

Introduction to Credit Scoring



Applications of credit scoring and latest techniques for rating model development

1 day course – now scheduled in Hong Kong, Singapore, New Delhi, Lahore and Taipei
Check www.jzpartners.com.hk/training/ for schedule and price

The applications of credit scoring in today's business environment are vast. With the recent credit history the importance of a reliable, well formulated approach to scoring have been highlighted. Many organisations and business areas are introducing formalised credit scoring for the first time, and reviewing existing scoring data and processes to better reflect credit in a downturn scenario.

The course offers both a business and technical introduction to the implementation of a rating model within an organisation. This course provides a thorough overview of the main techniques used in the financial industry for the development of models, and how best to manage design and implementation of a model for a business line.

The applications of scoring and the uses of different approaches, such as application and behavioural scoring, will be explained. The importance of historical data availability and quality will be explained and the main techniques in use for model building with such data, including decision trees, logistic regression and neural networks will be explained. Practical examples and demonstrations with appropriate technology will also be given.

The expert course tutor will give an overview of how an organisation can best go about selecting techniques for model build, and then integrating the model into the organisation to deliver maximum benefit. A multi-stage process that an organisation could base such an implementation on will be introduced, and the tutor will share experiences of implementing models in organisations globally.

Course Syllabus

PART A: INTRODUCTION TO CREDIT SCORING

- What is credit scoring
- What can and cannot be achieved with credit scoring
- Introduction to the scorecard
- Use and adoption of credit scoring

PART B: SCORECARD DEVELOPMENT FRAMEWORK

- Application and behavioural scoring
- Good / Bad discrimination
- Process for scorecard development
- Data extraction and integrity
- Data for model development. Practice and validation sets
- Data cleaning. Missed values.

PART C: BUILDING THE SCORING MODEL

- Different techniques for building a model
- Statistical and judgemental scorecards
- Expert Systems
- Decision Trees
- Logistic regressions
- Neural nets

PART D: MODEL VALIDATION TECHNIQUES

- Forecast ability, validation of variables and Information Value
- Measures of discrimination - Gini coefficient and ROC

PART E: DESIGNING A RATING MODEL FOR AN ORGANISATION

- Business objectives
- The impact of the Basel Accord on scoring models
- Six step process for designing, implementing and monitoring a rating model within an organisation