

Credit Scoring Methodology

Overview

The scoring model was designed to predict late payments using the CIC National Database that includes over 8.0 million unique trade lines. The score **predicts** severe delinquency looking **forward** 6 months. The **predictive** variables include current aging status, historical aging (including trends and variance in payment trends) and other business characteristics.

Key Facts

Risk Rate Definition	The model predicts the probability that more than 25% of the firms total balance will be 90+ days past due over the next 6 months
Predictive Data	The score leverages 12 months of historical trade data to predict future behavior; including aging dollars, percentage, business credit tenure and historical aging trends. In the development of the model, over 1,000 predictive attributes were considered with the final models including between 28 and 35 unique variables.
Predictive Variables	Total Dollar Balance Total dollar amount and percentage of balance that is current, past due, 60+ days past due and 90+ days past due. Maximum balance over the previous 12 months that is current, past due, 60+ days past due and 90+ days past due. Standard deviation in current and past due balances. Business Tenure on the database. "Age of oldest credit" Business location (State).

Credit Score Output

Credit Score	Score Range: 450 to 850 As the score increases the credit risk decreases. The probability of <i>RISK</i> doubles with every 40 point drop in the score.
Score Class	1 – VERY LOW RISK – <i>Score Range 760 - 850</i> 2 – LOW RISK – <i>Score Range 700 - 759</i> 3 – LOW TO MODERATE RISK – <i>Score Range 630 - 699</i> 4A – HIGH RISK – <i>Score Range 560 - 629</i> 4B – VERY HIGH RISK – <i>Score Range 500 - 559</i> 5 – EXTREME RISK – <i>Score Range 450 - 499</i> NA – Score is Not Available (see detailed description below)
NA Score Descriptions	996 Firms current payment status already meets the Risk definition with 25% of total balance 90+ days past due 997 Firm has bankrupt date on file within the last 12 months 999 The firm has fewer than 3 trade experiences within the last 12 months
Score Commentary	The score includes up to 3 score factors that provide the most significant negative factors that lower the firms score.
Model Developer	For more information contact CR²Advisors CICScoreInfo@cr2advisors.com 610-458-7233

Below are two charts that provide performance statistics for the model for each Score Class

