

## Small Business Intelliscore<sup>SM</sup>

Instant risk assessment, because your time is valuable

Evaluating the creditworthiness of a small business doesn't have to be difficult. Quickly identify good and bad account risks with Small Business Intelliscore<sup>SM</sup> from Experian.

### Is Small Business Intelliscore for you?

With Small Business Intelliscore's credit information you can quickly identify both good and bad account risks among small businesses. With a single business inquiry you can receive an easy-to-read, one-page report that includes a credit risk score based on both the business and its owner(s).

So whether your prospective customer is a start-up or an established business, you can get the complete picture of the company's financial health.

### Advantages of Small Business Intelliscore:

*Provides more predictive power* — Experian's research shows that a combined business/owner credit scoring model is more predictive than business or consumer models alone.

*Gives you a customer service edge* — Faster decision turnaround increases your responsiveness to customers and lets you process more transactions.

*Improves overall credit department performance* — Implementing of consistent credit criteria in the decision process improves overall department performance.

*Frees up resources* — Small Business Intelliscore enables you to more closely focus on and scrutinize a reduced number of marginal accounts — those that are most profitable to your business.



# Credit risk table

	Score interval	Bad % in score interval	Number of goods	Number of bads	Odds of goods to one bad	Approval rate	Cumulative goods	Cumulative bads portfolio risk rate
High risk	0.00–5.30	36.91%	631	369	1.7	100%	94.00%	6.00%
	5.31–19.09	15.98%	840	160	5.3	95%	95.63%	4.37%
	19.10–31.66	10.85%	892	108	8.3	90%	96.27%	3.73%
	31.67–40.40	8.14%	919	81	11.3	85%	96.69%	3.31%
Mid to high risk	40.41–46.69	6.53%	935	65	14.3	80%	96.99%	3.01%
	46.70–51.41	5.65%	943	57	16.5	75%	97.23%	2.77%
	51.42–55.02	4.64%	954	46	20.6	70%	97.43%	2.57%
	55.03–58.04	4.32%	957	43	22.1	65%	97.59%	2.41%
	58.05–60.48	3.82%	962	38	25.2	60%	97.75%	2.25%
Medium risk	60.49–62.66	3.46%	965	35	27.9	55%	97.90%	2.10%
	62.67–64.70	2.96%	970	30	32.8	50%	98.03%	1.97%
	64.71–66.73	2.67%	973	27	36.5	45%	98.14%	1.86%
	66.74–68.75	2.47%	975	25	39.5	40%	98.24%	1.76%
Low to mid risk	68.76–70.81	2.30%	977	23	42.5	35%	98.35%	1.65%
	70.82–72.88	2.11%	979	21	46.4	30%	98.45%	1.55%
	72.89–74.98	1.79%	982	18	54.9	25%	98.57%	1.43%
	74.99–77.16	1.66%	983	17	59.2	20%	98.66%	1.35%
Low risk	77.17–79.66	1.51%	985	15	65.2	15%	98.76%	1.24%
	79.67–82.92	1.29%	987	13	76.5	10%	98.90%	1.11%
	82.93–100.00	0.92%	991	9	107.7	5%	99.08%	0.92%

Scores in the Small Business Intelliscore model range from 0 to 100, where low scores represent higher risk and high scores represent lower risk.



Looking at the chart, assume that each score interval represents 5 percent of the sample population. For example, if the account population is 20,000, then each interval contains 1,000 accounts. Refer to score interval 46.70 to 51.41. The chart shows a bad percentage of 5.65 percent. This means that of the 1,000 accounts scoring in the interval, 57 are predicted to become 90 days delinquent within one year. Similarly, 943 are predicted to remain in a “good” status.

The table also can be interpreted in terms of odds. To calculate odds, divide the number of good accounts in a particular score interval by the number of bad accounts in the interval. In our example (interval 46.70 to 51.41), 943 goods divided by 57 bads results in good-to-bad odds of 16.5. This means that for every 16.5 good accounts you accept in this score range, you will also accept one bad account.

