

## CreditLab<sup>®</sup> Fundamentals: Product Overview

### Why BankersLab<sup>®</sup>?

- Innovator in the development of advanced calculation-based and simulation training for banking associates.
- Offers a suite of products across banking functions and staff levels
- Respected executive team, each with over 20 years financial services and functional expertise
- Leverages proven techniques on how to train executives for the greatest retention and usage of learning

### CreditLab<sup>®</sup> Fundamentals Overview

CreditLab<sup>®</sup> Fundamentals is a simulation-based training course designed to set a solid foundation and understanding of consumer credit risk principles. CreditLab<sup>®</sup> is developed using best practices learning design which maximizes understanding of core principles.

Covering both secured and unsecured retail products, CreditLab<sup>®</sup> trains participants on the fundamental drivers of the credit life cycle, addressing topics such as, product definitions, underwriting principles, credit bureau data, and collection best practices.

The multi-day training course is run in a classroom setting and transforms the learner into a player. In order to win the simulation game, players must successfully operate the most profitable virtual bank with the most satisfied customers. Each team has to demonstrate a core understanding of consumer credit risk, underwriting, use of credit scores and collections concepts.

Each module of the simulation game is linked to content rich course materials, activities, case studies and supportive mobile learning apps.

### Training Content and Audience

CreditLab<sup>®</sup> Fundamentals includes:

- Simulation gaming software
- Training curriculum, case studies and materials, including PowerPoint presentations that are laid out in a discovery-learning mode with discussion prompts and challenges to the participant.
- Trainer notes which provide answers to questions posed in the presentations
- Participant Handbook which contains training content, reference information and space to take notes
- Trainer Handbook that provides guidance on choosing case studies from the course



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library, ideas about localizing training, and advice for coaching teams using challenging games.

- The course can be conducted by either BankersLab industry practitioners or your own internal experts

### Target Audience

Entry-level underwriters, analytics staff, risk management staff, product management staff, and operations staff. This foundation level course is targeted to new joiners, entry-level staff, senior and associates with 0 to 3 years experience. Class size should range between 20- 30 participants.

### CreditLab<sup>®</sup> Fundamentals Library

A library of additional training material is also available for use in client training. The library allows trainers to tailor the course by choosing case studies and activities based on level of difficulty, subject area and market maturity.

### Three-Day Agenda

Day One	Day Two	Day Three
Course Introduction	Underwriting Concepts	Collections Process Overview
The Retail Credit Product	Activity: Underwriting	Activity: Collections Role Play
Activity: The Retail Credit Product	Quiz Game Show	Customer and Portfolio Behavior in a Downturn
Activity: Customer Value	Scorecards and Bureau Data	Activity: Downturn
Simulation Game: Credit Policy	Simulation Game: Underwriting	Simulation Game: Underwriting in a Downturn

### Simulation Game Structure

- During each module, the team will go through a two-year process of managing a portfolio. Players have three trials to practice managing their portfolio, prior to the final run.
- Each trial run provides the opportunity for players to hone their skills at balancing their competing objectives
- The winning team will have the highest Net Income on completion of the Final Round.

## Course Module Learning Objectives

The Retail Credit Product	<ul style="list-style-type: none"> <li>Analyze the credit risk and reward trade-off</li> <li>Specify how a retail product is designed and how we can use those elements to foster long-term profitability and sustainability.</li> <li>Distinguish elements that ensure the product provides customer value</li> <li>Define the elements of the customer value management cycle and link them to risk and reward</li> </ul>
Activity: The Retail Credit Product	<ul style="list-style-type: none"> <li>Create a retail product for your bank's launch</li> <li>Propose who will be your customers, pricing and product</li> <li>Present your product to the other teams for discussion and feedback</li> </ul>
Activity: Customer Value	<ul style="list-style-type: none"> <li>Review other teams' products from the previous activity</li> <li>Present your views on the effectiveness of their product in terms of the key customer value metrics</li> </ul>
Underwriting Concepts	<ul style="list-style-type: none"> <li>Analyze how the tools used to screen applicants can be used in a cost effective manner which supports building a healthy portfolio</li> <li>Compare techniques available for credit initiation management</li> <li>Assess how to adjust the underwriting process depending on the product or scenario</li> <li>Understand the importance of data and identity verification to prevent application fraud</li> </ul>
Activity: Underwriting	<ul style="list-style-type: none"> <li>Review different applicant profiles and propose to accept/reject/review</li> <li>Present your findings and compare to other teams</li> <li>Analyze relationship between typical application data (demographic &amp; credit bureau) and customer repayment behaviors</li> <li>Propose which credit bureau data items should be used for underwriting</li> </ul>
Quiz Game Show	<ul style="list-style-type: none"> <li>Teams will compete against each other to demonstrate knowledge of concepts covered in the course</li> <li>In a "Jeopardy" style course, each team will take turns to choose a multiple choice question by difficulty and category</li> </ul>
Scorecards and Credit Bureau Data	<ul style="list-style-type: none"> <li>Recognize the role of data quality in creating effective models and how parts of the business impact this</li> <li>Understand the difference between application and credit bureau scores</li> <li>Prepare to apply application and bureau score decisions in the simulation game</li> <li>Understand issues which typically arise when using scores for underwriting</li> </ul>



