

Business Data Miners Saves Top Bank Tens of Millions by Reducing Customer Delinquency Rate

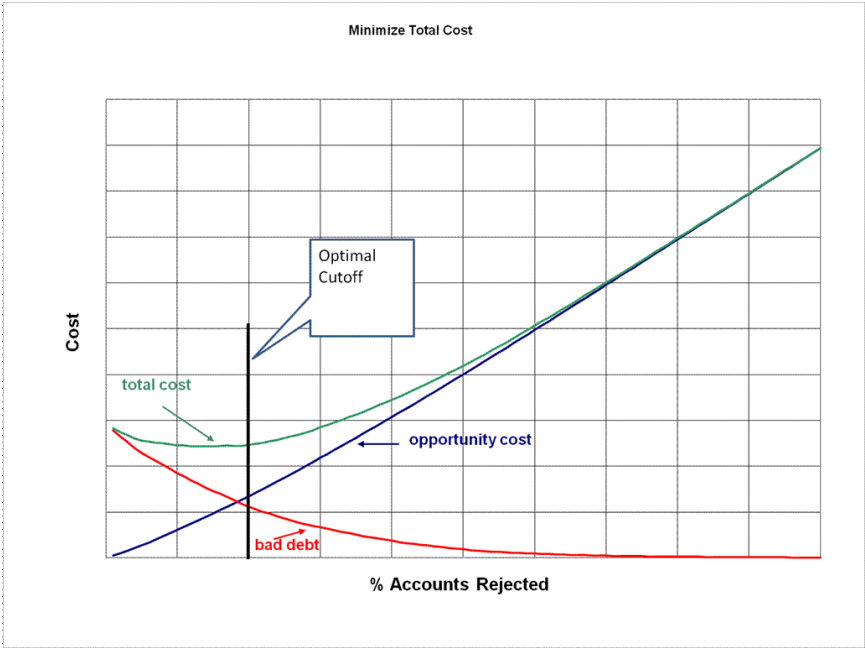
Customer Problem

A finance unit of a major bank wanted to reduce its delinquency rate for processing automobile loans. The delinquency rates were too high, as they cost the bank tens of millions of dollars in losses.

Customer Solution

Business Data Miners using the bank's own data created a custom model for scoring a loan and for predicting its risk. Our model replaced the model from one of the big three credit reporting companies. Business Data Miner's model has been in production for the past three years and has performed extremely well, reducing delinquency and losses materially. The net effect has been annual loss reductions of approximately 20% from pre-recession levels, and approximately 50% from the losses experienced in the 2008-2009 timeframe. In dollar terms the savings are in the tens of millions.

A salient characteristic of this work was the ability to balance the costs to the lender with the number of outstanding loans made. We optimized total loan costs. The model combined the effects of lost opportunity costs (turning away good customers), bad debt (write-off associated with a bad loan), and operational costs (costs to run the business).



For More Information about this Case

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