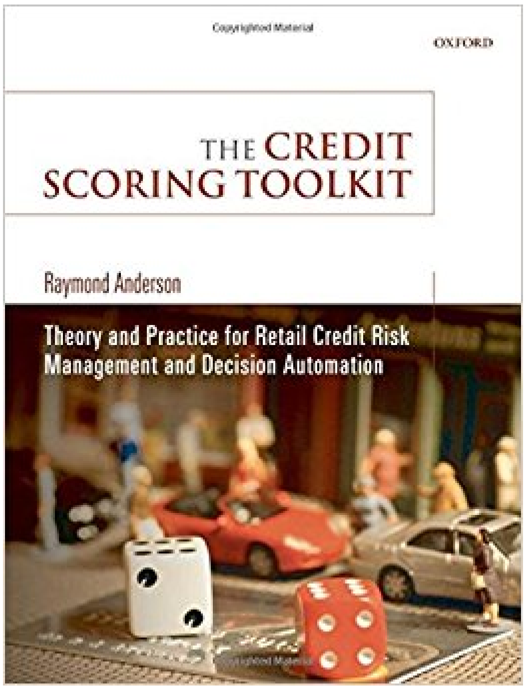
The Credit Scoring Toolkit: Theory And Practice For Retail Credit Risk Management And Decision Automation



Synopsis

Credit scoring aims to quantify the likelihood of a prospective borrower defaulting on payment over a specified period of time. The credit score is calculated using increasingly sophisticated statistical models, which vary considerably between individual cases. This clearly-written and comprehensive text covers the scorecard development process and provides a practical how-to guide for those wanting to use and develop credit scoring techniques.Assuming little prior knowledge, the text includes the relevant statistical and mathematical tools, numerous real-life examples, and discussion of the credit risk management cycle and the importance of credit scoring in business and regulatory environments, including Basel II. An extensive glossary and bibliography make this an indispensable desktop reference for graduate students in statistics, business, economics and finance, MBA students, credit risk and financial practitioners.

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Customer Reviews

It is a superb mixture of a practical how to do guide for those wanting to use and develop credit scoring together with a way of putting the decisions it supports in context and the techniques it uses in a general modelling framework. * Professor Lyn Thomas, Professor of Management Science, Scholl of Management, University of Southampton * This is an extremely valuable and timely book on a very important topic ... Anderson has provided a great service to all who use Credit Scoring techniques. * Barry Scholnick PhD, Eric Geddes Associate Professor of Business, University of Alberta *

If you’ve written the thing, of course you’re going to brag. This work was took four years, and involved thousands of hours reading and research, to provide a view of the topic from practically every possible angle: statistics, economics, finance, law, history, and so on. And even though I already had several years experience in the field, its creation took me on a journey of learning. Although written by a practitioner, the book is extremely well referenced and suited for academic environments (the bibliography and glossary are 15 and 40 pages long, respectively). It takes a non-geocentric approach, and strives present broad principles instead of focussing upon the situation in any one country. Even so, it is most relevant to the UK and USA environments, for which the most information is available. Comments received from colleagues have thus far have included "awesome", "art", and "bible", as I really tried to draw upon my writing abilities to create something that "is in a totally different league" to other works. If you have any interest in retail credit, whether as a bank, retailer, or service provider, I am sure you will find this book of value.

I have experiance of developing scoring models over 11 years. But I never have seen like this reference book which has most important things. It contains from the start of scoring models to the end of scoring models, so if you have interest in scoring models and retail credit risk management then never miss this oppertunity for you..

excelent!

The book is very comprehensive and reasonably well written. However, it is NOT AVAILABLE ON ALL KINDLE READERS AND DOES NOT WORK WITH KINDLE APPS ON WINDOWS 8.1As it is an expensive book, I rented it thinking I would buy it by paying the additional rent if I liked it -- but cannot read it over all my devices, including my Kindle e-ink tablet and a Windows 8.1 tablet.When ordering with one-click, I saw that it would be delivered on my Android device but thought that it would be delivered on all other devices too (as it has always been the case). So I overlooked the information provided about compatible devices, which provides but unless you realize it is there, you won’t even think to look for it. Until at least you find out it is available the hard way.

