

Introducing...

247 Lender

Automated Decisions for Your Members Using Your CUSO-Owned Decision Model

Say "Yes" 24 by 7!

Saying "yes" is a 24 by 7 requirement with today's credit union member. If your credit union is going to stay relevant in your members' lives, you have to be willing to work when the member is ready. You must model loans and extend yourself to every automated channel you can.



It is for this reason that CU*Answers is excited to present **247 Lender**. 247 Lender is a CUSO-owned decision model that lets you give automated approvals 24 hours a day, 7 days a week, through all of your delivery channels—from the lobby to your loan officer's desk, from your SEG website to the world via the Web—at only 50 cents per decision!

The idea with 247 Lender is not to make every decision for you, but rather to take care of the top and bottom 60%—the obvious Yes and the obvious No answers—giving your team more time to handle the applications that need special attention. Even more importantly, in cases where the app is iffy, the model actually points the underwriter in the right direction, highlighting credit issues and possible negotiation points.

Benefits

- Members can get an approval when they need it, not just when your branches are open
- No up-front costs
- No annual fees
- No expert needed on your team to build the model for you
- No-fee flexibility when you want to change filter settings on the fly in your office
- Flexible report tracking when you want it for evaluating applications that have accessed the model

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What is the model?

CU*Answers has partnered with Portfolio Defense Consulting Group, a recognized expert in consumer credit risk management and modeling. Using data from CU*Answers' own clients, PD worked with us to develop a custom empirical model that is based on actual sampling of varying sized credit union loans. The sampling included hundreds of performing and delinquent loans. Credit files for these loans were reloaded at Zoot and used as a predictive base to help evaluate the model's performance.



Because 247 Lender is handled through our online credit report partner, Zoot, we have been able to create a model solution that is bureau agnostic. What that means to you is simple: pull your reports from TU, Experian or Equifax, whatever is the best in your market. The model can support any of the three!

Are decisions pulled for every app?

A key part of the 247 Lender system is a set of configurable "filter" settings that control when a decision model will be pulled. Because a decision costs money, the filter will prevent a model from being pulled in situations where the member obviously will not be approved. Following are the filters you can define:

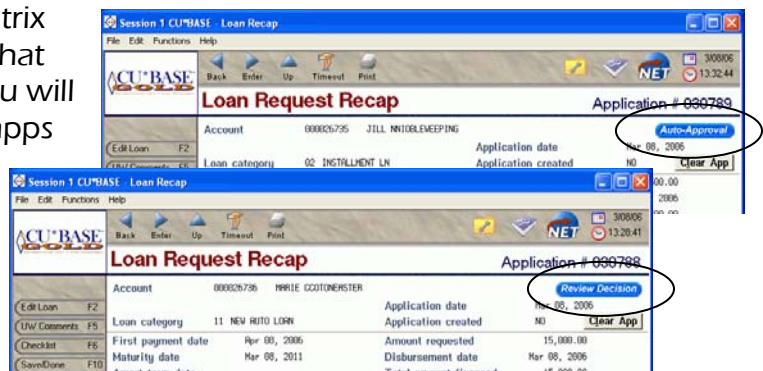
- Credit Score minimum
- Debt-to-income ratio maximum
- Length of employment (minimum number of years)
- Length of residency (minimum number of years)
- Presence of bankruptcy
- Presence of non-medical collections
- Presence of other major derogatories (repossession, foreclosure, tax lien, etc.)

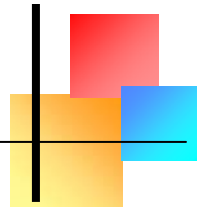
The system also looks at your configured retention setting to avoid pulling a new report and decision if there is already a current one on file.

How does it work?

You will use the existing CU*BASE Approval Matrix feature to configure the products and services that will be approved based on the model score. You will also set up the filter variables to control which apps will be run through the model.

