



## Expanding Your Credit Card Portfolio

Many financial institutions want to market their credit cards to more of their customers, but they are concerned with whom to extend credit to and what kind of financial return they can expect. With customers having a wide variety of credit risk, it's important to know how to segment the customers into distinct risk groups and identify the potential financial return.

Customers are typically grouped into three levels of risk: subprime, near prime and prime. These groups are defined by a breakout of their credit bureau risk score, which defines the likelihood or odds of the account being "good" versus "bad." One scoring method used to segment these groups is called a vantage score. This score is calculated by using the same attributes at all the major credit bureaus. A subprime customer will have scores in the 501 to 639 range, near prime typically falls into the 640 to 699 band, and prime at 700 to 899. By being able to identify these customer segments and by managing the risk within each group, you can not only approve more of your institution's customers, but also grow your credit card revenue (see table).

CAPITAL Card Services has experience in originating and managing all of these risk profile groups. We can help you acquire credit card accounts through direct mail solicitation and Internet marketing. Contact us today so we can help you grow your portfolio.

	Subprime	Near Prime	Prime
Annual Fee	\$50	\$30	\$0
Annual Percentage Rate	21%	18%	11.00%
Average Credit Line	\$250	\$1,500	\$5,000
Acquisition Expense	\$40	\$78	\$100
90 + delinquency rate	40.4%	23.7%	10.9%
Twelve Month Loss Rate	35%	15%	5%
Twelve Month Closure Rate	25%	16%	7%
Five Year ROA (after tax)	5% to 7%	-.50% to 2%	1% to 2%
Ten Year ROA (after tax)	N/A	3% to 6%	2% to 4%
Accounts Remaining (5 yr)	2% to 8%	40% to 60%	60% to 80%
Accounts Remaining (10 yr)	N/A	20% to 40%	50% to 70%
Five Year Yield	10% to 14%	5% to 6%	4% to 5%
Ten Year Yield	N/A	9% to 10%	5% to 6%