BankersLab®: ScoringLab® 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

ScoringLab® Overview

ScoringLab® is a simulation-based training course that improves a bank's ability to use credit scoring more effectively, when managing retail portfolios.

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 under dynamic conditions. Each team must demonstrate expertise in the key areas of credit score usage, including: risk reward trade-off, trends, identifying causal factors, and using scores for customer growth.

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=ecW7YqJ0EsU**

Training Content and Audience

ScoringLab® 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

info@bankerslab.com www.BankersLab.com @bankerslab

Target Audience

Retail Bank Manager level, such as: Risk Managers, Risk Analysts, Product Managers, Portfolio Managers, Finance Managers, and Operations Managers and staff. As a prerequisite, participants should be familiar with scoring, collections and the credit industry. Class size can range between 20-30 participants.

ScoringLab® 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 ScoringLab® course can be extended to run for four days, rather than the standard three days.

Three-day Agenda

Day One	Day Two	Day Three
Theory of Credit Scoring	How Scorecards are Built	Simulation Game: Multiple Scores
Empirical, Judgmental and Bureau Scorecards	Back end Tracking Activity: Back end tracking	Data and Validation Activity: Data Integrity
Setting Cut-off Scores	Credit Policies: Theory and Practice	Affordability
Front end Tracking Activity: Front end tracking	Managing Scorecards in Dynamic Environments	Using Scorecards to Support Profitability
Simulation Game: Underwriting with Scores	Simulation Game: Troubleshooting Scores	Simulation Game: Loan Exposure Assignment

Simulation Game Structure

- During each module, the team will go through a one-year process of managing a retail portfolio, four times. 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.

Appendix 1: Full Module Learning Objectives

Theory of Credit and Scoring	• Understand the value of using scoring techniques and strategies to ensure a profitable portfolio • Confirm understanding of terminology
Empirical, Judgmental and Bureau Scorecards	• Understand the difference between empirical judgmental and bureau scorecards, such as data requirements, time to develop, and implementation issues • Identify the appropriate type of model to use in different business and data scenarios
Setting Cut-off Scores	• Review key statistics for empirical models which can be used to guide score cutoffs, such as odds to score, account volumes and financial measures • Articulate methodology for guiding cutoff score when using expert of credit bureau scores
Front-End Tracking	• Understand the standard suite of scorecard tracking reports • List the typical elements in a portfolio chronology log and explain how they are used in tracking • Analyze the Final Score Report in order to determine if there has been a population shift • Analyze the Characteristic analysis Report in order identify the source of a population change
Activity: Front End Tracking	• Calculate figures in the population stability report and characteristic analysis report • Identify shifts in the front end tracking data
How Scorecards are Built	• Explain the key steps in the scorecard development process • Determine important decision points and methodology of design decisions • Explain best practices for scorecard design decisions
Back end Tracking	• Interpret the portfolio performance using the final decision report • Evaluate override reasons with the override tracking report • Analyze causes of account performance and outcomes based on the delinquency distribution report • Analyze portfolio shifts based on the vintage analysis report • Determine if the scorecard is working properly based on the log odds to score report and suggest reasons for shifts

Activity: Back End Tracking	• Calculate figures in the final decision report and override tracking report • Analyze the impact of overrides on the approval rate, and the validity of override reasons • Evaluate the effectiveness of the scorecard using the delinquency distribution report • Analyze the log-odds to score relationship and suggest possible reasons for a population shift
Credit Policies: Theory and Practice	• Construct a comprehensive approach to integrating a scorecard with policy rules, exception handling, overrides, and limit setting • Explain possible approaches to situations such as missing data and joint applications
Managing Scorecards in Dynamic Environments	• Identify key factors that influence account performance by score • Break down account impacts ranging from internal actions, external impacts, and regulatory issues • Suggest mitigation and business strategy to manage in a dynamic environment
Data and Validation	• Articulate data requirements such as application data fields, performance data, exclusions, segmentors and time period • Understand the purpose and methodology of data validations for the purpose of data cleansing
Activity: Data Integrity	• Analyze portfolio chronology in order to recommend what type of model to build • Examine data frequencies and identify discrepancies and possible causes • Demonstrate how to reconcile simple accounts and highlight possible reasons for discrepancies
Affordability	• Define methods of integrating affordability checking in the underwriting decision • List the possible data sources and affordability calculations which might be used
Using Scorecards to Support Profitability	• Break down the life cycle profit curve and profit components for an account • Determine methodology for determining score cutoff with a view to account lifecycle profitability • Articulate practical methods for estimating account profitability • Explain methods of influencing profit outcomes at various stages of an account lifecycle

Activity: Designing your Model	• Determine which account groups should be excluded from scorecard development. • Determine which block codes should be excluded from development or flagged as bad accounts • Analyze portfolio data in order to recommend a sample window and performance definition
Most Common Issues in Application Scorecards	• Identify possible shortcomings in scorecard design and development • Explain how to mitigate project risk for each step in scorecard development
Activity: Setting up your policies	• Articulate the policy rules which should be used for a credit card portfolio • Explain which override reasons would be acceptable and why • Create credit limit matrix based on a portfolio lending cap, score and exposure
Using External Data in Applications Processing	• Understand the contents of a positive credit bureau and how it is used for underwriting. • Construct a cutoff strategy using a credit bureau score and dual score strategy. • Articulate both advantages and disadvantages of a joint odds strategy • Appreciate the challenges of analysis and decision tracking in a joint odds environment.
Activity: Interpreting Movements in your portfolio	• Analyze vintage delinquency curve in order to detect portfolio changes, and articulate possible causes of the changes • Analyze roll rates in order to recommend possible improvements to collections • Identify possible reasons for negative profitability and suggest mitigation • Evaluate a champion vs. Challenger strategy and recommend the better strategy
Portfolio MIS	• Review various portfolio MIS reports and their usage • Identify methods of using portfolio MIS to analyze profitability, attrition, utilization and other portfolio financial drivers

Appendix 2: Simulation Game Learning Objectives

Underwriting Module	• Use risk scores for the underwriting decision. • Determine high and low side override reasons and thresholds. • Manage the risk vs. Reward trade-off using scores.
Troubleshooting Module	• Identify deterioration of scoring model effectiveness • Mitigate impact of deterioration of scoring model • Identify impact of economic changes on portfolio and take corrective action
Multiple Scores Module	• Develop underwriting strategy using two scores. • Ensure risk reward trade-off is managed in order to maximize net income • Mitigate risk by setting high side and low side override reasons.
Exposure Module	• Develop underwriting strategy which includes exposure assignment based on risk scores • Maintain risk vs. reward relationship and maximize net income

Appendix 4: Simulation Game Player Mission

ScoringLab® Simulation Modules			
Underwriting with Scores	Troubleshooting Scores	Using Multiple Scores	Loan Exposure Assignment
Economic Conditions Faced By Players			
Stable Economy	Downturn Economy with deterioration in scoring model predictive power	Introduction of multiple scores and more complex underwriting decisions	Stable economy. Scores introduced for use in assigning credit line amounts
Decisions Made By Players			
Set cut-off score Determine high side override reasons Determine low side override reasons	Set cutoff score Determine high side override reasons Determine low side override reasons	Set cutoff score using two scores in two possible combinations Determine high side override reasons Determine low side override reasons	Set cutoff score using two scores in two possible combinations Determine high side override reasons Determine low side override reasons Assign credit lines