Collection Prioritization and Optimization

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Session 1

- About Experian
- Challenges of Financial Institutions in Collection
- Components of Collection System
- Knowing Your Customers: Data, Insight & Tracing
- Understanding Your Customers: Analytics & Data Intelligence
- Targeting Your Customers: Segmentation, Scoring & Prioritization
- Interacting With Your Customers: Workflow & Case Management
- Brainstorming Exercise
About Experian
Operates 33 Bureaux Across The Globe

- Experian holds credit payment data on more than 740 million consumers and 70 million businesses, and historical data on 650 million vehicles

- Revenue: USD $4.5 billion
- Profits: USD $1.2 billion
- Market Cap*: £9.0 bn
- Employees: c. 17,000
- Offices in 41 countries
- Largest markets: US, UK, Brazil
- Corporate headquarters: Dublin
- Main offices: Nottingham & London (UK), California (US), Sao Paulo (Brazil) and Singapore
- Listing: London Stock Exchange and rank #40 in FTSE Index

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Experian Approach
Specialized Experts, Working Together

INFORMATION
Creating meaning from a range of data

ANALYTICS
Business approach

DECISIONS
Business and industry acumen

EXECUTION
Agility and flexibility

TOWARD DRAMATIC, SUSTAINED GROWTH

INCREASED REVENUE
CONTROLLED RISK
OPERATIONAL EFFICIENCY
COMPLIANCE AS DIFFERENTIATION
Credit grantors, debt buyers, collection agencies and law firms maintain a high volume of uncollectible accounts

- 50-80% of all charged off debt goes unpaid through the collections cycle (typically 36 months)
- Collectors have exhausted all traditional skip tracing tools and are unable to locate the borrower
- There is a need to work the fresh accounts quickly, consequently the inventory of older accounts continues to grow
- High turnover of employees means less people available to work the older accounts
Collection Prioritization & Optimization

Challenges of Financial Institutions
“How will I achieve my key performance indicators (KPI) in Collection?”

1. Are my staffs focused on the right customers?
   - Can I ignore some customers?
   - Should I start recoveries immediately?

2. Am I making the most of all my data?
   - Is my data giving me the complete picture?

3. Do I need to adapt my approach to the new market dynamics?
   - Could I be doing this better and what’s the impact to my KPIs?
   - Have market conditions changed by the time I deploy?
   - Delayed implementation is costing me money!
   - I got staffing constraints

4. Is my payment a priority for my customers?
   - Will the customer pay me before anyone else?
Collection Prioritization & Optimization

Components Of Collection System
The Collection Cycle

Collection System

Proactive Period
- Credit Risk Assessment
- Proactive Monitoring
- Early Advice and Control

Early Arrears
- Leave Self Cure
- Act on Repeat Debtors
- Early Commitment
- Customer Retention

Mid Arrears
- Reduction in Roll Rates
- Reduction in DSO
- Limit Collection Costs

Late Arrears
- Litigation
- Third Party Agencies

Recovery
- Debt Sale
- Write Off

Typical Debt Management Timeline

Cycle Start
Statement sent
Payment Due
Day 30
Day 60
Day 90+
Write off
Effectively Managing Customers in Collection

Proactive Period
• Credit Risk Assessment
• Proactive Monitoring
• Early Advice and Control

Early Arrears
• Leave Self Cure
• Act on Repeat Debtors
• Early Commitment
• Customer Retention

Mid Arrears
• Reduction in Roll Rates
• Reduction in DSO
• Limit Collection Costs

Late Arrears
• Litigation
• Third Party Agencies

Recovery
• Debt Sale
• Write Off

Typical Debt Management Timeline

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Effective Collection Management

Data
- Internal data
- External data

Scores and Segmentation

Decision systems
- Score
- Payers
- Non payers

Workflow
- Automated
- Manual

MIS

Test and learn, adapt to changing circumstances
Components of Collection System

- Knowing your Customers
- Interacting with your Customers
- Understanding your Customers
- Targeting your Customers

Data & Data Cleansing

Workflow Management

Strategy & Segmentation

Analytics and Data Intelligence

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Knowing your customer

- Ensure you have correct Customer details
  - Current address
  - Current phone
  - Risk assessment
  - Payment assessment
- Identify changing circumstances
- Exploit external intelligence

Components of a Collection System
Using Correct Data?
Understand your customer

- How to change data to actionable information
- Identify smart use of relevant information
- Identify ability to repay
- Identify propensity to repay
  - Can Pay Vs Can’t Pay
  - Will Pay Vs Won’t Pay

Components of a Collection System
Getting Additional Value from the Available Data
Considerations:
- How to maximize repayment?
- When to call?
- Who call?

