

# FICO® Score Validation Service

## Assess FICO® Score 9 performance and impact to your business



Understand predictive strength of the more current FICO® Score 9



Quantify financial lift on a mix of your portfolios



Maximize value; minimize disruption with FICO expert guidance



Quickly realize the benefit of FICO® Score 9 for your business

FICO® Score Validation Service provides the expert analytic resources and framework needed to overcome the barriers to evaluating the more current and powerful FICO® Score 9. Whether challenging your in-house models or legacy bureau scores, FICO can guide you to a sound decision and practice to upgrade. While lenders acknowledge the significant benefits from adopting the latest analytic innovations, the process of validation can be time-consuming and challenging.

For lenders who want to take advantage of expert guidance for the best validation design and execution, the FICO® Score Validation Service provides the resources to help assess the predictive lift provided by the new FICO® Score 9. When you choose to partner with FICO, a statement of work will help define the areas in which the organization needs the most assistance — going beyond score validation to strategy design and financial impact:

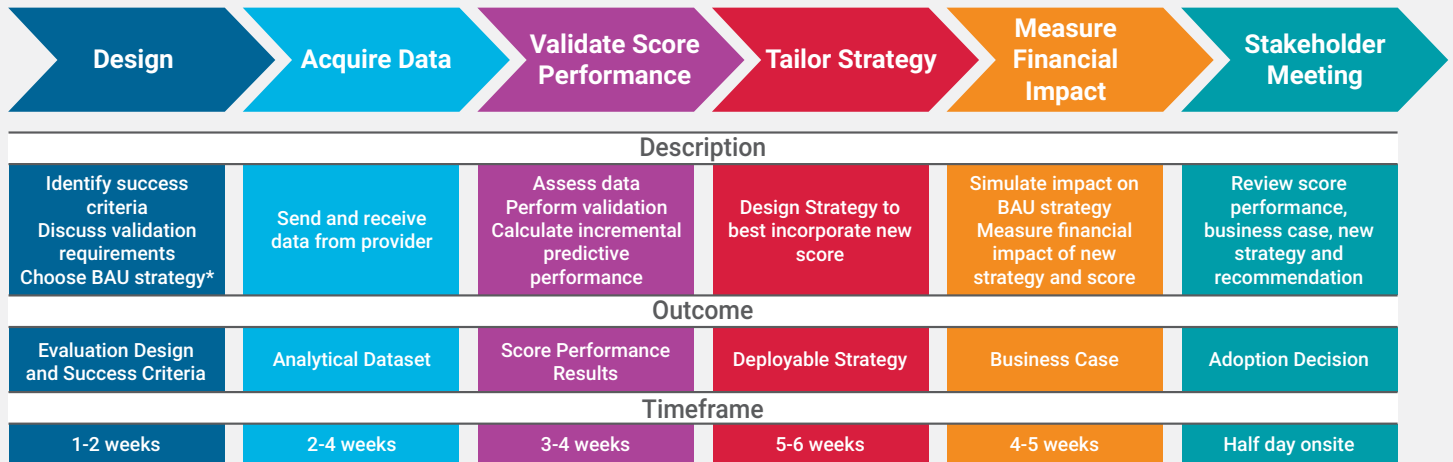
- **Validation:** Analyze the predictive lift provided by the FICO® Score 9 on your portfolios
- **Strategy Design:** Determine how FICO® Score 9 should be integrated into your decisioning strategies
- **Strategy Impact:** Quantify the incremental business impact of using FICO® Score 9 within the context of your existing strategies

Each of these phases builds upon each other, therefore lenders signing up for the Strategy Design and Strategy Impact services will get the consulting and benefits included in the Validation phase.

### Validation Consulting

Before defining the tactical aspects of conducting a score validation, there needs to be a discussion and agreement on organizational objectives to ensure you are

**FICO® Score Validation Service Framework**



Typical validation phases, outcomes and expected timeframe. A customized statement of work (SOW) will apply the framework and the relevant phases to your organizational needs.

\*Identifying business as usual (BAU) strategy is defined as part of a Strategy Impact project.

evaluating what really counts for your business. Then, you are able to design a more effective FICO® Score validation and provide more meaningful results on the potential future impact on your portfolios. Your management goals will influence your validation design and create the strongest business case for change.

Through the FICO® Score Validation Service, expert FICO resources analyze the predictive lift provided by the newest FICO® Score on your portfolios. Deliverables are defined to meet the key success criteria of your business goals. Reports and statistics are compiled and presented to demonstrate the predictive strength of FICO® Score 9 and provide a recommended course of action.

