

Lifting The Rocks, Finding the Gold

Listing of Charts

| | |
|---|-----|
| Figure 1 – Consumer Payment Behaviors..... | 16 |
| Figure 2 – Consumer Payment Priorities..... | 16 |
| Figure 3 – Capability Maturity Framework – Credit and Collections..... | 17 |
| Figure 4 – Typical Credit Cycles..... | 21 |
| Figure 5 – Timeline of Credit and Collections Tools..... | 48 |
| Figure 6 – Democratization of Credit Timeline..... | 48 |
| Figure 7 – Timeline of Consumer Debt in the USA..... | 51 |
| Figure 8 – Timeline of Consumer Debt and Performance..... | 51 |
| Figure 9 – Treadline of Consumer Bankruptcy and Household Debt Service..... | 54 |
| Figure 10 – Application Population Flow..... | 63 |
| Figure 11 – Validation Report..... | 66 |
| Figure 12 – Predicated Error – Good versus Bad Account..... | 67 |
| Figure 13 – Spheres of Influence..... | 74 |
| Figure 14 – Fair Isaac Corporation Consumer Life Cycle..... | 83 |
| Figure 15 – Credit Risk Management Discipline..... | 85 |
| Figure 16 – Model Builder for Decision Trees..... | 99 |
| Figure 17 – Illustrative Strategy for Credit Line Increase..... | 100 |
| Figure 18 – Observation and Performance Periods..... | 104 |
| Figure 19 – Validation Worksheet..... | 114 |
| Figure 20 – Validation Sample..... | 115 |
| Figure 21 – Portfolio Analysis and Management Framework..... | 121 |
| Figure 22 – Illustrative Segmentation Schema..... | 122 |

| | |
|---|-----|
| Figure 23 – Multi-Dimensional Snap Shots..... | 123 |
| Figure 24 – Accounts Receivable Aging – Balance Distribution..... | 124 |
| Figure 25 – Accounts Receivable Aging – Account Distribution..... | 124 |
| Figure 26 – Time Series Segmentation Analysis..... | 126 |
| Figure 27 – Time Series – Roll Rate Analysis..... | 126 |
| Figure 28 – Distribution of Reissue Policy..... | 128 |
| Figure 29 – Distribution of Current/Delinquent by Reissue Type..... | 128 |
| Figure 30 – Detailed Listing of Affected Accounts..... | 128 |
| Figure 31 – Detailed Listing with Appended Characteristics..... | 129 |
| Figure 32 – Time Series Analysis – Reissue Strategy..... | 129 |
| Figure 33 – Credit Class Table..... | 130 |
| Figure 34 – Comparison of Credit Class and Risk Score..... | 131 |
| Figure 35 – Credit Class Overlay..... | 131 |
| Figure 36 – Propensity to Pay Strategy..... | 132 |
| Figure 37 – Propensity to Pay Strategy Distribution..... | 132 |
| Figure 38 – Time Series – Account Level Detail – Month 1..... | 133 |
| Figure 39 – Time Series – Account Level Detail – Month 9..... | 133 |
| Figure 40 – Time Series – Distribution Analysis..... | 133 |
| Figure 41 – Delinquency Analysis..... | 136 |
| Figure 42 – Incremental Revenue Analysis..... | 137 |
| Figure 43 – Incremental Collections Expense..... | 137 |
| Figure 44 – Policy / Strategy Impact Continuum..... | 138 |
| Figure 45 – Decision Strategy – Propensity to Pay..... | 139 |
| Figure 46 – Decision Strategy with Collections Treatment..... | 140 |

| | |
|--|-----|
| Figure 47 – Decision Strategy with “Challenger” Tests..... | 140 |
| Figure 48 – Sample Test Design Documentation..... | 141 |
| Figure 49 – Decision Strategy – Test Evaluation..... | 144 |
| Figure 50 – Staffed FTE vs Cost per Call..... | 183 |
| Figure 51 – Staffed FTE vs Service Level..... | 184 |
| Figure 52 – Staffed FTE vs Sales..... | 184 |
| Figure 53 – Service Level vs Profit..... | 185 |
| Figure 54 – Strategic Plan Information..... | 186 |
| Figure 55 – Average Handling Time vs Sales..... | 193 |
| Figure 56 – Program Breakeven Analysis..... | 194 |
| Figure 57 – Call Volume vs. Average Speed of Answer..... | 195 |
| Figure 58 – Portfolio Segmentation for Collectability and Profitability..... | 237 |
| Figure 59 – Debt Sale Market..... | 252 |
| Figure 60 – Consumer Delinquency Rates..... | 264 |
| Figure 61 – Consumer Charge-Off Rates..... | 265 |
| Figure 62 – Consumer Debt Outstanding..... | 268 |
| Figure 63 – GenesisOS Report..... | 284 |
| Figure 64 – Combined Score Distribution – Genesis and Beacon..... | 286 |
| Figure 65 – Joint Odds Table – Combined Genesis and Beacon..... | 286 |
| Figure 66 – Change in Qualified Approvals and Bad Rate..... | 287 |
| Figure 67 – Key Elements of NewBusinessEvaluator™ Summary Report..... | 288 |
| Figure 68 – Illustration of Paymentflex® Alternatives..... | 290 |
| Figure 69 – Suggested Issuer Marketing Messages..... | 292 |
| Figure 70 – Example Cardholder Communications..... | 293 |

| | |
|---|-----|
| Figure 71 – Message after Transaction Detail..... | 294 |
| Figure 72 – Correlation of Payment Levels and Credit Quality..... | 294 |
| Figure 73 – Correlation of Payment Levels and Charge Off Rates..... | 295 |
| Figure 74 – Four Example Pricing Strategies..... | 296 |
| Figure 75 – Example Business Care..... | 297 |
| Figure 76 – Paymentflex ® Implementation Alternatives..... | 298 |
| Figure 77 – Best Practices Predictive Decision Management & Analytical Methodologies..... | 303 |
| Figure 78 – Customer Focus Provides Lower Default Rates..... | 305 |
| Figure 79 – Status of Customer Management..... | 306 |
| Figure 80 – Transaction Models Integrate Credit, Marketing, and Operations..... | 307 |
| Figure 81 – Neutral Net Pattern Recognition..... | 307 |
| Figure 82 – Strategy Science for Credit Line Management..... | 313 |