



TD Canada Trust creates customer-centric view with FICO Decision Management

case study:
decision management



- Client** TD Canada Trust is the personal, small business and commercial bank within TD Bank Financial Group, one of Canada’s largest banks
- Challenge** Address post-merger operational problems that hampered customer service and prevented an integrated customer view
- Solution** Development of a unified Decision Management application for linking credit strategies across originations and account management; the application is based on the integration of FICO® Capstone® Decision Manager (for originations) and FICO® TRIAD® Customer Manager (for account management)
- Results** TD Canada has improved its ability to compete for customers by making more competitive offers faster and by providing consistent treatment across the lifecycle and across products; the company increased new unsecured credit volume by 60% in less than a year after implementing a “quick application flow” based on the FICO Decision Management technology.



“Working with FICO, we’re building a credit infrastructure that allows us to stay competitive and grow our business.”

—*Louise Nicholson*
AVP Credit Infrastructure
TD Canada Trust

Decision Management solution integrates customer treatment strategies across lifecycle

Superior customer service has been a prime tenet of TD Canada Trust since its formation in 2000 from the merger of TD Bank and Canada Trust. Post-merger in 2001, the bank was working to integrate the two businesses and address inefficiencies.

“Once the dust settled from the merger, we took a hard look at our credit world in terms of what was working and what wasn’t,” explains Louise Nicholson, AVP Credit Infrastructure at TD Canada Trust. “We discovered that we had a lot of inefficient processes and a complex operating environment requiring multiple handoffs between departments.”

With so many handoffs, 22% of TD Canada Trust’s applications had to be re-keyed at some point, negatively impacting error rates and turnaround times. In addition, the bank had numerous systems in place performing the same function—for instance, six different origination systems. It also had insufficient management reporting and was, in some cases, tracking workflow on a manual basis.

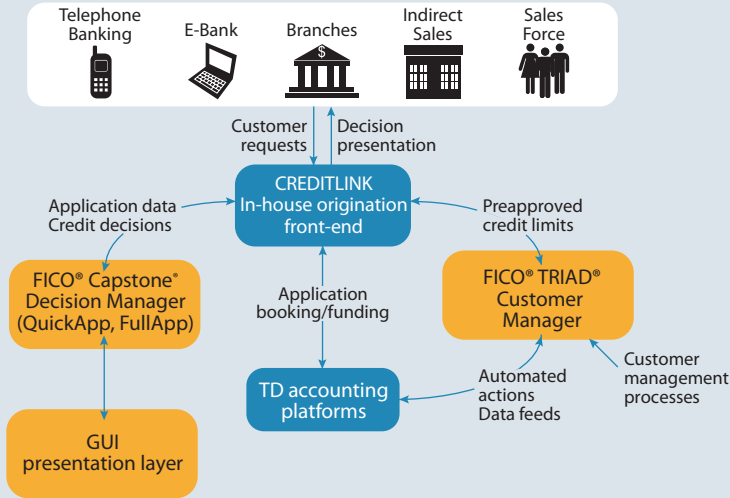
“Underlying all of this was the lack of an integrated customer view,” says Nicholson. “Our senior executives recognized that a piecemeal approach would not work. We needed to overhaul our credit infrastructure.”

After a high-level assessment of its current status and future requirements, TD Canada Trust began implementing a new customer-level decision solution. To link credit strategies across the lifecycle, the bank worked with FICO to build a unified decision management application based on an integration of FICO’s systems for account management (TRIAD Customer Manager) and originations (Capstone Decision Manager).

» A consistent customer view

TD Canada Trust is the personal, small business and commercial bank within TD Bank Financial Group, one of Canada’s largest banks. To stay competitive, TD Canada Trust realized it needed a consistent view of customers across all touchpoints. This would require the ability

Customer-level decisions across channels/internal systems



TD Canada Trust's credit infrastructure integrates internal systems to enable consistent customer-level decisions across channels.

to integrate data and decisioning behind the scenes, automate and streamline processes, minimize handoffs and improve response times.

"Once we got everything hooked up, we didn't want the lights to dim, or to negatively impact the customer or employee experience," says Nicholson. "Scalability and flexibility were also factors. We planned to increase our market share and volume, so we needed a solution that would grow with us, and operate in multiple environments and platforms."

The bank also wanted to empower its business units to configure the strategies and scorecards—and not rely on its technology department or vendor partners to do this.

"FICO and its products met the bulk of our criteria," says Nicholson. "We wanted a vendor with expertise in decision systems and credit to give us advice and make sure we set up our strategies correctly. Speed was also of the essence. We wanted someone to immediately hit the ground running."

In addition to the right technology, there were several other factors contributing to TD Canada Trust's success. These included a phased implementation, a dedicated project team and constant communication with executives.

