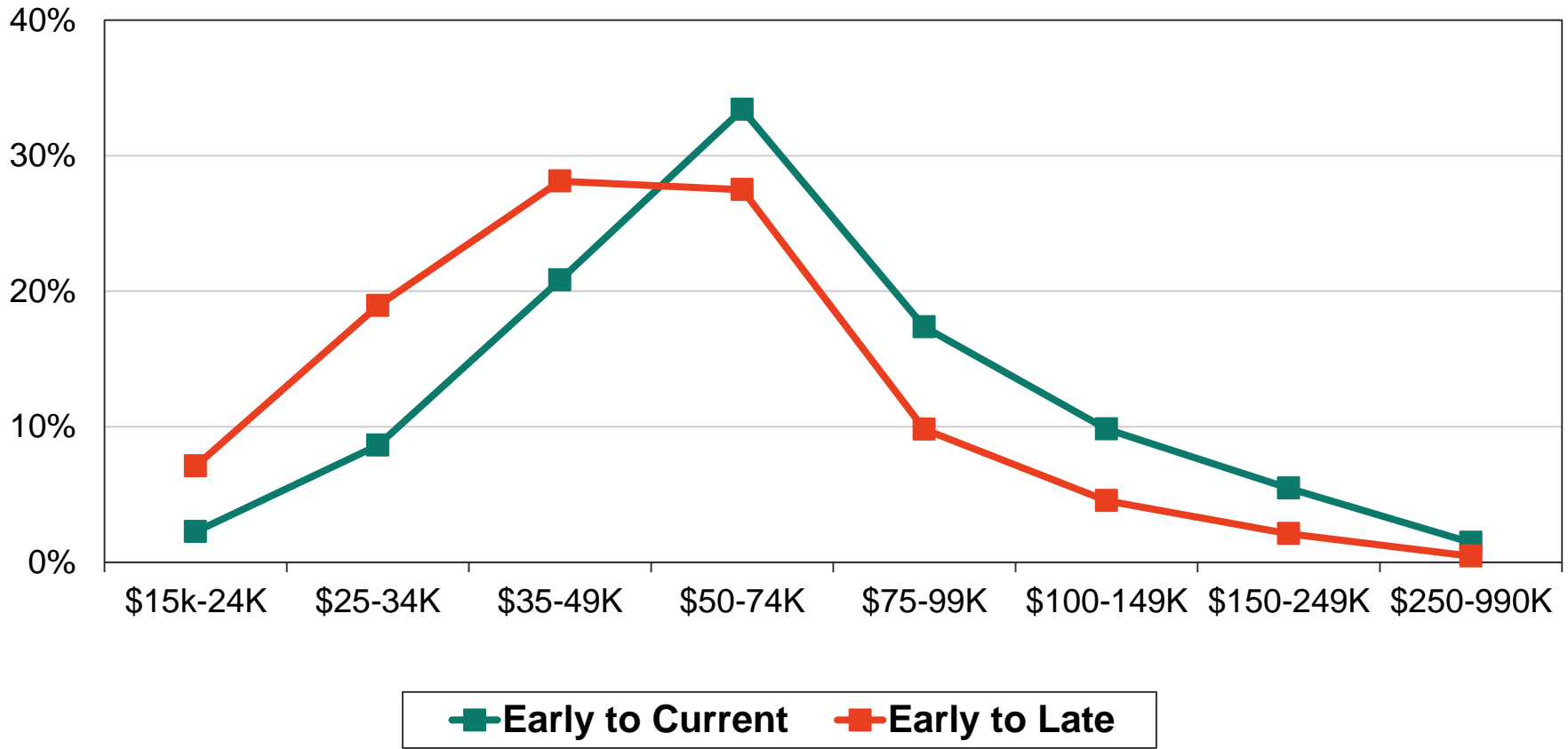
% of consumers by VantageScore® segment

Legend: ■ Early to Current   ■ Early to Late

Data values shown:
- Super Prime (781-850): Early to Current 2%, Early to Late 0%
- Prime (661-780): Early to Current 14%, Early to Late 3%
- Near Prime (601-660): Early to Current 16%, Early to Late 7%
- Sub-Prime (500-600): Early to Current 51%, Early to Late 52%
- Deep Sub-Prime (300-499): Early to Current 17%, Early to Late 37%
- Missing/Exclusion: Early to Current 1%, Early to Late 2%

