Personal Loan Score

Making quick and informed credit decision just got easier

Presenting a personal loan specific score

Transunion CIBIL's Personal Loan Score predicts the likelihood of delinquency on unsecured loans, equipping lenders with detailed, predictive insights into the behavior of personal loan applicants to effectively assess and mitigate risk. This Personal Loan Score is a statistically derived score developed to predict the likelihood of the consumer to specifically default on consumption loans only.

Adapt to the evolving market

The lending landscape for Personal Loans has rapidly evolved in the recent years with growth being driven by the lower ticket size loans. Over the past 3 years, Personal Loans have grown over 5x at a CAGR of 78%, on account of increasing product awareness, changing lifestyle needs & a drive for financial inclusion. Personal loans for the consumption finance (which we first saw in 2007) have been a key contributor in this growth in originations with the proliferation of digital channels. Some of the key trends observed are:

- **Lower ticket sizes:** Origination volume growth has been led by ticket sizes of less than ₹1 Lac. Within this segment, there has been exponential growth in loans with ticket size less than ₹20,000.
- **Shorter tenure:** The growth is largely driven by accounts with ticket size less than ₹10,000, with very short durations. More than 65% of these lower ticket size loans close within 45 days from the account opening.
- **Riskier consumer profile:** Loans given to younger customers with lower scores as well as shorter credit history.

The change in the product construct and customer segment presents a significantly higher degree of risk. Finding a lucrative balance between risk & return is imperative and therefore to keep up, you need tools that enable quicker and more informed consumer risk decisions.
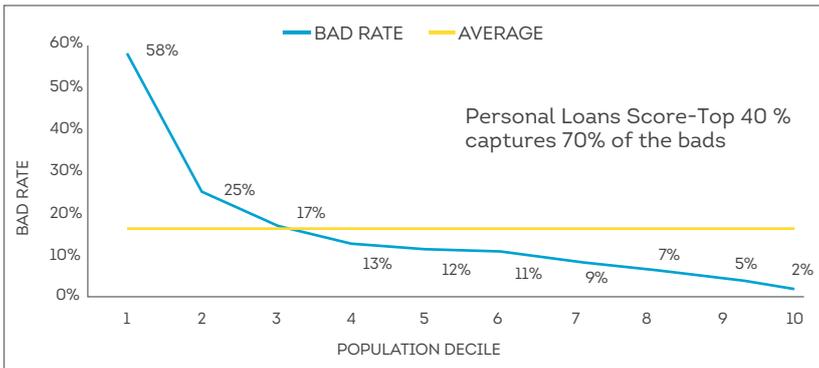
In order to help you adapt to the changing market landscape, Transunion CIBIL brings you the Personal Loan score to predict product level bads in the Personal Loan space. The score combines our deep industry expertise over a period of time and extensive testing on current data in the space of Personal Loans.

The score ranges between 300 and 900, and is representative of an individual's probability to default on a consumption loan in the next 12 months. The effectiveness of this product specific score has been validated on recent snapshots that capture the current nuances in the Personal Loan segment– <u>Smaller Ticket Sizes, Shorter Tenures and High Velocity</u>.

Our score considers the key predictors ofdelinquency on a Personal Loan, and takes into account:

- Overdue amount
- Age of satisfactory trade
- High credit amount for all trades
- Number of satisfactory credit card trades
- Number of inquiries
- Outstanding balance for delinquent trades
- All levels of delinquency
- Presence of severe derogatory information such as suit filed,write-off, etc.

Model Performance

— BAD RATE — AVERAGE

Personal Loans Score-Top 40 % captures 70% of the bads

Y-axis: BAD RATE (0% to 60%)
X-axis: POPULATION DECILE (1 to 10)

Data points: 58%, 25%, 17%, 13%, 12%, 11%, 9%, 7%, 5%, 2%

The TransUnion CIBIL Personal Loan Score is a strong discriminator for low-risk and high-risk personal loans

Take advantage of the loan score through out the customer life cycle in these ways:

Customer acquisition
Help determine whether to approve, review or decline applicants by predicting their potential for delinquency

Customer management
Identify low-risk prospects within the customer base to offer additional loans and increase customer relationship value

Segmentation
Optimize risk management policies by using the Personal Loan Score in conjunction with the CreditVision Score to increase underwriting efficiency

As the ticket size increases, we recommend using the Personal Loan score in combination with the CreditVision Score to reap maximum benefit allowing you to operate more efficiently, mitigate risk and boost your bottom line.

Achieve more with Transunion CIBIL

Transunion CIBIL brings together data, technology and an in-depth understanding of your challenges to create advantages for businesses, consumers and communities. This powerful combination of information and insight can help you make better decisions, improve efficiency and identify opportunities at every stage of your customer life cycle - from acquiring customers to strengthening and expanding your relationships.