Training Report
Credit Bureau Reports and Scoring: Foundations for best practice underwriting

1.   Introduction

This brief constitutes a report on the above training conducted on 12th May 2016 by Credit Information Sharing Association of Kenya (CIS Kenya) for its members. This initiative was intended to expose credit officers to credit scoring development and interpretation. CIS Kenya intends to make training a core activity and therefore this one day training served as a pilot to inform future training undertakings. We had 42 participants, including 18 from commercial banks (a mix of large, medium and small), credit bureaus (3), Development Financial Institutions (6), Microfinance institutions (7), Saccos (3), State lender (1), development partner (1), CIS Kenya (8).

2.   Content

2.1   Session 1: Opening Ceremony

Jared Getenga, CEO, CIS Kenya welcomed the participants and engaged them on their expectations. Some of the expectations that emerged included;

- How credit scoring can be used in Risk-based pricing
- Demystifying of credit scoring
- Building capacity within financial institutions to develop internal scores
- Data sets used in credit scoring
- Sharing of experiences by institutions that use bureau scores.

Mr. Joshua Kimoro, Assistant Director and Head of Management Development Centre (MDC) Division, KSMS in his address saw the need for developing a Credit Information Sharing curriculum to train Bureau products users on emerging issues around this subject. He noted that there was still an awareness gap in the market especially for

credit officers in the use of the credit reports and scores to make sound decisions in granting credit. He expressed KSMS willingness to partner with CIS Kenya and any other stakeholder to make this curriculum development to institutions in reaching credit decisions using credit bureau products. He asked financial institutions to ensure that the information they submit to the bureaus is accurate and up to date to avoid disputes. He also challenged financial institution to pass the benefit of credit information to consumers. He was emphatic that stakeholders in the CIS mechanism needed to clearly define the period it will take for the data in credit bureau to be predictive enough for purposes of credit scoring so that banks can be held accountable for introduction of risk-based pricing.

Mr. James Kashangaki, FSD Kenya's Head of Inclusive Growth gave a brief history on development of CIS in Kenya. He attributed the success of the mechanism to Central Bank of Kenya, Kenya Bankers Association, The National Treasury and all the stakeholders in the financial sector. He encouraged users of credit information to use it for the benefit of the credit market and not as tool to deny or grant credit. CIS should eventually benefit consumers of credit in the form of preferential rates.

2.2   Session 2: Credit Scoring

This session was led by Jamal Rahal who is a Digital Finance Specialist with international experience. In his presentation, he focussed on the following topics;

    I.   New trends in the credit market
   II.   Credit fundamentals
  III.   Scoring
  IV.   Bureau services and scores

The two emerging trends in the credit market currently are Full-Digital Finance e.g. Mshwari and Social Media based lending.

The discussion around Fundamentals of Credit looked at key drivers such as;

- Through-The-Door Applicant Population profiles
- Collection processes which requires strong collection units

- Scoring algorithms accompanied by efficient credit management infrastructure that encompasses;
  - Origination
  - Scoring decisioning
  - Customer Management
  - Collections

The presentation on scoring showcased scorecard development process and benefits of as follows;

- Reduction in loses in implementing the scorecards of various processes
- Increases productivity by allowing staff to concentrate on difficult decisions other than assessing at the loan appraisal
- Uniformity of decisions across all branch networks
- Automation of processes

2.3 Session 3: Credit Bureaus Presentation

CIS Kenya invited 2 credit bureaus namely TransUnion and CreditInfo to showcase how credit scores are built, different forms of scorecards and how they can use the scorecards for Mobile-based lending.

3. Feedback from the participants

3.1. Feedback based on various criteria

Participants completed a feedback form to rate the training and the trainer. We noted positive feedback from most participants. The most outstanding aspect was the relevance of the content to their job, which means that the targeted audience attended the training.

Question	Strongly Disagree (%)	Disagree (%)	Neither agree nor disagree (%)	Agree (%)	Strongly agree (%)
I was well informed about the objectives of this workshop	0	6.9	17.2	37.9	37.9
The workshop lived up to my expectations	0	6.9	13.8	65.5	13.8
The content is relevant in my job	0	0	3.4	34.5	62.1
The workshop activities stimulated my learning	0	3.4	13.8	51.7	31
The activities gave sufficient practice and feedback	0	3.4	24.1	58.6	13.8
The difficulty level was appropriate	0	6.9	27.6	48.3	3.4
The pace was appropriate	0	0	31	37.9	27.6
The instructor was well prepared	0	0	6.9	51.7	41.4
The instructor was helpful	0	0	0	58.6	41.4
I accomplished the objectives of the workshop	0	0	10.3	72.4	17.2
I will be able to use what I learned in this workshop	0	3.4	10.3	44.8	41.4

3.2. Improvements needed

There were a number of areas that needed improvement to make this kind of workshop in future successful and these are;

1. Increase the content covered in the workshop
2. Allocate more time for the workshop
3. Make the workshop more stimulating

4. Update the content covered in the workshop

5. Improve the instructional methods

3.3. Recommendation for future courses

1. Information Security/Risk

2. Digital Finance and legal framework - Financial Inclusion: products for non-served population

3. NPA management / Analysis of a Balance Sheet of a company

4. Lending Trends

5. Mobile money lending

6. Business score card models

7. Expand more on credit scoring i.e. Parameters

8. SME Lending & Recovery process

9. How to develop the scorecards

4.   Conclusions

The training was officially closed by Duncan Oyaro, FSD Kenya's Growthcap Associate. The workshop was generally a success and participants had an appreciation of it and asked CIS Kenya to organise many more that are relevant trainings to credit risk management. We propose to;

- Develop a full curriculum to be used for training on credit risk matters associated with CIS and take note to distinguish this curriculum from that offered by credit bureaus.

- Identify a pool of trainers depending on areas of expertise

- Align the trainings to actual needs of the market

- Charge a fee for the trainings in order to guarantee sustainability