Decisions vs. data points —
A more intelligent trigger to reduce exposure and increase balance build

Eric Aston | Wells Fargo Credit Card
Jon Bailey | Experian
In a “big data” world

Experts often possess more data, than judgment.

Colin Powell
How many parallel lines did you see, not counting the borders?

A) 0, quit trying to trick me!
B) 16
C) 27
D) 32
E) I really don’t care, I’m just sitting here waiting for my next chance to drink.
Event triggers

Most granular data point
Most common trigger uses

**Prospectxing / cross-sell**
- New trade, inquiries
- Direct mail, OBTM, email

**Risk**
- Delinquencies, bankruptcies, public records
- Line and authorization strategies

**Retention**
- New trade, inquiries
- Phone call followed by mail

**Recovery**
- New contact information, positive improvement
- Phone call
Why do you think some have chosen NOT to use triggers today?

A) With so many triggers, how do I know which ones to use?

B) I already use credit triggers in my strategies today.

C) The false positives are just too high.

D) I can’t implement the dang things.

E) I really don’t care, I’m just sitting here waiting for my next chance to drink.
Dispelling the Triggers myth

Too many triggers – which ones matter?

False positives are a problem.

I love the concept, but implementation?
Pattern for success

- Identify most predictive triggers and the appropriate population to monitor
- Incorporate triggers into current strategies
- Hosted vs. non-hosted options
- Measure success and improve when needed
Wells Fargo case study

Eric Aston
Vice President | Wells Fargo Credit Card
Fresh data = more timely risk decisions

A powerful duo

Account reviews
- Refreshed scores and attributes
- Adaptive control treatment strategies
- Frequency matters — monthly vs. quarterly benefits

Real-time notification
- Daily triggers within 24 hours of loading to file
- Delinquency, public record, over-limit, and balance shift triggers
- Proactively mitigate risk with line strategies or collection prioritization
Background

- Historical perspective:
  - Quarterly bureau updates
  - Use of Triggers mitigated the need for monthly updates
  - Relationship-banking plays a key role

- Entering into the recession we felt that we need more periodic updates to better manage the portfolio:
  - Monthly credit bureau updates
  - Greater emphasis on internal score driven programs

- Now that the recession is “over” we decided to revisit Triggers and develop a more complementary approach to account management
30 and 60 DPD triggers account for 70% of trigger volume

We found that we can use triggers to select accounts for line decrease that would otherwise fall outside the margins of our core batch program

True value and power of triggers is in the **TIMING**
Methodology

- Evaluate risk triggers (delinquency, major derogatory, public record, etc.) within the context of our core high risk programs
- Assess overlap and incremental value of triggers
- Obtain retro file to evaluate new triggers such as over limit, credit inquiries, new trade, and CLUB – TBD
- Analysis design:
  - Three months stacked trigger data
  - 20 months performance
  - Develop credit criteria – Decision Tree, etc.
  - Evaluate performance
  - Financial considerations
Triggered account performance

Comparing the number of bad rates and dollar amount of bad rates (charge-off or three or more delinquencies) of the triggered population to the overall portfolio we observed the following lifts:

- Number of bad rates percentage: 356%
- Dollar amount of bad rates percentage: 206%
Triggered account performance

Combined presence of trigger with other credit criteria to identify treatment population:
- Line decrease
- Closure
- Other

75% of accounts with trigger recommended to receive high risk treatment
Deployment

- Historically, we managed our triggers strategy on a platform imbedded on a third party processing system.
- This time around, we opted to go with an “in-house” platform:
  - Worked with technology counterparts to build out infrastructure
  - Flexibility, better audit capability, production data, expense reduction, test / control capabilities
  - Daily triggers transmission from Experian
  - Apply segmentation and credit criteria to assign a proposed treatment:
    - Line decrease
    - Account closure
    - Other
    - No action
  - Post treatment to the account with supporting memo
Incremental value of triggers

