

- alternatives for applicant decisioning;
- the science which underlies score-based risk management;
- different approaches to model development;
- the best data to use to predict risk, revenue, and attrition;
- the most effective ways to implement scoring technologies;
- choosing the most effective credit policies and policy testing;
- integrating credit policies with automation and scoring;
- setting and measuring your credit goals;
- measuring model performance and portfolio quality;
- the latest regulatory compliance issues;
- the ability to interact with numerous other risk managers who are facing similar challenges, and seek to share their experiences.

Please Join the Credit Analysts,
Risk Managers, Credit
Underwriters, Compliance Staff at

Better Consumer Lending - Using the Latest Score-Based Risk Management Techniques



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Presented by:

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Complexity in the science, simplicity in the solution.

Better Consumer Lending - Using the Latest Score- Based Risk Management Techniques

This seminar is intended for credit analysts, risk managers, credit underwriters, compliance staff, and anyone else who has a desire to learn more about the latest risk management technologies and how they can be integrated into a lending operation.

We cover the different alternatives in applicant credit decision making, judgement, rule-based systems, and score-based systems. You will learn about the technology that underlies score-based decisioning and how it works. We will explore the model development process and familiarize you with the types of variables that are most predictive of consumer behavior.

We will then discuss how to implement or further refine the use of score-based tools within your operation. You will learn how to set goals to increase your loan volume while controlling bad debt. You will see how different types of scores can be used in combination to provide superior results.

We will discuss common credit policies and how they can be used in conjunction with score-based tools. We will explore ways you can empirically test the effectiveness of your policies and whether your models are still effective. We will discuss ways to increase your loan booking rate, ways to implement risk-based pricing, and some of the latest compliance issues.

We will discuss how you can use tracking reports to identify opportunities and dangers within your applicant populations and portfolios. We will suggest ways to help measure the quality of your portfolio and even evaluate other portfolios that you might want to acquire.

The seminar is designed to encourage informal discussion, and you are encouraged to take advantage of the shared learning opportunities. The interaction among the attendees and the ability to discuss common risk management challenges is often felt to be an extremely valuable component of the seminar.



This conference is worth 5 CPE credits.

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10:00 AM-10:10 AM **Introductory Remarks and Welcome**
Peter DeForest, Principal, Portfolio Defense Consulting Group

Agenda

10:10 AM-10:50 AM **Basic Risk Management Analytic Concepts**
Peter DeForest, Principal, Portfolio Defense Consulting Group

- Alternatives for applicant-decisioning
- Predictive variables and models
- Odds prediction and rank-ordering
- The impact of correlation
- Measuring predictive power and what it means to your business

10:50 AM-11:00 AM **Break**

11:00-12:00 **Model Development Techniques**
Jimmy Nam, Principal, Portfolio Defense Consulting Group

- The importance of sampling for model development
- Performance variables and their use in different types of models
- Segmentation analysis, or how many models do I need and why?
- How do we address rejects and uncashed deals?
- The swap set, or improving future applicant decisioning
- Potential benefits of scoring: increasing volume, reducing losses, improving speed and quality of decisions.

12:00 PM-1:15 PM **Lunch**

1:15 PM-3:15 PM **Credit Policy and Compliance Issues**
Peter DeForest, Principal, Portfolio Defense Consulting Group

- Setting a cutoff score
- Risk-based pricing
- Choosing appropriate rates and terms
- Data needed for scoring
- Common and reasonable policies
- Policy testing techniques
- Managing overrides
- Co-applicants, co-signers
- Increasing auto decisioning, improving productivity and building confidence in scoring
- Adverse action and Reg. B
- Disparate impact vs. disparate treatment
- Overrides and matched-pair testing

3:15 PM-3:30 PM **Break**

3:30 PM-5:00 PM **Essentials of Applicant and Portfolio Tracking**
Jimmy Nam, Principal, Portfolio Defense Consulting Group

- Changes in applicant score distributions
- Population shifts
- Characteristic shifts
- Cutoff discipline - override tracking
- Delinquency tracking report
- Model performance report
- Static pool analysis
- Credit life cycle curve

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Who We Are

The Portfolio Defense Consulting Group is a team of experienced risk management consultants and analysts. The two principals have over 25 years of experience in financial services operations, management consulting, and model development, including 16 years at Fair, Isaac. They hold advanced degrees from MIT and UC Berkeley. Our experienced analytic staff hold degrees from Stanford, UC Berkeley, the Claremont College, and Princeton, as well as serve on the faculty of the Naval Postgraduate School. Our staff have worked with dozens of the largest lenders in the U.S. over the past nine years, and have worked on projects varying from the development of custom applicant models; to in-depth analysis of adaptive control strategies for collections; to designing a risk management data warehouse; and performing detailed analyses of risk management policies and practices. We have expertise in credit risk management, including account origination and account management; best practices benchmarking of consumer credit operations; decision support, including tracking and analysis; project management and project quality assurance; assistance with regulatory compliance issues; custom analytics; and extensive experience in statistical model development.

