As any credit manager knows, controlling risk is a delicate business. Too much credit exposure can lead to high default rates and charge-offs; not enough often means lost business and revenue. Assigning scores to new credit applications, as well as existing accounts, helps to manage this balancing act by taking care of both risk management and business needs. But there are often serious limitations to credit scoring strategies.

Outsourced strategies often mean long development cycles or high annual expenditures. Makeshift in-house tools often cannot access the data needed fast enough to react to market changes. Or they’re based on disparate products that don’t integrate – thus increasing regulatory risk. Sometimes they’re based on programming approaches that make governance difficult. In addition, once credit scores are obtained from a third-party or legacy system, a lack of streamlined reporting can prevent managers from disseminating this vital information quickly, keeping staff from making timely, data-driven and informed decisions.

SAS Credit Scoring is the only end-to-end solution for bringing credit model development, deployment and monitoring in-house. This complete solution delivers integrated data set creation, variable creation, in-house model development, deployment, data management, model validation, model monitoring and portfolio reporting – along with back-testing and regulatory documentation capabilities. The seamless, systemic integration of these steps reduces governance and implementation risk.

The solution supports implementation across various industries such as banking and telecommunications, and enables institutions to retain and use in-house expertise (IP) to build better models faster.

The solution allows champion/challenger comparison across unlimited models.
Challenges

• Inability to react quickly to market changes and population instabilities. Typical model development and scorecard implementations take six to nine months due to data issues and laborious programming-based modeling approaches.
• Data silos hide the power of customer-centric data. Disparate, dirty data renders powerful data mining tools ineffective, and prevents you from fully and optimally employing data assets to create better models.
• High outsourcing fees. Being unable to investigate the value of segmentation strategies can result in the development of suboptimal scoring models that translate into inferior credit decisions.
• Insufficient modeling resources. Retaining and training scarce modeling resources poses a risk to institutions that develop models in-house.
• Model risk. Regulatory compliance and internal model validation requirements become more difficult with the combination of complex computer code, lack of integration, recoding of models and incomplete audit trails.

Benefits

SAS Credit Scoring provides in-house capabilities for risk data collection, segmentation, credit scorecard development, deployment and reporting – all in a solution that is faster, cheaper and more flexible than a cost-prohibitive and often unresponsive outsourcing strategy. With SAS, you can:

• Access, transform, standardize and cleanse all prerequisite data – including third-party bureau, transactional, application, billing payment and collections data – with comprehensive data management capabilities. Using customer data for all products enables you to build better scorecards.
• Use powerful and user-friendly GUI-based data management, modeling data-set creation, data mining and reporting tools to model faster and decrease training costs.
• Share parameters such as derived variables, filters, binning schemes, data mining projects and notes to retain corporate IP and reduce staff churn and human resource risk.
• Take advantage of powerful in-database processing capabilities to deal with very large data sets.
• Improve credit decisions on both the origination and servicing sides of the business. Reduce credit losses, boost performance and improve operational efficiency in credit assessment processes by building as many models as required for application and behavior scoring for all consumer-lending products in any industry.

Capabilities

SAS Credit Scoring combines award-winning data management, data mining and reporting capabilities in a low-risk, integrated credit-scoring solution that allows repeatable, auditable and transparent development and management of credit scorecards.

Superior risk data collection and management

Easily access all prerequisite third-party bureau, application, billing-payment and collections data from multiple data sources.

• Use a comprehensive (optional) banking data model to build an easy-to-access, consistent, robust data mart powered by integrated data extraction, householding/deduplication, mapping and loading capabilities. If an external data source already exists, use that data source for quicker implementations.
• Benefit from hundreds of derived and predefined scorecard development variables created using easy-to-customize GUI-based ETL flows.
• Explore the data model, create scorecard development data sets with multiple predefined default definitions and create variables on demand with a user-friendly, point-and-click interface with flexibility to configure variables coded externally. Share all work to enhance cooperation and retention of corporate knowledge, and increase model governance.

Fast and flexible scorecard development

The solution enables rapid in-house development, validation and implementation of application and behavioral scorecards.

• Build and benchmark scorecards and other models using powerful data mining tools and a variety of modeling techniques.
• Reuse SAS code for deriving variables in addition to creating new ones through a graphical interface.
• Implement and monitor judgmental scorecards through a convenient GUI.
• Support the binary and continuous target predictive models that are developed outside SAS – for example, models developed using open source software such as R.
• Easily troubleshoot and perform audits with open and transparent modeling methodologies.
• Schedule regular scoring of accounts, assign risk-based pooling for regulatory needs (using scores, PD, LGD and CCF) and map to existing master scales with an easy-to-use, point-and-click interface.

Unequaled performance reporting
With SAS Credit Scoring, you also receive a wide selection of web-based model stability, performance (model-monitoring reports), calibration and model-input validation reports, including those suggested by BCBS Working Paper 14. The solution provides:
• A dashboard that gives you a high-level view of scorecard performance.
• The ability to produce reports for user-defined subsegments and drill down into reports for details.
• Fully customizable OLAP-based portfolio performance reports, including delinquency, roll rate, vintage, override and final score reports, to facilitate decision making.
• The ability to compare unlimited champion vs. challenger scorecards via parallel runs or back-testing, detect and pre-empt scorecard instability, and deliver performance information to executive management and regulators.
• A dynamic reporting engine that surfaces and routes all performance-related information to the appropriate credit managers. Comments on reports are saved and can be exported along with reports to Microsoft Word templates.

To learn more about SAS Credit Scoring, download white papers, view screenshots and see other related material, please visit sas.com/risk.

Reports can be run on multiple time periods for deeper analysis.