Experian triggers added value to high risk account management for two primary reasons (from a purely line decrease perspective):

Incremental population

- Majority of triggered accounts would not have otherwise been picked up by our core line decrease program
- Triggers allowed us to select accounts outside the margins
- Accounts that would have qualified at a later date from a score perspective no longer had sufficient open to buy for treatment

Earlier detection of high risk accounts:

- Minority of triggered accounts would have been selected by our core line decrease batch program
- Ability to treat accounts sooner on average
- Mitigate additional bad balance build
Analysis summary

- Triggers allow us to make more timely risk decisions and provide incremental value to high risk account management strategy through:
  - Identification of incremental high risk population
  - Earlier treatment of accounts where internal scores do not yet pick up on the risk due to data latency

- Accounts that receive high risk triggers exhibit substantially higher credit risk in the multiple
New trigger concepts
Hot trigger concepts

- **Credit limit, balance and utilization**
- Change triggers
- Balance builds and retention strategies
- **Risk**
  - Delinquencies, bankruptcies, new trades and inquiries
  - Early stage call prioritization
**Data overview**

**Balance growth**

**Starting population:** Open with a balance and not worse than 60+ DPD as of January 2010

**Performance definitions:**

- **Bad:** Balance between Aug. 2010 and Aug. 2011 is less than 50% of the balance from Jan. 2010
- **Good:** Balance between Aug. 2010 and Aug. 2011 is 50%+ compared to Jan. 2010 balance AND never worse than 30 days late after Aug. 2010
- **Ind:** Not bad or good, as described previously

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## Balance decrease results

### Balance decrease Top-10 (10.5% bad rate)

<table>
<thead>
<tr>
<th>Trigger type</th>
<th>% Bad</th>
<th>% Lift</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Chapter 11 - PETITION</td>
<td>100%</td>
<td>852.3%</td>
</tr>
<tr>
<td>2. Chapter 7 - PETITION</td>
<td>86.5%</td>
<td>723.6%</td>
</tr>
<tr>
<td>3. Chapter 13 - PETITION</td>
<td>84.2%</td>
<td>701.9%</td>
</tr>
<tr>
<td>4. Business new loan</td>
<td>33.3%</td>
<td>217.4%</td>
</tr>
<tr>
<td>5. Recreational loan</td>
<td>21.4%</td>
<td>104.1%</td>
</tr>
<tr>
<td>6. Mortgage new loan</td>
<td>20.4%</td>
<td>94.1%</td>
</tr>
<tr>
<td>7. 60 DPD trade</td>
<td>19.6%</td>
<td>86.2%</td>
</tr>
<tr>
<td>8. Voluntary surrender</td>
<td>19.4%</td>
<td>85.2%</td>
</tr>
<tr>
<td>9. Closed with $0 balance</td>
<td>18.2%</td>
<td>73.1%</td>
</tr>
<tr>
<td>10. 90 DPD trade</td>
<td>18%</td>
<td>71.6%</td>
</tr>
<tr>
<td>14. Bankcard new trade</td>
<td>16.7%</td>
<td>58.9%</td>
</tr>
</tbody>
</table>
Treatment strategies

- Risk management actions for bankruptcies, delinquencies, voluntary surrenders
- Courtesy call after a new trade trigger
  - Spend to get incentives
  - Rewards and rate plays to most profitable consumers
- Utilize triggers with additional data
  - Behavioral score
  - Spend models
  - Profitability metric
- Intra-cycle decision capabilities
Starting population: Open and not worse than 60+ DPD as of January 2010

Performance definitions:

- **Bad:** 90+ days late over the performance period
- **Good:** No worse than 30 days late over the performance period
- **Ind:** 60 days late, but never worse, over the performance period

