

# Scoring Systems

Scoring systems are one of the most important tools for managing high volume consumer lending decisions. For over two decades, PMA has been among the leaders in the development and sophisticated use of scoring systems and other decision support tools. Over that time, our scoring systems have been used to answer a large variety of business management questions affecting many aspects of consumer credit management.

Our approach to scoring development goes beyond developing a statistical system alone; we work with you to incorporate the system in a framework that allows you to grow profits.

“...Developing a scoring system encompasses much more than just statistical modeling...”

*Among the types of scoring systems we build are:*

- Risk (Credit & Behavioral)
- Profitability
- Activation
- Credit Limit
- Attrition
- New Account (Application & Direct Mail)
- Response
- Usage
- Bankruptcy
- Collection

Developing a scoring system encompasses much more than just statistical modeling. At PMA, we understand that the success of a scoring system depends on carefully defining business objectives and crafting the analytic design to meet these objectives. Only then do our analysts apply the appropriate analytic techniques to derive a statistically rigorous solution.

## Scoring System Development

Our approach will start by understanding your requirements. We will work with you to define the scope of the challenge, what decision the scoring system will address, the data available for development, and any special implementation considerations. To produce the best possible product, we will encourage your active involvement in the develop-

ment process. This will help us better understand your businesses history and the environment in which the scoring system will be applied and will give you new insights into performance of your business.

Our score development process generally follows four stages:

- 1.) **Analytic Design:** We will jointly define the scoring system's objectives, define the appropriate sample and make all other key system design decisions.
- 2.) **Population Segmentation:** We will evaluate the population to be scored to determine whether a single or multiple scorecards are needed to achieve your objectives.
- 3.) **Scorecard Development:** Using statistically sound methods, we will create a separate scorecard for each population segment.

4.) **Delivery:** Our presentation will include detailed performance results and expectations and provide comparisons to your existing decision tools' performance. We will also provide full documentation of the score development, score calculation and coding specifications, and documentation required for on-going score validation.

All of our scoring systems are crafted to meet the highest statistical standards and satisfy all regulatory requirements.

### Implementation Support

Beyond the development effort itself, we support you throughout the implementation effort. Our comprehensive electronic and manual auditing services ensure a timely and accurate implementation of the scoring system. Furthermore, we can help you set cut-offs and establish scoring related policies.

### After Implementation

Over time, all scoring systems lose discriminatory power. Our tracking and validation service allows you to stay in regulatory compliance and ahead of the redevelopment curve by providing monthly score performance reporting and comprehensive quarterly score validations. After completing each successful validation, we will certify that the scoring system continues to be statistically sound. Equally important, the tracking and validation reports will enable you to quickly identify changes in scoring system performance and to determine when you should realign or redevelop the scores.

To learn more about PMA and our custom scoring solutions, please visit our website <http://www.pmacorp.com> or contact us by phone or email.



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*PMA is a leading credit management consulting firm that provides risk management and analytic services to the consumer finance, small business finance, collection, telecommunication, and insurance industries.*

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