

# SubscriberWise®

*Risk Management Solutions for the Communications Industry*

## **SubscriberWise Quantifies Credit Bureau Data from Member Operators**

**San Francisco, July 24, 2011** - SubscriberWise®, the nation's first issuing credit reporting agency for the cable industry, announced today it has completed one of the largest and most comprehensive reviews of nationwide credit bureau data from dozens of its member operators who own and operate cable systems throughout the United States.

"SubscriberWise is in a unique position to generate accurate and detailed observations of credit bureau data given the large volume of information we analyze on communications consumers across the country everyday," said David Howe, president of SubscriberWise. "Although our data is collected exclusively from the nation's leading independent cable and communications service providers, it's nevertheless important to understand the credit profiles and risk factors of these individuals given the diverse population of U.S. residents that consume the video, voice, and data offerings provided by our member operators."

The data was analyzed using statistical calculations of national credit bureau data with FICO® scoring and analytics and includes metrics from non scorable consumers. The data included more than 250,000 credit submissions spanning a multi-year period.

"The data paints a very interesting picture of the consumers who are asking us to provide service, install equipment and grant credit," explained Bob Gessner, president of Massillon Cable TV and SubscriberWise member. "It reveals both the good and the bad and it's interesting to note that the data is very consistent among member operators across the country and in a wide variety of markets they serve."

"This SubscriberWise analysis reveals that the consumers who apply for service from its member operators are collectively a higher credit risk than is the population as a whole," said Craig Watts, public affairs director for FICO. "For instance, a large random sample from one of the big credit reporting agencies shows that about 31 percent of consumers with credit reports have one or more collection agency account in their file, compared to 50 percent of such consumers in SubscriberWise's sample. Cable TV system operators may want to pay close attention to consumer credit risk as they manage for growth."

"The data demonstrate that operators indeed decision applicants with higher credit risk," said David Hoffer, Massillon Cable's chief operating officer and VP of SubscriberWise. "However, to understand this analysis, one must consider that operators process a significant number of service requests from younger less affluent individuals that often lack residential stability, property ownership, and stable employment...and generally have higher credit risk," explained Hoffer. "It's also important to consider that operators have only started to leverage credit bureau data in their efforts to limit otherwise substantial capital losses from unreturned equipment and programming write offs by predicting which subscribers will become a liability. If these same operators were to also decision the populations of their subscriber base that own homes...have been entrenched in the communities they serve...and have been paying their service accounts reliably year after year...the data would then align more closely with national averages."

"Among one of the more interesting results from the study, the data was analyzed to compare FICO scores with multiple service requests for the same service address," commented David

Howe. "The technology to associate multiple service requests by address is one of the key features designed into the SubscriberWise decision management architecture. It's a due diligence function that dramatically helps operators reduce churn by linking consumer information with reports that also contain multiple or duplicate service requests for the same address," explained Howe. "The system provides managers instant access to critical information including a consumer's previous addresses, red flags, birth information, and telephone contact numbers, among others. Information can then be compared by managers to identify possible family or household relationships with other individuals living in the unit who are also consuming service and, collectively, responsible for the account. Operators also rely on the same data to cross reference individuals that may have other unpaid accounts from different addresses in the service area."

"In one comparison spanning a 4 year period, the data revealed that when FICO scores range from 300-499 (highest risk), 40 percent of submissions were associated with a multiple service request on the unit address," continued Howe. "However, when FICO scores range from 750-850 (lowest risk), only 13 percent of submissions were associated with a multiple service request. Moreover, when we measured the percentage of consumers that decisioned into the respective score ranges, the data was even more compelling. At Massillon Cable, for example, an average 15 percent of consumers decisioned into the highest risk scores of 300-499, compared with 24 percent who decisioned into the lowest risk scores of 750-850. In other words, despite approximately 75 percent fewer consumers decisioning into the highest risk range, the data nevertheless revealed a marked 200 percent increase in the overall number of submissions with two or more service requests for the same address when risk was highest."

"The conclusion from this analysis is that consumers with good FICO scores, not only do they consistently pay as agreed, but they also demonstrate stronger stability in the service area," concluded Massillon Cable's David Hoffer. "On the other hand, the consumers with poor FICO scores, the data unfortunately correlate to increased churn with significantly higher rates of non payment and unreturned equipment. And, not surprisingly, a multi-year audit of subscriber performance metrics here at Massillon Cable supports this conclusion unequivocally."

Among SubscriberWise's data population:

- 5 percent of submissions resulted in a no hit/no subject found
- 18 percent of submissions were non scorable, despite the applicant having a credit file at the national repository
- non scorable consumers averaged 6 collections; 50 percent higher than consumers that had a scorable file
- 10 percent of non scorable consumers had a credit file < 1 year old with no collections or past due accounts; this group represented 2 percent of applicants
- 15 percent of non scorable consumers had a credit file > 1 year with no collections or past due accounts; this group represented 2 percent of applicants
- 75 percent of non scorable consumers had at least 1 past due account and or 1 collection indicated at the time of decisioning
- 1/3 of all member reports had at least 1 past due account at the time of decisioning
- 1/2 of all member reports had at least 1 collection at the time of decisioning
- the average number of collections across all credit reports in the study was 4
- among consumers with any collections indicated, the average number was 7
- where FICO scores ranged between 300 - 499, the average number of collections was 9
- 99.80 percent of consumers with a FICO score of 300 - 499 had at least 1 past due account and or one collection at the time of decisioning
- among consumers with a FICO score of 300 - 499, the average score was 478; the average year of birth was 1973 for individuals in this same score range
- where FICO scores ranged between 750 - 850, approximately 1 percent of member reports had a single collection indicated
- where FICO scores range between 750 - 850, < 3/10 of 1 percent had a past due account indicated
- average age of all consumers at the time of decisioning: 42

**About SubscriberWise ([www.subscriberwise.com](http://www.subscriberwise.com))**

SubscriberWise employs enhanced Subscriber Level Segmentation technology to precisely identify credit challenged subscribers to ultra-high achievers to maximize sales and boost profits. By incorporating years of communications performance data and proprietary decisioning models, including FICO's latest analytic technology (FICO® 8 Score), SubscriberWise delivers unprecedented predictive power with a fully compliant, score driven decision management system. Combined with Red Flag compliance and operator-controlled rules, SubscriberWise analytics empower CSRs to instantly and accurately respond to payment and credit characteristics with appropriate options for every subscriber.

**Contacts**

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