

Experian Bankruptcy ModelSM

Protecting You Against Bankruptcies And Other High Dollar Losses

Since many consumers who file for bankruptcy exhibit some of the same characteristics as good credit risks, the task of separating potentially profitable accounts from potential bankruptcies is particularly demanding. You need an accessible, reliable and cost-effective tool to help you determine which consumers are likely to be profitable – and which are not

Meet the bankruptcy challenge head-on

The Experian Bankruptcy Model – a powerful decision support tool – can help you avoid bankruptcy losses and increase your portfolio's profitability.

By ranking your accounts across the spectrum of creditworthiness, the Bankruptcy Model more clearly illuminates the risk associated with those accounts – and helps you increase your confidence in credit decisions.

This powerful, statistically valid risk model is easy to use and manage. Scores (ranging from a low of 108 to a high of >1200) appear on the Experian Credit Profile report. The higher the score, the higher the bankruptcy risk. Based on your portfolio objectives, you set a cutoff score that will help you achieve your profit goals.

The Experian Bankruptcy Model will help you to:

- Qualify customers for pre-screen solicitations. Lower acquisition costs and reduce risks by targeting creditworthy consumers.
- Gain better insight into new account applications. Keep approval constant while decreasing bankruptcies. Or, keep bankruptcy rate steady and increase account approval rate.
- Manage existing accounts more efficiently. Increase or decrease credit limits, offer premium products or flag accounts for future action.

History and development

From a national sample, more than 500,000 consumer credit files were analyzed to determine which characteristics were most predictive of future good or bankrupt account performance. More than 350 variables were tested, including length of time in file, number of



A powerful decision support tool that will help you avoid bankruptcy losses and increase your portfolio's profitability.

recent inquiries, balance to limit ratios and the presence of delinquent to derogatory accounts.

After analyzing account performance and then observing archived Experian Credit Profile report characteristics from 12 months earlier, a series of statistically valid scorecards was developed.

A model with strong benefits

Build profits with more approvals

Use the Experian Bankruptcy Model to approve low-risk applicants who may have narrowly failed judgmental evaluation. Improve your bottom line with these potentially profitable customers.

Reduce risk with fewer losses

Accurately identify high-risk applicants who appear credit-worthy by conventional evaluation methods.

Increase your predictive power through multiple scorecard technology

The Bankruptcy Model uses advanced segmentation techniques to predict future account performance with a high degree of accuracy. By segmenting consumers into distinct groups, the Bankruptcy Model can specifically evaluate the characteristics that are most predictive for subpopulation.

Get more of the information you need

The Bankruptcy Model scores all files having at least one tradeline

updated within the last 12 months – even files containing public records.

Depend on more accurate information

When consumers shop for a loan, multiple inquiries can negatively impact their risk score.

Please contact your local Experian representative or call Customer Support at 800 854 7201 for more information.

Score factor codes

- A** Too few accounts with satisfactory ratings
- B** Presence of delinquent accounts
- C** Presence of derogatory accounts
- D** Accounts with past-due balances
- E** Too many credit applications
- F** Insufficient credit history on new accounts
- G** Age of oldest reported accounts
- H** Recently active or lack of bank, retail or finance accounts
- I** Ratio of balances to total credit limit on all accounts
- J** Too few satisfactory ratings for bank revolving accounts
- K** Ratio of bank revolving balance to credit limits or lack of bank revolving account information
- L** New bank revolving accounts
- M** Presence of bank installment accounts
- N** Insufficient credit history or lack of bank or finance accounts
- O** Too few satisfactory ratings on retail accounts or lack of retail account information
- P** Ratio of retail revolving balances to credit limits
- Q** Too few satisfactory ratings on finance accounts
- R** Insufficient credit history on finance accounts
- U** Presence of finance accounts
- V** Lack of mortgage or real estate accounts with satisfactory ratings
- W** Lack of or insufficient credit history on mortgage or real estate accounts
- X** Presence of recent inquiries
- Y** No adverse action (displays only if no other score factor is generated)

Note: Score Factor Codes are also available on TTY reports.

Experian Bankruptcy Model Summary

- 43 predictive variables
- Six scorecards
 - Consumers building credit history
 - Consumers with active credit history
 - Consumers with credit primarily from consumer finance companies
 - Consumers with credit primarily from retailers
 - Consumers with diverse credit backgrounds
- 12 month performance period
- Scores range from 108 to >1200 (higher scores indicate higher risks)
- Up to four alpha score factors per score
- One score per report
- Access methods
 - TTY
 - CPU-CPU
- Applications
 - Prescreen
 - Account Approval
 - Account Monitor
 - Historical Validation

Exclusion messages

If a Bankruptcy Model score does not appear on the Experian Credit profile report, one of the following exclusion messages will display.

Message

Experian bankruptcy score not available due to system size parameters.

Definition

The Profile report contains more than 100 subscriber trade and inquiry transactions.

Message

Experian bankruptcy score not available due to model exclusion criteria.

Definition

The Profile report does not contain at least one tradeline in the last 12 months of the date reported is missing or unknown.



Experian
505 City Parkway West
Orange, CA 92868
800 854 7201
www.experian.com