**WHAT ELSE?**
Components of a Collection System
Achieve Maximum Performance

Targeting your customer

- Determine correct approach to take to maximise repayments
- What segmentation allows this to occur
- What actions / timing / channel to take
- Differentiated treatment
- Granularity of segmentation
- Test alternatives

Segmentation, Scoring & Prioritization
Components of a Collection System
Agility and Robust

Interact with your customer

- Control the customer contact process
- Utilise resources efficiently
- Understand and react to customers' responses
- React quickly to changing circumstances

Workflow and Case Management
Collection Prioritization & Optimization

(1)
Knowing Your Customer:
Data, Insight & Tracing
Data Driven Services
Single Person Discount and Empty Property Reviews

- Utilising up-to-date data sources
- Validates residency status and household make up
- Instantly identifies potentially inaccurate and fraudulent claims
- Paperless
- Timely
- Cost effective

Creating a picture of the residency make up at an address
1 billion records on the UK adult population

- 339 million linked addresses
- 5.7 million deceased records on the Mortality File
- Up-to-date Electoral Register
- 420 million Credit Account Information Sharing (CAIS) accounts
- 200 million searches each year on previous credit applications

Consumer Credit Database
- Trade data
- Inquiry data
- Balance history
- Employment data
- Public record
- Demographics
- Real estate data
- Fraud data

CEM Database
- Regional telecom adds/disconnects
- EDA audit data
- INSOURCE database
- Business files
- Area code file
- Deliverable addresses
- COA files / NCOA batch
- Social Security number (SSN) file

- 220+ million credit-active consumers
- Over two million credit inquiries every day
- More than four billion tradelines
- Over one billion update transactions per month
- More than 140 million households in skip tracing database
Data Driven Services

Tracing

- Forwarding address
- Living as stated
- Address monitoring

Identify a forwarding address
Establish they are living as stated
Constant review
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( II )
Understanding Your Customer: Analytics & Data Intelligence
Event Based Trigger
Skip Tracing

TIMING is critical

1. Account delinquent
2. Mail return, bad phone number
3. Skip tracing conducted
4. Old address and phone number received
5. Consumer surfaces with new address and phone number
6. Delivered by trigger notice
7. Future date

January 2012

Jan 10th 2012

Mar 14th 2012

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Determine the RIGHT time to collect

A debtor’s cycle of delinquency

Diminishing ability to pay

Consumer Overextended
Health issues
Job loss
Bankruptcy

No ability to pay

Employment
Paying off debts
Shopping for credit
New credit line

Full capacity to pay

Be notified of these events to determine the right time to collect

All Trigger Tools are NOT Created Equal

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Q: What are the differences between traditional Skip Locator and Event-Based Trigger?
Q: What are the differences between traditional Skip Locator and Event-Based Trigger?

Traditional skip tracing
- Follow-up driven based on age, balance, payment history, etc.
- Collection manager or skip trace manager typically selects accounts at set intervals
- List of accounts generated, sent out to vendor to seek updated information. It represents pull technology where a client will come to Experian to request information at a specific point in time.
- This is an approach generally for new placements, freshly delinquent accounts, and similar circumstances.
- Automated or manual processing

Event-based triggers
- Notification generated only when meaningful event occurs
- All unpaid, exhausted or dormant accounts are monitored
- New phone numbers, addresses delivered every day, within 24 hours
- Automated processing
- Simply put, triggers pushes out the data when an event occurs. The customer, without further request, receives the trigger data the next morning after the event has occurred and then can take action accordingly. This is a different paradigm than the traditional one of revisiting the consumer’s account at frequent intervals to see if anything has changed.
Q: What kind of EVENTS can be monitored?

e.g. New Address
Brainstorming!!

