

# SMALL BUSINESS BANKING NEWS

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## SCORING

### NEW BLENDED MODELS RATE SMALL BIZ LOAN RISKS

**Magnum**, a maker of credit report analysis software, and **Portfolio Defense LLC**, a risk consultancy, have introduced blended scoring models for small business lenders.

The four different models help banks automate and standardize their lending decisions.

"Many of the small business lending groups at regional and super-regional banks do not have the talent or resources to develop their own [small business] scorecards," said **Ray Bridenbaugh**, vice president of sales and marketing for Magnum, Atlanta, which provides the solution's data access and decisioning technology. "The data also needs to come from a variety of sources, which is hard for them to blend."

The scorecards, from **Portfolio Defense**, San Rafael, Calif., analyze data from the small business owner's personal credit information, loan application, and **Dun & Bradstreet** reports. Magnum hosts the scorecards on its Credit Factory, which provides lenders with

data acquisition, risk evaluation, and decision-management processes.

The models are suited for institutions that do not have enough historical performance data to build their own scorecard, said **Peter DeForest**, Portfolio Defense's chief executive.

One piece of the solution, called **RapUp**, allows loan managers or risk officers to set additional risk attributes without the need for further programming. For example, an attribute could be the number of points a business is given relative to its number of open credit accounts. Not needing assistance from information technology staff allows loan shops to implement new attributes quicker, Bridenbaugh said.

The Magnum/Portfolio solution is also different than other risk scores because it offers transparency — the client knows how the score is derived, DeForest said. Also, the score's performance can be tracked over time to determine its effectiveness.

The blended risk models — which weigh attributes differently — were launched in early January. They are priced on an undisclosed per transaction basis, after initial training and setup costs, Bridenbaugh said.