

Underwriting Expansion in Sub Prime Space



Background & Challenges

- Client was facing revenue pressure and thus wanted to expand underwriting space within specified risk appetite by targeting consumer in sub prime space
- Client tried rule-based approach however, it could not identify low risk segment for approval

Objectives

- Objective was to identify a low-risk segment with similar behavior as compared to existing BAU population

Approach

Target Population

- Considered overall responder universe for segmentation
- Excluded responders with high-risk behaviours like derogatory records/ historical delinquencies/ new to credit etc.
- Tri-Party Bureau and Application data was used for model development

Segment Identification

- Developed machine learning model (XGBoost) to identify good responders within client risk appetite
- Business judgement overlay on identified population to further mitigate the risk
- Assessed key P&L metrics to ensure sufficient bookings with substantial account revenue growth

Risk Monitoring

- Developed framework for monitoring sub-prime population
 - BAU and Test performance monitoring
 - Success metrics and criteria for decision reversal

Key Results

~5% growth in portfolio in a year of implementing expansion program

Risk profiles of expansion segment were almost similar to that of existing underwriting segment

About Straive

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