Most predictive scores
Income Insight^{SM}

% of consumers by Income Insight^{SM} range

Legend: ━■━ Early to Current ━■━ Early to Late

Most predictive scores
Bankruptcy PLUS^{SM}

% of consumers by Bankruptcy PLUS^{SM} score range

Legend: Early to Current — Early to Late

Premier Attributes[SM]
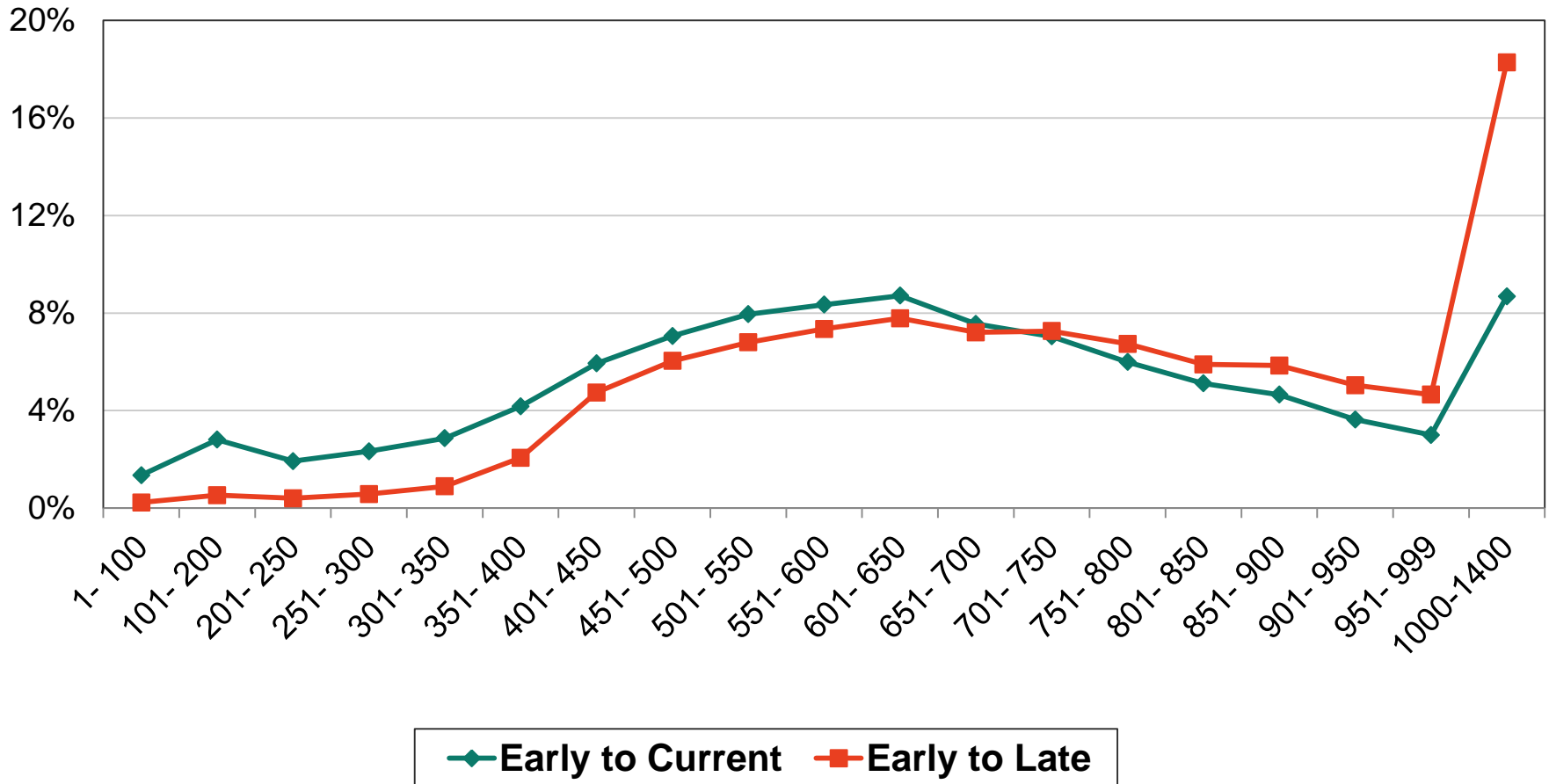
Over 1,000 credit attributes based on current industry and data reporting trends
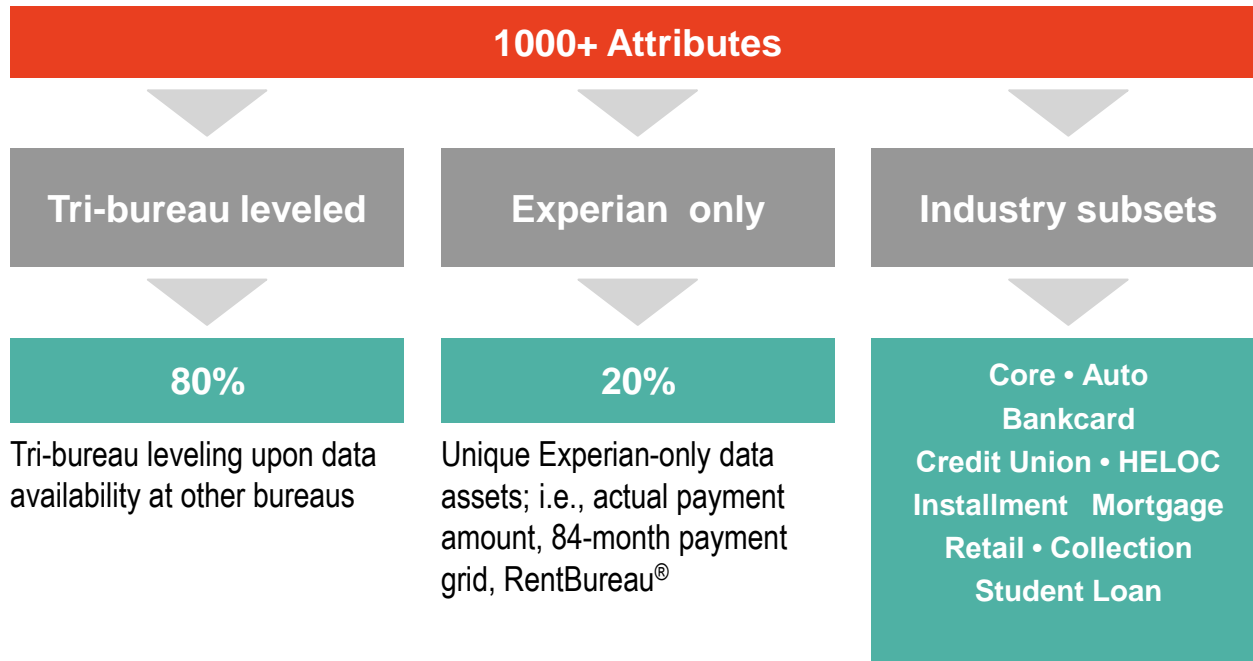
1000+ Attributes		
Tri-bureau leveled	**Experian only**	**Industry subsets**
80%	**20%**	**Core • Auto** **Bankcard** **Credit Union • HELOC** **Installment Mortgage** **Retail • Collection** **Student Loan**
Tri-bureau leveling upon data availability at other bureaus	Unique Experian-only data assets; i.e., actual payment amount, 84-month payment grid, RentBureau®	For use in model development, segmentation criteria and policy rules

