

Credit Scoring And Credit Control IX

Credit Scoring in the Non-Conforming Mortgage Market

Abstract:

Non-conforming and specialist lenders have emerged as major players in the mortgage market over the last fifteen years. Platform Home Loans have established themselves as a strong player in the industry, successfully facing the challenges such as aggressive lending needs to address in order to be financially sound and responsible towards the borrower.

In our presentation we shall talk about specialist lending with respect to the following issues:

- (1) Risk based pricing and product design: Using credit score as a factor within the pricing of a product, whilst still respecting the needs of the intermediary distribution channels.
- (2) Building scorecards in a non-"Accept/Reject" environment. We shall talk about our revisited reject inference technique and its benefits.
- (3) Our experience of the introduction of credit scoring, and how we achieve synergy between scoring and manual underwriting.
- (4) Capital requirements in a changing market. How we are ensuring that Basel II requirements are met across the whole lending spectrum and would be robust even in the case of an economic turndown. This will take into account the limited performance data on non-conforming lending available from last recession, and the lack of default and loss data in the period of low arrears and rising house prices since then.

The presentation aims to be a non-overly technical discussion of how standard credit industry practice can be tuned to accommodate specialist lending and the challenges and opportunities this implies.

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