



Interoffice Memorandum

To: Ron Mittendorf
Pat Coll
Jim Tylenda

From: Diane Arthur

Date: May 10, 1999

Subject: Franchise Overview

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As a follow-up to discussions relative to the Franchise Take-One initiative, we agreed to closely monitor credit quality. We have provided an initial read on early responders and have implemented modifications to score cut-offs.

We are planning to communicate the specific details at the next Policy Committee meeting. Attached are current results, detailed procedures and next steps.

DA/lh

Encl.

CC: Chaomei Chen
Marcia Palmer
Scott Apostolico
Maite Bertolini (Please add to agenda.)

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P-0202

GOVERNMENT
DEPOSITION
EXHIBIT
422

DA0050

F 10,311



To: CDRM Team

From: Marcia Palmer
Scott Apostolico
Gordon Cavanaugh

Date: May 5, 1999

Subject: Franchise Overview

The following is an overview of the Franchise Take-one initiative.

Overview:

The processing of Franchise Take-one products changed from utilizing the Fleet B Custom Score to a FICO score based decision process on 2/5/99. The Fleet B Custom Score was found to be less successful in identifying the "bads".

The initial strategy set the FICO score cut-off at 660. With all applications scoring zero or between 640 and 659 and having a Fleet DDA relationship routed to an analyst for review by specific Franchise policies (attachment 1). The credit quality of the applications processed during the initial ninety days was monitored closely. Analysis of the first two thousand applications received, indicated that the credit quality of the responders was less than our initial assumptions forecast (attachment 2). Based upon the analysis, the FICO score cut-off was modified to 670 and the analyst review range raised to 650 - 669. The changes were implemented on 5/3/99 after discussions with the Franchise Marketing Group.

Due to operational constraints of our in-house telemarketing department, we continue to process applications on two platforms (EDS/ACAPS). Two thirds of the volume to date have been processed on ACAPS.

Current Results:

- Application approval rate: 24.89 %.
- Highest approval rate by FICO band (8.3%) is within the 680 -689.
- Analysts have decisioned 52% of the responses. EDS/ACAPS 48%.

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Immediate Action:

- Implement tiered FICO score range Analyst procedures for the income requirement (attachment 3).

Strategy:

Given the Score Cut changes may impact approval rates, we will concentrate efforts on other areas for incremental approval opportunities.

- Continue to analyze current analyst procedures for review of the 650-669 scoreband. Expanding on the tiered approach.
- Review other policy declines i.e. debt burden.
- Continue analysis to support forecast.

Conversion of the in-house telemarketing group to EDS is targeted for 6/15/99. ACAPS processing of all credit card applications are targeted to cease by no later than 8/15/99.

Next Steps:

- Explore the option of obtaining/building a scorecard that is specific to the Franchise business.

Approved Drane EAH

Approved [Signature]

ATTACHMENTS:

- 1 Analyst Procedures for Policy Declines
- 2 Booked Distribution vs. Forecast
- 3 Analyst Procedures for Expanded Score Range
- 4 Analyst Procedures for Branch Waiver Process
- 5 Analyst Procedures for Relationship Account Failing Underwriting
- 6 Approval Rates by Score Band
- 7 Initial Review of Applications Declined for Debt Burden

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Analyst Review - Bank Policy Declines

Attachment 1

Background: All applications that pass the FICO cutoff but have a policy decline reason (i.e. major derogatory) will pend to an analyst queue in ACAPS.

The specific analyst review procedure will depend on the type of relationship the applicant currently has with Fleet:

No Fleet Relationship - Applications without a Fleet relationship should be declined. These applications will only be reconsidered if the applicant responds in writing.

Mortgage Applications - All mortgage applications should be manually assigned at least the \$500 minimum credit line.

Jumbo Mortgage Applications - All jumbo mortgage applications should be manually assigned at least the \$5,000 minimum credit line.