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Most predictive attributes

Early to late stage consumers

- Total number of external collection inquires= 1+
- Total credit amount on unsatisfied derogatory trades >=$5,000
- Worst ever status on a trade in first 12 months of open date= 180+
- Number of months since the most recently opened credit card trade >=61 months
- $ change in revolving unsecured balances within 6 months =$0-99
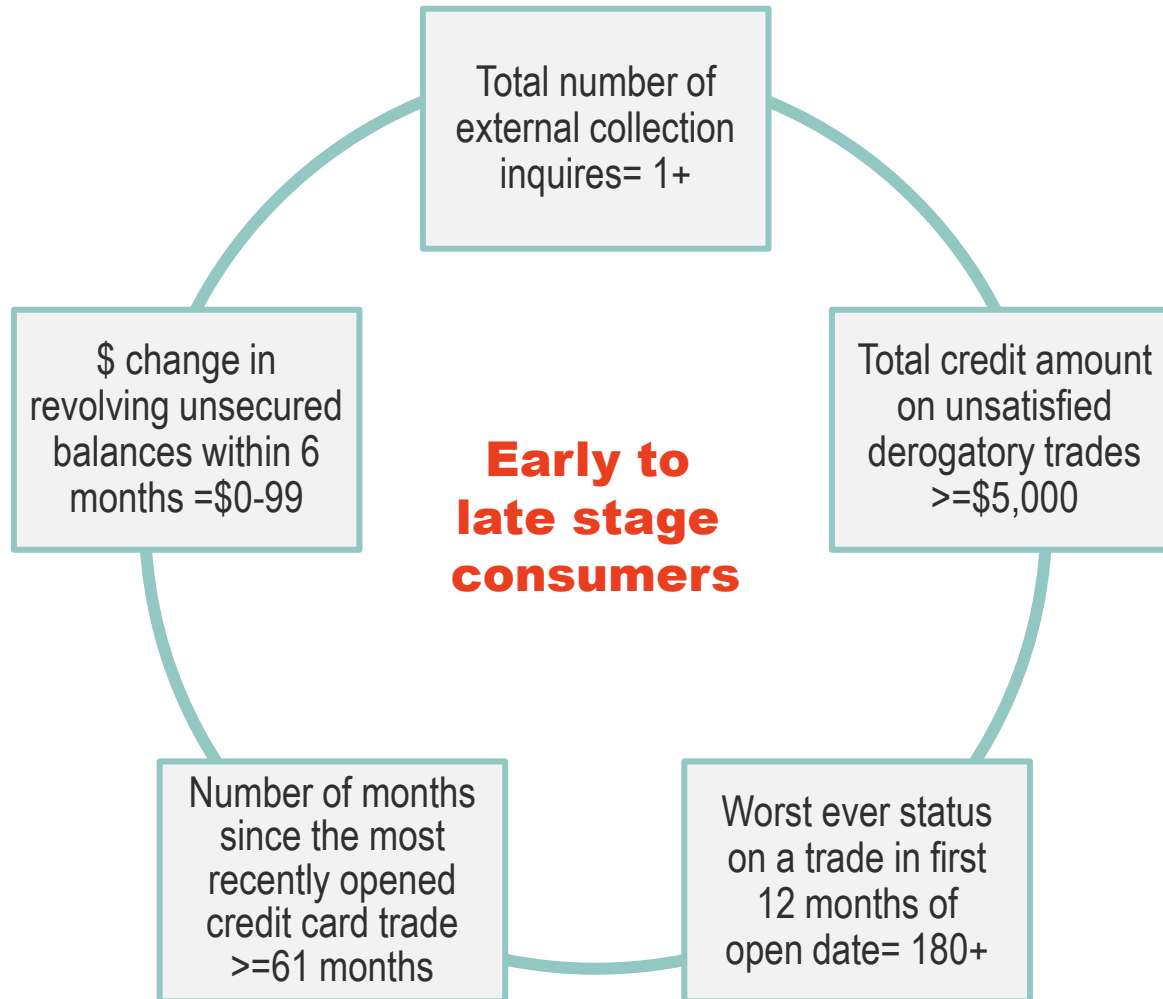
Risk Triggers^{SM}

