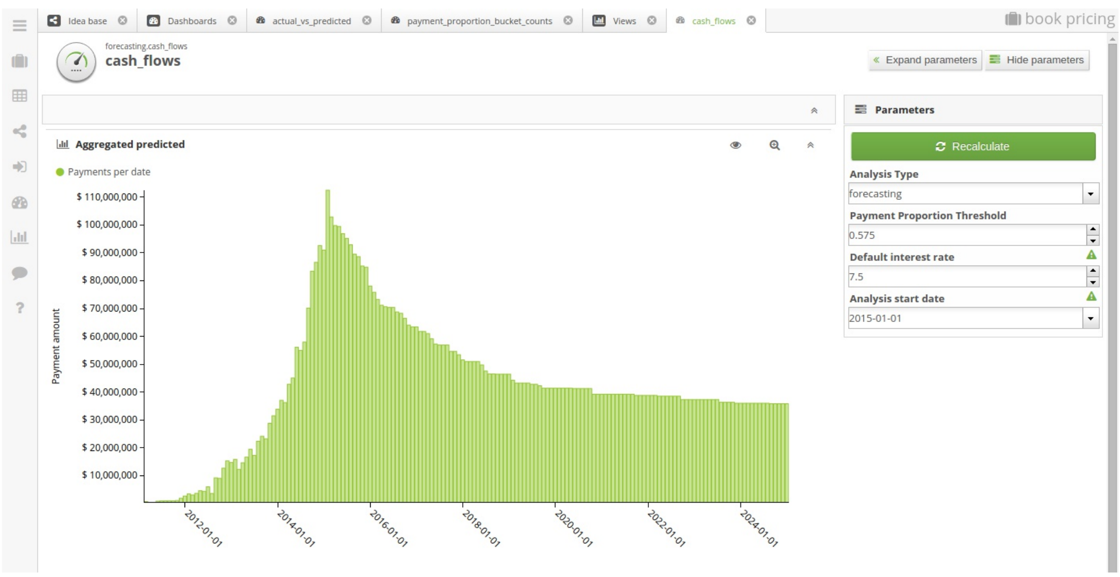
Case Study

CREDIT RISK

The Challenge

A large international financial institution who has issued millions of unsecured loans wanted to better manage risk, improve collections and reduce churn. Economic situations at the time had become tougher, which meant debtors in poor financial shape where defaulting and the best debtors were being refinanced by competitors thereby diluting the quality of the risk pool. For a number of reasons, it was important that the financial institution better understand their liquidity position over the coming months in a number of different scenarios. They wanted to assess their risk given their existing risk pool as well as taking into account the effects of issuing new loans. Their existing risk models built in SAS took an exceedingly long time to run, thereby making accessing results running scenarios a near impossibility. A further problem existed in that the institution had a relatively small credit risk analytics team that was experiencing high turnover and were using a codebase that took a long time to get familiar with; so in order to improve their agility they needed to lower the burden on the team with regards to maintaining and extending the model as well as making it easier for new team members to understand the models very quickly.

In addition to risk management, they also wanted to use prescriptive analytics to improve their operations. The retentions team wanted to know ahead of time who was likely to have their loans refinanced by competitors so that they could so preemptively contact the customers to offer them various customer service options to increase the likelihood of retaining the customers. The collections team wanted to optimize collections strategies to focus their intervention efforts on select groups of customers to maximize the expected collections from the loan book.



The Solution

The solution was to use BusinessOptics Credit Risk Solution that enabled all the loans and key processes such as collections and retentions to be modelled on a single platform with a single view of each customer. The models were made available via BusinessOptics's visual modelling language, which enabled analysts to work with and extend the models much quicker than previously as well as making it easier to bring on board new analysts. Models could be run in BusinessOptics's compute cluster to bring down model run time from days to minutes and enable scenarios including new business to easily be run. The models also provided recommendations to the collections and retentions teams for who they should be focusing on. Ultimately the company had much better insight into their risk management and were able to improve collections and retentions whilst lowering the burden on the analytical team. This resulted in an over 10x return on the investment in the product.

The Benefits

INCREASED OPERATIONAL EFFICIENCY

Improved Risk Management
Improved Collections
&
Retentions
Increased operational efficiency

RETURN ON INVESTMENT

10x Return on Investment
was acheived

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