What kind of EVENTS can be monitored?

- New Address
- New Telephone
- New Employment
- New Trade Line
- New Inquiry
- Bankruptcy
- New or changed Public Record
- Positive Financial Improvement
- Credit Available
- …basically any data field
Q: How big does a client have to be to use Collection Triggers?
Clients targeted for this collection tool are collection departments of large credit grantors as well as major collection agencies and debt buyers.

- A file of 10-15,000 records or larger to warrant enough activity to offset the initial development costs.
- They will be clients who are computer savvy
- It is too costly for smaller clients until there is greater automation developed for client set-up.

Q: How big does a client have to be to use Collection Triggers?
Q: Should consumers know their files are being monitored?
With Skip Locator, consumers see a specific tradeline with a status of “SCNL” on the credit report while they are being monitored. When a Skip Notice is triggered, a soft inquiry is logged.

With Collection Triggers, there are no indicators on credit report while the account is being monitored for activity. However a soft inquiry is logged when a Notice is triggered. This inquiry is only viewed by the consumer when they request their own credit report.
( III )
Targeting Your Customer: Segmentation, Scoring & Prioritization
Collection Score
The majority of payments are collected from a relatively small percentage of consumers.

Need to know which consumers have the ability to pay before assigning collectors.

Working every account the same, is not efficient. Too many debtors but limited collection resources.

Collection scoring helps with optimizing the assignment of collection resources, focusing on the accounts with the greatest potential, and knowing when to limit or extend collection efforts.
What is it?

- Through the application of behaviour scoring or balance and behaviour score or BAR, in addition to others variables, strategic collections decisioning strategies can be devised that identify groups most likely to self-cure.
- In other words, groups which will pay without the need to treat the customer in any way in collections.

How?

- Behaviour scoring or similar risk based scoring needs to be in place firstly within the strategic collections system.
- Highly segmented strategies can be implemented making use of the behaviour score that will delay actions on certain groups where there is a higher likelihood of repayment or self cure without the need/cost to treat the account.

Value added?

- Reduction of collections costs in early stage delinquency in terms of letters, people, phone, overhead costs, etc.
- Increased levels of customer satisfaction by removing collections treatment from groups most likely to pay.
**Payment Projection Model**

**What is it?**
- Payment projection scorecards are used to predict the likelihood that a late stage delinquent account (3-4 cycles) will make a payment greater than xx% of the outstanding balance in the next x months.
- Payment projection models can also be built with a continuous outcome to predict the likely % of the balance recovered in the next x months.

**How?**
- Roll models can be developed and accounts at each stage of delinquency can be treated in a detailed segmentation manner (more than displayed) within the strategic collections decisioning strategies.
- It is most likely that if roll models are used that these would be used in place of a normal behaviour score.

**Value added?**
- Accurate estimation of balance predicted to be recovered from customer at late stage delinquency.
- Higher recovered balances through the application of analytics to direct internal resources to highest payback groups.
Q: What are the common Attributes in Collection Model?

- Depends on in-house or bureau collection models
- Include both INTERNAL and EXTERNAL data

(See examples on next slide)
Collection specific attributes – Identify consumers with the highest recovery potential using credit report data. Experian provides a robust array of collection specific attributes that can be used to decision your accounts, including:

- Availability of credit
- Presence of mortgage
- Bankruptcy indicator
- Recent credit inquiries
- Newly opened trades
- Recently paid collection items
- Recent judgments and liens
- Recent delinquencies
- Aggregate payments
- Aggregate balance-to-credit ratios
Segmentation

High Risk

Low Risk

High Balance

Low Balance

Contact Intensity

Specific Treatments
Simplistic View of Segmentation

Early Stage Collections Accounts

Low Balance at Risk
- Low
  - Notify
  - Warn
  - Collect
- High
  - Notify
  - Warn & limits
  - Collect

Medium Balance at Risk
- Low
  - Notify
  - Warn & limits
  - Collect
- High
  - Notify
  - Warn & limits
  - Collect

High Balance at Risk
- Low
  - Notify
  - Warn & limits
  - Collect
- High
  - Notify
  - Warn & limits
  - Collect

External risk assessment

Internal risk assessment
Used in combination with rules, the customer behavioural score highlights the optimal message to communicate to the customer.

