

# Behavioural Scorecard for Bank Loan



## Objective

Behavioural scorecard for a leading US Bank to predict

- Delinquency likelihood of the accounts .
- Assess expected losses on the delinquent accounts (DQ) .
- Rank the accounts by severity in order to prevent severe losses .



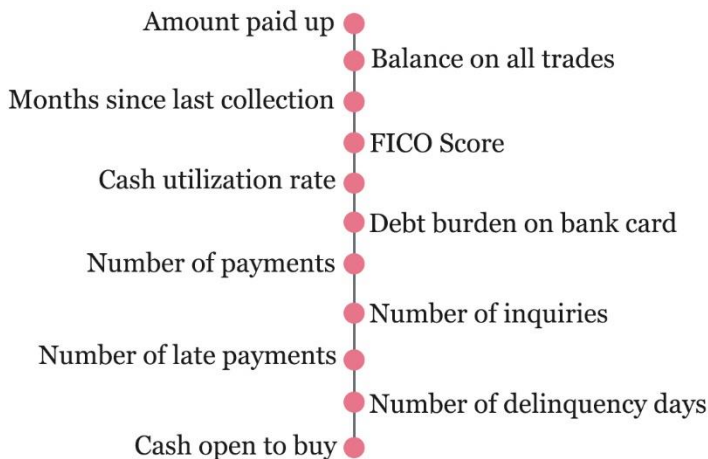
## Our Client

Client was the 5th largest US bank and the score was developed for the credit card portfolio.



## Solution

- Variable screening using both statistics and business acumen. Iteration with different subset of variables is supported by Smart tool.



- Determination of optimal probability cut off to obtain low error. In the validation sample, the model achieved very low error rate minimizing the cost arising from both type of errors – an attractive feature of ScoreBuilder, to make the decision.

- False positives: Non-DQ accounts misclassified as DQ – Collection costs | 5%
- False Negatives: DQ accounts misclassified as Non DQ – Loss incurred | 8% as no action was taken

- High discriminatory scorecard as evident from the KS Statistic value of 0.63.
- Substantial lift of 9.28 was demonstrated .