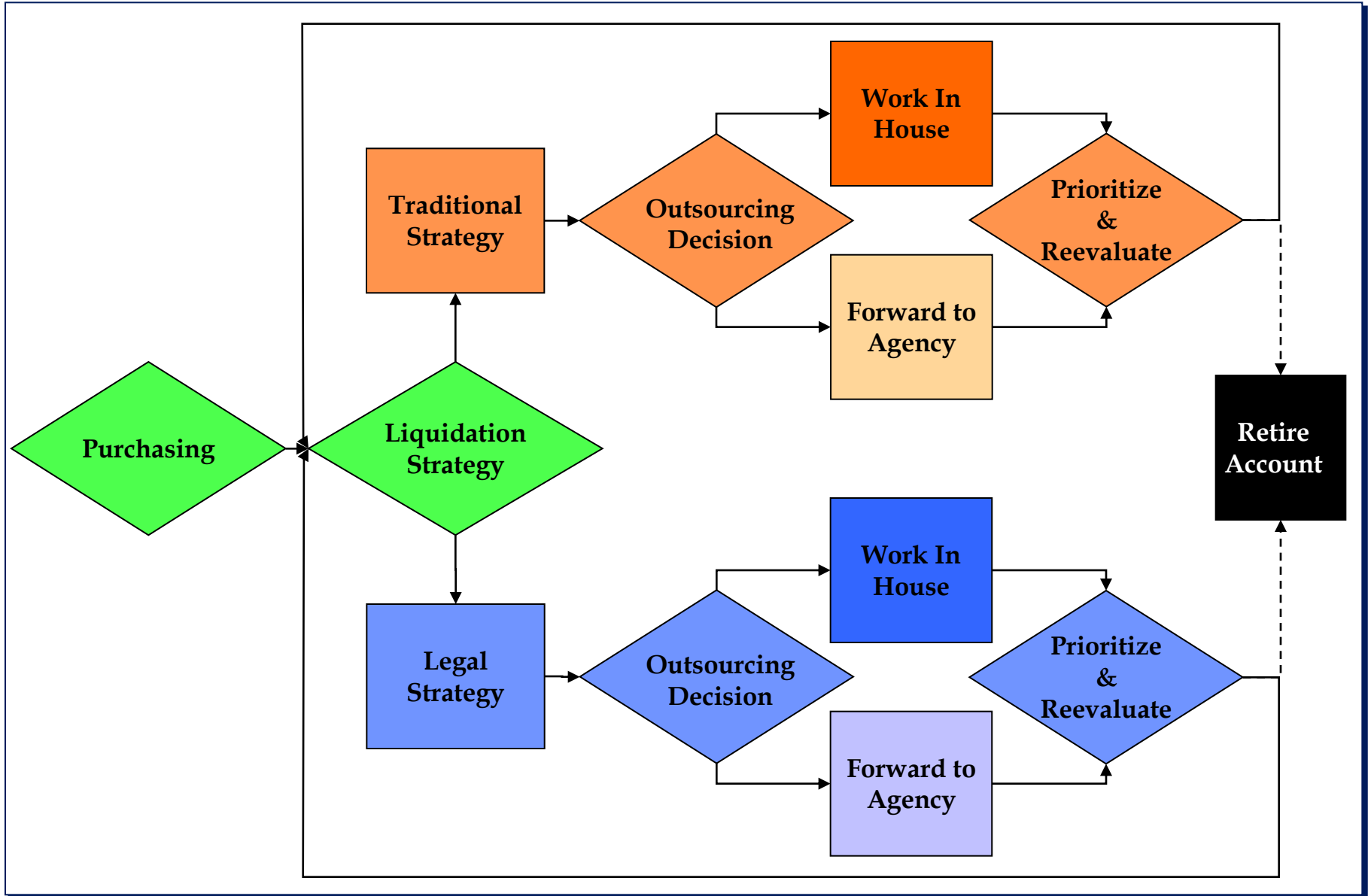


Applications for Segmentation and Scoring

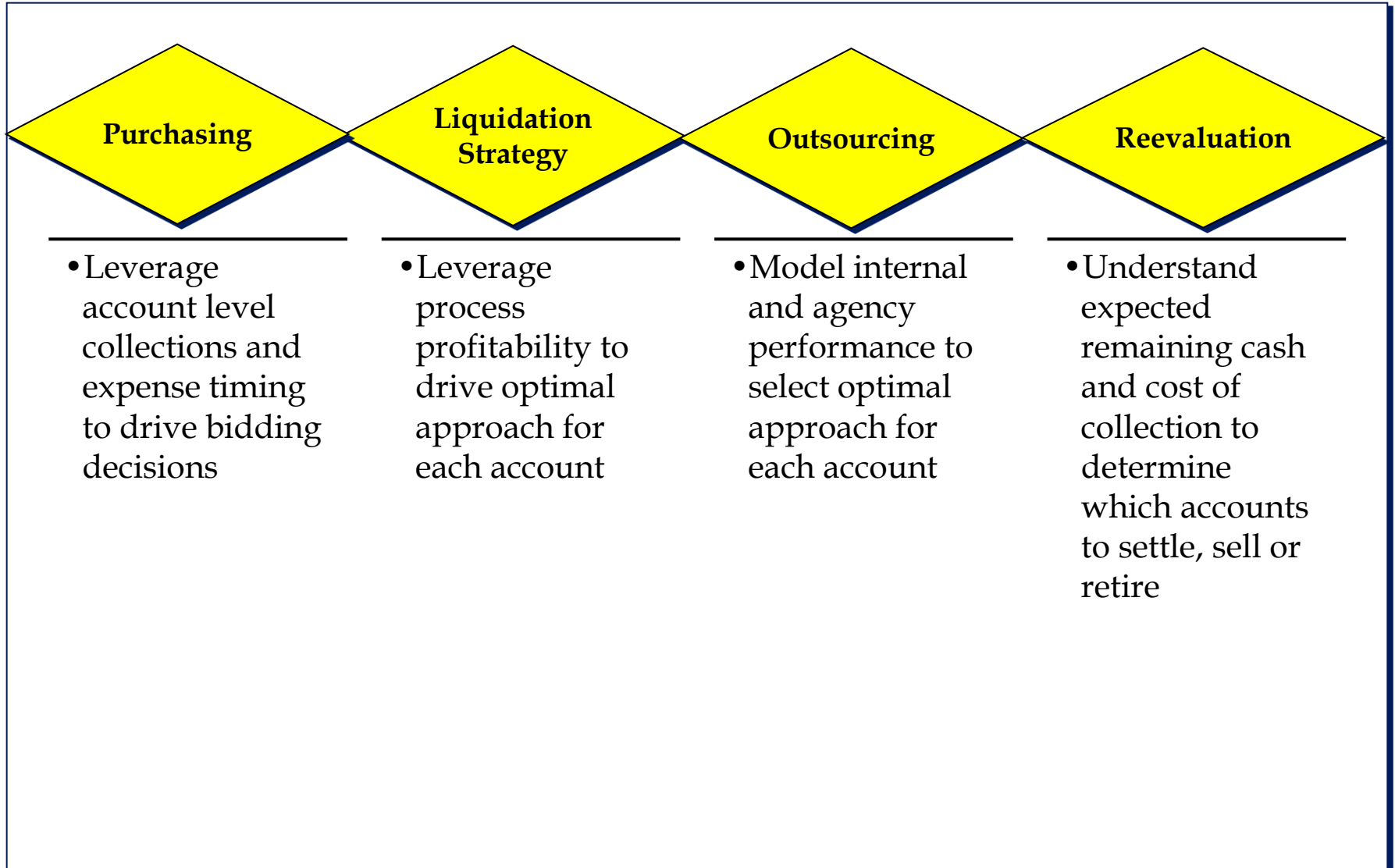
Fischer Jordan Overview

- **Analytics consulting firm specializing in collections and credit card space**
- **Focus on leveraging analytics technology to drive rapid bottom-line impact**
- **Provider-agnostic approach**