**Action type: staff**

- Contact = basic
- Warn = skilled
- Collect = skilled
- 3rd party = basic

Skilled resource is focused at handling difficult cases and the end of relationship decisions.
Paint each cell with the colour that corresponds with the desired outcome.
An outcome can be changed simply by changing the colour.
(IV)

Interacting With Your Customer: Workflow & Case Management
Automated Treatment

Start

Delay for 10 days

Take Action: Send SMS

Delay for 5 days

Take Action: Send Letter

Delay for 5 days

Take Action: Initiate External Action
Collection Workflow

Each node represents a decision based on business rules. If the decision is positive the next rule is assessed down the tree. The appropriate treatment can then be applied, for example a fully automated treatment path. If a decision is negative, the next decision point down is analysed. Changes of Status will re-segment customers and accounts. Additional Information immediately drives an assessment of the customer or account. Customers & Accounts flow through each rule.
Profiling
- Groups customers according to similar traits
- Create macro segments data profile

Predictive scoring
- Rank order customers on a single behavior
- Creates broad segments, e.g. good / bad odds

Business Rules
- Matrixes two or three predictive model dimensions
- Refined segmentation based on “subjective” trade-off arbitration

Optimization
- Considers all defined key business metrics
- Creates optimal, personalized, customer decisions
- Maximize organizational objective

New optimization techniques have enabled organizations to move to “segment of one” decisioning
Collection Prioritization & Optimization

Brainstorming Exercise

Collections MIS – What you can measure you can improve
GOALS OF THE MODULE

1. Become familiar with Collection MIS concepts.

2. Understand characteristics of different types of reports and how to interpret them.

3. Learn how MIS is used to appraise collection strategies.

4. Identify factors which can influence forecasting of volumes and losses.
Important Concepts in Collection MIS:

- 30 Days Bucket
- Critical Delinquency Points
- Coincidence versus Lagged Delinquencies
CONCEPT:

Delinquency Bucket

**What is it?**
A division of a given portfolio which groups delinquent accounts into 30-day periods.

**What is it for?**
- To define the delinquency status of a portfolio, either by account or amount.
- To indicate the condition of the portfolio in terms of delinquencies.
- It is a tool for further analysis of accounts/ amount over the different stages of delinquency.
- Allows management to compare portfolio performance to past results and business forecasts.
Delinquency Indicators

1. 30 DPD plus Delinquency
   (2 missed contractual payments)

2. 90 DPD plus Delinquency
   (4 missed contractual payments)

- Why 30 and 90?
## Snapshot of Portfolio

<table>
<thead>
<tr>
<th>Product X</th>
<th># Of Delq accounts</th>
<th>Total portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Delinquency Rate)</td>
<td></td>
</tr>
<tr>
<td>Total Portfolio</td>
<td>4,250</td>
<td>100</td>
</tr>
<tr>
<td>Current</td>
<td>3,453</td>
<td>81.25</td>
</tr>
<tr>
<td>(1 - 29) days</td>
<td>420</td>
<td>9.88</td>
</tr>
<tr>
<td>(30 - 59) days</td>
<td>189</td>
<td>4.45</td>
</tr>
<tr>
<td>(60 - 89) days</td>
<td>100</td>
<td>2.35</td>
</tr>
<tr>
<td>(90 - 119) days</td>
<td>47</td>
<td>1.11</td>
</tr>
<tr>
<td>(120 - 149) days</td>
<td>23</td>
<td>0.54</td>
</tr>
<tr>
<td>(150 - 179) days</td>
<td>11</td>
<td>0.26</td>
</tr>
<tr>
<td>180 + days</td>
<td>7</td>
<td>0.16</td>
</tr>
</tbody>
</table>

30+ = No/$ of 30 dpd and above / (Current- 180 dpd)
90+ = No/$ of 90 dpd and above /(Current- 180 dpd)
Risk Actions on Ageing of Accounts

By 30 Days Past Due:

- Freeze Revolving Line
- Report delinquency to Credit Bureau
  thus managing delinquency

By 90 Days Past Due:

- Close Revolving Line
- Repossess auto/Initiate foreclosure/Legal Dunning
  thus write off prevention (for Unsecured Products)
Coincident Delinquency

A point in time snapshot of the portfolio

A percentage calculation which relates delinquency or losses to receivables.