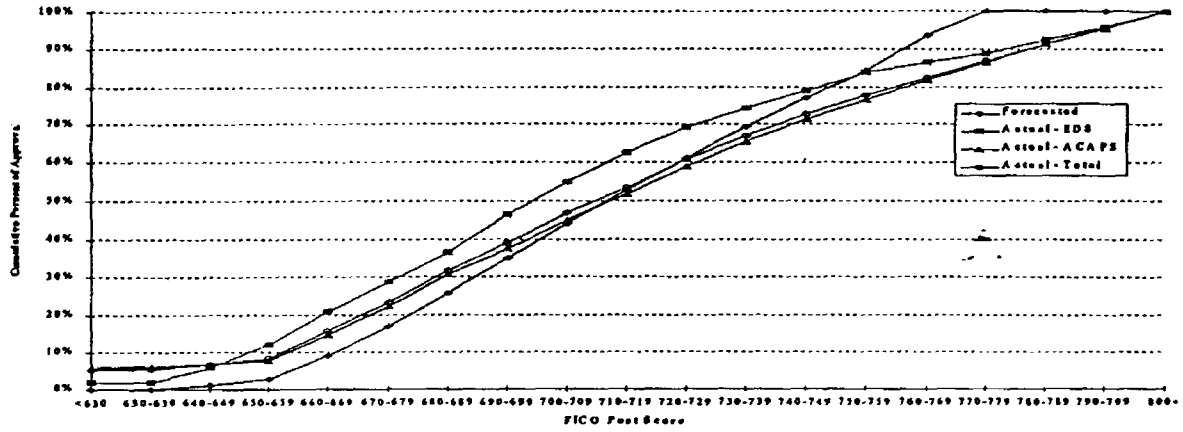
PCG Applications - Review for possibility of a waiver according to the reconsideration procedures listed below. If the decline reason can not be waived, the analyst must contact the PCG Representative before declining the application. See analyst procedures for handling PCG applications.

All Other Fleet Relationships - Applications with an existing Fleet relationship (other than a Mortgage or Jumbo Mortgage) should be reviewed for a waiver according to the following revised reconsideration procedures.

<i>Decline Reason</i>	<i>Reconsideration Criteria</i>
Bankruptcy	Must be 7+ years old.
Foreclosure	A new mortgage must be established after the foreclosure date.
Judgment/Lien	<ul style="list-style-type: none"> • If under \$500, reconsider. • If over \$500, must be satisfied/released and 2+ years old.
Repossession	<ul style="list-style-type: none"> • Any balance must be paid in full. • A new auto loan must be established after the repossession date.
Charge-Off	<ul style="list-style-type: none"> • If under \$100, reconsider regardless of date. • If under \$500, must be greater than 12+ months. • Otherwise, must be 2+ years old and paid.
Collection	<ul style="list-style-type: none"> • If under \$100, reconsider. • If under \$500, must be greater than 12+ months. • Otherwise, must be 2+ years old and paid.
30/60 Day	Pull additional credit report to see if rating satisfied.
90 Day	Delinquency must be 12+ months from current date.
120+ Days	Delinquency must be 18+ months from current date.
Thin File/No Score	Minimum of 2 bureaus must be returned; No derogatory information may be present; Accounts may be approved for up to \$1,500 if there is an existing Fleet Relationships > \$10,000(See Matrix Below);
DTI Ratio	Ratios up to 100% can be reconsidered if there is an existing Fleet relationship > \$10,000.

Credit lines should be manually assigned according to the established matrix (utilizes the applicant's income and FICO score).

Cumulative Distribution of Approvals by FICO Post Score
January 1999 Fleet Franchise Cross Sell Distribution
Comparing Forecasted to Actual Results by Source



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Analyst Review - FICO below cutoff-Expanded Policy

Background: Branch applications with a FICO between 650 and 659 will pend to an analyst for decisioning.

Note: In addition to branch applications, all PCG applications with a FICO score below 670 will pend to an analyst. If the application has a FICO > 650, the procedures listed below should be followed. Prior to declining a PCG application, regardless of the FICO score, the PCG Representative must be contacted. See analyst procedures for handling PCG applications.

The overall credit history should be reviewed to determine if application could be approved. Applications should be declined if any of the following conditions exist:

- High FRUT Balance (i.e. > \$20,000) *
- High FRUT Ratio (i.e. > 50%) *
- Credit report is thin (< 3 trades) or young (<24 months on file) *
- Application income < \$35,000.

* = Variables are significant components of the custom risk score which is used on the Fleet A side when considering applications with a FICO score between 650 and 669.

