



EQUIFAX[®]

Bankruptcy Navigator Index[®] 3.0

A predictive score to help assess the potential for bankruptcy.

Add Bankruptcy Navigator Index (BNI) 3.0 as another tool in your risk assessment program to help assess those customers who may be going into acute financial stress.

Lending profitably means lending with the right strategies to the right consumers. Traditional risk scores measure one cause of loss: that of delinquency or missed payments over a few months. What they do not consider is the behavior of consumers in acute financial stress who may declare bankruptcy without even missing a single payment.

BNI 3.0 predicts the likelihood of a consumer becoming bankrupt within the next 24 months. It includes the characteristics of the credit file that are predictive of bankruptcies and BNI identifies those consumers who are in acute financial difficulty but not missing payments.

Bankruptcy Warning Signals

When circumstances change and consumers get into financial trouble, warning signs appear in their credit file. Acute financial stress may be signified by large credit card balances, high utilization on lines of credit, and new applications for credit cards or consolidation loans.

The key drivers for BNI 3.0 are outstanding debts and excessive inquiries. Much of this activity occurs with other companies and the risk manager is usually unaware of this activity when monitoring the account in their company, especially if the consumer has not missed any payments.

When used in combination with a delinquency score, such as the Equifax Risk Score, BNI can help companies reduce losses while maintaining volumes, or increase new accounts at the same loss level.

The Bankruptcy Navigator Index 3.0 helps:

- ✔ **Enhance your credit risk assessment efforts**
Make proactive decisions regarding acquisitions, credit limits, risk-based pricing, credit line management, over-limit authorization, re-issue and collections activity.
- ✔ **Enrich your risk management strategies**
Employ delinquent account base segmentation to reduce your losses.
- ✔ **Migrate easily from BNI 2.0**
BNI 3.0 features the same minimum scoring criteria and odds-to-score ratio as BNI 2.0, makes migrating to BNI 3.0 easy.



Important features

- Built with a more recent performance period and with multiple windows to account for seasonality
- Incorporates mortgage data in the calculation and scores more files than a delinquency score
- Features enhanced predictability for larger accounts
- Contains numeric reason codes to help ease migration. The fourth reason code is the scorecard indicator, a valuable indication of delinquency and “thin files”

Protection at all stages of the consumer credit lifecycle

BNI 3.0 can be used online at the point of sale for immediate scoring, or off-line to provide valuable portfolio management information, either when the accounts are current or at early-stage delinquency. When used with a delinquency score, such as the Equifax Risk Score, BNI can help companies reduce losses while maintaining volumes, or increase new accounts at the same loss level.

Because BNI 3.0 scores change when heightened risk factors occur on events that risk managers will not see when monitoring their own accounts, it is crucial to refresh BNI 3.0 scores regularly to identify these behaviours and be proactive in risk management for these accounts. BNI 3.0 as part of your existing strategies gives you a better diagnostic picture of your consumers’ status, along with the information to guide your future course of action.

BNI 3.0 has more predictive power than previous versions of the score and it was built with newer data so it can better identify the behavior of consumers who are heading towards bankruptcy.

Acquisition

- Approve or decline applications
- Use risk-based pricing
- Refine offers
- Identify cross-sell opportunities

Account Management

- Manage credit limits
- Implement retention activities
- Identify upsell opportunities
- Identify accounts in good standing that are potentially at risk

Early-Stage Collections

- Identify and prioritize recovery opportunities, aware of which consumers are at risk of declaring bankruptcy
- Employ delinquent account base segmentation

Delinquency vs. bankruptcy: What’s the difference?

Delinquent consumers are in moderate financial difficulty with occasionally missed payments or sometimes multiple missed payments leading to collection efforts and write-offs.

Consumers heading into bankruptcy are in severe financial difficulty. They often continue to make payments any way they can. They make smaller payments on their credit cards as their balances rise. They tap into their line of credit to make their installment loan payments. They shop for additional credit cards, a new line of credit, and consolidation loans.

Eventually, they reach their limit on their credit cards and lines of credit. They are forced to declare for bankruptcy, however, and because they have not missed payments their delinquency score remains satisfactory. Nationally, about 70% of consumer accounts are paid as agreed when the consumer files for bankruptcy.

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