*Provides the current picture of portfolio performance*
A percentage calculation which relates delinquency or losses to previous (lagged) receivables.

Provides a better picture of portfolio performance

Important when receivables are growing rapidly
## Lagged Delinquency

<table>
<thead>
<tr>
<th>Coincident</th>
<th>MAR</th>
<th>April</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>720,422</td>
<td>736,733</td>
<td>764,841</td>
<td>787,880</td>
<td>813,552</td>
<td>840,506</td>
</tr>
<tr>
<td>30-59 DPD</td>
<td>36,286</td>
<td>38,495</td>
<td>37,525</td>
<td>36,705</td>
<td>38,169</td>
<td>43,119</td>
</tr>
<tr>
<td>60-89 DPD</td>
<td>12,779</td>
<td>11,523</td>
<td>11,370</td>
<td>10,375</td>
<td>10,479</td>
<td>10,477</td>
</tr>
<tr>
<td>90-119 DPD</td>
<td>7,857</td>
<td>7,923</td>
<td>7,085</td>
<td>6,887</td>
<td>6,552</td>
<td>6,523</td>
</tr>
<tr>
<td>120-149 DPD</td>
<td>5,893</td>
<td>5,813</td>
<td>5,735</td>
<td>5,374</td>
<td>5,195</td>
<td>5,066</td>
</tr>
<tr>
<td>150-179 DPD</td>
<td>5,265</td>
<td>4,645</td>
<td>4,632</td>
<td>4,579</td>
<td>4,416</td>
<td>4,221</td>
</tr>
<tr>
<td>Total Receivable</td>
<td>788,502</td>
<td>805,132</td>
<td>831,188</td>
<td>851,800</td>
<td>878,363</td>
<td>909,912</td>
</tr>
<tr>
<td>$ Total Over 30 DPD.</td>
<td>68,080</td>
<td>68,399</td>
<td>66,347</td>
<td>63,920</td>
<td>64,811</td>
<td>69,406</td>
</tr>
<tr>
<td>% Current Receivables</td>
<td>91.37</td>
<td>91.50</td>
<td>92.02</td>
<td>92.50</td>
<td>92.62</td>
<td>92.37</td>
</tr>
<tr>
<td>% 30-59 DPD</td>
<td>4.60</td>
<td>4.78</td>
<td>4.51</td>
<td>4.31</td>
<td>4.35</td>
<td>4.74</td>
</tr>
<tr>
<td>% 60-89 DPD</td>
<td>1.62</td>
<td>1.43</td>
<td>1.37</td>
<td>1.22</td>
<td>1.19</td>
<td>1.15</td>
</tr>
<tr>
<td>% 90-119 DPD</td>
<td>1.00</td>
<td>.98</td>
<td>.85</td>
<td>.81</td>
<td>.75</td>
<td>.72</td>
</tr>
<tr>
<td>% 120-149 DPD</td>
<td>.75</td>
<td>.72</td>
<td>.69</td>
<td>.63</td>
<td>.59</td>
<td>.56</td>
</tr>
<tr>
<td>% 150-179 DPD</td>
<td>.67</td>
<td>.58</td>
<td>.56</td>
<td>.54</td>
<td>.50</td>
<td>.46</td>
</tr>
<tr>
<td>% Total Over 30 DPD.</td>
<td>8.63</td>
<td>8.50</td>
<td>7.98</td>
<td>7.50</td>
<td>7.38</td>
<td>7.63</td>
</tr>
<tr>
<td>% Lag Over 30 DPD</td>
<td>6.27</td>
<td>6.82</td>
<td>7.28</td>
<td>7.23</td>
<td>7.38</td>
<td>8.31</td>
</tr>
</tbody>
</table>