- Daily alerts of off-you risky credit behavior

- Notifications of key credit changes

- Allow you to understand a customer's full credit profile right now

- Actionable information

  ▶ Close / freeze accounts

  ▶ Credit line management

  ▶ Prioritize collections

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Most predictive risk triggers

Usage
- Over the credit limit

Delinquency
- 30-120 days past due
- Settled

Severe derogatory
- Charge-off
- Collection

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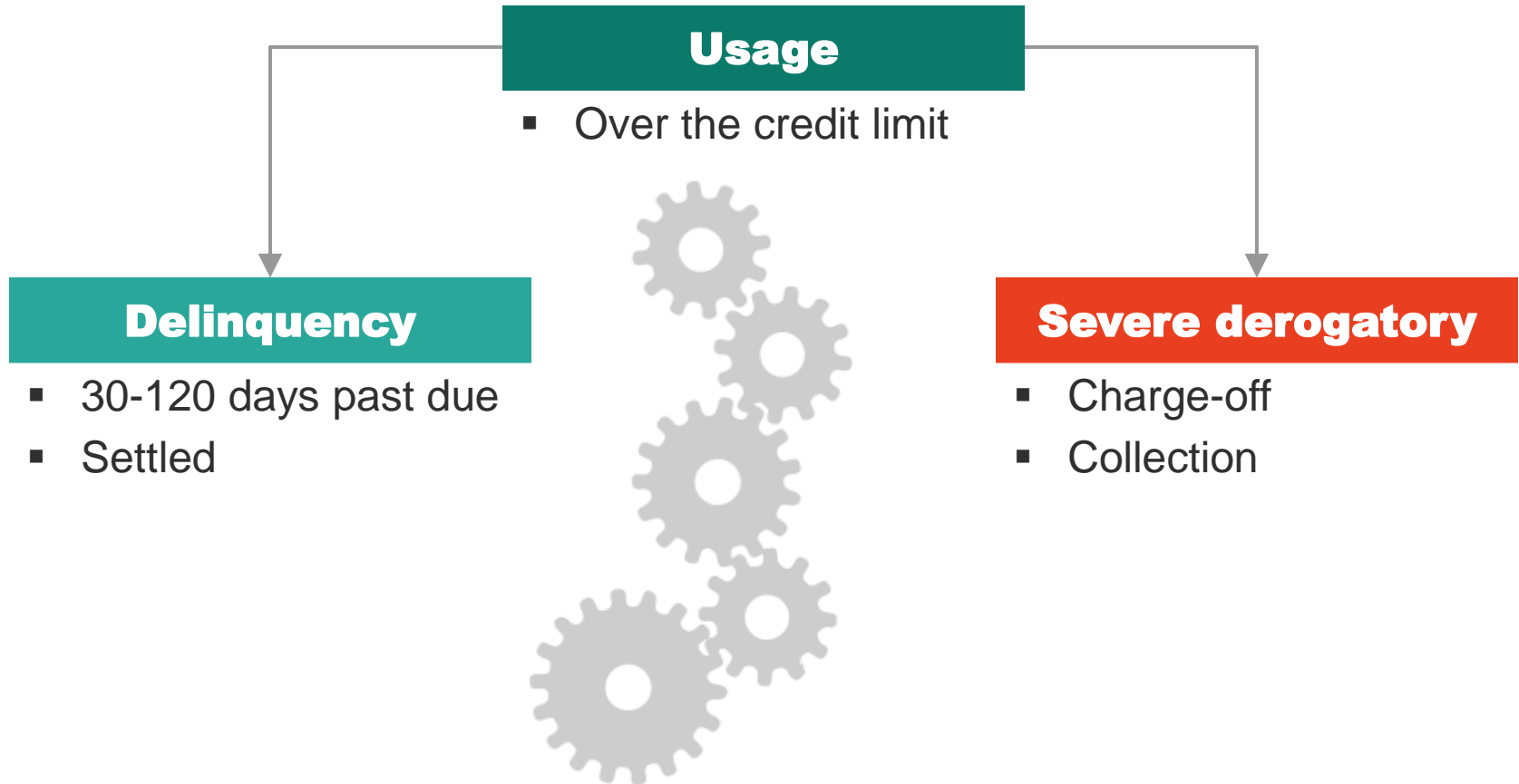
Attribute segmentation