Generalized Collections Process



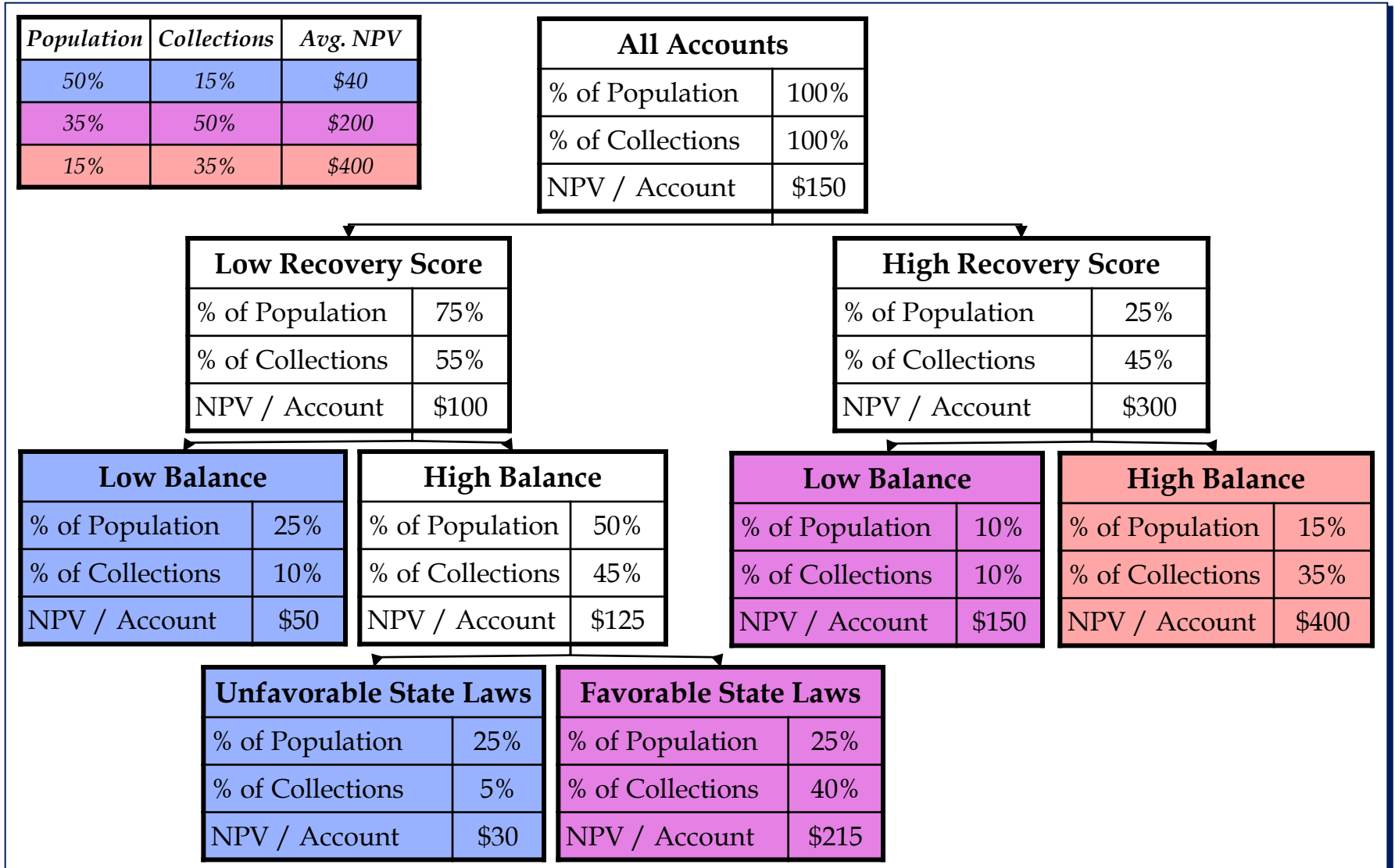
Where Can Segmentation & Scoring Help?



1. Variables to Consider

Variable	Rationale
Account Balance	<ul style="list-style-type: none">• Informs total potential collections potential• Liquidation rate and balance tend to show negative correlation
Paper Type	<ul style="list-style-type: none">• Informs nature of debtor's original credit quality• Informs depth of debtor's financial distress
Time Since First Delinquency	<ul style="list-style-type: none">• Informs level of previous collections efforts
Jurisdiction	<ul style="list-style-type: none">• Drives effectiveness of legal strategies and by extension, traditional strategies
Recovery Scores	<ul style="list-style-type: none">• Combines many credit attributes into a single score reflecting general collectability• Excellent starting point for account level liquidation strategy
Credit Attributes	<ul style="list-style-type: none">• Provides variables for segmentation and fine tuning of recovery scores
Public Record	<ul style="list-style-type: none">• Identifies accounts belonging to debtors with other severely distressed obligations
Evidence of Asset Ownership	<ul style="list-style-type: none">• Identifies debtors with assets to protect and / or liquidate
Evidence of Employment	<ul style="list-style-type: none">• Identifies debtors with income streams to fund payment

