



Cathay United Bank accelerates Retail lending with Global FICO® Score

case study: Scoring



Client

Cathay United Bank: The Asian Banker magazine voted Cathay United Bank the Best Retail Bank in Taiwan in 2008 "for its outstanding performance in 2008 amid great market upheaval." Cathay United Bank is the second largest credit card issuer in the island republic, with a base of over 3.2 million cards.

Challenge

Cathay United Bank wanted to grow aggressively in the retail space, but it faced two major challenges to growth: processing a large volume of credit decisions efficiently, and effectively managing the increasing risk associated with retail products.

Solution

The bank turned to Global FICO® Score, a credit bureau risk score that rank-orders consumers according to credit risk. Global FICO® Score is a rapidly deployed risk assessment tool that helps lenders sharpen their evaluation of consumer risk and automate the credit decisioning processes to reduce losses and increase profitability.

Results

Since adopting Global FICO® Score in 2005, Cathay United Bank has increased efficiency in their credit risk decisioning process substantially and managed risk effectively to reduce losses by US\$1.6 million annually.

"FICO has the most widely used world-leading credit bureau scoring models and excellent professional service teams. Global FICO®Score brings immediate benefits to our business by substantially improving efficiency of our credit decisioning process, and managing risk to reduce losses effectively. All these help us maintain our leading position in a competitive market."

– *Lola Chung*
Senior Vice President
and General Manager
Risk Management Department
Cathay United Bank

» Challenge

Cathay United Bank was born out of the 1975 merger between United China-World Commercial Bank and Cathay Commercial Bank. With 176 branches and over 6,100 employees domestically and internationally, the bank has garnered a reputation for aggressive growth and responsible risk management through the adoption of leading edge technology, particularly in the retail space. The Asian Banker magazine recognized Cathay United Bank "for building a sustainable business franchise in a mature and highly competitive environment."

Taiwan's fast-growing market for consumer credit cards presented a huge opportunity to Cathay United Bank, but the market also presented new challenges to the bank's account originations and account management strategies. In addition to the challenges facing the bank's credit card portfolio, the bank wanted to grow its other retail product portfolios such as mortgage, auto and home equity loans.

Although Cathay United Bank had an internal system of scorecards, the existing system was made up of scorecards designed exclusively for single product. To thrive in a competitive environment, the bank needed a sophisticated and scalable solution to use in conjunction with its existing system and that could be applied across all its retail financial products and across its entire network of branches throughout Taiwan.

» Solution

FICO, the global leader of analytics and decision management technology, clearly stood out when Cathay United Bank assessed potential solutions and providers to meet its needs. FICO proposed the Global FICO® Score which is the leading credit bureau risk score used by financial institutions around the world.

Global FICO® Score applies FICO's industry-leading FICO® credit risk scoring technology to rank-order consumers according to credit risk and provide objective and consistent origination and account management decisions. FICO® Score, the gold-standard in credit bureau risk scoring, helps lenders sharpen their evaluation of consumer risk and automate the credit decisioning processes to reduce losses and increase profitability

Before the implementation of Global FICO® Score, Cathay United adopted a "one-cutoff" approach which unnecessarily rejected good potential customers while failing to screen out risky customers. With the new system, however, the bank makes its origination decisions based on FICO® scores developed from credit bureau data in conjunction with its own application scores. This dual-score matrix strategy allowed for a more granular approach that resulted in better decisions.

Global FICO® Score also allows clients to differentiate its offer to the risk profile of the customer. For example, after weighing risks against profitability, Cathay United Bank can

grant low-risk customers higher credit limits and lower interest while charging more to higher-risk customers.

Tangible benefits of Global FICO® Score include:

- **Quick Wins** – Global FICO® score can be implemented in 4-6 months, meaning lenders can bring the full power of credit bureau data to bear on credit decisions quickly.
- **Risk Management across the Entire Credit Lifecycle** – Global FICO® Score can be used across the entire credit lifecycle, from customer acquisition and account origination through account management and collections, to streamline lenders' decision-making processes while managing risk effectively.
- **Fine-Tuned Risk Assessment** – Lenders can use Global FICO® Score in conjunction with custom risk scores to create dual-score matrix strategies that result in more accurate and granular risk assessments and, ultimately, better decisions.
- **Basel II Compliance** – Global FICO® Score facilitates Basel II compliance for lenders.

» Results

Since 2005 when Cathay United Bank implemented Global FICO® Score, the bank has reduced its losses by \$1.6 million a year. With help of Global FICO® Score, the bank effectively grew its market share while keeping losses in check "amid great market upheaval." In spite of intense competition in the local market, Cathay United Bank remains the second largest card issuer in Taiwan with a card base of over 3.2 million cards.

The bank has since implemented Global FICO® Score across its entire retail portfolio, including credit cards, credit loans, mortgages and auto loans.

Decision Yield:

Precision

Global FICO® Score helps Cathay United Bank make precise risk-driven decisions to improve the acceptance rate at each risk level.

Consistency

Global FICO® Score enables Cathay United Bank to make consistent credit decisions for new applicants and existing customers.

Agility

Cathay United Bank benefits from flexible acceptance rates and credit lines to achieve its revenue goals.

Speed

Cathay United Bank is efficiently processing 1,600 credit card applications each day.

Cost

Global FICO® Score saves time and expense in originations and account management. Since 2005, the bank has reduced its losses by \$1.6 million a year.



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