The next three columns show that with the cut-off set at 51.41, you would be accepting 75 percent of all applicants. As a result, you can expect that 2.77 percent of those accepted will become bad accounts, while 97.23 percent will be good accounts.

Small Business Intelliscore from Experian was the first risk model to combine both the business and proprietor information to arrive at a single risk score.

Small Business Intelliscore from Experian predicts the likelihood of a business becoming seriously delinquent — that is, a preponderance of the tradelines will become 90 days past due.

Experian identified the most significant factors in determining small-business credit risk. The tables below list factors that have an adverse effect on the risk and those that have a positive influence.

### Business score factors

Negative:

- High risk associated with industry
- Late payment behavior days beyond term
- Presence of derogatory legal balance
- Limited positive payment experience
- Presence of slow-paying trades
- Presence of collection accounts
- High risk indicated by historical payment trend
- Higher than average balance-to-limit ratio
- Highest days beyond terms in the prior 18 months

Positive:

- Low risk based on long commercial credit history
- Low risk based on higher than average number of trades
- Low risk based on zero days beyond terms
- Higher than average recent high credit
- Improving payment performance trend
- Presence of positive trades
- Low current days beyond terms
- Low risk associated with industry

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### Consumer score factors

Negative:

- High risk associated with owner as indicated by Consumer Risk Model
- High risk based on credit performance of business owner
- High risk based on owner's delinquent bank accounts
- High risk based on high open balance on owner's real-estate accounts
- High risk based on owner's delinquent bankcard trades

Positive:

- Low risk based on total number of active consumer accounts
- Low risk based on owner's number of revolving accounts
- Low risk based on owner's available credit on revolving accounts
- Number of owner's bank accounts
- Long credit history of owner

In today's business credit community, it is a common practice to review an individual's personal credit history when you are relying on that individual's creditworthiness to support your commercial credit decision. This practice is permissible and widely recognized as a sound method for determining the creditworthiness of small businesses.

## Using consumer credit information for business purposes

According to the Federal Trade Commission, the federal Fair Credit Reporting Act applies when a consumer credit reporting agency, such as Experian®, furnishes information from its database on an individual business proprietor. The Fair Credit Reporting Act permits Experian to furnish such information to a person Experian has reason to believe: (1) intends to use the information in conjunction with a credit transaction involving the consumer on whom the information is to be furnished, and/or involving the extension of credit to, review of, or collection of an account of the consumer, or (2) otherwise has a permissible purpose under the Fair Credit Reporting Act.

Consistent with the Federal Trade Commission's position, you may obtain a Small Business Intelliscore report on the following:

- The owner of an unincorporated business
- General partners in a partnership
- Individuals who have guaranteed, in writing, the business obligation
- Individuals who have provided you with written authorization approving your review of their personal credit history

## Use limitations

Generally, you may not obtain a Small Business Intelliscore report unless you have a permissible purpose under the Fair Credit Reporting Act. Specifically, except as outlined previously, you may not obtain a Small Business Intelliscore report in the following circumstances:

- On an employee of a company you are researching
- On yourself, your co-workers, friends, family or acquaintances for personal, family or household purposes

You do not need to obtain the consent of the business proprietor before obtaining a Small Business Intelliscore report as long as you are ordering the report for a "permissible purpose." However, obtaining written authorization from the principal (and providing evidence of such to Experian) is itself a permissible purpose for ordering a Small Business Intelliscore report.

## Adverse action — notification of principal

As noted, it is the position of the Federal Trade Commission that information drawn from a consumer report file retains its character as a consumer report, even if furnished in connection with a commercial credit transaction. Therefore, credit grantors should provide notice to the applicant when the information contained in the Small Business Intelliscore was a factor in a commercial credit declination. The Fair Credit Reporting Act contains specific requirements, identified in Section 615, that must be communicated when adverse action results from your use of a Small Business Intelliscore report. Often credit grantors turn to their consumer loan departments for assistance. In addition, notice obligations may exist under the Equal Credit Opportunity Act and Regulation B. Credit grantors should consult their legal counsel with respect to all required notices.