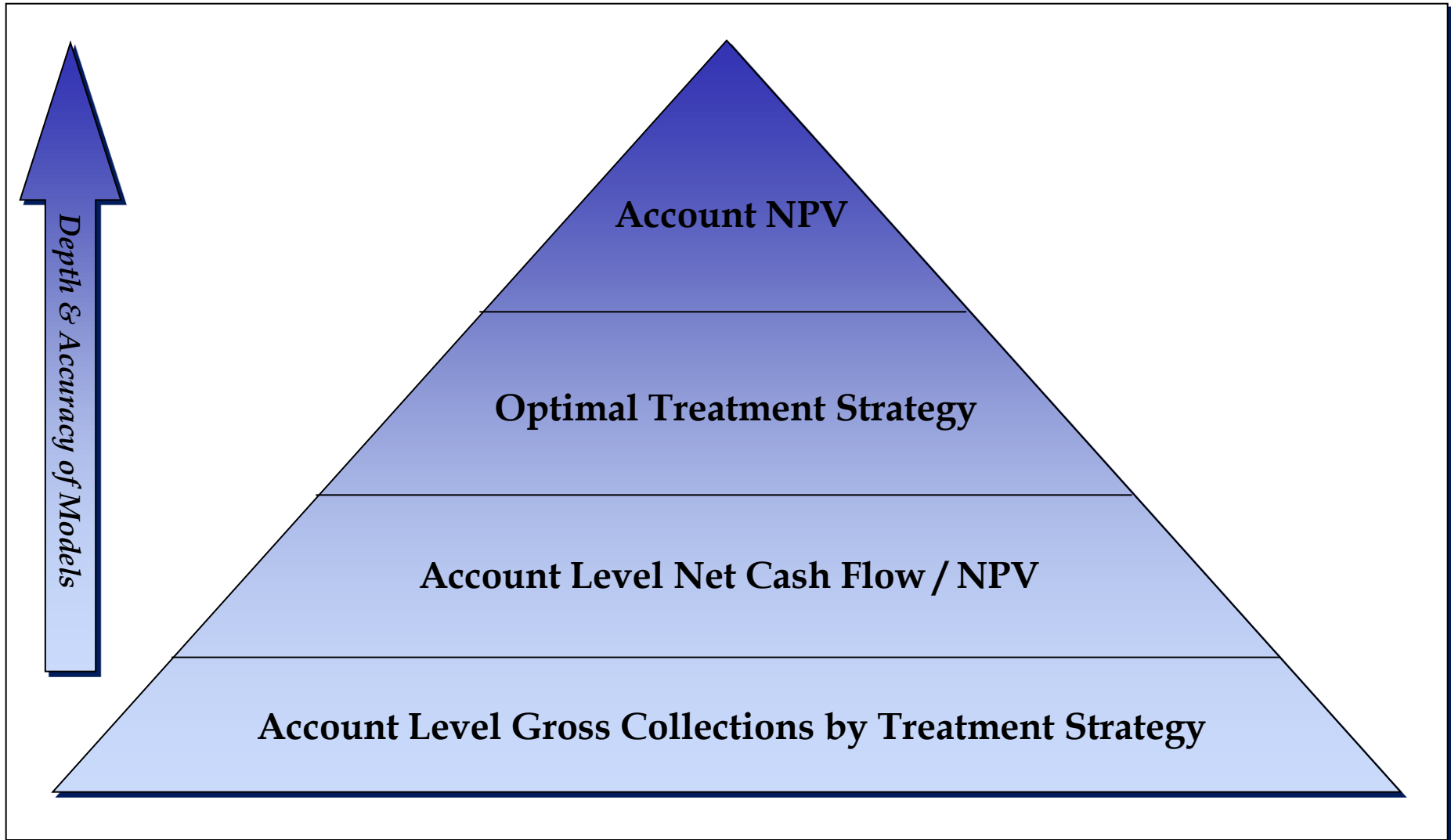
2. Illustrative Segmentation Tree – Legal Collections



3. Test Design Guidelines

Issue	Consideration	Implication
• Population Selection	• Is the sample drawn from the same population the proposed segmentation will be applied to?	• Dynamics observed in the general account base may not be as prevalent in specific subpopulations
• Random Sampling	• Are the test and control populations similar in every relevant respect except the test treatment?	• Meaningful results require that the variation in account performance can only be attributed to the test treatment
• Required Resolution	• What level of performance variation would justify a differentiated strategy?	• Larger performance variation is easier to detect • Detection of smaller variations requires larger test populations
• Implementation Feasibility	• If the test detects meaningful variation, can the segmentation be implemented in a production scenario?	• Business impact requires the availability of segmentation variables and ability to route accounts based on segmentation logic
• Costs	• If the test detects meaningful variation, how much will it cost to deploy and maintain in production?	• Business impact requires the incremental benefits exceed the costs of implementation and maintenance

Developing Best - In - Class Models



Open Issues

- **What novel data sources can be leveraged to drive incremental decisioning power?**
 - What is the cost-benefit of incremental data?
 - How easily can it be incorporated into existing processes?
- **How can the value delivered by purchased scores be maximized?**
- **How can ongoing testing and model refinement be automated in a cost effective way?**
- **How well can more detailed decisions be modeled and implemented?**
 - Lettering frequency
 - Account to collector ratio
 - Settlement discount rates
 - Contacts before legal action