



Credit Scoring and Scorecard Development

Course: Application, Behavioural Scoring and Validation



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Introduction:

Credit scoring and scorecard development is a 5-day course for credit risk analysts, model developers, validators and retail or fintech lending risk staff, ending with an Application Scorecard Validation Report and Cut-Off Strategy. Lenders lose money and approval volume when scorecards are built on poorly defined bad accounts, biased samples and characteristics that drift unnoticed after launch. Nominees already prepare lending data, run portfolio reports or review model results, and the course runs as a modelling build on an anonymised loan application file. CoreConcept Training Center delivers this credit scoring and scorecard development course.

Course Objectives:

- Map application, behavioural, collections and fraud scorecards to lending decisions and design a development sample with observation and performance windows
- Define good, bad and indeterminate accounts from roll-rate and vintage evidence and apply reject inference to through-the-door populations
- Classify predictor characteristics into coarse classes using weight of evidence and rank them by information value
- Build a logistic regression scorecard, scale it to points and compare it with a machine learning challenger and its explanations
- Validate scorecard discrimination, stability, calibration and fairness with Gini, KS, population stability index and bias tests
- Set cut-off scores, policy rules and override limits, and specify the monitoring and governance a live scorecard needs

Target Audience:

- Credit risk analysts responsible for preparing lending data and producing portfolio performance analysis
 - Scorecard and model developers responsible for building and redeveloping application and behavioural models
 - Model validation staff responsible for independent testing of scoring model performance and stability
 - Retail lending risk staff responsible for credit policy rules, cut-offs and approval strategies
 - Fintech and digital lending risk staff responsible for automated decisioning and alternative data use
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Course Outline:

Day 1: Scoring Across the Credit Lifecycle and Development Data

- Application, Behavioural, Collections and Fraud Scorecard Use Map
- Scorecard Governance Roles, Documentation Standards and Approval Path
- Development Data Extract From Application, Account and Bureau Files
- Observation Window, Performance Window and Sample Design
- Roll-Rate and Vintage Analysis Setting the Bad Definition

Day 2: Good and Bad Definition, Reject Inference and Characteristic Analysis

- Good, Bad, Indeterminate and Excluded Account Classification Rules
- Reject Inference by Augmentation, Parcelling and Fuzzy Methods
- Fine Classing and Coarse Classing of Predictor Characteristics
- Weight of Evidence Calculation for Each Attribute Group
- Information Value Ranking and Characteristic Shortlisting

Day 3: Scorecard Build, Points Scaling and Alternative Modelling

- Logistic Regression Fitting on Weight of Evidence Variables
- Points to Double the Odds Scaling and Base Score
- Gradient Boosted Trees as a Challenger Scoring Model
- SHAP Values and Reason Codes for Decline Explanations
- Alternative Data Characteristics for Thin-File and Fintech Applicants

Day 4: Scorecard Validation, Cut-Off Strategy and Fairness

- Gini Coefficient, ROC Curve and KS Statistic Testing
- Population Stability Index Monitoring and Redevelopment Triggers
- Calibration of Score Bands to Observed Bad Rates
- Cut-Off Setting With Approval Rate and Bad Rate Trade-Off
- Fairness Testing and Bias Review of Scoring Characteristics

Day 5: Modelling Build of an Application Scorecard and Cut-Off Strategy

- Case Loan Application Data Pack With Accepted and Rejected Files
 - Characteristic Classing and Logistic Scorecard Build for the Case
 - Validation Run With Gini, KS and Stability Results
 - Policy Rules, Override Limits and Champion-Challenger Test Design
 - Application Scorecard Validation Report and Cut-Off Strategy Completion
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Skills You Will Gain:

- Development Sample Design
- Bad Definition Analysis
- Reject Inference Treatment
- Characteristic Binning
- Scorecard Points Scaling
- Model Discrimination Testing
- Score Distribution Monitoring
- Lending Cut-Off Calibration

Why Attend This Course:

- Deliver an Application Scorecard Validation Report and Cut-Off Strategy, built on a case loan file, to the head of retail credit risk and the model approval committee
- Decide whether a logistic regression scorecard or a machine learning challenger should drive automated approvals, and which policy rules sit above the score
- Avoid approval losses and bad debt caused by drifting characteristics, unexplained declines and cut-offs set without swap-set evidence
- Share the classing templates, points scaling worksheet and validation checklist with analysts and validators working on other scoring models

Conclusion:

Back at work, the participant hands the Application Scorecard Validation Report and Cut-Off Strategy to the head of retail credit risk and the model approval committee, who use it to approve the scorecard, the cut-off score and the policy rules that surround it. Collections, fraud and product teams can reuse the same data preparation and classing method for their own models. After the first quarter of live use, the unit should review approval rates, early arrears by score band, override volumes and population stability against the development sample.

Frequently Asked Questions FAQ:

What should participants know before a credit scoring and scorecard development course?

Participants should be comfortable with spreadsheets, basic statistics such as averages and ratios, and lending products such as personal loans or cards. No programming is needed; examples use spreadsheet logic, with notes on how the same steps run in common statistical tools.

How does credit scoring and scorecard development differ from a general credit risk management course?

It concentrates on building, validating and deploying statistical scoring models for retail and fintech lending. Broad credit risk topics such as corporate underwriting, collateral, concentration limits and impairment accounting are covered only where they touch the scorecard, and are taught in depth by neighbouring courses.

Why does reject inference matter in credit scoring and scorecard development?

A scorecard built only on approved loans learns from a population the previous strategy selected, so it can misjudge applicants who were declined. Reject inference estimates how rejected applicants would have performed, giving a sample closer to the full through-the-door population.

What do participants take back from the credit scoring and scorecard development course?

Participants return with an Application Scorecard Validation Report and Cut-Off Strategy built on a case loan file, covering the bad definition, classing and weight of evidence tables, the scaled points table, validation results, cut-off options and the policy and monitoring rules around the score.