19-month performance window

- **Jan 2010**
- **Feb 2010**
- **Aug 2011**

Observation period

Triggers simulated
## Risk results

### Risk Top-10 (5.27% bad rate)

<table>
<thead>
<tr>
<th>Trigger type</th>
<th>% Bad</th>
<th>% Lift</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Chapter 11 - PETITION</td>
<td>100%</td>
<td>1797%</td>
</tr>
<tr>
<td>2. 60 DPD trade</td>
<td>32.9%</td>
<td>525%</td>
</tr>
<tr>
<td>3. Repossession</td>
<td>32.6%</td>
<td>518%</td>
</tr>
<tr>
<td>4. 90 DPD trade</td>
<td>30.1%</td>
<td>471%</td>
</tr>
<tr>
<td>5. Closed $0 bal, was 120</td>
<td>29.4%</td>
<td>458%</td>
</tr>
<tr>
<td>6. 120 DPD trade</td>
<td>28.9%</td>
<td>448%</td>
</tr>
<tr>
<td>7. Closed $0 bal, was 180</td>
<td>28.1%</td>
<td>435%</td>
</tr>
<tr>
<td>8. 30 DPD trade</td>
<td>27.8%</td>
<td>428%</td>
</tr>
<tr>
<td>9. 150 DPD trade</td>
<td>27.4%</td>
<td>420%</td>
</tr>
<tr>
<td>10. Charge-off</td>
<td>26.9%</td>
<td>410%</td>
</tr>
</tbody>
</table>
Trigger performance
Do multiple triggers increase benefit?

<table>
<thead>
<tr>
<th>Number of trigger events</th>
<th>Overall</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
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</tr>
<tr>
<td>10%</td>
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<tr>
<td>20%</td>
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<td></td>
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<tr>
<td>30%</td>
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<td></td>
</tr>
<tr>
<td>40%</td>
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</tr>
<tr>
<td>50%</td>
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</tr>
</tbody>
</table>

Analysis
## Collection recovery
### 30+ DPD to making a payment

<table>
<thead>
<tr>
<th>Trigger type</th>
<th>% Recovery</th>
<th>% Lift</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Paid REPO</td>
<td>100%</td>
<td>98.4%</td>
</tr>
<tr>
<td>2. Recreational trade</td>
<td>100%</td>
<td>98.4%</td>
</tr>
<tr>
<td>3. Flex spending card</td>
<td>82.8%</td>
<td>64.2%</td>
</tr>
<tr>
<td>4. Civil action satisfied</td>
<td>75%</td>
<td>48.8%</td>
</tr>
<tr>
<td>5. Now 60 was 150-180</td>
<td>71.9%</td>
<td>42.6%</td>
</tr>
<tr>
<td>6. Charge-off now paying</td>
<td>66.67%</td>
<td>32.28%</td>
</tr>
<tr>
<td>7. Current was 120</td>
<td>65.7%</td>
<td>30.4%</td>
</tr>
<tr>
<td>8. Retail new trade</td>
<td>64.5%</td>
<td>28%</td>
</tr>
<tr>
<td>9. Installment trade</td>
<td>64.3%</td>
<td>27.6%</td>
</tr>
<tr>
<td>10. Now 30 was 120-180</td>
<td>63.9%</td>
<td>26.9%</td>
</tr>
</tbody>
</table>
Call prioritization

- Alter risk segmentation based upon triggering events
  - Positive change triggers may identify lower risk and therefore a lower call priority
  - Negative triggers identify high risk requiring higher call priorities
- Utilize triggers to enhance not displace current strategies
- Realize operational efficiencies
Hosted deployment

Client monthly file → Monthly monitored list → Daily triggers → DaaS strategy design → Daily treatment file
When correctly deployed, a typical trigger program return on investment is….?

A) 3:1  
B) 5:1  
C) 10+:1  
D) Again, I really don’t care. Where’s my drink?
Converting data points into decisions

**Daily triggers**

1. Analyze, deploy, develop treatments, and monitor
2. Utilize to enhance risk strategies, balance build, and call prioritization
Questions and answers
The time is now

"Next in importance to having a good aim is to recognize when to pull the trigger."

David Letterman
For additional information, please contact:

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