Sample validation reports for FICO® Score 9 include:

- Score and cross-matrix distribution report
- Odds chart
- Log-odds to score chart
- Trade-off curve

Get a clear picture of the predictive improvement provided by FICO® Score 9 over your existing score.

**Going Beyond Validation**

After the validation work is completed and the predictive power confirmed, our experienced consultants will tailor your selected strategy or strategies to maximize the value derived from the new FICO model versus the legacy model. FICO® Score experts estimate the potential business improvement gained from using the new score and strategy, compared to business-as-usual (BAU) practices. The consultants review your existing strategy and design a new deployable strategy.

In addition to the validation documents from the initial phase, Strategy Design provides a defined and rich set of reports and statistics to demonstrate the predictive strength of FICO® Score 9 and provide a recommended course of action. Deliverables include:

- Deployable, data-driven strategy, created using FICO® Model Builder software, that best leverages the new FICO® Score 9

- Projected financial impact of the improved strategy
- Detailed analysis at both the overall portfolio level and at the individual end-node level to study targeted consumers

Experienced FICO strategy consultants use their industry knowledge and the FICO Model Builder workbench to best determine how the new score should be integrated into the lender’s decisioning strategies that map the path to improving business performance.

FICO consultants use a data-driven approach to assess the changes required to score cutoffs or whether new segmentation splits should be introduced to existing lender strategies. A detailed analysis is conducted on an overall portfolio-level and individual end-node level to analyze the targeted consumer as well as expected financial impact.

**Bottom-Line Conclusion**

In the **Strategy Impact** phase, FICO experts assess the score and weigh the predictive improvement of the new score and potential financial impact within

the context of your existing scores and decision strategies.

This is where you start to build the business case for adoption of the new analytics, quantifying the financial impact of both the new score and existing strategy.

Once the predictive improvement is established through the Validation process, the Strategy Impact work translates the analytical improvement to the financial benefit that you may achieve – from the perspective of the existing decision strategies and operating points.

In addition to the validation documents, Strategy Impact deliverables include reports and statistics to demonstrate the new score’s predictive strength:

- Metrics that demonstrate the benefits gained by using the score in your existing strategy and a recommended course of action
- Projected financial impact of the new score, e.g., increased profit, reduced losses, increased approval rates

- Detailed strategic analysis conducted on both an overall portfolio and individual end-node level

FICO will assess one business as usual (BAU) strategy at one historical point in time and compare the new FICO® Score versus existing score in the BAU strategy. FICO then analyzes the difference in strategy targeting on an individual end-node and overall portfolio level. Based on these targeting differences, FICO works with the client to determine the overall financial impact to the lender’s portfolio.

**Have Time and Resources?**

For lenders choosing to conduct the evaluation themselves, FICO provides our clients with the FICO® Score Validation Guide, which lays out a best practice design framework to successfully assess the value of the newer FICO model. The FICO® Score Validation Guide leads you to:

- Define organizational objectives
- Turn objectives into a validation design
- Conduct and interpret validation results

- Assess the incremental financial impact

The guide starts out by providing lenders with key objectives to outline for their organization. It discusses how to turn those objectives into an appropriate validation design – to accurately assess the predictive improvement FICO® Score 9 can bring to the portfolio. FICO provides step-by-step instructions on how to conduct the validation as well as how to interpret key reports. Lastly, the guide provides you with guidance on how to translate the score’s predictive improvement to your bottom line, in the context of existing strategies and scores. A copy can be requested from ScoreSupport@fico.com.

FICO® Score Support (community.fico.com) provides a secure community to find answers to your FICO® Score questions and resources such as performance charts specific to each credit reporting agency (CRA). Designed for and open only to FICO® Score clients in the US and Canada, the repository of helpful reference material can aid in the appropriate use of the FICO® Score and assist in addressing questions from examiners.

The FICO® Score Support community includes information on the features, development, validation and implementation of FICO® Score 9. Topics covered are Odds Charts; General Scoring Questions; Minimum Scoring Requirements; FICO® Industry Score Questions and Migrating to Newer Score Versions.

**Lenders often ask:**

- How do I accurately structure a validation? How do I interpret the results?
- How can I manage a validation with my already resource-constrained analytic staff?
- How can I judge whether the new score demonstrates bottom-line benefits for my business?
- How do I best integrate the scores into my existing strategies?
- What adjustments do I need to make to my strategies to best take advantage of the new score?



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