



Lenders across industries validate FICO Expansion® Score's power

success story: scoring



Client	Participating lenders in a retro-validation study, including: American Express, Credit Suisse, Daimler Chrysler, DriveTime, First Franklin, Ford and HSBC
Challenge	Expand market share and profitability in the large credit-underserved market
Solution	FICO Expansion® Score
Results	Strong rank-ordering of good- and bad performing consumers; generation of a reliable predictive score for 70% to 100% of consumers; 35% of study consumers receiving high scores (640 and above); close score alignment to the FICO® Score

"The validation proved the strength of the FICO Expansion Score's foundation: FICO's leading analytics and the use of reputable alternative credit data."

—Greg Pelling,
Vice President of Scores
and Analytics, FICO

Participants in study see high scorability rates and strong performance results on new creditworthy consumers

» CHALLENGE

With each year, growing your portfolio volume at a meaningful rate becomes increasingly difficult. For most financial services segments—for example, mortgage, auto and credit card—market size remains fairly constant while a growing number of lenders compete for the same qualified consumers. Winning new business today comes at a price: either driving profit margins down or extending credit out into riskier populations.

Yet, while lenders are fiercely competing over the same customers, tens of millions of credit-eligible consumers remain untouched and underserved. Of the more than 200 million credit-eligible consumers in the US, about 25% have little or no history at the three major US credit reporting agencies. These are consumers—for example, recent immigrants, young adults establishing credit, recently widowed or divorced consumers and mature cash spenders—without enough traditional data at the bureaus to generate a FICO® Score. These "no hit" or "thin file" consumers are generally off lenders' radar and left out of promotions, or when they do seek credit they are either automatically declined or subjected to a costly manual review.

Until now, lenders have not had an empirical, reliable and cost-effective method to evaluate these consumers. Now, with the FICO Expansion® Score, lenders have a new, huge opportunity to boost volume and profitability.

In fact, lenders are already seeing strong results. Lenders from three markets—bankcards, auto lending and mortgages—participated in a retro-validation study to test the effectiveness of the new scores. Participants included, but were not limited to: American Express, Credit Suisse, Daimler Chrysler, DriveTime, First Franklin, Ford and HSBC. These study participants saw that the FICO Expansion Score not only has strong rank-ordering ability like its cousin the FICO® Score, but that it also provides close odds-to-score alignment with the FICO Score.

» SOLUTION

"Lenders have been looking for an effective and trustworthy way to reach the millions of historically credit-underserved consumers," says Greg Pelling, vice president of scores and analytics for FICO. "The validation proved the strength of the FICO Expansion Score's foundation: FICO's leading analytics and the use of reputable alternative credit data."

Industry Results—Bankcard

Score Range	Good:Bad Odds (value:1)
540–559	1.4
560–579	2.0
580–599	2.7
600–619	8.9
620–639	9.1
640–659	11.7
660–679	19.7
680–699	24.1
700–719	29.7

In retro-validation testing, our FICO Expansion Score provided consistent rank-ordering across score ranges for mortgage, auto and—as this chart shows—bankcard portfolios.

In addition to seeing strong results (discussed below) in the score's ability to rank-order accounts by risk and expand scorable populations, validation participants saw close alignment with the FICO® Score.

The FICO Expansion® Score is a credit risk model based on a broad set of alternative data sources. Available through MicroBilt Corporation, an authorized FICO partner, the score uses aggregated data from multiple data sources. As a result, the FICO Expansion Score can be calculated from a broad range of both positive and negative non-traditional credit data, such as demand deposit data, cell and landline telephone utility data, membership club obligations, judgments, liens, bankruptcy data and more.

Like the FICO® Score, the FICO Expansion Score is a three-digit number, scaled from 300–850, that rank-orders consumers by the likelihood that they will become severely delinquent (90 days past due or worse) in the next 24 months. The FICO Expansion Score has the same score range as the FICO Score and is scaled to have a similar odds-to-score relationship. Each FICO Expansion Score is delivered with up to five reason statements that explain what factors had the greatest influence on the risk

assessment, as well as a non-traditional credit report.

FICO Expansion Scores are available for account origination, account management and prescreening. The FICO Expansion Score services are built on a flexible, real-time platform designed to integrate with existing point of originations solutions. It can interface with your current delivery partners for a system-to-system link. The FICO Expansion Score services can also be accessed through web delivery, batch processes, and select resellers and platform providers.

» Results

The study's focus was on demonstrating that the new score provided excellent rank-ordering of credit risk across underserved applicants that had been booked by participating lenders, and on showing the credit quality (based on good-to-bad odds) that lenders can expect for any given score range.

Each lender provided applications received over a six-month period, including credit bureau thin-file and no-hit applications. These sample populations included all "bad" accounts booked during that time period, with "bad" defined as an account that has been 90

days delinquent or worse since the account was booked.

- **Strong performance results.** The results of the study showed that the FICO Expansion Score consistently assigned lower scores to consumers who were more likely to have future delinquencies and charge-offs, while it gave higher scores to consumers who were less likely to have future delinquencies and charge-offs. The credit card pool, for example, showed a Good:Bad odds ratio of 1.4:1 for the lowest scoring consumers rising consistently up each score band all the way to 29.7:1 for the highest scoring consumers.
- **An expanded creditworthy population.** The analysis also showed that the FICO Expansion Score was able to identify a substantial creditworthy population, with 35% of consumers in this study producing FICO Expansion Scores above 640.
- **High scorability rate.** Results further showed that the FICO Expansion Score produced a reliable, predictive score for 70% to 100% of consumers, depending on industry. Based on this testing, lenders may be able to score tens of millions of credit-underserved US consumers with the FICO Expansion Score.
- **Close alignment to FICO® Scores.** The FICO Expansion Score has the same 300–850 score range as the FICO Score. In this evaluation, when looking at the odds-to-score relationship, the FICO Expansion Score demonstrated close alignment to the FICO Score already used by most businesses. For lenders, this means that credit risk represented by a group of consumers at a given FICO Expansion Score is similar to the credit risk of consumers scoring at the same FICO Score.

Because more than 90 of the top 100 largest US banks already use the FICO® Score, similar alignment means that lenders can quickly incorporate the FICO Expansion Score into their decision strategies.

For more information on the FICO Expansion® Score, please e-mail info@fico.com.



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