## Inquiry identification

Small Business Intelliscore inquiries will appear on the individual's consumer credit report and will include your business name and address. Experian identifies its Small Business Intelliscore inquiries as business inquiries so that consumer credit grantors can separate a subject's business credit activity from the subject's consumer credit activity.

## Sample Small Business Intelliscore report from Experian

- 1 FR number**  
Is used to order a Business Profile and/or a Business Owner Profile report within three days at a reduced rate
- 2 Sample company**  
Is the business for which you have requested information
- 3 Jon Consumer**  
Is the proprietor(s) for whom you requested information are listed here along with their addresses
- 4 Credit information**  
Lists pertinent summary business data relating to the company's business credit performance
- 5 Credit information for Jon Consumer**  
Lists pertinent summary consumer data relating to the owner's personal credit performance
- 6 Score**  
Is a statistically based credit risk score that integrates business and owner information; the score ranges from 0 to 100, where lower scores indicate high risk and higher scores indicate low risk
- 7 Action**  
Shows the decision alternative you set based on a given set of score ranges and your credit policy/process (e.g., accept, decline or more information needed)
- 8 Percentile**  
Shows the percentage of small businesses that would have scores below that of the business on the report
- 9 Score factors**  
Indicate which variables contribute most significantly to the score

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**2 Sample Company**  
223 S Main St  
Hollywood CA 92222  
Phone: 213.222.9999  
Experian File No: C12345678  
Experian File Established: Jan 1989

**3 Jon Consumer**  
10655 Birch Street  
Burbank CA 91502

### Small Business Intelliscore

The objective of Experian's Intelliscore model is to predict seriously derogatory payment behavior for small businesses. Scores range from 0 to 100 where 0 represents a high risk and 100 represents a low risk.

<b>4 Credit Information For Sample Company</b>	<b>VALUE</b>
Days Beyond Terms (DBT)	0
Worst Ever DBT	30
Trade Account Balance From Trade Lines (All)	\$ 329,700
Recent High Credit	\$ 397,000
Median Credit	\$ 5,000
Number Of Good Trade Lines	15
Number Of Late Paying Trade Lines	1
Number Of Bankruptcies	0
Number Of Judgments, Liens And Collection Accounts	3
Number Of Original UCC Filings	27
Legal Balance	\$ 7,259

<b>5 Credit Information For Jon Consumer</b>	<b>VALUE</b>
Trade Account Balance From 5 Trade Lines	\$ 30,680
Total Monthly Obligation	\$ 1,431
Number Of Open Revolving Trades	2
Open Revolving Trade Balance	\$ 50
Revolving Credit Available	96.00%
Number Of Installment Loans	5
Installment Loan Balance	\$ 30,630
Number Of Bankcard Trades	0
Total Number Of Bank Trades	2
Worst Status On Bank Trade	30 3 TIMES
Worst Ever Status On Any Trade	COLL ACCT
Number Of Trades Over 30 Days Or More Past Due	3
Date Opened For Oldest Trade Line	30 YRS 6 MOS
Legal And Collection Balance	\$ 22,400
Number Of Bankruptcies	1

**6 Score :** 48.81      **7 Action:** Approve up to \$1500 w/ 25% dep (as specified by customer)

\*\* Derogatory Public Record on File \*\*

**8** 27% Of Businesses Score Lower (Indicating Higher Risk) Than This Business.

**9 The Key Determining Score Factors Are:**

High consumer risk indicated by consumer risk model  
Risk associated with the company's industry is higher than avg  
Late payment behavior indicated by current/historical DBT

Terms: \_\_\_\_\_ Credit Limit: \_\_\_\_\_

Comments: \_\_\_\_\_ Signature: \_\_\_\_\_

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\*\*\*End Report\*\*\*

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