

originations

Maximize ROI with a personalized roadmap for success

The FICO® Originations Current State Assessment is a high impact, short-duration service that reviews your processes, data, analysis and reporting capabilities to ensure you have the knowledge and techniques to make the best possible originations decisions. Our team of analytic, strategic, technical and regulatory professionals reviews your current environment and scopes gaps, filtered through industry benchmarks, economic information and regulatory guidelines. We examine how your organizational structure and technical infrastructure support your short- and long-term originations strategies and provide you with a personalized roadmap for success.

Sample FICO® Originations Current State Assessment Deliverables


Use of Analytics

Observations

- Simulation environment is utilized
- Current rules are not executing

Opportunity

- Measure acceptance rate, based on Beacon score matrix
- Use performance inference to study cross-over population
- Client customers who applied and were approved but were previously unresponsive to pre-approval
- Client customers who applied and were approved that were not part of pre-approved campaign
- Non-client customers who applied and were approved



Best Practices Summary

	Strength	Opportunity	Constraint
Effective use of application, bureau, and internal data	✔		
Decision Engine to manage complexity and test and learn environment	✔		
Advanced use of scoring, which combines power of internal and external data		✔	✔
Accurate Capacity to Pay compliments scores		✔	✔


Use of a Decision Engine

Observations

- Reusable decision components: rules, calculations, tables, etc.
- Logical groupings of rules into modules to facilitate process clarity and documentation
- Centralized and standardized data collection
- Simulation environment provides platform for analytics and "test and learn" activities

Opportunity

- Address resubmission and consistency concerns using existing audit tables and the simulation environment
- Review referral rules to identify applications truly eligible for override
- Redirect applications that are not eligible or are referred due to data entry errors or omissions
- Implement a GUI front-end to function as a gatekeeper
- Align referral reasons and queue structure, and revise procedures to improve quality and productivity
- Provide specific reasons for referral or decline and specific corrective actions to improve communication between lenders, adjudicators, and borrowers



FICO® Originations Current State Assessment delivers clear, actionable feedback and recommendations presented personally and interactively.

The correlation between your originations capabilities and your profitability across the customer management spectrum cannot be understated. Originating a new account is a critical decision affecting 80% of measurable risk throughout the life of that account, and it sets the stage for yield potential from that customer. Today, striking the right balance between risk, profitability and regulatory compliance is key to driving originations success.

Unfortunately, many lenders haven't proactively responded to shifting customer preferences, economic instability and regulations (such as reserve requirements or interest rate adjustments). The lack of precision in decision making has widened the gap between originations execution and business goals, affecting the bottom line as lenders lose valuable customers to competitors. Increasingly, organizations are turning to FICO® Originations

Current State Assessment to identify weak spots in their originations operations, analytics and policies, and develop a game plan for quick wins and longer-term strategies.

» The FICO® Originations Current State Assessment

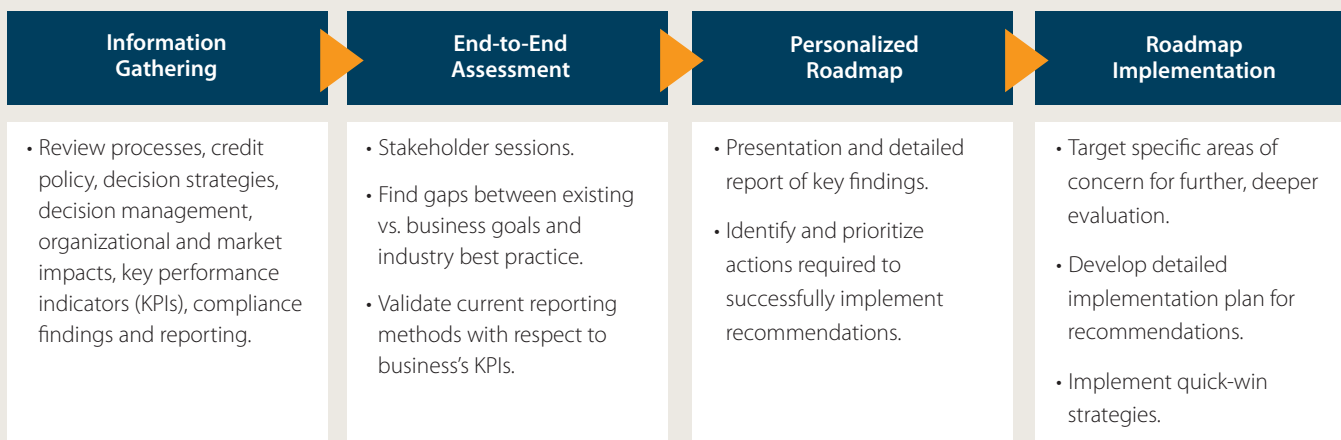
FICO Originations Current State Assessment is a highly focused, short-duration service that examines and compares your current originations capabilities against best practices, then drills down to several areas where you can maximize your profitability. The Current State Assessment differentiates from other consulting services by examining the interrelationship between industry, analytical, regulatory, operational and strategic components that drive your originations decision making. We help you answer the following questions:

- **Precision**—How well are your originations decisions performing compared to company

With the FICO® Originations Current State Assessment, you can:

- **Review your current data environment** with global banking experts.
- **Scope gaps** between current capabilities and business objectives.
- **Identify improvements**, benchmarking against accepted practices.
- **Use recommendations to maximize ROI** through data, regulatory, process and systems enhancements.
- **Acquire a prioritized roadmap** to help you transform your originations capabilities now, and in the future.
- **Implement key initiatives**, energized by FICO services and solutions.

