

Commercial credit-risk assessment

Assess the creditworthiness of loans to corporate borrowers

Benefit

The decisioning time was reduced and the decisions made were more accurate and more consistent at predicting default. This ultimately improved the overall creditworthiness of the portfolio.



Context

The bank had built up a large book of corporate borrowers over many years. There was concern that the credit criteria were too strict, and that substantial profitable business was being declined. There was also concern that the credit-risk-assessment process was too lengthy, and that the detailed, manual aspects of the credit-risk-assessment process were not adding sufficient value to justify the direct cost as well as the cost in lost business. The bank requested that a new credit-risk-assessment platform be developed that would provide more accurate assessment of credit risk within several minutes of application, instead of weeks.

Methodology

The bank provided details of previous credit that had been extended to its clients and their payment history. This data included data relating to the corporate borrowers themselves, their directors and credit performance on previously-extended credit. Credit-bureau-data was also included. This data was used to train a credit scorecard to determine the likelihood of default as well as the loss-given-default.

Results

95%

Correct credit decisions

55%

Reduction in defaults

65%

Reduced in credit decision time