By overlaying additional attributes and triggers, Experian has seen appreciable lift over and above the use of a score alone

- Further separation of rolling vs. non-rolling accounts

- Customization without the added time and expense of a custom model

- The attributes and thresholds applied will vary widely depending on type of account being worked, client portfolio make-up etc.

Segmentation results

	Overall population		37.2% bad rate		Good / bad ratio of 1.68	
	1	**2**	**3**	**4**	**5**	**6**	**7**
	High risk			**Avg risk**			**Low risk**
Bad (EL) %	**75.6%**	**60.3%**	**49.0%**	**40.0%**	**31.7%**	**22.0%**	**12.4%**
GB ratio	**0.32**	**0.66**	**1.04**	**1.50**	**2.16**	**3.55**	**7.08**
% of Total	6%	10%	15%	21%	17%	12%	18%
% of EC	2%	7%	12%	20%	19%	15%	24%
% of EL	13%	17%	20%	22%	15%	7%	6%
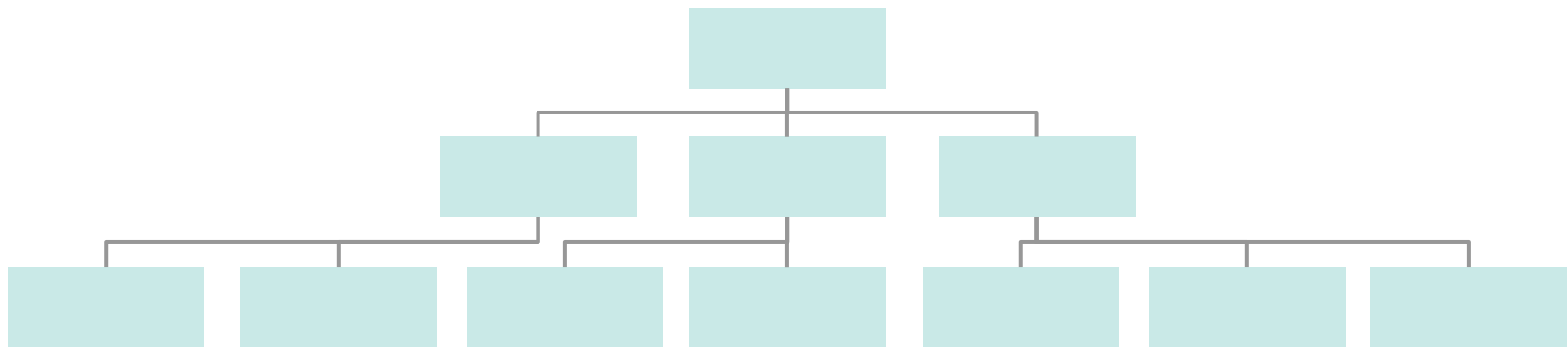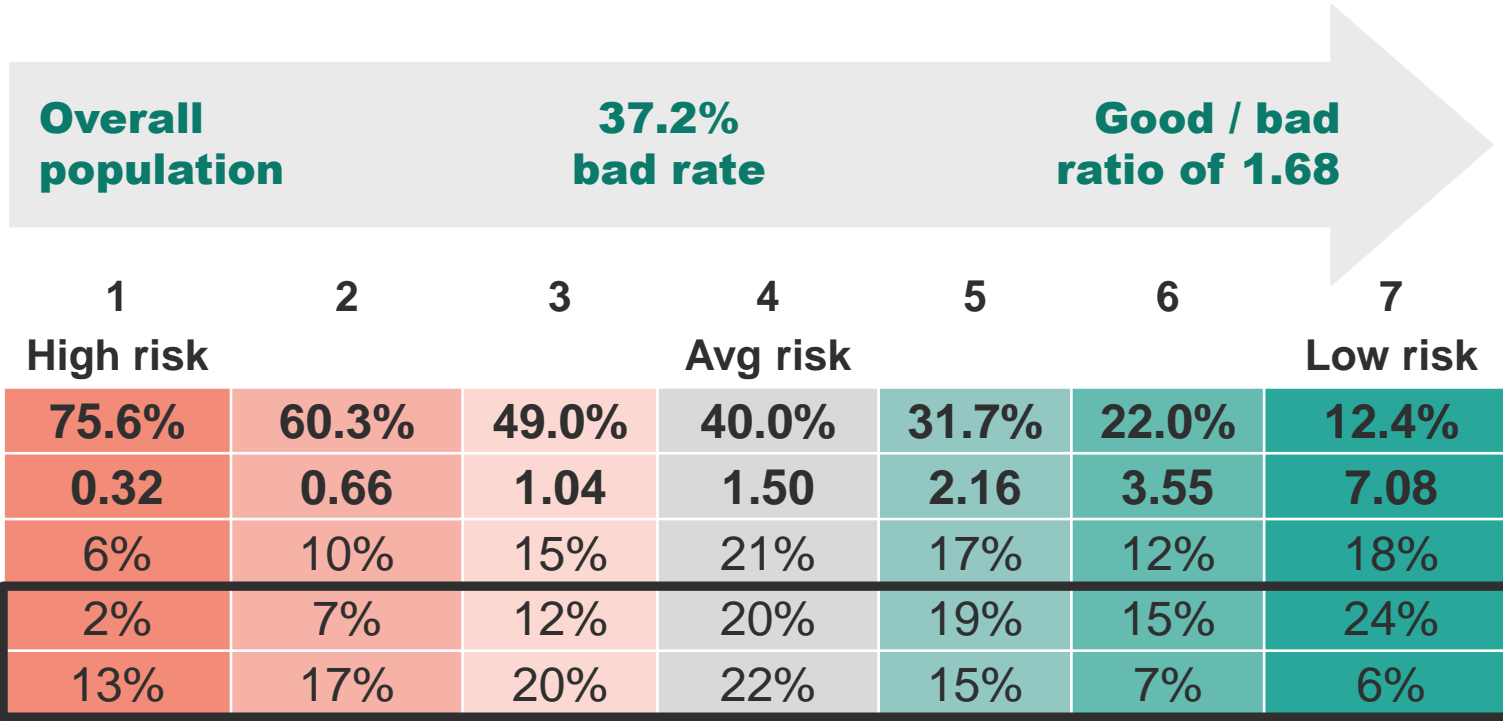
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Late stage prioritization