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### Lagged Delinquency

<table>
<thead>
<tr>
<th>August</th>
<th>Portfolio Size</th>
<th>Portfolio %</th>
<th>Month</th>
<th>Current Portfolio</th>
<th>Lagged delq</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>840506</td>
<td>92.4%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30-59 dpd</td>
<td>43119</td>
<td>4.7%</td>
<td>June</td>
<td>851800</td>
<td>5.06%</td>
</tr>
<tr>
<td>60-89 dpd</td>
<td>10477</td>
<td>1.2%</td>
<td>May</td>
<td>831188</td>
<td>1.26%</td>
</tr>
<tr>
<td>90-119 dpd</td>
<td>6523</td>
<td>0.7%</td>
<td>April</td>
<td>805132</td>
<td>0.81%</td>
</tr>
<tr>
<td>120-149 dpd</td>
<td>5066</td>
<td>0.6%</td>
<td>Mar</td>
<td>788502</td>
<td>0.64%</td>
</tr>
<tr>
<td>150-179 dpd</td>
<td>4221</td>
<td>0.5%</td>
<td>February</td>
<td>782336</td>
<td>0.54%</td>
</tr>
<tr>
<td>Total Receivable</td>
<td>909912</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coincident Delq</td>
<td>7.63%</td>
<td>Lagged Delq</td>
<td></td>
<td></td>
<td>8.31%</td>
</tr>
</tbody>
</table>

**Why lagged?**

Lagged delinquency is important when the portfolio are growing as in growing portfolio coincident delq is masked by growth.
Critical MIS that can be used to manage Collection are as follows:

- Flow Rates
- Leading Edge/ “Is/ Was” Report
- Vintage Delinquency
- Productivity

Other common MIS:
- Agency MIS (productivity/ success rate/ etc.)
- Foreclosure rates.
- Assets held for disposal.
Objective is to measure ageing of portfolio
Flow rates represent efficiency of collections

<table>
<thead>
<tr>
<th></th>
<th>July</th>
<th>August</th>
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<tbody>
<tr>
<td>Current</td>
<td>813552</td>
<td>840506</td>
</tr>
<tr>
<td>30-59 dpd</td>
<td>38169</td>
<td>43119</td>
</tr>
<tr>
<td>60-89 dpd</td>
<td>10479</td>
<td>10477</td>
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<tr>
<td>90-119 dpd</td>
<td>6552</td>
<td>6523</td>
</tr>
<tr>
<td>120-149 dpd</td>
<td>5195</td>
<td>5066</td>
</tr>
<tr>
<td>150-179 dpd</td>
<td>4416</td>
<td>4221</td>
</tr>
</tbody>
</table>

Collections efficiency

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>30-60 flow rate</td>
<td>27.45%</td>
</tr>
<tr>
<td>60-90 flow rates</td>
<td>62.25%</td>
</tr>
<tr>
<td>90-120 flow rates</td>
<td>77.32%</td>
</tr>
<tr>
<td>120-150 flow rates</td>
<td>81.25%</td>
</tr>
</tbody>
</table>
Most financial institutions need to forecast loss/provisions for their financial forecasts.

Collections Forecasting can be simple or can be very complex:

- Simple forecasting – Uses mostly historical flow rates and predicts future bucket stocks which can be used by finance departments.
- Leading Banks look at each Vintage and predict losses for each vintage of booking. Each vintage may have different credit quality and performance. Summation of each vintage can be done to calculate future provisions.
## Past Performance to Predict Future Performance

