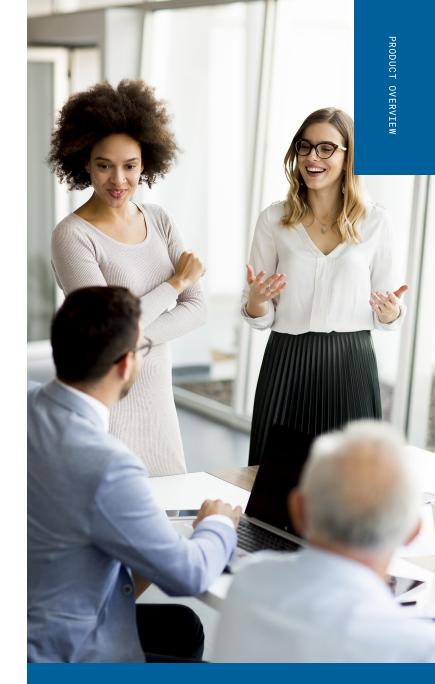# FICO® SME Score

Faster lending decisions that more accurately assess risk of small- and medium-sized enterprises

The FICO® SME Score enables lenders with a highly accurate and efficient method for assessing the credit risk of small- and medium-sized enterprises (SMEs)—providing a cross-portfolio view for decisioning across a commercial borrower's entire credit lifecycle. This results in smarter and faster SME lending decisions that assess risk at a much more granular level—providing better support to SME customers while more accurately assessing risk and improving overall profitability.

With the FICO® SME Score, lenders can:

Make more informed and profitable decisions
Move beyond a one-size-fits-all approach to SME lending assessment in order to lend more efficiently.

Assess risk quickly and accurately
Expand business loan portfolio and control risk with confidence.

Streamline processes
Speed decisions to capture more opportunities and support a better customer experience.

FICO®SCORE

Expand SME Business Lending While Effectively Controlling Risk

SMEs represent a huge opportunity globally. In certain countries, more than 98% of all businesses are SMEs.[1] These businesses provide a path to inclusion for many—as well as represent hope for more holistic regional prosperity. Because of this potential, governments and financial institutions alike are seeking ways to improve their ability to provide access to credit.

The challenge for lenders is that accurately assessing the risk of an SME can be expensive and time-consuming. As a result, many credit grantors avoid lending to SMEs—or they employ rigid, labor-intensive processes to vet business loan applications regardless of revenue potential.

Because of cumbersome manual processes that don't factor a customer view, decisions can take weeks even if applicants are existing banking customers. In today's competitive marketplace, customers awaiting a decision can easily move on to a more agile solution.

The FICO® SME Score provides a solution to lenders. It enables lenders to assess risk quickly and accurately, making it possible to expand business loan portfolios to this growing segment while controlling risk with confidence.

Assess Risk More Accurately with Combined Business and Borrower View

With the FICO® SME Score, lenders can experience faster, more consistent and more profitable credit decisions. Similar to a consumer credit score, FICO® SME Score is a credit bureau scoring system that converts the data contained in a credit bureau profile of an applicant or existing customer into a numeric score predicting the likelihood of repayment.

The FICO® SME Score differs from a consumer credit score in that it incorporates information from the business' demographics and credit report. With additional consent by a business owner or director, the credit profile of the customer as a consumer may also be utilized in the scoring process, giving a fully rounded picture of the likelihood to repay debt.

This process is a vast improvement over more traditional risk assessment approaches that involve requesting and manually analyzing a business' financial information—a time-consuming method that inconveniences applicants and can result in less profitable, more biased lending decisions.

Flexible Enough to Grow SME Portfolio Profitability and Manage Risk

Regardless of where the score is delivered, it can be implemented to support lending across many uses—from a start up micro-loan to a lease for a large enterprise. It can be used across the entire business credit lifecycle from acquisitions to account management, collections, and cross-selling. FICO also offers both expert- and empirically-developed SME scores to support lenders and credit bureaux at any analytics stage.

