# BankersLab®: CreditLab® Product Overview

## Why BankersLab®?

- 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® Overview

CreditLab® is a simulation-based training course designed to facilitate a deeper understanding of retail credit risk management concepts. CreditLab® is developed with flexibility to adapt to your bank's needs and objectives

Covering both secured and unsecured retail products, CreditLab® trains participants on all parts of the credit life cycle, addressing topics such as, product design, underwriting, account management, portfolio monitoring, and mitigation and collections strategies.

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 expertise in risk strategy, capacity planning, secured collections and collections management in a downturn.

Each module of the simulation game is linked to content rich course materials, activities, case studies and supportive mobile learning apps.  A video summary can be viewed at: http://www.youtube.com/watch?v=J9BVpcmOCC4

## Training Content and Audience

CreditLab® 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.
- Participant Handbook which contains training content, reference information and space to take notes
- The course can be conducted by either BankersLab industry practitioners or your own internal experts

## Target Audience

Target audience: Risk managers, collections managers, product managers and analysts. As a prerequisite, participants should be familiar with scoring, collections and the credit industry. Class size should range between 20-30 participants.

## CreditLab® 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. If required to, using the materials, each CreditLab course can be extended to run for four days, rather than the standard three days.

## Three-Day Sample Agenda

| Day One | Day Two | Day Three |
|---|---|---|
| Introductions & Course Overview | Simulation Game: Portfolio Management and Collections | Collections Management |
| The Retail Credit Product | Portfolio Financials | Collections Activity |
| Underwriting Principles | Activity: Portfolio Financials | Managing A Downturn |
| Analytics for Underwriting | Pricing | Activity: Managing a downturn |
| Activity: Underwriting | Pricing Activity | Simulation Game: Downturn |
| Account Management | Simulation Game: Pricing | Simulation Presentations and Awards Ceremony |
| Simulation Game: Underwriting | | |

## 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.

**Testimonials**

*"Facilitator is superb in terms of subject matter mastery, fun, did a great job at facilitating good examples of real life events, credit issues and banking - We can relate to these events well."* (Risk Manager, Jakarta, Indonesia)

*"I really enjoyed the course. It covered a broad range of materials at an effective pace. The case studies and simulation game enhanced my learning hugely"* (Risk Manager, Singapore)

*"The simulations are virtual, but they actually get the adrenalin pumping"* (Risk Manager, Delhi, India)

**Appendix 1: Course Module Learning Objectives**

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| The Retail Product | • Analyze the credit risk and reward trade-off<br>• Specify how a retail product is designed and how we can use those elements to foster long-term profitability and sustainability.<br>• Distinguish elements that ensure the product provides customer value<br>• Define the elements of the customer value management cycle and link them to risk and reward |
| Underwriting Principles | • Analyze how the tools used to screen applicants can be used in a cost effective manner which supports building a healthy portfolio<br>• Compare techniques available for credit initiation management<br>• Assess how to adjust the underwriting process depending on the product or scenario |
| Analytics for Underwriting | • Recognize the role of data quality in creating effective models and how parts of the business impact this<br>• Explore application and credit bureau scores in order to determine cutoff scores as well as other uses such as pricing and exposure<br>• Prepare to apply application and bureau score decisions in the simulation game<br>• Formulate solutions for practical challenges which lenders face when using scoring and other underwriting tools |
| Underwriting Activity | • Articulate the policy rules which should be used for a credit card portfolio<br>• Explain which override reasons would be acceptable and why |
| Account Management | • Apply behavior scores to account management and collection strategies<br>• Explore usage of strategy trees, champion-challenger strategies<br>• Formulate segmented approaches to account management utilizing scores and decision trees |

| | |
|---|---|
| Portfolio Financials | • Define elements of Profit and Loss statements for financial products, and recognize their drivers<br>• Apply revenue dynamics to analysis of a portfolio<br>• Set up a Month on Books-based profit model<br>• Investigate the components of expenses and their contribution to profitability<br>• In an exercise, calculate the impact of various trade offs between revenue, expense at risk and demonstrate the value of data driven information in the profitability of the business |
| Portfolio Financials Activity | • Define the basic elements of portfolio performance, and identify the impact on profitability caused by changes in customer behavior.<br>• Understand the impact of variables when forecasting and managing portfolios |
| Pricing | • Assess the impact of pricing strategies on portfolio profitability<br>• Understand the design of risk based pricing of loans<br>• Examine pricing sensitivity by product, exposure and customer segment |
| Pricing Activity | • Understand the impact of pricing changes when managing a portfolio P&L<br>• Identify the key drivers and interaction that can occur when unexpected external changes take place |
| Collections Management | • Classify the roles and expected outcomes for collections and recovery management<br>• Extrapolate how decisions across the credit life cycle affect the collections and recovery processes<br>• Break down the connection between collections and strategies, and risk and business planning strategies<br>• Estimate quantitative aspects of collections management such as forecasting and capacity planning |
| Collections Activity | • Learn how to forecast net flow<br>• Build a collector capacity plan based on the forecast of collector staffing requirements |
| Managing a Downturn | • Propose indicators which can be used to anticipate downturns<br>• Investigate crisis planning methods<br>• Design mitigation techniques for crisis management |
| Activity: Managing a downturn | • For a given scenario, analyze how customer behavior would be affected by an economic downturn.<br>• Break down economic impact on customers' savings rate, income, etc. |

## Appendix 2: Simulation Game Learning Objectives

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| Underwriting Module | • Market understanding is important.  We create an audience of interested credit applicants though marketing.  Well-spent marketing dollars result in a good portfolio in terms of revenue and risk.<br>• 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. |
| Collections Module | • 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.<br>• 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. |
| Pricing Module | • 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.<br>• Collections strategies.   Soft collections may result in increased delinquency, but too strong collections may be costly and ineffective.  Strike the right balance. |
| Downturn Module | • Impact of macro-economy on delinquency.  Players need to observe the impact of a downturn on the vintage delinquency curve.<br>• Planning ahead becomes even more critical in an economic downturn.  Players must anticipate increase in delinquency and prepare the appropriate number of collection staff. |

**Appendix 3:  Simulation Game Player Mission**

| CreditLab Simulation Modules | | | |
|---|---|---|---|
| Underwriting Module | Collections Module | Pricing Module | Downturn Module |
| **Economic Conditions Faced By Players** | | | |
| Stable Economy<br><br>Four portfolios: two secured and two unsecured. One emerging market and one mature market. | Stable Economy Emerging market begins to mature<br><br>In mature market, credit bureau score is becoming predictive | Stable Economy<br><br>The emerging market has become mature with improved scores. The mature market has more price competition | Weakening economies impact all portfolios. |
| **Decisions Made By Players** | | | |
| Allocate marketing budget among four portfolios.  Decide underwriting standards, including use of policy criteria, credit scores, and verification levels. | Decide underwriting standards.<br><br>Set credit limits.<br><br>Manage collections. | Same decisions as previous round.<br><br>Competitors will re-price. Decide pricing strategy. | Same decisions as previous rounds. Use three trials to conduct portfolio stress testing.  Decide how many collectors to hire for your downturn. |