



# REAL-TIME CREDIT SCORING

REDUCE APPROVAL TIMES, INCREASE LOAN NUMBERS, AND IMPROVE BORROWER EXPERIENCE.

## Background Information

Lenders need tools they can employ during the loan application process to advance an application to the next step or divert potential customers to alternative products that are a better fit. Implementing [artificial intelligence \(AI\) models](#) that facilitate [fast credit reviews](#) — and even approvals — can help lenders increase the quality, number, and amount of loans they grant without taking on unacceptable levels of risk.

## About the Customer

Fair for You (FFY) is a non-bank financial institution that provides loans to low-income families, especially single parents with children, to help them purchase essential household items. “Our demographic has traditionally had difficulty accessing mainstream credit,” said James Wilkinson, head of lending and credit risk, FFY. FFY aims to get customers into a “good payers club” so they can offer them additional finance and improve their credit rating.

## Their Challenge

FFY would like to accept as many requests for credit as possible. However, the cost of lending becomes prohibitive when considering customers who don’t intend to pay back their loans or customers who can’t afford to pay “My principal aim has been to increase the loan book while maintaining our delinquency tolerances. One of the initial problems I had to address was moving the lending function to a more data-driven approach,” said Wilkinson.

**35%** ▲  
IN LOAN ACCEPTANCE

**10%** ▼  
IN LOAN REJECTIONS

**36%** ▼  
IN BAD LOANS

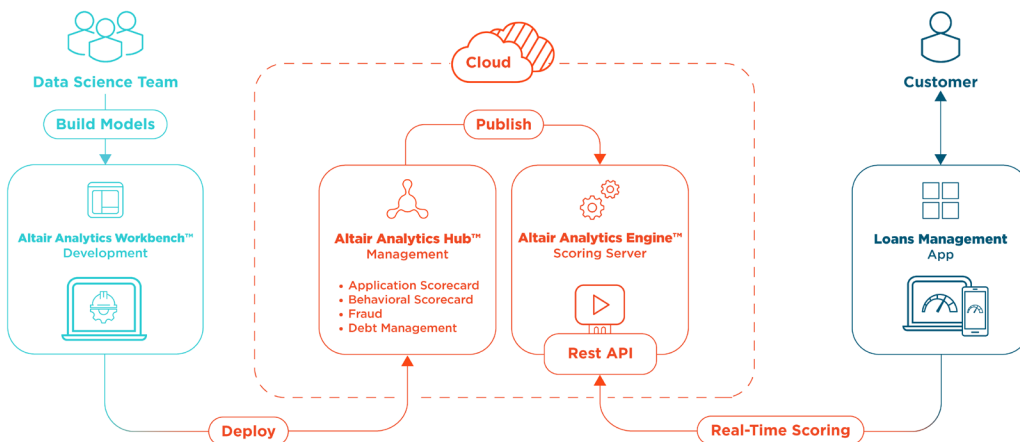
**28%** ▼  
OF CUSTOMERS IN ARREARS

FFY's credit risk team needed to be confident regarding each customer's default likelihood based on improved insight into the vast amounts of historical data available to them. They sought to implement a real-time scoring system to predict default rates without slowing down the application process. They also wanted to reduce the personnel time required to review individual loans and client credit histories. Automating the application and approval process would help scale their volume without increasing operational costs.

### Our Solution

Altair helped the FFY team develop a scorecard using FFY's existing data. Dividing applications into ten risk bins helped the organization develop specific credit strategies and flexible acceptance rates based on predicted default rates. Once the scoring system was in place, the team formalized a risk band strategy based on default rates and projected total cost of finance.

FFY reduced the initial auto-acceptance and decline strategy to increase the referral bands. Being able to monitor loan applications and default rates by risk band was crucial to FFY and the Altair team set up a monitoring dashboard to provide live updates – including key financial statistics with data visualizations – to deliver quick comprehension of trends. The dashboard displays the status of each month's application and acceptance rates, as well as the current scoring model's stability, with auto-generated notifications that indicates when the model needs adjustments.



The completed cloud-based solution enables FFY to automatically accept, refer, or reject nearly all loans in real time during an online application process.

### Results

After FFY introduced the [Altair-powered scoring solution](#), its loan acceptance rate increased from 20% to 27% within 120 days, and the number of customers who went into arrears within the first two months of their loan fell by 28%. From the third month onward, the existing arrears rate average aligned with FFY's business strategy and increase acceptance rates among applicants with similar risk levels. Under FFY's old scoring system, 22% of loans were considered "bad." With the new Altair-based scoring system in place, only 14% of loans were considered "bad," which freed up capital for additional loans to more deserving households. FFY reduced rejections by 10% and could accept more loan applicants without increasing the organization's overall risk profile.

To learn more, please visit [altair.com/machine-learning](https://altair.com/machine-learning)



Analytical support from Altair is an ongoing part of our relationship. It is very important we have its expertise looking at our application profile and arrears performance, as the loans market is continuously shifting and we need to be on the front foot with our credit risk management. Altair quickly understood the unique offering Fair for You provides, the mission, and the demographic we are trying to serve. We are very pleased Altair is committing to our goals for the long term.

James Wilkinson  
Head of Lending and Credit Risk