This is by no means a bad book, but do not let the high price tag fool you into thinking this is the best out there. It is very comprehensive, although everything is either at an annoyingly high level or an unhelpful low level, with nothing much between. You can get a feel for WHAT people do when they create scoring models, but not necessarily WHY or HOW they do it.I think the worst feature is that the book is very uneven, almost like it was written by two people: one experienced and non-technical, the other highly technical but working in a different field. The non-technical parts are highly readable, if somewhat wordy and slightly vague. Then, in parts, the book switches to "statistics 101" mode and throws a lot of jargon at you which - even for those who can understand it - is not terribly enlightening. Maybe the author had someone else write those parts, or maybe he copied heavily from some statistical papers without really understanding what he was writing.Don’t get me wrong: this book is a pretty good overview. It is certainly no worse than 90% of the subject matter out there and the high level parts are very engaging. But if you were thinking paying >$150 would get you something more in depth or a different perspective or approach then you will probably be disappointed.

As a professional statistician working in the banking industry I highly recommend this book as an invaluable reference for getting an overview of the credit risk management scenario as of today, as well as having an insight into its history and recent developments.This book fills a long awaited gap for a comprehensive, thorough and complete outlook of the booming area of quantitative credit risk management. Since I graduated and started my professional career in the banking industry I was looking for such a text, both for personal use - as I tried to make a bridge between the academic knowledge acquired in the university and the business world - , as well as a pointer to indicate to colleagues from graduate school or other professionals wanting to start working on the area.After buying lots of different books and spending hundreds of dollars I can finally say my search is over. This is a sound reference on credit scoring, serving both for the savvy risk professional wanting to brush up his skills as well as for the starter coming from the academy or other professional areas.The book is outlined in eight thematic sections, which helps delivering the huge amount of information covered in a manageable way. Some of the highlights/weaknesses of the book are the following:Section A: Setting the scene. This section covers an overview of credit, scoring and credit scoring setting the ground for what is coming next in the book. It glances through the Credit Risk management cycle (CRMC) and the reasons for and against use of scoring in credit retail operations. It also has a chapter on the history of credit as well as an introductory chapter on the mechanics of credit scoring, which summarizes the main technical aspects of scoring in the day-to-day business operation.Section B: Risky Business. In this section the author contextualizes credit risk into the larger framework of risk management, relating it to the other three primary risks in the banking industry environment, namely business, market and operational risk. A nicely put overview of the philosophies of science on the Chapter on Decision Science is one of the highlights. It ends with a chapter on assessment of enterprise risks, from SME lending to middle and large corporations.Section C: Stats and maths. This is the densest part of the book, covering in less than 100 pages and 4 chapters a content that spans over a dozen of statistics text-books. Kudos to the author for the extensive research carried but the section also has its shortcomings. Chapter 7 - ZPredictive statistics 101' abuses of mathematical notation and mixes some statistical concepts in its explanation of modeling techniques (specially regarding LPM - Linear Probability Modeling). Nonetheless, the author got the core concepts right and the overall coverage of the statistical methods (such as Logistic Regression and Regression Threes) in the other chapters are very good, with highlights to the definition of information value in terms of the Kullback-Leiber distance. The last Chapter on the section, on software and people resources is also very useful, going into some of the technical aspects for model implementation.Section D: Data!: Data is the single most important aspect of any statistical analysis, and it is not different for credit scoring and decision automation. So it's not surprising that this is the largest section of the book and it deserves your special attention no matter your background. The chapters in this section cover the most relevant issues with data treatment, quality assessment and preparation that you are faced with in the industry. The chapter on Data preparation is particularly enlightening and discusses important decisions in credit scoring modeling, such as staggered versus static outcome windows, good/bad/indeterminate definitions, observation excludes, sampling considerations and use of external data.Section E: Scorecard development. This section covers the practical aspects of day-to-day scorecard development, discussing transformation of variables (and statistical methods for it), characteristic selection, segmentation, reject inference, calibration, validation and development management issues. Highlights are its discussions of characteristic selection and reject inference, both comprehensive and filled with examples and references for further reading. It's the section that the scoring analyst will refer to the most while at the development of a new scoring model.Section F: Implementation and use. A scorecard that's not implemented is useless by itself. This section covers the implementation of one or more developed scorecards, along with all the impacts to portfolio and business, and the monitoring of the implemented model. The Chapter on Monitoring is a highlight of this section, covering all the major issues with scorecard monitoring, such as misalignment, population and score drifts, stability reports, book rates, selection process, policy rules and proper treatment of overrides. It also has a nice chapter on finance (26), which gives insights into how to analyze financial impacts of current and tentative decision processes. There is also a linkage to Basel II model parameters, such as the Loss Given Default (LGD).Section G: Credit Risk management cycle. This is a brief overview of other components of the CRMC, such as marketing, application processing, account management, collections and recoveries and fraud. The chapters in this section are somewhat concise but it seems to be intentional, as the focus of the book is specifically on credit scoring. Nonetheless, enough of the topics is covered to give the reader a good notion of how scoring fits into the credit cycle and other potential applications of the statistical techniques and process improvement. The chapter on Fraud is fairly comprehensive if you take in account that this is a book about credit risk (and fraud, strictly speaking is a concern of operational risk).Section H: Regulatory environment. As the author poses, since the 1960s there has been an increasing regulation of financial institutions, and retail consumer credit did not escape it. This section of the book covers issues such as the Equal Credit opportunity Act (ECOA) in the US and other Fair Lending related legislation, as well as data privacy, capital adequacy and anti-discrimination. Of particular interest for practitioners worldwide are the comparisons of such legislation against a set of English-speaking countries, such as the US, Canada, Australia, UK and the Republic of South Africa. Although it does not cover the country I'm working on currently (Brazil), its broad coverage and analysis gave insights into understanding Brazil's current legislation on the matter and implications on credit risk model development.I believe the author has done an excellent job on assembling all this information together in this format and highly recommend it for beginners and practitioners alike. The list price is somewhat above average but it's definitely worth it, as the only other option I have found so far to acquire the information covered by the book is to work in a retail credit area of a big player in the financial industry.