"Customer-level decisioning was the right thing to do, but given the scope of the project, it required a phased approach," explains Nicholson. "We're implementing the phases in a way that delivers as much benefit upfront as possible."

» A more agile approach leads to faster response times

By timing the phases judiciously, TD Canada Trust is indeed realizing early benefits. For instance, the company has increased new unsecured credit volume by 60% in less than a year after implementing a "quick application flow." For customers seeking greater limits or new unsecured loans, the in-house origination system, CreditLink, can choose between two configuration flows—the quick or the full application flow. The quick application flow offers the customer a preapproved limit generated by the FICO system.

Integrated strategies improve treatment of new/existing customers

		New Customer	Existing Customer
Unsecured Personal Lending	New / additional credit	FICO® Capstone® Decision Manager	FICO® TRIAD® Customer Manager / Capstone Decision Manager
	Negative account management	n/a	TRIAD Customer Manager
	Automated increases / direct mail	n/a	TRIAD Customer Manager
	Collection strategies	TRIAD Customer Manager	TRIAD Customer Manager
Secured Personal Lending	New / additional credit	Capstone Decision Manager	Capstone Decision Manager
	Collection strategies	TRIAD Customer Manager	TRIAD Customer Manager
Real Estate Secured Lending	New / additional credit	Capstone Decision Manager	Capstone Decision Manager
	Renewals	n/a	TRIAD Customer Manager
	Collection strategies	TRIAD Customer Manager	TRIAD Customer Manager
Small Business Lending	New / additional credit	Capstone Decision Manager	Capstone Decision Manager
	Automated increases / direct mail	n/a	TRIAD Customer Manager
	Collection strategies	TRIAD Customer Manager	TRIAD Customer Manager

The integrated FICO system handles decisions for multiple banking products and decisions, which speeds decisioning and improves customer service. For customers seeking greater limits or new unsecured personal loans, for example, a preapproved system limit can be used. If the customer accepts the system offer, it is automatically funded.

If the offer is accepted, the CreditLink software automatically handles the funding and document preparation, and sends it to an accounting platform. According to Nicholson, the ease of this fulfillment process has been embraced by its branches and electronic banking channel.

If the system limit is unsatisfactory or the customer requests a secured product, the full application flow takes effect. Based on the bank's rules, the FICO system will either decline or approve the deal, or refer it to an underwriter.

Early indications also show better management of the bank's provision for credit losses (PCL's) for unsecured credit. In addition, TD Canada Trust has recently implemented a refined set of decision strategies that it anticipates will result in a 30% increase in Visa approval rates and a 14% increase in approval rates for unsecured lines of credit.

Using the new solution, TD Canada Trust significantly increased its average automated decision rate. It has benefited from FICO functionality such as improved reporting capabilities and champion/challenger testing, which allows for the constant testing and refinement of credit strategies.

» Consistent treatment across products and decision areas

The integrated credit management system is crucial to TD Canada Trust's ability to deliver customer-level decisions across the lifecycle.

"It's critical that both FICO solutions work in concert," says Nicholson. "What if a new limit is granted in originations, but at the end of the month, the account management strategy reduces the customer's credit limit? That would be an unacceptable customer experience."

TD Canada Trust makes sure that lifecycle strategies are aligned and that both systems are configured to ensure consistency. This helps the bank deliver superior customer service and ensures that any behind-the-scenes decision complexity remains seamless to the customer.

"In the Canadian banking environment, the top five banks compete fiercely for a finite number of customers," says Nicholson. "It's crucial to understand your customers, your strategy and where you're headed. Working with FICO, we're building a credit infrastructure that allows us to stay competitive and grow our business."

Decision Yield

Precision

By more precisely measuring customer risk, and defining more complex decision strategies, the bank can make more competitive offers faster, which has resulted in increased approval rates.

Consistency

The bank can now ensure consistency of customer treatment during originations and customer management, using an integrated decision management application. This system also gave a consistent approach for customer management across different credit products, as well as multiple operating environments and platforms.

Agility

Business units can configure strategies and make changes to scorecards themselves, without relying on the IT department or outside service providers. The bank has also introduced two different application flows, so that it can instantly respond to customer needs during the loan approval process.

Speed

By using predeveloped customer limits, the bank can offer a quick application flow that offers the customer a preapproved credit limit. The faster response time has helped the bank increase new, unsecured credit volume by 60% in less than a year after implementation.

Cost

Complex handoffs between departments meant more resources were involved in every credit decision—nearly a quarter of the bank's applications had to be re-keyed at some point. By streamlining and automating the process flow, the bank dramatically reduced the amount of staff time required to make routine lending decisions.



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