The "now what?"

Do the rollers have a willingness to pay?
Collection Triggers^{SM}

Account number recovery lift percent
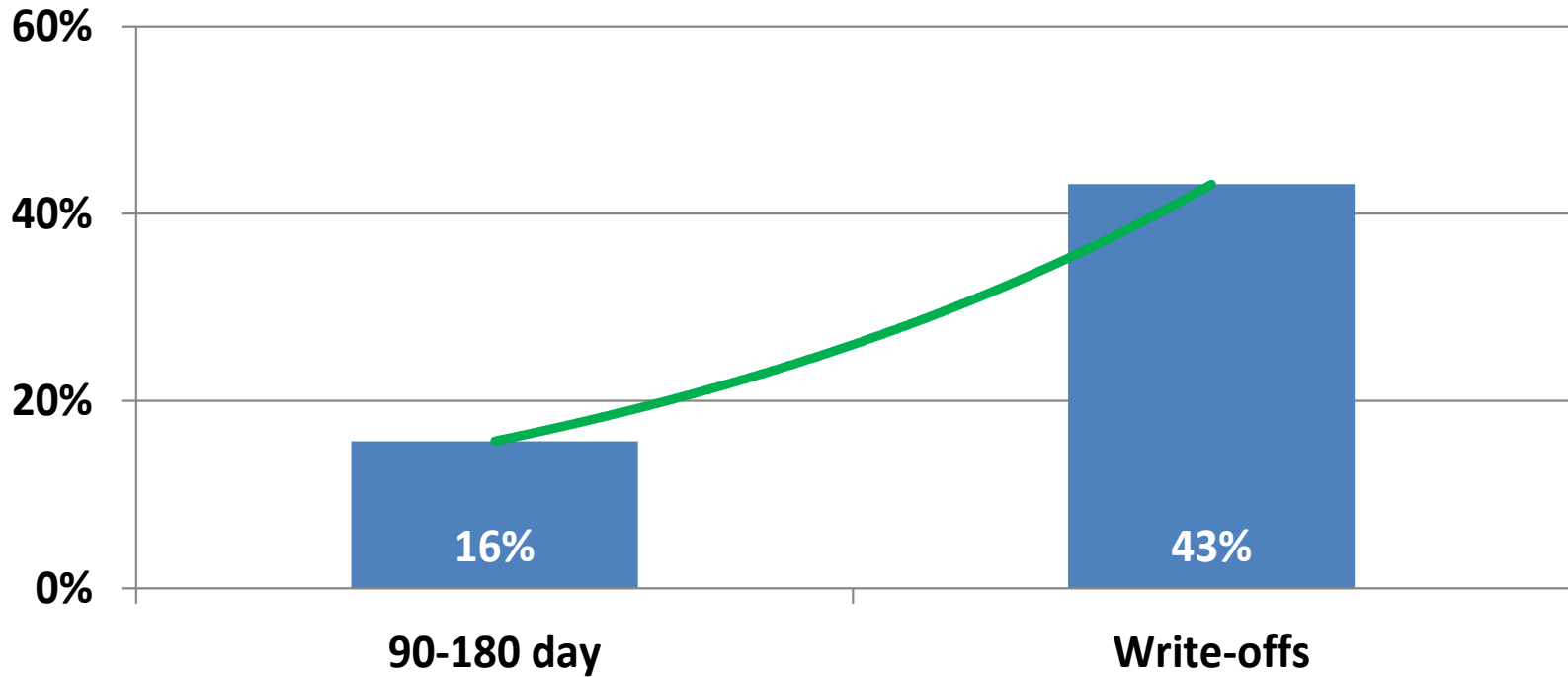
Identifying customers that are more likely to **make any payment**