This book is the best resource out there for professionals working on credit scoring. There is no shortage of papers and books taking 'deep-dives' into particular topics and technical details of risk analysis, but I was long frustrated by the lack of a big picture overview that could integrate all the steps in scoring development and deployment in the real world with sufficient detail, until coming across Raymond Anderson's book. As pointed out by the previous reviewer, this book does not go into the nitty-gritty of all the statistics, but that is one of its biggest strengths: Anderson demonstrates his mastery of the technical aspects by giving all the necessary detail for the practitioner, and pointing the way to the best resources for those requiring more detail within each topic. The Credit Scoring Toolkit ends up giving the reader a deep understanding of how all the pieces fit together, as well as a detailed and practical map through each phase of model building and implementation that could only otherwise come from years of sifting through the weeds. The bibliography alone is worth the (hefty) sticker price- it is a resource that will pay for itself a thousand times over.

The Credit Scoring Toolkit: Theory and Practice for Retail Credit Risk Management and Decision Automation Credit Repair Secrets: The 2017 Complete Credit Score Repair Book: How To Fix Your Credit, Improve Your Credit Score, And Bullet Proof Your Credit Report Using Current Credit Repair Tips Credit Repair: The Complete Step-to-step Guide To Raise Your Credit Score Quickly And Control of Your Financial Life (Credit Repair Secrets, Credit Repair Tips, Fix Bad Credit) Credit Scoring Secrets (Credit Repair): How To Raise Your Credit Score 100 Points In 100 Days Intelligent Credit Scoring: Building and Implementing Better Credit Risk Scorecards (Wiley and SAS Business Series) The Shopping Addiction Remedy: Free Yourself From Retail Therapy Forever By Stopping Your Addiction to Shopping Today (shopping, credit card debt, shopping ... retail therapy, ebay shopping, spending) Emerging Market Bank Lending and Credit Risk Control: Evolving Strategies to Mitigate Credit Risk, Optimize Lending Portfolios, and Check Delinquent Loans Home Automation - A Smart Home Guide: The Beginnerâ ™s Manual Including Google Home, Echo Dot and Alexa. Easy Instructions, Directions and Commands ... and Home Automation Guide Series Book 1) The Production Manager’s Toolkit: Successful Production Management in Theatre and Performing Arts (The Focal Press Toolkit Series) Credit Risk Management: Basic Concepts: Financial Risk Components, Rating Analysis, Models, Economic and Regulatory Capital Section 609 Credit Repair: Proven Strategies To Remove All Negative Line Items From Your Credit While Improving, Repairing, And Raising Your Credit Score Quickly And Easily Professional Guide To Credit Repair: Repair Your Credit Like The Pros And Boost Your Credit Score Credit Repair: 10 Proven Steps to Fix, Repair, and Raise Your Credit Score (Fix Your Credit Score) Credit Repair: How To Repair Credit And Remove ALL Negative Items From Your Credit Report Forever ADVANCED CREDIT REPAIR SECRETS REVEALED: The Definitive Guide to Repair and Build Your Credit Fast (credit score Book 1) RAPID RESULTS Credit Repair Credit Dispute Letter System: Credit Rating and Repair Book Credit Card Protection: Shopping Online, Credit Card Fraud Protection, Credit Card Insurance The Section 609 Credit Repair Solution: How to Remove All Negative Items from Your Credit Report FAST (How to Repair Your Credit) Forensic Assessment of Violence Risk: A Guide for Risk Assessment and Risk Management Scoring High on the ITBS, Student Edition, Grade 8 (SCORING HIGH, ITBS)