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Bankology Digibank - Performance Scoring Service (SBSS) Model Review



Client Name:	Bankology Digital Bank
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Introduction and Scope

First Financial Bank (the “Client”) has retained the services of Velligan-Blaxall Consultants, LLC (“VBC”), an independent entity with expertise in reviewing financial models, to review the Client’s use of the Baker Hill (owned by Experian) B2B Small Business Scoring Service (SBSS) model from the Fair Isaac Corporation (herein referred to as “the Model”) for borrowers with a maximum credit exposure with the bank of \$1 Million in order to ensure its reasonableness and that it meets current Regulatory expectations and industry best practice standards.

We conducted our review within the framework set forth in Regulatory guidance, which includes the “Supervisory Guidance on Model Risk Management” (SR 11-7/OCC 2011-12) as it pertains to model validation. From a Regulatory perspective, a major goal of validation is to help financial institutions mitigate potential risks arising from reliance on computer-based financial models that are improperly implemented, utilized or inadequately tested. Our review focused on the following three core elements described in the aforementioned Regulatory guidance as necessary in an effective validation framework:

1. Evaluation of conceptual soundness, including developmental evidence
2. Ongoing monitoring, including process verification and benchmarking
3. Outcomes analysis

In order to cover these three core elements we reviewed the following components of the model:

- Model Overview and Development
- Model Results and Testing
- Governance, Policies and Controls