Do the rollers have a willingness to pay?
Collection Triggers[SM]

Liquidation dollars lift percent

(Bar chart: "90-180 day" = 19%, "Write-offs" = 77%)
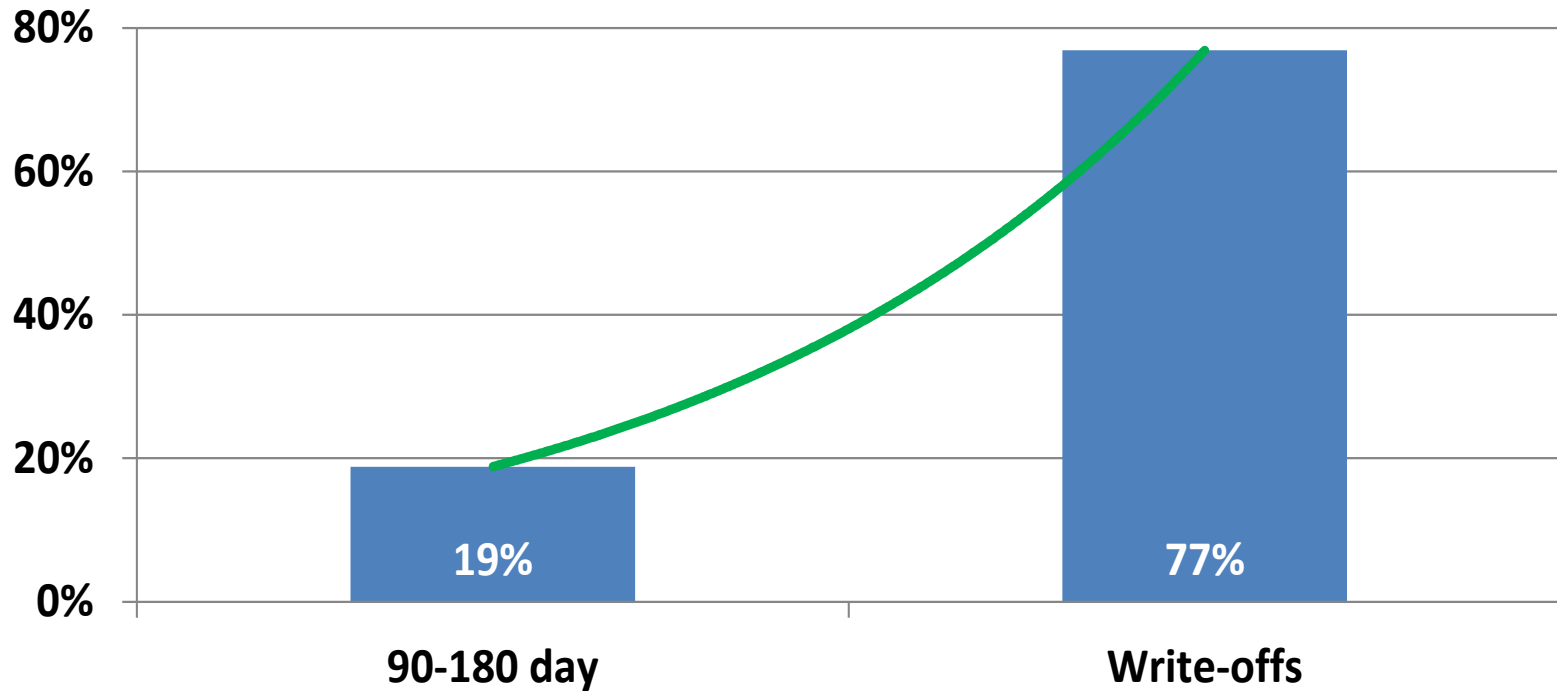
Identifying customers that are more likely to
make higher / more payments