<p>Collections Process Overview</p>	<ul style="list-style-type: none"> <li>• Classify the roles and expected outcomes for collections and recovery management</li> <li>• Understand the impact of a growing, shrinking or changing business on the collections team</li> <li>• Appreciate important skills which collection staff must demonstrate, such as compliance with policy, tone of language, and negotiation skills.</li> </ul>
<p>Activity: Collections Role Play</p>	<ul style="list-style-type: none"> <li>• In a role play, practice collecting overdue payments from borrowers</li> <li>• Practice varying tone of call for different scenarios</li> <li>• Practice negotiation skills</li> <li>• Appreciate challenges faced by collections staff such as the need for time efficiency, tailoring tone within each call and the need to obtain a promise to pay</li> </ul>
<p>Customer Behavior in a Downturn</p>	<ul style="list-style-type: none"> <li>• Analyze the impact of the concept of 'payment hierarchy' on our customer's payment behavior during a downturn</li> <li>• Appreciate the downturn's impact on customer assets, liabilities and ability to pay</li> <li>• Discuss typical methods of mitigating customer payment stress</li> </ul>
<p>Activity: Downturn</p>	<ul style="list-style-type: none"> <li>• In a scenario, analyze how customer would be affected by an economic downturn</li> <li>• Break down economic impacts on customers savings rates, incomes, etc.</li> </ul>



## Simulation Game Learning Objectives

Credit Policy	<ul style="list-style-type: none"> <li>• Market understanding is important. We create an audience of interested credit applicants through marketing. Well-spent marketing dollars result in a good portfolio in terms of revenue and risk</li> <li>• Use of underwriting standards. Our underwriting decision is a combination of our use of credit policy, credit scores, underwriting standards, verification standards, etc. We must consider how to use all these tools together based on our envisioned strategy</li> </ul>
Underwriting	<ul style="list-style-type: none"> <li>• Underwriting: We must integrate new information about market maturity such as the bureau score maturing. Learn how to use both an application score and bureau score together.</li> <li>• Exposure: Part of our underwriting decision is exposure. Larger exposure leads to higher interest revenue but may result in high losses. Strike the right balance</li> <li>• Loan Pricing. High pricing may cause attrition but has bigger margins. Low pricing may retain customers but will result in thin margins. Players must observe this tradeoff in the results and strike the right balance</li> </ul>
Downturn	<ul style="list-style-type: none"> <li>• Pricing and Exposure. High pricing may cause attrition but has bigger margins. Low pricing may retain customers but will result in thin margins. Players must observe this tradeoff in the results and strike the right balance</li> <li>• Impact of macro-economy on customer delinquency. Players need to observe the impact of a downturn on the vintage delinquency curve and adjust underwriting strategies accordingly</li> </ul>



### Simulation Game Player Mission

CreditLab <sup>®</sup> Simulation Modules		
Credit Policy Module	Underwriting Module	Downturn Module
Module Conditions Faced By Players		
Stable Economy Four portfolios: two secured and two unsecured. One emerging market and one mature market.	Stable Economy Emerging market begins to mature In mature market, credit bureau score is becoming predictive	Weakening economies impact all portfolios.
Module Decisions Made By Players		
Allocate marketing budget among four portfolios. Decide use of policy criteria, credit scores, underwriting standards and verification levels.	Decide underwriting standards, including pricing and exposure.	Same decisions as previous rounds. Use three trials to conduct portfolio stress testing. Decide how to adjust underwriting standards during a downturn