Mission Statement

We seek to provide the highest quality risk management consulting services and custom analytics, by customizing our services to the specific needs of each client. We believe in a "partnership solution" approach to business problem solving that will help us to jointly develop and implement superior solutions. We seek to distinguish ourselves by the depth of our industry knowledge, the quality of our work, the extent of our customer service, and our practical focus on the implementability of our solutions.

What We Do

We provide analytic consulting services to clients in a variety of industries, including direct and indirect installment lending, specialty automotive, mortgage and secured loans, credit cards, retailing, and e-commerce. *Let us increase your options, and extend your reach, through:* Project Management Support and Knowledge Transfer; Custom Model Development; Tracking/Decision Support; Regulatory Compliance Custom and Ad Hoc Analyses; Customized Risk Management Training; Risk Management Consulting.

Project Management Support and Knowledge Transfer We provide project management support for a variety of analytic projects.

Custom Model Development We develop a broad variety of custom models, used for applicant decisioning, account management, revenue prediction, loss projection, and account attrition.

Tracking/Decision Support We can help you design and implement your own suite of tracking reports, or send us your data and we will produce the reports for you on a regular basis.

Regulatory Compliance We can help you prepare for upcoming regulatory reviews to identify and address potential problem areas; help you respond to regulatory inquiries or examination points; and conduct confidential, custom analyses to assure you of fair lending compliance.

Custom and Ad Hoc Analyses We work with you to design and rapidly complete a variety of custom analyses, including Credit Policy Analysis, Model Validation and effectiveness tests, Data Quality Analysis (or credit bureau preference analysis), Override Analysis, among others.

Customized Risk Management Training In addition to our regional training seminar "Better Consumer Lending - Using the Latest Score-Based Risk Management Techniques", we offer custom training seminars that can be conducted at your site to reduce travel costs and time out of the office. Seminars may be customized to your industry, or even to your specific models and portfolios.

Risk Management Consulting Our consulting group can assist you in a wide variety of areas including a detailed analysis of the impact of loan prepayment on portfolio profitability; an analysis of your use of tiered pricing and how to make it more effective; an examination of patterns of loan conditioning and ways to increase your booked loan rate; an evaluation of possible strategies designed to help you offer the most appropriate loan amounts, loan pricing and terms at the initiation of the client relationship; and a best practices benchmarking of your operation.

Peter DeForest

Mr. DeForest is a Principal at the Portfolio Defense Consulting Group. Prior to founding Portfolio Defense, Mr. DeForest spent nine years at Fair, Isaac, where he held a number of positions in the analytic consulting group. He managed 2/3 of their custom applicant model development business in the US; he led the Behavior Scoring group responsible for account management and adaptive control tools worldwide; and he was a Client Manager for many strategic clients, including Citigroup, NationsBank, Bank of America, and BankOne. He has led a wide variety of development projects and consulting engagements in most areas of consumer credit and risk management.

Peter has also held positions of responsibility in the financial services industry. He spent seven years at Bank of America in various systems and operations positions, culminating in his role as Vice President and head of the North America Division's Operations Research Group. He also spent two years at Provident Bancorp in bank card project and product management roles.

In addition to his risk management consulting work, Peter is a frequent speaker at industry training seminars and conferences, including the most recent AFSA Specialty Lending Conference, the Southeast Risk Management Conference, and the San Francisco Indirect Risk Management Conference. While at Fair, Isaac he managed their scoring seminar series for four years, and is a co-presenter of Portfolio Defense's "Better Consumer Lending - Using the Latest Score-Based Risk Management Techniques" seminar.

Peter holds a Bachelor's degree in Operations Research from the Massachusetts Institute of Technology, and a Master's degree in Management Science and MIS from the Sloan School of Management, M.I.T.

James Nam

Mr. Nam is a Principal and co-founder of the Portfolio Defense Consulting Group. Prior to joining Portfolio Defense, Mr. Nam spent seven years at Fair, Isaac, where he was a Team Manager in the analytic consulting group. He was responsible for the design, development, and implementation of custom scoring models for many of the largest installment lenders in the US.

Since 1992, Jimmy has worked with lenders in a wide variety of consumer credit businesses, including auto finance, non-prime/specialty lending, mortgages, finance companies, bankcard, and retailers. Jimmy has developed and helped to implement literally hundreds of models over this period. His experience covers the entire credit life cycle, from account origination and account management tools, to tracking and credit policy analysis.

Recent projects include a suite of applicant models for a major Indirect Auto Finance portfolio, account management models for a national auto lease portfolio, and published research into the predictive benefit of Co-Applicant Credit Bureau data.

In addition to his analytic consulting work, Jimmy is a frequent presenter at numerous industry training seminars and conferences on the development and implementation of risk management technology. While at Fair, Isaac he was a frequent presenter at their scoring seminar series, and is a co-presenter of Portfolio Defense's "Better Consumer Lending - Using the Latest Score-Based Risk Management Techniques" seminar.

He holds a Master's degree in Statistics and Bachelor degrees in Economics and Statistics from the University at California, Berkeley, where his advanced course work included classes in statistical computing, decision analysis, and applied statistical modeling.

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