FICO® Collection Score

With the FICO® Collection Score, you can:

Take more informed and profitable actions: Collect and recover more by focusing teams and agencies on the right accounts.

Assess risk quickly and accurately: Learn more about each account by predicting their behaviour — from delinquent bucket roll propensity to expected collection amount.

Refine the risk prediction: Allocate collection resources to accounts most likely to pay, instead of spending time on self-cures or accounts with low expected collection amounts.

Gain insight and continuous improvement: Learn from performance data to enhance strategies and increase collection results.

The FICO® Collection Score is an assessment of a consumer's likelihood of going further into delinquency. Globally, our clients have increased collections, reduced roll-rates and minimized charge-offs by assessing the accounts most at risk. FICO analytic clients typically see 15%–20% lift over judgmental segmentation of accounts for collection. Instead of spending time on self-cures or accounts with low expected collection amounts, they were able to allocate collection resources to accounts most likely to pay.

A Practical Introduction of Analytics into Collections

While historically low delinquency levels have been reported around the world, so has the increase of overall consumer debt. Add the unknowns of the economy, disruptive technology and consumer behaviour, and there will always be delinquent accounts to collect on — to maintain profits and protect capital reserves.

The FICO® Collection Score is a practical introduction of analytics into the collection decision process to fine-tune resource utilisation and overall strategy. Even in markets with little historical data, credit granters can have a FICO Collection Scorecard up and running within months. This is also an opportunity for credit bureaux looking to expand their analytic offerings with a high-impact service that can directly boost their member banks' profits.

Collection models are designed to predict outcomes based on promise and payment history, payment timing, collector notes, and a variety of internal and external data. Expert and empirically derived collections solutions are provided by FICO. A delivery team includes analysts, data scientists, consultants, and project managers with decades of skills and practise in analysing data, processes and operations for consumer lending.

The FICO® Collection Score renders powerful decision support that can benefit lenders and credit bureaux:

For Lenders

- Make faster, more consistent, more profitable collections decisions
- Prioritise collections effort and placement based on the ability to collect — high to low
- Invest in high-balance collections strategies with the potential of higher returns
- Employ a consistent strategy for collections that is compatible with marketing
- Improve efficiency by determining the right action for the right customer at the right time
- Achieve immediate collection traction with expert models ready for deployment
- Enhance expert models with more predictive empirical models once sufficient data is available

For Credit Bureaux

- Be first in your market with a collection score for lenders
- Become a solution-oriented bureau, not just a data provider
- Add a high-impact service and protect members' capital reserves
- Achieve revenue growth through value-added analytic products
- Meet the demand of bureau clients for a broad-based collection score
- Leverage the data you own — bureau data drives FICO® Collection Score
- Launch a new offering quickly with expert models
- Offer more predictive, empirically derived solutions once sufficient data is available

Get Started – With or Without Data

The FICO® Collection Score is available as either an expert or empirical model. The expert model is chosen in cases where time to market is critical or where development data is not readily available. FICO expert models encapsulate 60 years of accumulated skills, knowledge and experience of our credit experts in the form of an algorithm. Expert models are developed when data is not available or is inconsistent, inadequate, or outdated and does not express the current consumer behaviour or economic conditions. Expert models reduce the time, expense and data demands of empirical development and therefore are also implemented where the required time to market is short.

Credit bureaux that start with an expert model often engage FICO to source, analyse and apply data to build and deploy a data-driven empirical model once sufficient data becomes available.

Empirical models are constructed by analysing the historical default performance of similar credit exposures. Empirically derived models are tailored to proprietary product portfolios, customer bases and in-country credit bureau data. Empirical models are built after extensive data analysis and, therefore, generally provide a greater degree of performance. FICO has assisted lenders and credit bureaux in moving from expert models to fully empirical models.

In both cases, appropriate historical data is needed in order to map data to the FICO® 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 up front to minimise delays in implementation.

Know Your Customer – Better

By identifying what accounts are most likely to self-cure, roll and charge-off, and how much they are likely to pay, lenders can determine the right treatment for each account, whether that means assigning the most experienced staff, selling, outsourcing the account or simply doing nothing.

Creditors can prevent alienating their best customers with collection calls. Without models that enforce consistency and connected decisions, credit grantors can make one set of collection decisions that negate the value created by another department and another set of decisions — damaging customer relationships and the lender's reputation.