<table>
<thead>
<tr>
<th>Monthend Stocks</th>
<th>$ Receivable</th>
<th>Current</th>
<th>1-29 dpd</th>
<th>30-59 dpd</th>
<th>60-89 dpd</th>
<th>90-119 dpd</th>
<th>120=149 dpd</th>
<th>150-179 dpd</th>
<th>Charge off</th>
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<tbody>
<tr>
<td>Jan</td>
<td>750</td>
<td>516.5</td>
<td>161.7</td>
<td>39.3</td>
<td>12.1</td>
<td>8.5</td>
<td>6.1</td>
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<tr>
<td>Feb</td>
<td>782.4</td>
<td>569</td>
<td>140.4</td>
<td>40.6</td>
<td>12.9</td>
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<td>4.6</td>
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<td>Mar</td>
<td>788.3</td>
<td>575.8</td>
<td>144.7</td>
<td>36.3</td>
<td>12.8</td>
<td>7.9</td>
<td>5.9</td>
<td>5.3</td>
<td>4.2</td>
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<tr>
<td>Apr</td>
<td>805.2</td>
<td>580</td>
<td>156.7</td>
<td>38.5</td>
<td>11.5</td>
<td>7.9</td>
<td>5.8</td>
<td>4.6</td>
<td>4.2</td>
</tr>
<tr>
<td>May</td>
<td>831.1</td>
<td>606</td>
<td>158.6</td>
<td>37.5</td>
<td>11.4</td>
<td>7.1</td>
<td>5.8</td>
<td>4.6</td>
<td>3.6</td>
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<tr>
<td>Jun</td>
<td>851.8</td>
<td>628.3</td>
<td>159.1</td>
<td>36.7</td>
<td>10.4</td>
<td>6.9</td>
<td>5.7</td>
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<td>3.7</td>
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<tr>
<td>July</td>
<td>878.3</td>
<td>638.5</td>
<td>175</td>
<td>38.2</td>
<td>10.5</td>
<td>6.6</td>
<td>5.4</td>
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<td>3.7</td>
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<tr>
<td>August</td>
<td>909.9</td>
<td>652.1</td>
<td>187.9</td>
<td>43.1</td>
<td>10.4</td>
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<table>
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<tr>
<th>Net Flow Rate</th>
<th>Feb Eff</th>
<th>Mar Eff</th>
<th>Apr May</th>
<th>June</th>
<th>Jul</th>
<th>Aug Eff</th>
<th>Average Eff</th>
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<tbody>
<tr>
<td>Current-Bucket 1</td>
<td>27.18%</td>
<td>25.43%</td>
<td>27.21%</td>
<td>27.34%</td>
<td>27.85%</td>
<td>29.43%</td>
<td>27.41%</td>
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<tr>
<td>Bucket 1- Bucket 2</td>
<td>25.1%</td>
<td>25.85%</td>
<td>26.61%</td>
<td>23.93%</td>
<td>23.14%</td>
<td>23.07%</td>
<td>24.62%</td>
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<tr>
<td>Bucket 2- Bucket 3</td>
<td>32.8%</td>
<td>31.53%</td>
<td>31.68%</td>
<td>29.61%</td>
<td>27.73%</td>
<td>28.61%</td>
<td>30.33%</td>
</tr>
<tr>
<td>Bucket 3- Bucket 4</td>
<td>66.1%</td>
<td>61.24%</td>
<td>61.72%</td>
<td>61.74%</td>
<td>60.53%</td>
<td>63.46%</td>
<td>62.47%</td>
</tr>
<tr>
<td>Bucket 4- Bucket 5</td>
<td>76.5%</td>
<td>73.75%</td>
<td>73.42%</td>
<td>80.28%</td>
<td>78.26%</td>
<td>78.79%</td>
<td>76.83%</td>
</tr>
<tr>
<td>Bucket 5- Bucket 6</td>
<td>82.0%</td>
<td>81.54%</td>
<td>79.31%</td>
<td>79.31%</td>
<td>77.19%</td>
<td>77.78%</td>
<td>79.52%</td>
</tr>
<tr>
<td>Into Charge off</td>
<td>85.19%</td>
<td>84.00%</td>
<td>78.26%</td>
<td>80.43%</td>
<td>80.43%</td>
<td>79.55%</td>
<td>81.31%</td>
</tr>
</tbody>
</table>
Net flows Forecasting Challenges

- Front-end flow deteriorations have significant impact on delinquent volumes and potentially gross write-off.
- Back-end flow improvements go directly to the bottom line by reducing GWO.
- Seasonality factors.
“The Best Vintage?”
Loans perform differently over time

Vintage measures delinquency from date of booking

Group of loans booked from a specific time frame and tracked as separate portfolio

Two phases:
- **PHASE I** 12 - 24 months – Initial “Wave”
- **PHASE II** 24 months - life of loan – “Steady State”
Vintage Delinquency

Early Stage

Steady State

%

Months on Books

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Thank You