

ABSTRACT

Theme: “The financial institutions borrower scorecards and forecasting solvency”

Master diploma: 76 p., 9 illustrations, 18 spreadsheets, 2 appendixes, 13 bibliographic references.

The object of study – evaluation of borrower solvency for financial institutions.

Purpose of the study – score cards for predicting the probability of loan default.

The aim - to examine the use of score cards for borrowers classification according to the probability of loan default and to create the model of credit portfolio cash collected forecast .

The method of study – logistic regression, information value and weight of evidence for data binning, building ROC-curve and calculating Jini coefficient for evaluating the quality of model.

Urgency – there is an increasing number of bad loans and total debt of borrowers to banks or other financial institutions amount today, but score card allows to evaluate the borrower solvency and the probability of loan default, thus reducing the credit risk for financial institution.

The results – model, that calculate the probability of loan return and the sum of money, that will be paid by borrower during some fixed time, using statistical data. The cash collected of outstanding debt portfolio was forecasted.

Ways of further development the subject of the study – increasing the number of variables that are used in forecast model for improving the accuracy of results.

CREDIT RISK, BAD CREDIT LOAN, DEBT, WEIGHT OF EVIDENCE, INFORMATION VALUE, GINI COEFFICIENT, ROC-CURVE, SCORE CARD, DATA BINNING