Analytics can identify the characteristics of self-cures, thereby helping the collections team to focus their collection efforts on the customers who need it the most. Different scoring techniques can then be used to segment the remaining delinquent accounts into high, medium and low risk segments and associated objectives of each segment. Lenders can direct collection resources to the accounts that are most likely to pay instead of spending time on self-cures or accounts with low expected collection amounts. The collections goal for a high-risk delinquent customer is generally to recover as much of the money owed as possible within an acceptable timeframe.
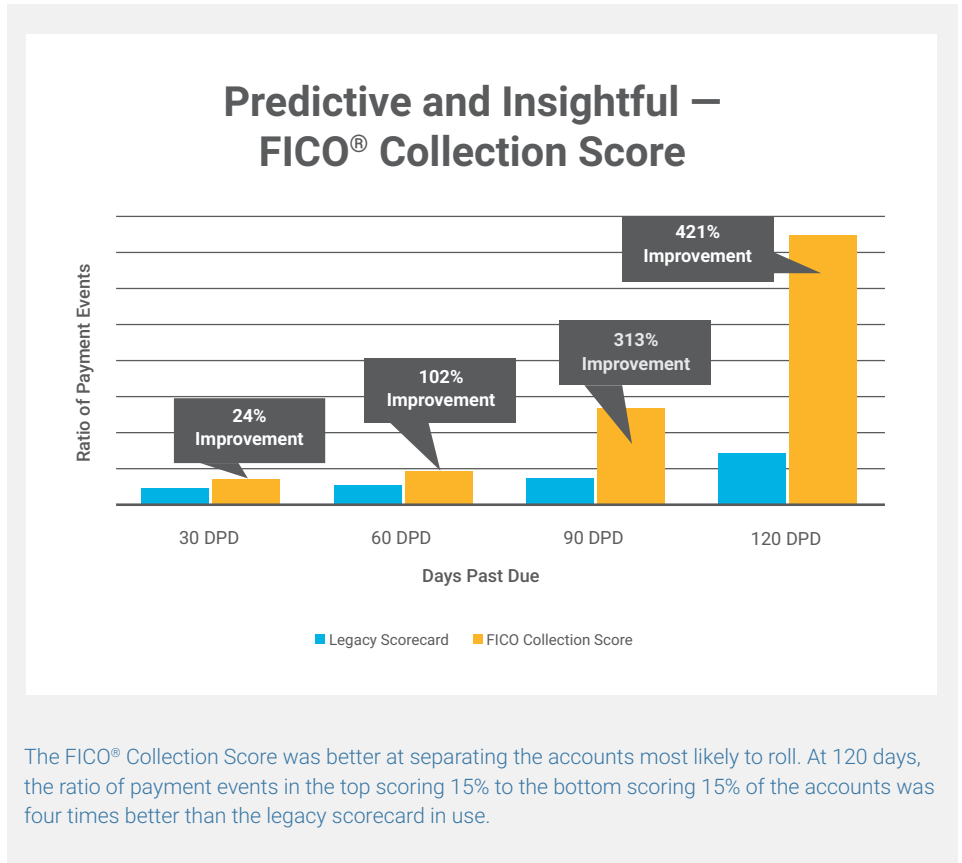
How are FICO® Collection Scores built?

The development of the expert FICO® Collection Score was based on the experience and judgment of FICO analysts rather than empirical data. In order to develop the expert model,

a team was put together of seasoned FICO staff who have in-depth experience in the types of credit bureau data that is available internationally and the predictive modeling techniques applicable to credit bureau scores in a wide range of credit markets.

Empirical models are developed using data provided by the credit bureaux. Extensive analysis is undertaken to ensure the data is suitable for development purposes before detailed analysis is completed to create the most appropriate design for the market. This analysis includes defining the scorable population, creating the outcome definition and undertaking segmentation investigation to determine the optimal model suite. FICO then generates their suite of variables before completing the model development. During the development process, the models are tested on an independent sample to ensure they are robust and not over-fitted to the development sample.

In Summary

FICO also offers support and services to make the most of the model within collection operations. As trusted advisors, FICO works with lenders to improve collection strategies, to begin collecting data for future custom models or to build custom models from the start. On top of providing superior analytics, FICO collection and recovery experts can work with the organisation to create a cohesive framework to drive successful adoption and operational improvements. Intelligent collections can help minimise risk to capital reserves by enabling creditors to make careful, compliant collection decisions quickly and at a low cost.

Predictive and Insightful — FICO® Collection Score

- 30 DPD: 24% Improvement
- 60 DPD: 102% Improvement
- 90 DPD: 313% Improvement
- 120 DPD: 421% Improvement

Y-axis: Ratio of Payment Events
X-axis: Days Past Due

Legend: ■ Legacy Scorecard ■ FICO Collection Score

The FICO® Collection Score was better at separating the accounts most likely to roll. At 120 days, the ratio of payment events in the top scoring 15% to the bottom scoring 15% of the accounts was four times better than the legacy scorecard in use.

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. This FICO® Score delivers a highly predictive and consistent risk calculation by intelligently interpreting the data aggregated by credit reporting agencies in each market.

FICO® SME Score is a credit risk assessment tool that provides credit grantors with an effective rank-ordering system of risk for micro-financers, start-ups, small business lending and leasing.

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

FICO® Score X Data is the alternative-data credit scoring solution available for global markets outside of the US. Developed specifically for each country, the new score empowers lenders' financial inclusion efforts by helping consumers with "thin files" and consumers with no credit history to get access to credit.

More Information

Find out more about how your organisation can benefit from credit bureau–based scoring solutions and analytics by emailing FICO at globalscoreservice@fico.com.