Do the rollers have a willingness to pay?
Collection Triggers[SM]

Average payment lift percent

- 90-180 day: 22%
- Write-offs: 67%
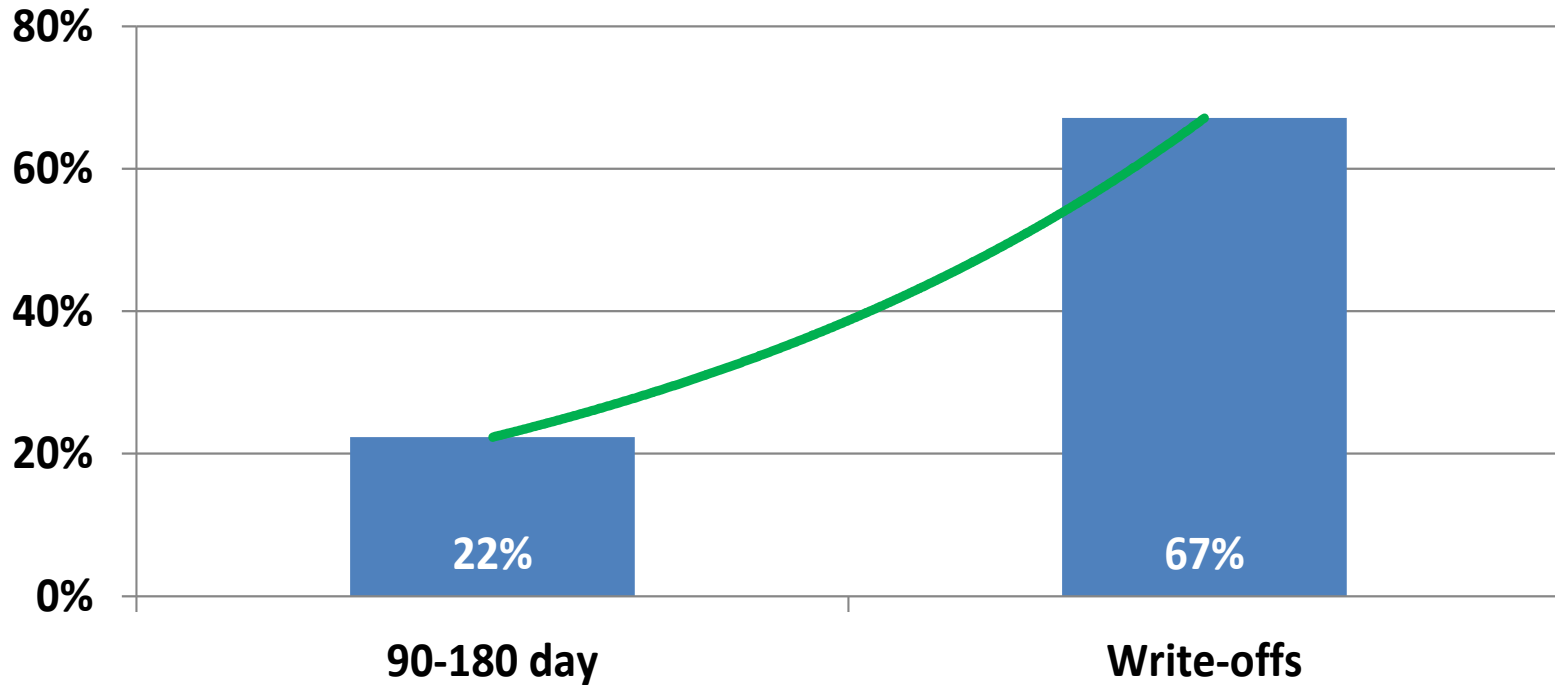
Improvement to the average payment collected

Use cases
Best practices and recommendations

Early stage consumer prioritization

- Queue accounts unlikely to cure, be first to get paid

- Reduce work effort on accounts most likely to cure

- Adjust authorization strategies

- Access account for credit line decrease or close account

- Enhanced customer experience

Late stage consumer prioritization

- Do they have the ability and willingness to pay

- Is early settlement an option

- Optimized treatment and settlement strategies

- Have a more effective third party agency strategy

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