



Business Impact

“SAS ensures that the processes are not only efficient but that they are, above all, reliable and reproducible. If we wanted to achieve the quality of the analytical mathematics that SAS gives us with other systems, we would have had to do far too much in-house adaptation work.”

Olaf Musch
IT Project Manager
Volkswagen Financial Services

Challenges

- **Subject fatigue.** Many organizations have been studying credit risk management and even pouring resources into this area with little success or understanding of how to solve it.
- **Internal data quality and governance.** The ability to plan, act on and monitor data to acquire the data completeness and accuracy necessary to define and implement a complete data governance program is missing in many organizations.
- **Insufficient collection strategies.** Captive-finance companies have traditionally determined collection treatment strategies through either a rules-based or experience-based approach, with very little or no in-depth analysis.
- **Limited skill sets.** Captive-finance companies often lack the analytical skills and tools to better predict debtor behavior and assign optimal treatment strategies during the origination and collection stages.
- **Resource constraints.** Valuable resources get mired in redundant processes that provide little value and leave no time for further analysis.
- **Budgetary issues.** Captive-finance companies have limited resources – both money and people – available to execute origination and collection processes.

How can we assess initial credit risk and manage ongoing credit risk performance?

YOUR GOAL: Quickly and efficiently obtain current risk exposures; accurately predict individual and portfolio credit risk

The biggest obstacle for managing the consumer credit life cycle is disjointed systems environments – origination, risk rating, spreading and loan accounting systems. Without a comprehensive and integrated approach, your analysts don't have quick and direct access to your data. Reliance on IT for that data delays model development.

Another problem is disjointed processes – like data to reporting – that provide data through a hodgepodge of software and data formats, placing an overreliance on programming, which increases model risk, makes model governance difficult, and leads to longer deployment times and interpretation errors.

Producing insightful and valuable risk reports is difficult when processes are not integrated because strategy development and implementation take too long. This lack of data standardization and governance renders historical data unreliable. Disparate data sources also create inefficient, time-consuming provision and allowance processes, leading to poor visibility into the risk profile of the credit portfolio and making portfolio management extremely challenging.

OUR APPROACH

Rigorous and accurate credit risk management is increasingly critical for mitigating exposure. You need to streamline and automate the way you collect and manage risk data. You also need analytical insight into consumer behavior at the portfolio, segment and individual levels. You must be able to optimize model development and produce reports with greater speed and accuracy. The reward is cost and time savings and continued vitality – even in hard times. We approach the problem by providing software and services to help you:

- **Maintain consistency, quality and governance of data** using a SAS® data store as a foundation data mart that provides one version of the truth and a metadata repository to help ensure effective governance.
- **Ensure best-in-class analytical modeling** for credit risk modeling capability, using either SAS credit risk solutions or SAS® Enterprise Miner™ credit scoring nodes.
- **Produce consolidated, reconciled reporting and analytics at any level of detail** with integrated reporting, as well as SAS Add-In for Microsoft Office functionality.
- **Develop and implement efficient and powerful strategies** using the power of SAS Real-Time Decision Manager and SAS Analytics to develop strategies quickly.
- **Rapidly deploy strategies** to enable business users to construct and test strategies with minimal IT assistance.

SAS solutions run the gamut of credit risk management activities but are focused primarily on data and analytics. Risk rating, scoring and validation – as well as risk reporting and BI – are all solutions that have been deployed at multiple large manufacturers. Data cleansing and integration solutions are essential to this effort and SAS has excelled in data access, quality and integration for more than 35 years.

THE SAS® DIFFERENCE

With SAS, you can perform application and behavioral scoring to assess and control risk within existing consumer portfolios. Through enterprise data access and collection, as well as predictive analysis, you'll get a better understanding of the specific risk characteristics and subsequent attributes that lead to delinquency, default and, ultimately, bad debt. Only SAS can provide:

- **Integrated portfolio data and risk measurements into a dedicated environment** that allows you to significantly reduce data collection, aggregation and cleansing time, allowing more time for analysis that delivers more accurate results.
- **The ability to integrate pre-existing models and existing SAS macros and reports** to reduce implementation time, as well as reducing model validation and governance overhead.
- **Integration with Microsoft Office (via SAS® Add-In for Microsoft Office)** that allows broader dissemination of analytical and reporting tasks, reducing time constraints and key-person risk on core stress-testing resources.
- **A single repository storing the inputs, calculation and results of modeling efforts** to reduce additional data-intensive back testing and validation, allowing for the integration of risk-rating modules and credit portfolio management to increase governance and reduce integration issues.

SAS provides a dedicated infrastructure to significantly streamline the consumer credit risk management framework by automating the data collection activities, centralizing the execution, and enabling powerful analytics and reporting capabilities.

CASE STUDY: A Global Auto Manufacturer

Situation

It took months for the manufacturer to deploy data mining models for assessing existing credit risk and probability of default. The result was slow, inaccurate scoring for loan originations and defaults.

Solution

We provided the auto maker with:

- SAS® Enterprise Miner™ (with SAS® Credit Scoring).
- SAS® Model Manager.
- SAS® Real-Time Decision Manager.

Results

The manufacturer was able to:

- Reduce programming and testing and license costs.
- Improve opportunity costs associated with deployed models.
- Increase market share and profitability.

What if you could ...

- **Ensure consistency, quality and data governance.** What if you could aggregate all your disparate data sources to provide a full customer view that was accessible for the analysis you need to make timely and effective decisions?
- **Provide the best available analytical modeling.** What if you had access to the world leader in financial services analytics for accurate and timely decision making no matter where you are in the credit life cycle – from origination to collections to pricing and offer strategy?
- **Create analytically based reporting for analysts and executives.** What if you had all the data and analyses that you need to make timely, accurate decisions on credit, collections and pricing?
- **Develop efficient and powerful strategy creation and implementation.** What if you could develop strategies and models using powerful analytics and deploy them in real time?
- **Deploy your strategies rapidly.** What if you could easily create and test strategies that use powerful analytics in fraction of time required in traditional systems?

You can. SAS gives you The Power to Know®.

SAS FACTS

- More than 3,000 financial institutions worldwide are SAS customers.
- 97 percent of banks on the FORTUNE Global 500® use SAS.
- SAS has more than three decades of experience working with financial institutions.

Learn more about SAS software and services for manufacturing:
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