Credit lines should be manually assigned by the analysts with maximums not to exceed the following:

<u>Income</u>	<u>Maximum Credit Line</u>
\$35,000 - \$50,000	\$2,500
> \$50,000	\$4,000

Expanded Policy
FICO Scores 660-669

The overall credit history should be reviewed to determine if application could be approved. Applications should be declined if any of the following conditions exist:

- High FRUT Balance (i.e. > \$20,000) *
- High FRUT Ratio (i.e. > 50%) *
- Credit report is thin (< 3 trades) or young (<24 months on file) *
- **Application income < \$25,000.**

Credit lines should be manually assigned by the analysts with maximums not to exceed the following:

<u>Income</u>	<u>Maximum Credit Line</u>
\$25,000 - \$35,000	\$1,500
\$35,000 - \$50,000	\$2,500
> \$50,000	\$4,000

Bold denotes modifications

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Branch Waiver Requests

Background: Branch associates may request that decline reasons be overridden for certain declined applications.

Branch waiver requests require an additional review by the analysts. Waivers should be made on an exception basis only. At a minimum, the following minimum criteria must be met for the decision to be overridden:

- Any major derogatory > 12 months.
- Current Fleet relationship > \$10,000.
- FICO > 640

Credit lines should be manually assigned by the analysts with maximums not to exceed the following:

<u>Income</u>	<u>Maximum Credit Line</u>
\$0 - \$25,000	\$1,000
\$25,000 - \$35,000	\$1,500
\$35,000 - \$50,000	\$2,000
> \$50,000	\$2,500

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The following criteria is currently being utilized by the Credit Analysts for processing Relationship Applications that fail our underwriting guidelines:

Current Criteria:

- Any major derogatory > 12 months
- Current Fleet relationship > \$10,000
- FICO score >650 or zero

Current Line Assignment:

<u>Income</u>	<u>Maximum credit line</u>
• \$0 - \$25,000	\$1,000
• \$25,000 - \$35,000	\$1,500
• \$35,000 - \$50,000	\$2,000
• > \$50,000	\$2,500

The current policy for relationship applicants with no credit history or thin files lacks the factor of applicant stability. Our current applications do not capture time at address or time at employment; therefore, the analysts have very little information to base a sound judgmental decision. I am proposing a more defined approach to underwriting these relationship applications. This approach would be based upon the strength on the Fleet relationship (dollar amount and longevity) compared to the current criteria of dollar amount only. I am also suggesting applicants with a Fleet relationship history of less than one year to have employment or source of income verified prior to approval.

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**Branch Cross Sell Campaign
 APR 97
 Combined BCS/AC/PS
 Results**

Approvals	3470	24.89%
Declines	9571	68.64%
Pends	902	6.47%
Total	13943	100.00%

Approval Rates Within FIGO		
By FIGO		
FIGO	Number of Approvals	Approval Rate
<630	181	2.43%
630-639	9	1.78%
640-649	56	11.09%
650-659	79	14.91%
660-669	265	54.19%
670-679	286	54.27%
680-689	288	59.88%
690-699	265	58.50%
700-709	278	66.83%
710-719	231	62.26%
720-729	240	67.80%
730-739	207	69.93%
740-749	193	70.44%
750-759	163	67.08%
760-769	162	67.22%
770-779	141	68.78%
780-789	147	74.24%
790-799	126	68.85%
800+	153	68.30%
Total	3470	

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Results are based upon data as of
 4/22/99

Initial Review of ACAPS Applications Declined for Debt Burden

Attachment 7

A total of 141 applications declined for debt burden were manually reviewed. Findings were:

- 80 (58%) had debt burdens =>100%
- 80 (57%) had no Fleet relationship
- 61 (43%) had a Fleet relationship
- 24(17%) were retired and Telesales may not have obtained income from all sources
- 10 (7%) appeared to be possible income input errors.

ACAPS-DECLINED DUE TO EXISTING FLEET ACCOUNT SAMPLE

Results of FDR manual review for 218 existing accounts.

FICO Score	Number Sampled	W/Balance	No Balance	Open >=12 mo
0	6	4	2	0
640-649	1	1	0	1
650-659	0	0	0	0
660-669	7	6	1	6
670-679	14	11	3	9
680-689	12	11	1	10
690-699	18	11	7	12
700-709	11	8	3	8
710-719	23	16	7	19
720-729	12	5	7	7
730-739	15	10	5	14
740-749	10	6	4	9
750-759	15	9	6	14
760-769	13	8	5	13
770-779	14	9	5	12
780-789	14	8	6	13
790-799	13	7	6	11
800+	20	10	10	18
Total	218	140	78	176

64% with Balance
80% open 12 months or greater
Only 2 \$500 lines in the sample population

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