FICO® Originations Current State Assessment Process Overview



growth goals and subsequent delinquency rates? Is there overlap between your scores and your criteria? Are judgmental criteria specific enough to control and predict risk?

- **Consistency**—Are your decisions coordinated across the enterprise? Is customer income and debt measured the same way across your entire product set? What is the right way to measure debt in order to assess capacity to pay?
- **Agility**—How easily can you introduce a new initial limit or pricing structure? Are you ready to rapidly change decision strategies across systems and business units? Do you have data necessary to study performance and produce quantifiable recommendations? Do your decision criteria allow custom binning of data elements?
- **Speed**—Are you using automation to execute decisions (e.g., as part of an application process)? How can you increase decision speed while understanding the trade-offs involved? Can you quantify the benefits of automation? When should an override take precedence over automation?
- **Cost**—Where does your cost profile fit among your industry peers? Do you consider activity-based costs, data and system resources, and determine opportunities for lowering costs in the short, medium and long term? Can you calculate ROI to help drive change?

» Realize benefits sooner

Our assessment includes a personalized roadmap with clear, actionable feedback and recommendations—instead of pages of data that make you feel like you're back at square one. We will present our roadmap personally and interactively, so that you understand how we derived our conclusions. After the assessment phase, we will also help you target specific areas for further development, and can work with you to implement our recommendations. As a result of the Current State Assessment, you can start implementing strategies that help you:

- Take an end-to-end view of originations—across business units (e.g., sales, marketing and risk), as well as across the entire customer management spectrum (including cross-product, collections, exposure, other factors).
- Align your originations strategies and credit policies with regulations.
- Synchronize your short- and long-term strategies with your business plans.
- Set your pricing and credit lines correctly, against the ability to pay.
- Venture beyond risk mitigation—master it to build originations competitive advantage.

FICO® Originations Current State Assessment helps uncover \$85 million in opportunities for a US bank

FICO examined a North American bank's secured and unsecured lending originations practice. With a focus on reducing complexity that had increased over the years, FICO uncovered opportunities to modify the debt-to-income ratio that is so critical to any originations decision.

As part of the evaluation, FICO experts uncovered biases against low-risk customers in the existing policy. Further analysis revealed that through relatively minor changes to debt calculations, the bank could increase the approval rate in both the unsecured and secured loans with no increase in risk (70 basis points and 120 basis points respectively), and realize \$85 million in additional receivables. This was the result of only one of the dozens of recommendations that the bank quickly adopted.

- Build your capacity to grow your portfolio organically and via acquisition—and adjust originations as needed.
- Identify where you can enhance or transform your existing predictive model environment to drive market share and regulatory/agency compliance.
- Strike the right balance between reserves and risk, and make a careful transition from over-conservatism to replenishing your portfolio with good clients, while achieving overall capital management goals.

» Key focal points of FICO® Originations Current State Assessment

- **Product and Channel Structure.** Types of products and sub-products, plans for implementing new products, acquisition channels, volumes by product and channel, pricing and fee structure.
- **Data Capture.** Current data capture processes, location of data capture practice, data validation, pre-editing, supporting document handling, data quality standards.
- **Application Processing.** Technology, overall application flow, application turnaround time, manual touchpoints, automatic and manual system checks.
- **Information Sharing and Legislation.** Use of external and internal data, credit bureaus, customer databases, fraud/blacklist databases, lending legislation.
- **Application Decisioning and Queue Management.** Lending policies and criteria, decisioning process, manual and

automatic decisioning, decision overrides, mandate levels, up-selling and down-selling, cross-selling, use of scorecards, application queuing structure, reporting and MIS.

- **Administration and Audit.** Document production, account opening process, funds deployment, internal and external audits, reporting and MIS.

» Next steps

Post assessment, FICO will also help you target specific areas for further development, and can work with you to implement our recommendations. Additionally, FICO has a range of services targeting the originations space that help our clients make more profitable customer on-boarding decisions every day:

- **FICO® Origination Manager:** After developing an aggressive go-forward strategy, you can take it to the next level with FICO Origination Manager, the next-generation, application-to-decision originations solution designed to help drive portfolio profitability through optimized decision strategies.
- **FICO® Decision Optimizer:** Manage complex, large-scale optimizations, such as pricing and product recommendation, involving dozens of networked action-effect models, and enables exploration and simulation of many optimized scenarios along an “efficient frontier” of options
- **FICO® Model Central™ Solution and FICO® Model Validation Services:** Leading-edge originations decision making is powered by high-performing

Are you ready for regulation?

Regulations related to capital reserve requirements as well as the timing and application of interest rate adjustments, payment application hierarchies and limitations on subprime fee assessments magnify the complexity of an originations operation.

The FICO® Originations Current State Assessment measures your originations plan against current regulatory requirements, and also considers the agility of your infrastructure and personnel to respond to future changes. Our recommendations will help you build in strategies to avoid penalties and turn regulatory headaches into opportunities to extend your competitive advantage.

predictive models. FICO offers an array of solutions targeted to improving your model development and management capabilities.

- **FICO® Capital Management Service:** This service identifies capital benefits from operational and strategy change opportunities across each stage of the credit lifecycle. For originations, you can identify which segments are delivering low or negative returns on RWA value, and target opportunities to change product, price and exposure size decisions.



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