



ITM

Credit Scoring Model Development Experiences in Hungary

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The logo for ITM (International Tax Management) is located in the top left corner of the slide. It consists of the letters 'ITM' in a bold, italicized, sans-serif font, with a stylized underline that suggests motion or a signature.

Topics

- Overview
- Problems with the data
- Problems with the methodology

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Credit scoring

Credit scoring is a decisions support method based on data and information processing for providing decision suggestion proven by statistics.

Modelling methods

- Data driven
 - Linear probability model
 - Discriminant analysis
 - Logit, probit models
 - k-nearest neighbours
 - Classification trees (RPA, CHAID)
 - Neural networks
- Experience based
 - Mathematical programming
 - AHP
 - Expert systems

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Parameters about customers' PD 1.

- **Classic methods:**
 - **5C model**
(character, capacity, collateral, capital, conditions)
 - **CAMPARI model**
(Character, Ability, Margin, Purpose, Amount, Repayment, Insurance)

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General problems

- Changes in the regulations
- Forced models and rules
- Different culture and mechanisms in the society
- Strong competition

Problems with the data

- Changes in the regulations
- Problems with the controlling of data stated in the application forms
- No credit bureau
- Partial cooperation among the institutions
- Unusable geographical references
- IT infrastructure

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ITM

Parameters about customers' PD 2.

The new idea: measuring the value of the customer at the work force market



Partner scoring attributes

- Highest education degree
- Language exams
- Family members with no income
- Monthly net income
- Amount of monthly regular savings
- Type of the bank account
- Existing obligations
- Property above 3 Million HUF
- Tax confirmation

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Used methodologies

Data driven

- Cross tables
- Logit
- Trees

Experts' score cards

- Beliefs and experiences in thumb rules

Low level of methodological knowledge

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Success with AHP

- Improved collaboration among the departments
- Deeper understanding
- Prompt feedback during the model development
- Quick maintenance

Summary

- Problems with the input data credibility and accessibility
- Low level of methodological knowledge
- Strong competition
- There are some new ideas offering better results



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