

Delinquent Lending Account Modification

Leading U.S. Lender Deployed ALI Software to Evaluate Holistic Relationship with Delinquent Customers: Contract to Production in Less Than 90 Days

Background

Top Five Bank ("Top Five") is one of the leading U.S. consumer lenders. Top Five offers an advanced range of credit products including home equity loans, auto loans, personal lines of credit, bankcards, branded and private label credit cards. Like many lenders globally, Top Five has seen an increase in delinquency and losses across the majority of their portfolios over the past year. Top Five's executive team recognized that their traditional approach of managing each credit account individually was no longer optimal – in fact, it was sometimes detrimental to the customer relationship and bank profit. Top Five engaged a cross-functional taskforce to take immediate action to obtain a 360 degree view of all of the credit accounts for consumers.

Like many leading U.S. banks Top Five has grown through acquisition, and this means compiling data from a myriad of lending systems and normalizing the data to make it actionable for a consolidated decision-making process. Top Five engaged ALI Solutions ("ALI") to help combine and normalize all of the credit account data to obtain a holistic view of the lending relationship and to facilitate the decision-making process for restructuring these customer relationships. Top Five was looking for speed to market that would give them the capability to execute the program with minimal impact on Top Five's IT resources.

Goal

Top Five's goal for this initiative was to deploy a technology solution, in record time, to compile a unified view of their customers with multiple products and who were delinquent on at least one.

This included:

- aggregating data from disparate legacy system across multiple business units and geographic locations,
- normalizing the data across accounts to ensure that it was consistent and could be used effectively in one or more analytic models, and
- building a flexible infrastructure to incorporate future data sources, both internal and external, from other bank data repositories and/or future acquisitions.

After consolidating relationship information, the delinquent and non-delinquent accounts would be evaluated for a restructuring strategy to mitigate risk, lower exposure, and maximize economic performance. These decisions would be based on the information compiled across the lending relationship matrixed with new income and affordability data gathered by Top Five's agents once they contacted the customer.

Solution

ALI leveraged the capabilities of its event-based decisioning platform to tackle this challenge. The decisioning platform is the core of the ALI solution, providing a means to access and fuse the consumer data across the different lending systems at Top Five to provide a 360 degree view of the customer's lending relationship. This is a complementary strategy that enables Top Five to access and use the data from their legacy systems without placing a burden on IT resources.

Fusing and normalizing the data from the diverse systems ensures the quality and compatibility of the information used in customer credit policy and analytic models – driving customer profitability. The cleanliness and usability of the data was critical to the success of this initiative. Typically data fusion and normal-

“We chose to work with ALI Solutions because we were confident that they would work collaboratively with us to quickly and effectively meet all of our objectives”, said the Senior Vice President of Collections at Top Five Bank. “Top Five needed more than just a standard decision engine or tool and we wanted to work with a consultative partner with deep financial services and collections expertise. ALI delivered the technology and domain expertise our timeline demanded. We are happy with the results achieved to date, especially being able to provide us with a holistic view of our lending customers across all of their accounts within 90 days.”



Dynamic Decisioning. Unleashed.™

ization can be very cumbersome and resource intensive. Yet it's a critical component to scoring, decision-making, strategy setting and the elusive holistic customer view. For example, different lending systems may have multiple definitions for a field with the same name. These idiosyncrasies need to be adjusted and accounted for in order for the information to be used effectively to evaluate, score and treat accounts and set a consistent and effective treatment strategy. This data scrubbing and hygiene can traditionally be a weighty undertaking for a bank's valuable IT resources. The ALI decisioning platform enables the bank to make all relevant data available to its collections policy managers, so they can generate more sophisticated characteristics and deploy predictive models to drive their strategy decisions; all done while minimizing the burden on the IT team.

ALI's event-based decisioning platform also provides operational improvements to Top Five. It enables collections managers to design experiments, easily run tests and compare scenarios. With ALI's decisioning platform, they can now evaluate the important risk indicators, such as total credit limit utilization across all accounts and derive common characteristics for decisioning. Top Five also uses the decisioning platform to assign experiment eligibility criteria to ensure that tests are not compromised by having customers in multiple tests simultaneously.

The decisioning platform provides a simple way to automate the sampling and experimentation process. Each customer segment has a test and control group to measure the results of the treatment strategy so that results can be compared to the hold-out group, as well as to other treatment strategies. The decisioning platform accesses updated account information every day to ensure the data is a fresh for both segmentation and treatment strategy application.

The decisioning platform is also used to generate automated dialer files, further automating the contact management process. One of the benefits of the data fusion process is to combine and normalize contact information from multiple accounts, improving the chances of a Right Party Contacts.

An additional benefit of this solution is that Top Five's analytics team now has access to a clean, consolidated data file to be used for new analytic models. The decisioning platform provides a user friendly business interface that can be used across different functional groups to maximize the value of the newly accessed 360 degree view of the customer, while protecting the consumers' private data with permission-based security access.

Results

Top Five took a learning approach to this program and began with a pilot that was designed, tested and in production within 90 days of contract. Benchmark banks have spent one year or more with internal development dedicated to attempting infrastructure enhancements required to achieve a similar customer view. ALI and Top Five took a team approach to this initiative. The team spent two days together with the Top Five team being fully trained on the ALI decisioning platform and the joint team developing a collaboration plan and creating the prototype design. The ALI solution gathered data for all delinquent lending relationships, and that data is updated daily during a short daily production window. This data is used to manage delinquent accounts at the relationship level, mitigating risk, increasing overall customer profitability while minimizing exposure for Top Five. The initiative has far exceeded expectations in terms of how quickly it was implemented and in production. It met expectations in terms of the level of automation and the quality of the newly acquired holistic customer view. The accelerated timeline (with tangible results) also exceeded management expectations.

Top Five is also pleased with the ALI's modular, flexible platform that helped Top Five achieve its objective of taking action swiftly while also leveraging all of the available data on its lending customers. Top Five also recognizes that the ALI event-based decisioning platform can be leveraged for future projects.

About ALI Solutions™

ALI Solutions provides event-based analytic decisioning applications that empower consumer financial services organizations to preemptively manage risk and improve profitability. ALI's solutions automate the fusion of transaction data with third party data sources to dynamically execute credit, fraud and collections policies that solve immediate business problems while easily adapting to future industry challenges. For over 16 years many of the world's most successful companies throughout North America, the United Kingdom and the Asia Pacific region continue to choose ALI because its applications are proven to help businesses mitigate losses while delivering millions of dollars in bottom line benefit.

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