When an online app is submitted or when an employee requests a new credit report, CU*BASE pulls the report and sends your filter parameters to Zoot. If the filter fails, no decision will be pulled (and CU*BASE will store





the reason so you can follow up). If the filter passes, a decision model will then be pulled and returned to the credit union, with either an “Auto-Approval” or “Review Decision” indicator.

Do I have to configure the model?

The whole idea behind 247 Lender was to give you a proven, sound decision model that was ready to hit the ground running. You can tweak the filters and modify your approval matrix at any time, but the model itself does not require anyone on your staff to become an expert on predictive variables, trade-off curves, K-S statistics, and optimization techniques.

All you have to do is configure your filters (*what factors should prevent a model from being pulled in the first place?*) and your CU*BASE approval matrix (*what products and services are approved at which score levels?*).

- ⇒ NOTE: Once a model has been run, Zoot will return a 2-digit code that CU*BASE will interpret using your Approval Matrix configuration. There are 5 “approved” codes (01-05) and three “review” codes (97-99) for situations where the filter fails, the model fails, or for some reason the model cannot be run. The 01-05 approval codes correspond roughly to typical risk-based pricing paper grades A-E in a credit score environment. You use the CU*BASE Approval Matrix to define what each of those codes means in terms of products and services approved.

What will it cost?

A custom model can cost a credit union thousands of dollars to design, several dollars to access it each time—not to mention ongoing maintenance fees. None of those are the case with your new CUSO-owned model.

You will pay us just 50 cents every time you access the model. Period. (And remember that you are only charged that 50 cents when your request passes your model filters and actually accesses the model!)

How do I get started?

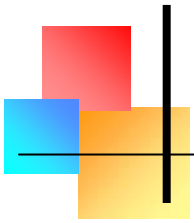
As an old friend once said, “You can’t catch a fish unless you have your hook in the water!” This is something new to consider for many of our credit unions. Adopting a decision model may require some new procedures and ways of thinking throughout your organization.

If you want to start using the model but aren’t sure how to do it, we have prepared a checklist below to introduce you to some of the basics. Most importantly, recognize that we want to work with you as a partner, so don’t hesitate to contact us for help in establishing new procedures, training staff, and setting up your product offerings prior to turning the model on, so that you can take full advantage of its power throughout your organization.

Following is a summary of some things you will need to do prior to implementation:

- Add a section to your loan policy to address decision modeling. If you do not currently have a loan policy that addresses decisioning, you will need to add one. The policy must





also contain the types of loans that you can decision. If you do not already have a risk-based pricing policy, now would be a great time to address that item in your loan policy as well.

- Determine which products you offer will be configured to access the model, along with which delivery channels (CU*BASE, CU*@HOME, etc.) will access the model.
- Start getting familiar with the CU*BASE Approval Matrix configuration tool (MNCNFC #22). Read online help to learn how the screens work. This feature will allow you to build out a list of savings, loan, miscellaneous products, and services that will be approved for members that have been run through the decision model.
- Think about which of the filters mentioned above you will use to control when a model will be run. *Is the presence of a bankruptcy enough to prevent the model from being run? Do you want to avoid running a model when a certain debt-to-income ratio is reached?*

What's the next step?

Refer to the following booklets for complete information about getting started, configuring CU*BASE and 247 Lender, instructions for your staff, and even some monitoring tools and technical background to make your auditors happy.

- 1 *Online Credit Bureau Access and 247 Lender (1):* Introductory/Startup Guide
- 2 *Online Credit Bureau Access and 247 Lender (2):* Configuring 247 Lender and the Approval Matrix
- 3 *Online Credit Bureau Access and 247 Lender (3):* User Guide
- 4 *Online Credit Bureau Access and 247 Lender (4):* Understanding the Portfolio Defense SAVANT Credit Scoring Model

All documents available at http://www.cuanswers.com/client_reference.php

Other questions? Contact Geoff Johnson, CU*Answers VP of Lending Products, at gjohnson@cuanswers.com or 800-327-3478, ext. 154.