Benefits

Lender

- Streamline operations, reduce decision time, and lower costs
- Increase customer satisfaction with better and faster decisions
- Use across the entire credit lifecycle
- Gain market traction with expert models ready for deployment
- Achieve a consistent and objective basis for assessing SME credit risk
- Merge SME loan solutions seamlessly with consumer loan processes

Credit Bureau

- Be first in your market with SME scoring service
- Combine commercial information with consumer credit data efficiently
- Expand with models available for multiple countries
- Achieve revenue growth through value-added analytic products
- Attract new micro-financers and leasing clients
- Meet the demand of credit bureau clients for a broad-based SME risk score

1 Organization for Economic Co-operation and Development (OECD)

Choice of Models Support Different Timing and Data Availability

The FICO® SME Score is available as an expert, data-driven or fully empirical model.

Expert Model

- No data requirements
- Faster implementation
- Mapped to client data
- Benchmarked for future customization

Empirical Model

- Customized to market requirements by FICO
- Fully data-driven empirical development
- Mapped to client data
- FICO employs its expertise in developing the best model

The expert model is ideal when time-to-market is critical and development data is not readily available.

The expert FICO® SME Score was developed on the judgment of a team of highly proficient FICO analysts, data scientists, and project managers with decades of experience in consumer and small business lending data analytics. This team has in-depth knowledge of the types of credit bureau data that are available internationally, along with the predictive modeling techniques applicable to credit bureau scores for a wide range of credit markets. They also have deep understanding of the types of business demographic information that are predictive of credit risk. The resulting expert FICO® SME Score will cause future good performers to score high and future bad performers to score low in a range from 100 to 400.

Data-driven models can be completely customized to support very specific lending environments and business needs.

Data-driven models are tailored to proprietary product portfolios, customer bases, and in-country credit bureau data. For speed-to-market, data-driven customizations of the expert FICO® SME Score add additional value because they use country-specific data. FICO's team of analysts are experts in the development of highly predictive SME models, based on the underlying FICO expert product.

Empirical models are developed entirely from analysis of the available data and provide the most comprehensive and accurate prediction of risk.

FICO data analysts are globally respected experts in developing empirically derived SME credit risk models. Extremely comprehensive data analysis creates solutions that provide lenders with the most accurate risk prediction available along with any needed segmentation and scaling. A fully empirical model takes time to develop and is suitable for bureau and lenders with a significant SME population, or when a step-up from an expert or custom model is needed in order to maintain market position.

In both cases, appropriate historical data is needed in order to map data to the FICO® SME Score interface and validate the final model. FICO can assist in data extraction and analysis from the outset of the process to detect possible issues in the raw data in order to minimize delays in implementation. FICO can also assist in moving from expert models to fully empirical models.

Learn from Performance Validation

As an additional service, the FICO team of experts is available to analyze how a score performs on each portfolio in order to establish benchmarks for future use. This calibration process generally involves either a retrospective or a prospective analysis. Both approaches are reliable in determining the performance of the score on a given portfolio.

A retrospective analysis, also known as a historical validation, involves validating the scoring model's performance on a set of existing accounts and provides insights for evaluating strategies using the FICO® SME Score.

A prospective validation involves purchasing scores on new and existing small business accounts, then evaluating the performance of those accounts. As an output in either validation process, FICO can produce high-level validation materials for the financial institution, including:

- Score distributions
- Trade-off curves
- KS and ROC statistics
- Good-to-bad odds charts
- Bad rate distribution by score

FICO ®SCORE

Faster, More Compliant, More Profitable Decisions

Make more intelligent credit decisions that can speed critical funds to SMEs—while creating profit for all. Credit bureaux can remove impediments to SME credit expansion by empowering creditors to make careful, compliant originations decisions faster and at a lower cost. The FICO® SME Score can also be used in conjunction with the FICO® Score for International Markets—providing even more options for granular credit risk assessment across the credit lifecycle.

Associated Products

FICO® Score for International Markets — the standard for objective and profitable credit risk assessment—can be deployed in countries where robust credit reporting agency data is available.

FICO® Score X Data is the alternative-data credit scoring solution available for markets outside of the US.

FICO® Expansion Score assesses credit risk by evaluating consumers' credit application and credit reporting agency data.

FICO® Collection Score is an assessment of a consumer's likelihood of going further into delinquency.

Find out more about how your organization can benefit from credit bureau–based scoring solutions and analytics by emailing us at:

globalscoreservice@fico.com

FICO® **More Precise Decisions**